

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

*FOR THE YEAR ENDED
DECEMBER 31, 2009*

SONJA KEATON, DIRECTOR OF FINANCE



Mary Taylor, CPA
Auditor of State

City Council
City of Brookville
301 Sycamore Street
Brookville, Ohio 45309

We have reviewed the *Independent Auditor's Report* of the City of Brookville, Montgomery County, prepared by Julian & Grube, Inc., for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Brookville is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 9, 2010

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**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Members of Council and Mayor
City of Brookville
301 Sycamore Street
Brookville, Ohio 45309

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Brookville, Montgomery County, Ohio, as of and for the year ended December 31, 2009, which collectively comprise the City of Brookville's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Brookville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brookville, Montgomery County, Ohio, as of December 31, 2009, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the general fund and major special revenue fund: street construction, maintenance and repair fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2010 on our consideration of the City of Brookville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report and should be considered in assessing the results of our audit.

Members of Council and Mayor
City of Brookville
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The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
May 19, 2010

CITY OF BROOKVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009

The management's discussion and analysis of the City of Brookville's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- The total net assets of the City decreased \$515,338 from the 2008 net assets. Net assets of governmental activities decreased \$320,305 or 3.11% from the 2008 balance of \$10,290,194 and net assets of business-type activities decreased \$195,033 or 4.82% from 2008.
- General revenues accounted for \$2,504,253 of total governmental activities revenue. Program specific revenues accounted for \$1,962,086 or 43.93% of total governmental activities revenue.
- The City had \$4,786,644 in expenses related to governmental activities; \$1,962,086 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$2,824,558 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$2,504,253.
- The general fund had revenues and other financing sources of \$3,356,544 in 2009. This represents a decrease of \$243,311 from 2008. The expenditures and other financing uses of the general fund, which totaled \$3,562,977 in 2009, increased \$59,595 from 2008. The net decrease in fund balance for the general fund was \$206,433 or 16.80%.
- The street construction maintenance and repair fund had revenues and other financing sources of \$708,827 in 2009. The expenditures of the street construction maintenance and repair fund, totaled \$700,138 in 2009. The net increase in fund balance for the street construction maintenance and repair fund was \$8,689 or 4.83%.
- The bond retirement fund had revenues and other financing sources of \$1,283,474 in 2009. The expenditures of the bond retirement fund, totaled \$1,291,755 in 2009. The net decrease in fund balance for the bond retirement fund was \$8,281 or 86.78%.
- The capital improvement fund had revenues and other financing sources of \$725,723 in 2009. The expenditures of the capital improvement fund, totaled \$852,954 in 2009. The net decrease in fund balance for the capital improvement fund was \$127,231 or 34.77%.
- The fire capital improvement fund had revenues and other financing sources of \$216,808 in 2009. The expenditures of the fire capital improvement fund, totaled \$164,919 in 2009. The net increase in fund balance for the fire capital improvement fund was \$51,889 or 9.43%.
- Net assets for the business-type activities, which are made up of the water, sewer, and refuse enterprise funds, decreased in 2009 by \$195,033. This decrease in net assets was due primarily to decreasing charges for service and an increase in expenditures.
- In the general fund, the actual revenues and other financing sources came in \$189,393 lower than they were in the final budget and actual expenditures and other financing uses were \$727,373 less than the amount in the final budget.

CITY OF BROOKVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net assets and the statement of activities, the City is divided into two distinct kinds of activities:

Governmental activities - Most of the City's programs and services are reported here including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's water, sewer, and refuse operations are reported here.

The City's statement of net assets and statement of activities can be found on pages 17-19 of this report.

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

CITY OF BROOKVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 11.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, the street construction maintenance and repair fund, the bond retirement fund, the capital improvement fund and the fire capital improvement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 20-27 of this report.

Proprietary Funds

The City maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and refuse management functions. All of the City's enterprise funds are considered major funds. The basic proprietary fund financial statements can be found on pages 28-30 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has no fiduciary funds.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 31- 59 of this report.

CITY OF BROOKVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Government-Wide Financial Analysis

The statement of net assets provides the perspective of the City as a whole. The table below provides a summary of the City's net assets for 2009 compared to 2008.

	Net Assets					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<u>Assets</u>						
Current and other assets	\$ 3,064,256	\$ 3,512,565	\$ 981,531	\$ 978,659	\$ 4,045,787	\$ 4,491,224
Capital assets, net	<u>9,575,116</u>	<u>9,830,306</u>	<u>3,640,593</u>	<u>4,030,602</u>	<u>13,215,709</u>	<u>13,860,908</u>
Total assets	<u>12,639,372</u>	<u>13,342,871</u>	<u>4,622,124</u>	<u>5,009,261</u>	<u>17,261,496</u>	<u>18,352,132</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	2,390,398	2,778,512	592,524	754,327	2,982,922	3,532,839
Other liabilities	<u>279,085</u>	<u>274,165</u>	<u>174,581</u>	<u>204,882</u>	<u>453,666</u>	<u>479,047</u>
Total liabilities	<u>2,669,483</u>	<u>3,052,677</u>	<u>767,105</u>	<u>959,209</u>	<u>3,436,588</u>	<u>4,011,886</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	7,282,046	7,240,599	3,081,433	3,306,925	10,363,479	10,547,524
Restricted	1,181,195	1,289,896	-	-	1,181,195	1,289,896
Unrestricted	<u>1,506,648</u>	<u>1,759,699</u>	<u>773,586</u>	<u>743,127</u>	<u>2,280,234</u>	<u>2,502,826</u>
Total net assets	<u>\$ 9,969,889</u>	<u>\$ 10,290,194</u>	<u>\$ 3,855,019</u>	<u>\$ 4,050,052</u>	<u>\$ 13,824,908</u>	<u>\$ 14,340,246</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2009, the City's assets exceeded liabilities by \$13,824,908. At year-end, net assets were \$9,969,889 and \$3,855,019 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 75.76% and 78.76% of total assets for the governmental activities and business-type activities, respectively. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles, construction in progress and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2009, were \$7,282,046 and \$3,081,433 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$1,181,195 represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$1,506,648 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF BROOKVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

The following table shows the comparative analysis of changes in net assets for 2009 compared to 2008.

	Change in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues						
Program revenues:						
Charges for services	\$ 1,210,842	\$ 1,068,497	\$ 1,698,037	\$ 1,724,994	\$ 2,908,879	\$ 2,793,491
Operating grants and contributions	327,560	331,093	-	-	327,560	331,093
Capital grants and contributions	<u>423,684</u>	<u>195,092</u>	<u>-</u>	<u>-</u>	<u>423,684</u>	<u>195,092</u>
Total program revenues	<u>1,962,086</u>	<u>1,594,682</u>	<u>1,698,037</u>	<u>1,724,994</u>	<u>3,660,123</u>	<u>3,319,676</u>
General revenues:						
Property taxes	134,477	137,620	-	-	134,477	137,620
Income taxes	1,970,453	2,423,485	-	-	1,970,453	2,423,485
Unrestricted grants and entitlements	334,802	283,130	-	-	334,802	283,130
Investment earnings	39,337	88,210	-	-	39,337	88,210
Miscellaneous	10,126	27,865	-	-	10,126	27,865
Gain on sale of capital assets	<u>15,058</u>	<u>8,214</u>	<u>-</u>	<u>-</u>	<u>15,058</u>	<u>8,214</u>
Total general revenues	<u>2,504,253</u>	<u>2,968,524</u>	<u>-</u>	<u>-</u>	<u>2,504,253</u>	<u>2,968,524</u>
Total revenues	<u>4,466,339</u>	<u>4,563,206</u>	<u>1,698,037</u>	<u>1,724,994</u>	<u>6,164,376</u>	<u>6,288,200</u>
Expenses:						
General government	1,480,465	977,561	-	-	1,480,465	977,561
Security of persons and property	1,936,897	1,972,949	-	-	1,936,897	1,972,949
Public health and welfare	29,552	-	-	-	29,552	-
Transportation	961,245	882,285	-	-	961,245	882,285
Leisure time activity	198,011	171,244	-	-	198,011	171,244
Economic development	100,000	75,000	-	-	100,000	75,000
Interest and fiscal charges	80,474	154,820	-	-	80,474	154,820
Water	-	-	919,879	1,083,184	919,879	1,083,184
Sewer	-	-	657,995	694,199	657,995	694,199
Refuse	<u>-</u>	<u>-</u>	<u>315,196</u>	<u>363,007</u>	<u>315,196</u>	<u>363,007</u>
Total expenses	<u>4,786,644</u>	<u>4,233,859</u>	<u>1,893,070</u>	<u>2,140,390</u>	<u>6,679,714</u>	<u>6,374,249</u>
Change in net assets	(320,305)	329,347	(195,033)	(415,396)	(515,338)	(86,049)
Net assets at beginning of year	<u>10,290,194</u>	<u>9,960,847</u>	<u>4,050,052</u>	<u>4,465,448</u>	<u>14,340,246</u>	<u>14,426,295</u>
Net assets at end of year	<u>\$ 9,969,889</u>	<u>\$ 10,290,194</u>	<u>\$ 3,855,019</u>	<u>\$ 4,050,052</u>	<u>\$ 13,824,908</u>	<u>\$ 14,340,246</u>

CITY OF BROOKVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Governmental Activities

Governmental activities net assets decreased \$320,305 in 2009 compared to a \$329,347 increase in net assets in 2008. This is a result of decreasing revenues derived from income taxes, property taxes, investment earnings and operating grants and contributions and increasing expenses.

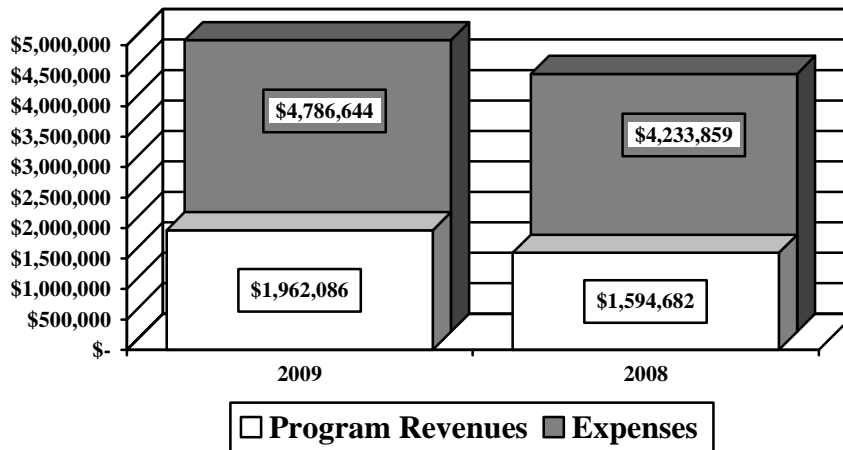
Security of persons and property which primarily supports the operations of the police and fire department accounted for \$1,936,897 or 40.46% of the total expenses of the City. Security of persons and property expenses were partially funded by \$846,030 in direct charges to users of the services. General government expenses totaled \$1,480,465. General government expenses were partially funded by \$89,231 in direct charges to users of the services.

The State and federal government contributed to the City a total of \$327,560 in operating grants and contributions and \$423,684 in capital grants and contributions. These revenues are restricted to a particular program or purpose.

General revenues totaled \$2,504,253 and amounted to 56.07% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$2,104,930. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$334,802.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2009 compared to 2008. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

Governmental Activities - Program Revenues vs. Total Expenses



CITY OF BROOKVILLE, OHIO

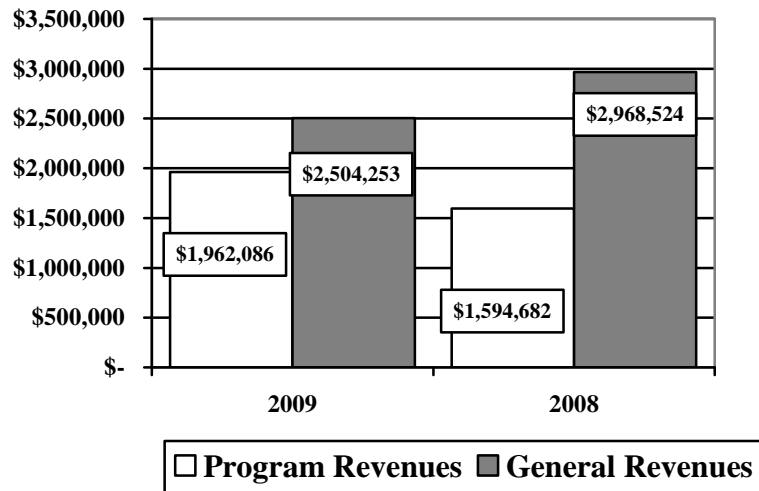
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Governmental Activities

	2009		2008	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 1,480,465	\$ 1,391,234	\$ 977,561	\$ 815,654
Security of persons and property	1,936,897	1,077,478	1,972,949	1,163,768
Public health and welfare	29,552	-	-	-
Transportation	961,245	32,085	882,285	302,747
Leisure time activity	198,011	143,287	171,244	127,188
Economic development	100,000	100,000	75,000	75,000
Interest and fiscal charges	80,474	80,474	154,820	154,820
Total	\$ 4,786,644	\$ 2,824,558	\$ 4,233,859	\$ 2,639,177

The dependence upon general revenues for governmental activities is apparent, with 59.01% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2009.

Governmental Activities – General and Program Revenues



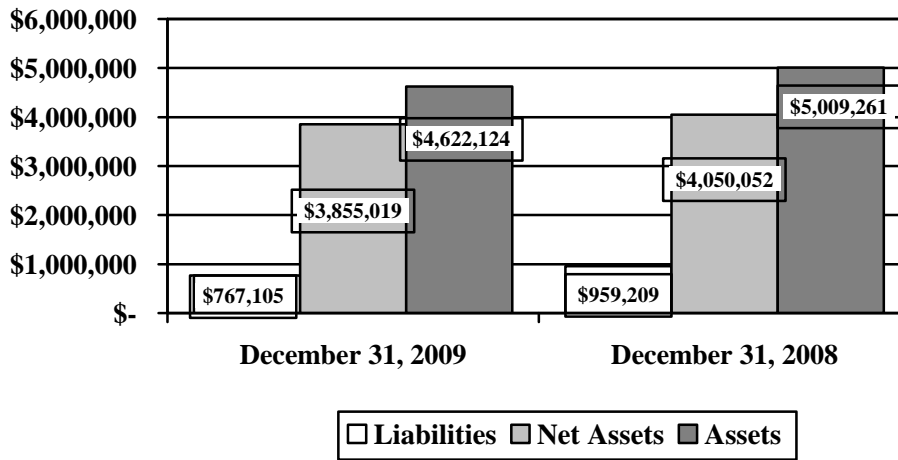
CITY OF BROOKVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009

Business-type Activities

Business-type activities include the water, sewer, and refuse enterprise funds. These programs had program revenues of \$1,698,037 and expenses of \$1,893,070 for 2009. The graph below shows the business-type activities assets, liabilities and net assets at year-end.

Net Assets in Business - Type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds (as presented on the balance sheet on pages 20-21) reported a combined fund balance of \$2,120,643 which is \$263,317 below last year's total of \$2,383,960. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2009 for all major and non-major governmental funds.

	Fund Balances 12/31/2009	Fund Balances 12/31/2008	Increase (Decrease)
Major funds:			
General	\$ 1,022,129	\$ 1,228,562	\$ (206,433)
Street construction maintenance and repair	188,713	180,024	8,689
Bond retirement	1,261	9,542	(8,281)
Capital improvement	238,662	365,893	(127,231)
Fire capital improvement	602,288	550,399	51,889
Other nonmajor governmental funds	67,590	49,540	18,050
Total	\$ 2,120,643	\$ 2,383,960	\$ (263,317)

CITY OF BROOKVILLE, OHIO

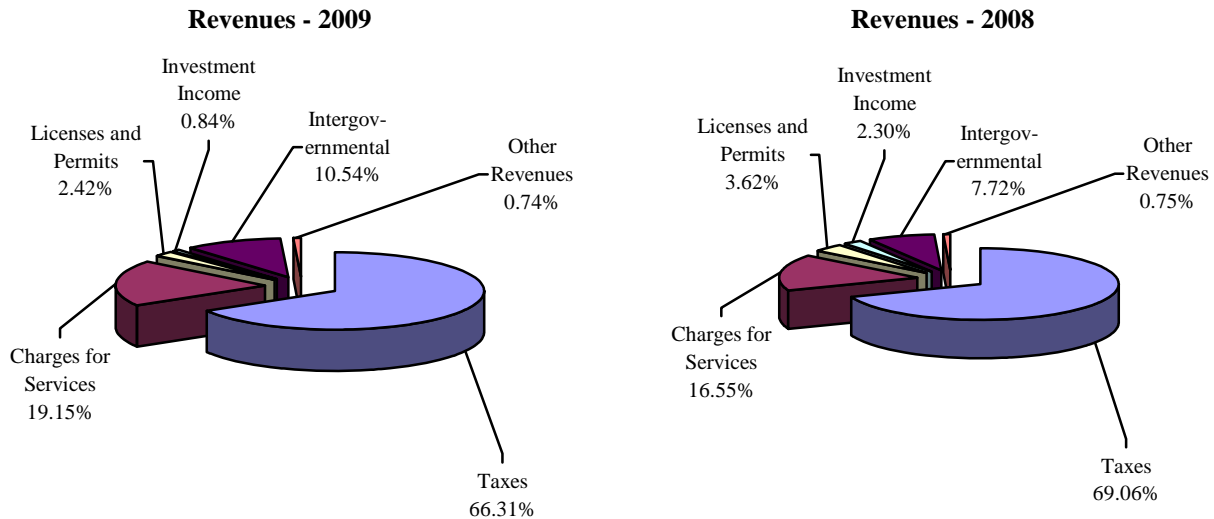
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

General Fund

The City's general fund balance decreased \$206,423. The table that follows assists in illustrating the revenues of the general fund.

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 2,222,296	\$ 2,465,857	(9.88) %
Charges for services	641,869	590,942	8.62 %
Licenses, permits and fees	80,984	129,192	(37.32) %
Investment income	28,229	82,294	(65.70) %
Intergovernmental	353,247	275,817	28.07 %
Other	<u>24,780</u>	<u>26,893</u>	(7.86) %
Total	<u>\$ 3,351,405</u>	<u>\$ 3,570,995</u>	(6.15) %

The City's largest revenue source in the general fund was tax revenue, which represents 66.31% of all general fund revenue. Tax revenues decreased 9.88% due to a decrease in income tax revenues. Revenues related to licenses, permits and fees decreased 37.32% due to a decrease in revenues related to building permits, electric and heating permits and fines and forfeits. Investment income decreased 65.70% due to a decrease in interest rates and amounts being invested. The 28.07% increase in intergovernmental income is due to an increase in inheritance tax during 2009.



CITY OF BROOKVILLE, OHIO

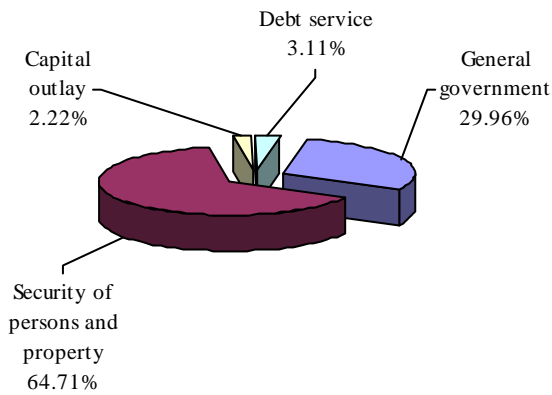
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

The table that follows assists in illustrating the expenditures of the general fund.

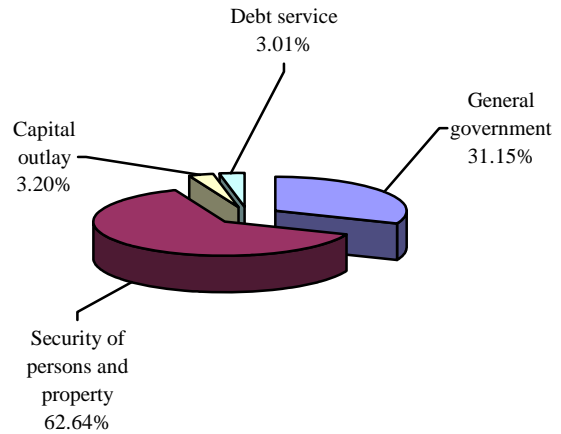
	<u>2009 Amount</u>	<u>2008 Amount</u>	<u>Percentage Change</u>
<u>Expenditures</u>			
General government	\$ 831,073	\$ 887,520	(6.36) %
Security of persons and property	1,794,938	1,784,862	0.56 %
Capital outlay	61,624	91,194	(32.43) %
Debt service	<u>86,241</u>	<u>85,806</u>	0.51 %
 Total	 <u>\$ 2,773,876</u>	 <u>\$ 2,849,382</u>	 (2.65) %

The City decreased total expenditures by 2.65% during 2009. Capital outlay decreased primarily due to the City entering into less debt in 2009 compared to 2008.

Expenditures - 2009



Expenditures - 2008



Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the general fund and for the street construction maintenance and repair fund. In the general fund, the actual revenues came in \$189,393 lower than they were in the final budget and actual expenditures and other financing uses were \$727,373 less than the amount in the final budget. Budgeted revenues and other financing sources were decreased \$216,703 from the original to the final budget. Budgeted expenditures and other financing uses were increased \$84 from the original to the final budget.

CITY OF BROOKVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Street Construction Maintenance and Repair Fund

The street construction maintenance and repair fund had revenues and other financing sources of \$708,827 in 2009. The expenditures of the street construction maintenance and repair fund, totaled \$700,138 in 2009. The net increase in fund balance for the street construction maintenance and repair fund was \$8,689 or 4.83%.

Bond Retirement Fund

The bond retirement fund had revenues and other financing sources of \$1,283,474 in 2009. The expenditures of the bond retirement fund, totaled \$1,291,755 in 2009. The net decrease in fund balance for the bond retirement fund was \$8,281 or 86.78%.

Capital Improvement Fund

The capital improvement fund had revenues and other financing sources of \$725,723 in 2009. The expenditures of the capital improvement fund, totaled \$852,954 in 2009. The net decrease in fund balance for the capital improvement fund was \$127,231 or 34.77%. The fund balance decreased because the City completed projects during the current year that were not funded with grant assistance; instead they were funded with the City's monies.

Fire Capital Improvement Fund

The fire capital improvement fund had revenues and other financing sources of \$216,808 in 2009. The expenditures of the fire capital improvement fund, totaled \$164,919 in 2009. The net increase in fund balance for the fire capital improvement fund was \$51,889 or 9.43%.

Proprietary Funds

The City's enterprise funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail.

CITY OF BROOKVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Capital Assets and Debt Administration

Capital Assets

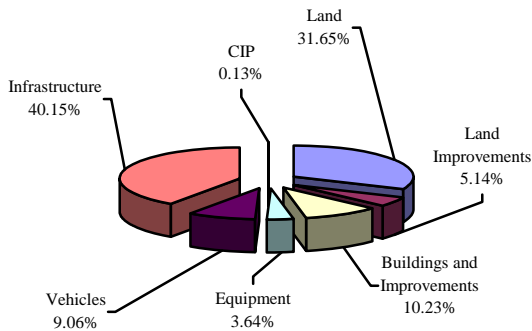
At the end of 2009, the City had \$13,215,709 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, equipment, vehicles, infrastructure and construction in progress. Of this total, \$9,575,116 was reported in governmental activities and \$3,640,593 was reported in business-type activities. See Note 10 for further description of capital assets. The following table shows 2009 balances compared to 2008.

**Capital Assets at December 31
(Net of Depreciation)**

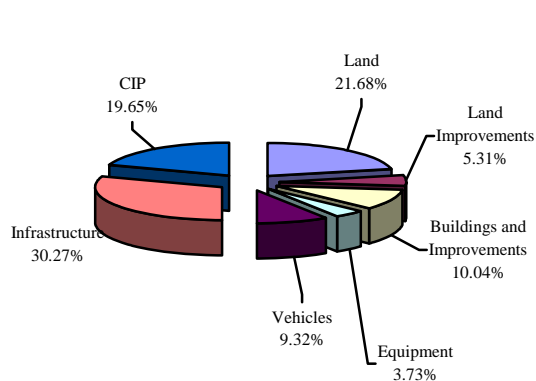
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 3,030,200	\$ 2,131,019	\$ 32,388	\$ 32,388	\$ 3,062,588	\$ 2,163,407
Land improvements	492,071	521,533	2,923,332	3,279,777	3,415,403	3,801,310
Buildings and improvements	979,210	986,771	175,156	182,202	1,154,366	1,168,973
Equipment	348,065	367,089	47,565	49,560	395,630	416,649
Vehicles	867,811	915,698	21,436	20,653	889,247	936,351
Infrastructure	3,845,060	2,976,732	440,716	466,022	4,285,776	3,442,754
Construction in progress	12,699	1,931,464	-	-	12,699	1,931,464
Totals	\$ 9,575,116	\$ 9,830,306	\$ 3,640,593	\$ 4,030,602	\$ 13,215,709	\$ 13,860,908

The following graphs show the breakdown of governmental capital assets by category for 2009 and 2008.

Capital Assets - Governmental Activities 2009



Capital Assets - Governmental Activities 2008



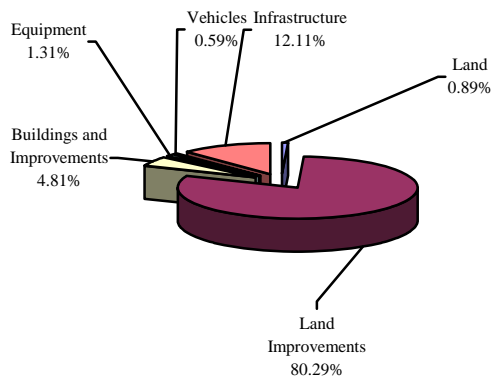
Infrastructure is the largest capital asset category for the City's governmental activities. Infrastructure includes bridges and streets. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 40.15% of the City's total governmental capital assets.

CITY OF BROOKVILLE, OHIO

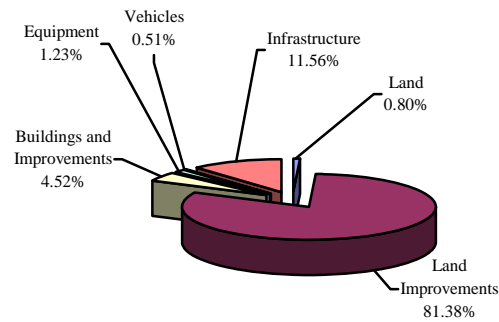
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

The following graphs show the breakdown of business-type capital assets by category for 2009 and 2008.

Capital Assets - Business - Type Activities 2009



Capital Assets - Business - Type Activities 2008



The City's largest business-type capital asset category is land improvements which include water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's land improvements (cost less accumulated depreciation) represents approximately 80.29% of the City's total business-type capital assets.

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2009 and 2008:

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Note payable	\$ 1,025,000	\$ 1,068,000
Capital lease payable	17,085	20,729
Fire truck lease obligation	165,985	250,978
Equipment loan	-	80,942
Bond anticipation note	1,085,000	1,250,000
Compensated absences	<u>97,328</u>	<u>107,863</u>
Total long-term obligations	<u>\$ 2,390,398</u>	<u>\$ 2,778,512</u>
	<u>Business-type Activities</u>	
	<u>2009</u>	<u>2008</u>
OPWC loans	\$ 514,449	\$ 592,822
OWDA loan	44,711	130,855
Compensated absences	<u>33,364</u>	<u>30,650</u>
Total long-term obligations	<u>\$ 592,524</u>	<u>\$ 754,327</u>

See Note 13 to the basic financial statements for detail on the City's long-term obligations.

CITY OF BROOKVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009

Economic Conditions and Outlook

Historic, unprecedented, troubling, these are just a few adjectives used all too frequently when describing the City's current economic conditions. Seldom have local governments faced such uncertain times. Declining real estate values, rising foreclosures, reduced consumer spending and increased business closures are changing the landscape of many communities and eroding local government revenue. At the same time, demand for public services is increasing, as a concerned public looks to its local government for assistance.

The City's Administration considers the impact of various economic factors when establishing the fiscal year budget. The continued challenges resulting from local and regional loss of employment, reduction of revenue and sluggish economic development have yielded significant influence on the objectives established in the budget the last few years.

Despite the uncertainty still surrounding the economy, the City continues to carefully monitor two primary sources of revenue, local income taxes and shared intergovernmental (State) revenue. In order to stabilize the impact of the fluctuations in these revenue streams, City Council continues to pursue economic development and job creation, in order to maintain the community's reputation for high public safety standards, and adoption of a budget designed to promote long-term fiscal stability.

After years of strategic planning and marketing, the city owned property located north of Interstate 70 along Arlington Road, also known as the NorthBrook Industrial Park, includes an 800,000 square foot warehouse distribution center for Collective Brands employing 501 at the end of 2009 and a 19,400 square foot office complex that houses Provimi currently employing 52 at the end of 2009. These two projects will improve the economic well being of the community through job creation, retention and tax base expansion. A vibrant economy is vital to maintaining and improving the quality of life in the City of Brookville. Hopefully with these businesses in place they will jumpstart growth in the NorthBrook Industrial Park with additional businesses and jobs, which in turn will increase the City's income tax receipts.

A substantial portion of the general fund revenues (61.5%) comes from the City's 1.75 percent income tax. The City received income tax cash receipts totaling \$2,074,417 in 2009 a decrease of \$286,385 or 12.13% from the previous year.

In recent years, the City's general fund cash balance has declined from \$1.2 million in 2001 to \$738,689 in 2009. Most of that can be attributed to the current state of the economy, flat revenues in local government funds, the fluctuation of inheritance (Estate) tax, and of course ongoing expenses, which seem to grow at a faster rate than revenues coming in. Overall, the City still experienced a successful year in 2009. Service levels were maintained and the City completed several capital improvement projects that will have a lasting impact on the City for years to come. As the City continues to acquire new businesses and assist existing businesses with their expansions, balances in the general fund should stabilize and begin to grow again.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information please contact: Sonja Keaton, Director of Finance, 301 Sycamore Street, Brookville, Ohio 45309.

**BASIC
FINANCIAL STATEMENTS**

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CITY OF BROOKVILLE, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents.	\$ 1,759,347	\$ 454,653	\$ 2,214,000
Receivables (net of allowances for uncollectibles):			
Income taxes	459,222	-	459,222
Real and other taxes	129,945	-	129,945
Accounts	159,747	516,311	676,058
Accrued interest	11,445	-	11,445
Special assessments	427	-	427
Due from other governments	273,028	-	273,028
Notes receivable	188,321	-	188,321
Prepayments	39,515	9,364	48,879
Materials and supplies inventory.	43,259	1,203	44,462
Capital assets:			
Land and construction in progress.	3,042,899	32,388	3,075,287
Depreciable capital assets, net.	6,532,217	3,608,205	10,140,422
Total capital assets.	<u>9,575,116</u>	<u>3,640,593</u>	<u>13,215,709</u>
 Total assets.	 <u>12,639,372</u>	 <u>4,622,124</u>	 <u>17,261,496</u>
Liabilities:			
Accounts payable.	56,952	165,360	222,312
Accrued wages and benefits	6,370	1,453	7,823
Due to other governments	54,858	7,564	62,422
Pension obligation payable.	36,266	204	36,470
Unearned revenue	124,639	-	124,639
Long-term liabilities:			
Due within one year	1,268,159	143,716	1,411,875
Due in more than one year	1,122,239	448,808	1,571,047
 Total liabilities	 <u>2,669,483</u>	 <u>767,105</u>	 <u>3,436,588</u>
Net assets:			
Invested in capital assets, net of related debt	7,282,046	3,081,433	10,363,479
Restricted for:			
Capital projects.	844,677	-	844,677
Debt service	45,184	-	45,184
Other purposes	291,334	-	291,334
Unrestricted.	<u>1,506,648</u>	<u>773,586</u>	<u>2,280,234</u>
 Total net assets	 <u>\$ 9,969,889</u>	 <u>\$ 3,855,019</u>	 <u>\$ 13,824,908</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BROOKVILLE, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 1,480,465	\$ 89,231	\$ -	\$ -
Security of persons and property.	1,936,897	846,030	2,307	11,082
Public health and welfare	29,552	-	29,552	-
Transportation	961,245	227,343	289,215	412,602
Leisure time activity.	198,011	48,238	6,486	-
Economic development	100,000	-	-	-
Interest and fiscal charges.	80,474	-	-	-
	<u>4,786,644</u>	<u>1,210,842</u>	<u>327,560</u>	<u>423,684</u>
Business-Type Activities:				
Water	919,879	898,174	-	-
Sewer	657,995	430,515	-	-
Refuse	315,196	369,348	-	-
	<u>1,893,070</u>	<u>1,698,037</u>	<u>-</u>	<u>-</u>
Total business-type activities				
Total primary government.	<u>\$ 6,679,714</u>	<u>\$ 2,908,879</u>	<u>\$ 327,560</u>	<u>\$ 423,684</u>

General Revenues:

Property taxes levied for:

 General purposes.

Income taxes levied for:

 General purposes.

Grants and entitlements not restricted to specific programs

Investment earnings

Miscellaneous

Gain on sale of capital assets.

Total general revenues.

Change in net assets.

Net assets at beginning of year.

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (1,391,234)	\$ -	\$ (1,391,234)
(1,077,478)	-	(1,077,478)
-	-	-
(32,085)	-	(32,085)
(143,287)	-	(143,287)
(100,000)	-	(100,000)
(80,474)	-	(80,474)
<u>(2,824,558)</u>	<u>-</u>	<u>(2,824,558)</u>
-	(21,705)	(21,705)
-	(227,480)	(227,480)
-	54,152	54,152
<u>-</u>	<u>(195,033)</u>	<u>(195,033)</u>
<u>(2,824,558)</u>	<u>(195,033)</u>	<u>(3,019,591)</u>
134,477	-	134,477
1,970,453	-	1,970,453
334,802	-	334,802
39,337	-	39,337
10,126	-	10,126
15,058	-	15,058
<u>2,504,253</u>	<u>-</u>	<u>2,504,253</u>
(320,305)	(195,033)	(515,338)
<u>10,290,194</u>	<u>4,050,052</u>	<u>14,340,246</u>
<u>\$ 9,969,889</u>	<u>\$ 3,855,019</u>	<u>\$ 13,824,908</u>

CITY OF BROOKVILLE, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>Bond Retirement</u>	<u>Capital Improvement</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 738,689	\$ 144,075	\$ 1,233	\$ 203,873
Receivables (net of allowance for uncollectibles):				
Income taxes.	459,222	-	-	-
Real and other taxes.	129,945	-	-	-
Accounts	138,047	788	-	20,443
Accrued interest	11,417	-	28	-
Special assessments.	-	-	-	427
Due from other governments	92,702	145,639	-	34,687
Notes receivable.	188,321	-	-	-
Prepayments.	31,215	7,116	-	-
Materials and supplies inventory	17,003	26,256	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1,806,561</u>	<u>\$ 323,874</u>	<u>\$ 1,261</u>	<u>\$ 259,430</u>
Liabilities:				
Accounts payable	\$ 31,298	\$ 6,287	\$ -	\$ 17,041
Accrued wages and benefits.	5,375	873	-	-
Due to other governments.	48,327	5,802	-	-
Pension obligation payable	36,127	122	-	-
Unearned revenue	124,639	-	-	-
Deferred revenue	538,666	122,077	-	3,727
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>784,432</u>	<u>135,161</u>	<u>-</u>	<u>20,768</u>
Fund Balances:				
Reserved for encumbrances.	922	663	-	-
Reserved for prepayments	31,215	7,116	-	-
Reserved for materials and supplies inventory	17,003	26,256	-	-
Reserved for debt service.	-	-	1,261	-
Unreserved, undesignated, reported in:				
General fund.	972,989	-	-	-
Special revenue funds.	-	154,678	-	-
Capital projects funds.	-	-	-	238,662
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>1,022,129</u>	<u>188,713</u>	<u>1,261</u>	<u>238,662</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances.	<u>\$ 1,806,561</u>	<u>\$ 323,874</u>	<u>\$ 1,261</u>	<u>\$ 259,430</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Fire Capital Improvement	Other Governmental	Total Governmental Funds
\$ 602,096	\$ 69,381	\$ 1,759,347
-	-	459,222
-	-	129,945
192	277	159,747
-	-	11,445
-	-	427
-	-	273,028
-	-	188,321
-	1,184	39,515
-	-	43,259
<u>\$ 602,288</u>	<u>\$ 70,842</u>	<u>\$ 3,064,256</u>
\$ -	\$ 2,326	\$ 56,952
-	122	6,370
-	729	54,858
-	17	36,266
-	-	124,639
-	58	664,528
<u>-</u>	<u>3,252</u>	<u>943,613</u>
-	30	1,615
-	1,184	39,515
-	-	43,259
-	43,923	45,184
-	-	972,989
-	22,453	177,131
602,288	-	840,950
<u>602,288</u>	<u>67,590</u>	<u>2,120,643</u>
<u>\$ 602,288</u>	<u>\$ 70,842</u>	<u>\$ 3,064,256</u>

CITY OF BROOKVILLE, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009

Total governmental fund balances		\$ 2,120,643
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		9,575,116
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Income taxes receivable	\$ 266,781	
Real and other taxes receivable	5,306	
Notes receivable	188,321	
Licenses, permits and fees receivable	9,388	
Intergovernmental revenues receivable	179,158	
Special assessments receivable	3,727	
Investment income receivable	11,174	
Rental income receivable	615	
Other income receivable	58	
Total		664,528
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:		
Compensated absences	(97,328)	
Bond anticipation note payable	(1,085,000)	
Capital lease payable	(183,070)	
Note payable	(1,025,000)	
		(2,390,398)
Net assets of governmental activities		\$ 9,969,889

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF BROOKVILLE, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	General	Street Construction Maintenance and Repair	Bond Retirement	Capital Improvement
Revenues:				
Municipal income taxes	\$ 2,089,262	\$ -	\$ -	\$ -
Real and other taxes	133,034	-	-	-
Charges for services	641,869	105,228	-	56,420
Licenses, permits and fees	80,984	-	-	-
Intergovernmental	353,247	296,924	-	428,107
Special assessments	-	-	-	25,821
Investment income	28,229	33	1,170	-
Rental income	23,623	-	-	-
Donations	5	-	-	-
Other	1,152	66,070	-	-
Total revenues	3,351,405	468,255	1,170	510,348
Expenditures:				
Current:				
General government	831,073	-	-	-
Security of persons and property	1,794,938	-	-	-
Public health and welfare	-	-	-	-
Transportation	-	700,138	-	-
Leisure time activity	-	-	-	-
Economic development and assistance	-	-	-	100,000
Capital outlay	61,624	-	-	752,954
Debt service:				
Principal retirement	84,586	-	1,250,000	-
Interest and fiscal charges	1,655	-	33,552	-
Note issuance costs	-	-	8,203	-
Total expenditures	2,773,876	700,138	1,291,755	852,954
Excess (deficiency) of revenues over (under) expenditures	577,529	(231,883)	(1,290,585)	(342,606)
Other financing sources (uses):				
Sale of capital assets	5,139	10,572	-	15,375
Sale of notes	-	-	1,085,000	-
Transfers in	-	230,000	189,101	200,000
Transfers out	(789,101)	-	-	-
Premium on note issuance	-	-	8,203	-
Total other financing sources (uses)	(783,962)	240,572	1,282,304	215,375
Net change in fund balances	(206,433)	8,689	(8,281)	(127,231)
Fund balances at beginning of year	1,228,562	180,024	9,542	365,893
Fund balances at end of year	\$ 1,022,129	\$ 188,713	\$ 1,261	\$ 238,662

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Fire Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,089,262
-	-	133,034
212,408	23,483	1,039,408
-	24,697	105,681
-	29,552	1,107,830
-	-	25,821
-	-	29,432
-	-	23,623
850	6,486	7,341
-	2,307	69,529
<u>213,258</u>	<u>86,525</u>	<u>4,630,961</u>
-	-	831,073
-	6,606	1,801,544
-	29,552	29,552
-	-	700,138
-	124,043	124,043
-	-	100,000
70,184	-	884,762
84,993	43,000	1,462,579
9,742	35,525	80,474
-	-	8,203
<u>164,919</u>	<u>238,726</u>	<u>6,022,368</u>
<u>48,339</u>	<u>(152,201)</u>	<u>(1,391,407)</u>
3,550	251	34,887
-	-	1,085,000
-	170,000	789,101
-	-	(789,101)
-	-	8,203
<u>3,550</u>	<u>170,251</u>	<u>1,128,090</u>
51,889	18,050	(263,317)
550,399	49,540	2,383,960
<u>\$ 602,288</u>	<u>\$ 67,590</u>	<u>\$ 2,120,643</u>

CITY OF BROOKVILLE, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

Net change in fund balances - total governmental funds \$ (263,317)

Amounts reported for governmental activities in the statement of activities are different because:

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital asset additions	\$ 280,042	
Current year depreciation	<u>(515,403)</u>	
 Total		 (235,361)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (19,829)

Proceeds of notes are recognized as other financing sources in the governmental funds, however, on the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets. (1,085,000)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Income taxes	(118,809)	
Real and other taxes	1,443	
Notes receivable	(6,375)	
Licenses, permits and fees	(9,269)	
Intergovernmental revenues	(70,521)	
Special assessments	3,008	
Investment income	9,938	
Rental income	615	
Other income	<u>58</u>	
 Total		 (189,912)

Repayment of capital lease and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 1,462,579

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 10,535

Change in net assets of governmental activities \$ (320,305)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BROOKVILLE, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Municipal income taxes	\$ 2,324,016	\$ 2,190,797	\$ 2,074,417	\$ (116,380)
Property and other taxes	149,041	140,498	133,034	(7,464)
Charges for services	730,862	688,966	652,367	(36,599)
Licenses and permits and fees	89,279	84,161	79,690	(4,471)
Intergovernmental	420,042	395,963	374,929	(21,034)
Investment income	33,352	31,440	29,770	(1,670)
Rental income	26,617	25,091	23,758	(1,333)
Donations	6	5	5	-
Other	1,291	1,217	1,152	(65)
Total revenues.	<u>3,774,506</u>	<u>3,558,138</u>	<u>3,369,122</u>	<u>(189,016)</u>
Expenditures:				
Current:				
General government	1,021,796	1,021,796	848,878	172,918
Security of persons and property	2,009,849	2,009,849	1,878,753	131,096
Capital outlay	79,000	79,000	61,624	17,376
Total expenditures	<u>3,110,645</u>	<u>3,110,645</u>	<u>2,789,255</u>	<u>321,390</u>
Excess of revenues over expenditures	<u>663,861</u>	<u>447,493</u>	<u>579,867</u>	<u>132,374</u>
Other financing sources/(uses):				
Sale of capital assets	5,757	5,427	5,139	(288)
Transfers in	94	89	-	(89)
Transfers out	(1,195,000)	(1,195,084)	(789,101)	405,983
Total other financing sources/(uses)	<u>(1,189,149)</u>	<u>(1,189,568)</u>	<u>(783,962)</u>	<u>405,606</u>
Net change in fund balance	(525,288)	(742,075)	(204,095)	537,980
Fund balance at beginning of year	933,699	933,699	933,699	-
Prior year encumbrances appropriated	<u>6,645</u>	<u>6,645</u>	<u>6,645</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 415,056</u>	<u>\$ 198,269</u>	<u>\$ 736,249</u>	<u>\$ 537,980</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BROOKVILLE, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 92,214	\$ 108,061	\$ 105,340	\$ (2,721)
Intergovernmental	259,694	304,324	296,663	(7,661)
Investment income	38	44	43	(1)
Other	57,837	67,776	66,070	(1,706)
Total revenues.	<u>409,783</u>	<u>480,205</u>	<u>468,116</u>	<u>(12,089)</u>
Expenditures:				
Current:				
Transportation	723,818	787,843	701,094	86,749
Total expenditures	<u>723,818</u>	<u>787,843</u>	<u>701,094</u>	<u>86,749</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(314,035)</u>	<u>(307,638)</u>	<u>(232,978)</u>	<u>74,660</u>
Other financing sources/(uses):				
Sale of capital assets	9,255	10,845	10,572	(273)
Transfers in.	222,962	261,278	230,000	(31,278)
Transfers out	-	(24,700)	-	24,700
Total other financing sources/(uses).	<u>232,217</u>	<u>247,423</u>	<u>240,572</u>	<u>(6,851)</u>
Net change in fund balance	(81,818)	(60,215)	7,594	67,809
Fund balance at beginning of year	131,280	131,280	131,280	-
Prior year encumbrances appropriated	<u>1,818</u>	<u>1,818</u>	<u>1,818</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 51,280</u>	<u>\$ 72,883</u>	<u>\$ 140,692</u>	<u>\$ 67,809</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BROOKVILLE, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2009

	Business-Type Activities -Enterprise Funds			
	Water	Sewer	Refuse	Total
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 181,133	\$ 174,666	\$ 98,854	\$ 454,653
Receivables (net of allowance for uncollectibles):				
Accounts	269,324	126,619	120,368	516,311
Prepayments	2,170	4,882	2,312	9,364
Materials and supplies inventory	-	1,203	-	1,203
Total current assets	<u>452,627</u>	<u>307,370</u>	<u>221,534</u>	<u>981,531</u>
Noncurrent assets:				
Capital assets:				
Land	-	32,388	-	32,388
Depreciable capital assets, net	476,213	3,127,180	4,812	3,608,205
Total capital assets	<u>476,213</u>	<u>3,159,568</u>	<u>4,812</u>	<u>3,640,593</u>
Total assets	<u>928,840</u>	<u>3,466,938</u>	<u>226,346</u>	<u>4,622,124</u>
Liabilities:				
Current liabilities:				
Accounts payable	145,024	7,759	12,577	165,360
Accrued wages and benefits	429	533	491	1,453
Compensated absences	5,603	7,022	6,454	19,079
Due to other governments	2,227	2,779	2,558	7,564
Pension obligation payable	60	75	69	204
Current portion of OPWC loans	32,232	47,694	-	79,926
Current portion of ODWA loan	-	44,711	-	44,711
Total current liabilities	<u>185,575</u>	<u>110,573</u>	<u>22,149</u>	<u>318,297</u>
Long-term liabilities:				
OPWC loans payable	106,821	327,702	-	434,523
Compensated absences	4,116	5,327	4,842	14,285
Total long-term liabilities	<u>110,937</u>	<u>333,029</u>	<u>4,842</u>	<u>448,808</u>
Total liabilities	<u>296,512</u>	<u>443,602</u>	<u>26,991</u>	<u>767,105</u>
Net assets:				
Invested in capital assets, net of related debt	337,160	2,739,461	4,812	3,081,433
Unrestricted	295,168	283,875	194,543	773,586
Total net assets	<u>\$ 632,328</u>	<u>\$ 3,023,336</u>	<u>\$ 199,355</u>	<u>\$ 3,855,019</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BROOKVILLE, OHIO
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Refuse	Total
Operating revenues:				
Charges for services	\$ 897,424	\$ 429,765	\$ 369,348	\$ 1,696,537
Tap-in fees.	750	750	-	1,500
Total operating revenues	<u>898,174</u>	<u>430,515</u>	<u>369,348</u>	<u>1,698,037</u>
Operating expenses:				
Personal services	136,575	169,675	156,392	462,642
Contract services	710,572	129,761	136,443	976,776
Materials and supplies	10,212	6,009	14,993	31,214
Depreciation	54,412	347,071	7,368	408,851
Total operating expenses.	<u>911,771</u>	<u>652,516</u>	<u>315,196</u>	<u>1,879,483</u>
Operating income (loss)	<u>(13,597)</u>	<u>(222,001)</u>	<u>54,152</u>	<u>(181,446)</u>
Nonoperating expenses:				
Interest expense and fiscal charges	(8,108)	(5,479)	-	(13,587)
Total nonoperating expenses	<u>(8,108)</u>	<u>(5,479)</u>	<u>-</u>	<u>(13,587)</u>
Net income (loss)	(21,705)	(227,480)	54,152	(195,033)
Net assets at beginning of year.	<u>654,033</u>	<u>3,250,816</u>	<u>145,203</u>	<u>4,050,052</u>
Net assets at end of year.	<u>\$ 632,328</u>	<u>\$ 3,023,336</u>	<u>\$ 199,355</u>	<u>\$ 3,855,019</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BROOKVILLE, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Refuse	Total
Cash flows from operating activities:				
Cash received from customers	\$ 918,742	\$ 437,879	\$ 368,024	\$ 1,724,645
Cash received from tap-in fees.	750	750	-	1,500
Cash payments for personal services	(135,747)	(168,748)	(155,504)	(459,999)
Cash payments for contract services	(739,292)	(128,361)	(141,172)	(1,008,825)
Cash payments for materials and supplies	(10,047)	(6,599)	(14,555)	(31,201)
Net cash provided by operating activities.	<u>34,406</u>	<u>134,921</u>	<u>56,793</u>	<u>226,120</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets.	(8,602)	(5,175)	(5,065)	(18,842)
Principal retirement on OPWC loans	(30,679)	(47,694)	-	(78,373)
Principal retirement on OWDA loan.	-	(86,144)	-	(86,144)
Interest and fiscal charges	(8,108)	(5,479)	-	(13,587)
Net cash used in capital and related financing activities	<u>(47,389)</u>	<u>(144,492)</u>	<u>(5,065)</u>	<u>(196,946)</u>
Net increase (decrease) in cash and cash equivalents	(12,983)	(9,571)	51,728	29,174
Cash and cash equivalents at beginning of year	<u>194,116</u>	<u>184,237</u>	<u>47,126</u>	<u>425,479</u>
Cash and cash equivalents at end of year.	<u>\$ 181,133</u>	<u>\$ 174,666</u>	<u>\$ 98,854</u>	<u>\$ 454,653</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (13,597)	\$ (222,001)	\$ 54,152	\$ (181,446)
Adjustments:				
Depreciation.	54,412	347,071	7,368	408,851
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	21,318	8,114	(1,324)	28,108
(Increase) in materials and supplies inventory	-	(590)	-	(590)
(Increase) in prepayments.	(205)	(839)	(172)	(1,216)
Increase (decrease) in accounts payable.	(28,869)	1,600	(4,709)	(31,978)
Increase in accrued wages and benefits	406	503	464	1,373
Increase in due to other governments.	31	42	38	111
Increase in compensated absences payable	853	950	911	2,714
Increase in pension obligation payable	57	71	65	193
Net cash provided by operating activities.	<u>\$ 34,406</u>	<u>\$ 134,921</u>	<u>\$ 56,793</u>	<u>\$ 226,120</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 1 - DESCRIPTION OF THE CITY

The City of Brookville (the “City”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The City operates under a council-manager government and provides the following services: police protection, fire and EMS services, water, sewer and refuse utility services, street maintenance and repair, parks, recreation, as well as other services.

Management believes the financial statements included in this report represent all of the funds of the City over which the City officials have direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has the option to apply FASB guidance issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The City has elected not to apply this FASB guidance. The most significant of the City’s accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the City’s BFS include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization’s Governing Board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected Governing Board, a Governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s basic financial statements to be misleading or incomplete.

The primary government consists of all funds and departments which provide various services including police protection, fire and EMS services, street maintenance and repair, parks, recreation, water, sewer and refuse services. Council and the City Manager are directly responsible for these activities. The accompanying financial statements present the City, which has no component units.

B. Basis of Presentation - Fund Accounting

The City’s BFS consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental functions are self-financing or draw from the general revenues of the City.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. This includes, but is not limited to, police and fire protection, public health activities, and the general administration of City functions.

Street construction, maintenance and repair fund - This fund accounts for all transactions relating to street maintenance and construction.

Bond retirement fund - This fund accounts for all transactions relating to the retirement of bond anticipation notes.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Capital improvement fund - The capital improvement fund accounts for all transactions relating to the construction and improvements other than those financed by proprietary funds.

Fire capital improvement fund - The fire capital improvement fund accounts for revenues collected through EMS receipts to be used for construction and improvements relating to the fire department.

Other governmental funds of the City are used to account for (1) grants and other resources whose use is restricted to a particular purpose and (2) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.

Proprietary Funds - Proprietary fund reporting focuses on changes in net assets, financial position and cash flows.

Enterprise funds - The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Water fund - The water fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

Sewer fund - The sewer fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

Refuse fund - The refuse fund accounts for the operations providing refuse removal to the residents and commercial users located within the City.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has no fiduciary funds.

D. Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the financial statements for governmental funds.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for sales and services. Operating expenses for the enterprise funds include personnel and other expenses related to the operations of the enterprise activities. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty days of year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, State-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, fees and special assessments.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance year 2010 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue. Income taxes, special assessments not received within the available period, notes receivable, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2009, are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

F. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code (ORC) and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The Montgomery County Commissioners waived the requirement to file a tax budget for 2009. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources. All funds, other than agency funds, are legally required to be budgeted and appropriated.

The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources which states the projected revenue of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and need not be reappropriated.

Appropriation budgets are legally required for each fund at the object level. This is known as the legal level of budgetary control. Appropriation modifications outside the legal level of budgetary control must be approved by City Council. A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified and the fund balance at the beginning of the year.

G. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is utilized during the year for budget control purposes. Encumbrances outstanding at year end are reported as expenditures under the City's budgetary basis of accounting. For GAAP reporting purposes, encumbrances outstanding at year end are reported as reservations of fund balances for governmental funds since they do not constitute expenditures or liabilities.

H. Cash and Cash Equivalents

Cash balances of the City's funds are pooled and invested in investments in order to provide improved cash management. Individual fund integrity is maintained through City records. Each fund's interest in the pooled bank accounts is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During 2009, investments were limited to negotiable and nonnegotiable certificates of deposit, investments in State Treasury Asset Reserve of Ohio (STAR Ohio) and U.S. Government money markets. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The City has invested funds in STAR Ohio during 2009. STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on December 31, 2009.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2009 amounted to \$28,229, which included \$17,712 assigned from other funds of the City.

For purpose of the statement of cash flows and for presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the City's investment account at year end is provided in Note 4.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Inventories of Materials and Supplies

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

J. Notes Receivable

Notes receivable represent the right to receive repayment for a mortgage note made by the City. This note is based upon written agreements between the City and the note recipient.

K. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of culverts, curbs, sidewalks, storm sewers, streets, irrigation systems, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Land improvements	20 years	20 years
Buildings and improvements	20-50 years	20-50 years
Equipment	5-20 years	5-20 years
Vehicles	8-10 years	8-10 years
Infrastructure	20 years	20 years

L. Compensated Absences

Compensated absences of the City consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service or any employee with at least twenty (20) years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16. Sick leave benefits were accrued using the “vesting” method.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates. Payment of vacation and sick leave is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payment of vacation and sick leave when such payments become due.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

N. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the BFS.

O. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The City reports a reservation of fund balance for amounts representing encumbrances outstanding, materials and supplies inventory, debt service and prepayments in the governmental fund financial statements.

P. Estimates

The preparation of the BFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the BFS and accompanying notes. Actual results may differ from those estimates.

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Net assets restricted for other purposes consist primarily of street construction maintenance and repair, programs to enhance the security of persons and property and the parks and recreation.

R. Prepayments

Payments made to vendors for services that will benefit beyond December 31, 2009 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which it was consumed.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2009.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For 2009, the City has implemented GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards", and GASB Statement No. 57 "Other Postemployment Benefit (OPEB) Measurements by Agent Employers and Agent Multiple-Employers".

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the City.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the City.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the City.

GASB Statement No. 57 establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the City.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the City Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool STAR Ohio;
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Director of Finance by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Director of Finance or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year end, the City had \$200 in undeposited cash on hand which is included on the financial statements of the City as part of "equity in pooled cash and cash equivalents".

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At December 31, 2009, the carrying amount of all City deposits was \$1,119,568. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2009, \$400,000 of the City's bank balance of \$1,280,116 was exposed to custodial risk as discussed below, while \$880,116 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

C. Investments

As of December 31, 2009, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u>	
		<u>6 months or less</u>	<u>7 to 12 months</u>
STAR Ohio	\$ 787,617	\$ 787,617	\$ -
U.S. Governmental money market	6,615	6,615	-
Negotiable CD's	<u>300,000</u>	<u>200,000</u>	<u>100,000</u>
Total	<u>\$ 1,094,232</u>	<u>\$ 994,232</u>	<u>\$ 100,000</u>

The weighted average maturity of investments is .14 years.

Interest Rate Risk: The City limits its investments to those authorized by State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

Credit Risk: STAR Ohio and the U.S. Government money market carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The City's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 787,617	71.98
U.S. Governmental money market	6,615	0.60
Negotiable CD's	300,000	27.42
Total	<u>\$ 1,094,232</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,119,568
Investments	1,094,232
Cash on hand	<u>200</u>
Total	<u>\$ 2,214,000</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 1,759,347
Business-type activities	<u>454,653</u>
Total	<u>\$ 2,214,000</u>

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2009, consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:

Street construction, maintenance and repair fund	\$ 230,000
Bond retirement fund	189,101
Capital improvement fund	200,000
Nonmajor governmental funds	<u>170,000</u>
Total transfers	<u>\$ 789,101</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (4) transfer assets purchased by governmental funds to enterprise funds.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 5 - INTERFUND TRANSFERS - (Continued)

Interfund transfers between governmental funds are eliminated for reporting on the government-wide financial statements. Interfund transfers between governmental activities and business-type activities are reported as transfers on the statement of activities.

All transfers were in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Beginning in calendar year 2009 tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property tax collections in calendar year 2009 represent delinquent collections.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2009-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Brookville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2009 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2009 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 6 - PROPERTY TAXES - (Continued)

The full tax rate for all City operations for the year ended December 31, 2009 was 1.3 mils of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real property tax	\$ 106,456,160
Public utility tangible personal property	1,855,460
Tangible personal property	<u>46,820</u>
Total assessed valuation	<u>\$ 108,358,440</u>

NOTE 7 - LOCAL INCOME TAX

The 1.75 percent City income tax, which is not subject to renewal, is levied on substantially all income earned within the City. In addition, the residents of the City are required to pay City income tax on income they earn outside the City; however, full credit is allowed for all income taxes these residents pay to other municipalities as long as the City they work in has an income tax that is equal or greater than the City's 1.75 percent. If a resident works somewhere, where the tax is less than 1.75 percent or there is no income tax, they will have to pay the difference or all, depending on where they work. Employers within the city are required to withhold income tax on employee compensation and remit the tax to the City at least quarterly. Major employers are required to remit withholdings to the City monthly. Corporations and self-employed individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually with the City. Income tax revenue is reported to the extent that it is measurable and available to finance current operations at December 31, 2009. Income tax revenue for 2009 was \$2,089,262 as reported in the fund financial statements. Income tax revenue is reported in the general fund.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2009, consisted of taxes, accounts (billings for user charged services), special assessments, accrued interest and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2009, as well as intended to finance 2009 operations.

A summary of the items of receivables reported on the statement of net assets follows:

Governmental activities:

Income taxes	\$ 459,222
Real and other taxes	129,945
Accounts	159,747
Accrued interest	11,445
Special assessments	427
Due from other governments	273,028

Business-type activities:

Accounts	516,311
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**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 8 - RECEIVABLES - (Continued)

Receivables have been disaggregated on the face of the BFS. The only receivable not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment.

NOTE 9 - NOTES RECEIVABLE

During 2007, the City loaned Western Ohio Properties, LLC. ("Western Ohio"), \$207,821 to assist in financing the cost of land at the City's industrial park. In consideration of the repayment of the note, Western Ohio shall begin making monthly payments of \$1,500 on April 15, 2008 and continue on the 15th day of each month until April 4, 2010, when the remaining principal at that time on the note shall become due and payable in full. Western Ohio Properties, LLC. made four payments, \$1,500 each, during 2009. The City is taking legal action against Western Ohio Properties, LLC. for the remaining balance owed. At December 31, 2009, the balance of notes receivable was \$188,321.

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**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 10 - CAPITAL ASSETS

A. Governmental activities capital asset activity for the year ended December 31, 2009, was as follows:

<u>Governmental activities:</u>	Balance <u>12/31/08</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/09</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,131,019	\$ 899,181	\$ -	\$ 3,030,200
Construction in progress	<u>1,931,464</u>	<u>12,699</u>	<u>(1,931,464)</u>	<u>12,699</u>
Total capital assets, not being depreciated	<u>4,062,483</u>	<u>911,880</u>	<u>(1,931,464)</u>	<u>3,042,899</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,597,963	23,439	(3,000)	1,618,402
Buildings and improvements	1,702,801	44,678	-	1,747,479
Equipment	705,577	34,389	(5,200)	734,766
Vehicles	1,970,085	129,185	(83,950)	2,015,320
Infrastructure	<u>3,461,778</u>	<u>1,067,935</u>	<u>-</u>	<u>4,529,713</u>
Total capital assets, being depreciated	<u>9,438,204</u>	<u>1,299,626</u>	<u>(92,150)</u>	<u>10,645,680</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,076,430)	(52,901)	3,000	(1,126,331)
Buildings and improvements	(716,030)	(52,239)	-	(768,269)
Equipment	(338,488)	(49,426)	1,213	(386,701)
Vehicles	(1,054,387)	(161,230)	68,108	(1,147,509)
Infrastructure	<u>(485,046)</u>	<u>(199,607)</u>	<u>-</u>	<u>(684,653)</u>
Total accumulated depreciation	<u>(3,670,381)</u>	<u>(515,403)</u>	<u>72,321</u>	<u>(4,113,463)</u>
Total capital assets, being depreciated, net	<u>5,767,823</u>	<u>784,223</u>	<u>(19,829)</u>	<u>6,532,217</u>
Governmental activities capital assets, net	<u>\$ 9,830,306</u>	<u>\$ 1,696,103</u>	<u>\$ (1,951,293)</u>	<u>\$ 9,575,116</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 10 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental activities as follows:

Governmental activities:

General government	\$ 38,483
Security of persons and property	144,277
Transportation	258,878
Leisure time activity	<u>73,765</u>
Total depreciation expense - governmental activities	<u>\$ 515,403</u>

B. Business-type activities capital asset activity for the year ended December 31, 2009 was as follows:

<u>Business-type activities:</u>	<u>Balance 12/31/08</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/09</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 32,388	\$ -	\$ -	\$ 32,388
Total capital assets, not being depreciated	<u>32,388</u>	<u>-</u>	<u>-</u>	<u>32,388</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	8,805,192	-	-	8,805,192
Buildings and improvements	352,271	-	-	352,271
Equipment	82,999	5,065	-	88,064
Vehicles	190,236	10,350	(61,948)	138,638
Infrastructure	<u>572,941</u>	<u>3,427</u>	<u>-</u>	<u>576,368</u>
Total capital assets, being depreciated	<u>10,003,639</u>	<u>18,842</u>	<u>(61,948)</u>	<u>9,960,533</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(5,525,415)	(356,445)	-	(5,881,860)
Buildings and improvements	(170,069)	(7,046)	-	(177,115)
Equipment	(33,439)	(7,060)	-	(40,499)
Vehicles	(169,583)	(9,567)	61,948	(117,202)
Infrastructure	<u>(106,919)</u>	<u>(28,733)</u>	<u>-</u>	<u>(135,652)</u>
Total accumulated depreciation	<u>(6,005,425)</u>	<u>(408,851)</u>	<u>61,948</u>	<u>(6,352,328)</u>
Total capital assets, being depreciated, net	<u>3,998,214</u>	<u>(390,009)</u>	<u>-</u>	<u>3,608,205</u>
Business-type activities capital assets, net	<u>\$ 4,030,602</u>	<u>\$ (390,009)</u>	<u>\$ -</u>	<u>\$ 3,640,593</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 10 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to the enterprise funds as follows:

Business-type activities:

Water	\$ 54,412
Sewer	347,071
Refuse	<u>7,368</u>
Total depreciation expense - business-type activities	<u>\$ 408,851</u>

NOTE 11 - VACATION AND SICK LEAVE LIABILITY

Vacation and sick leave accumulated by governmental fund type employees has been recorded in the statement of net assets to the extent they were not paid using current expendable available resources. Vacation and sick leave earned by proprietary funds type employees is expensed when earned and has been recorded in the fund. Upon termination of City service, a fully vested employee is entitled to a percentage of their accumulated sick leave based on their years of service. At December 31, 2009, vested benefits for vacation leave for governmental fund type employees, net of amounts paid using current expendable available resources, totaled \$45,275 and vested benefits for sick leave, totaled \$52,053. For proprietary fund types, vested benefits for vacation leave totaled \$19,079 and vested benefits for sick leave totaled \$14,285 at December 31, 2009. Included in the vested benefits for sick leave figures is an additional liability to accrue and record termination (severance) payments for employees expected to become eligible to retire in the future in accordance with GASB Statement No. 16.

NOTE 12 - CAPITAL LEASES - LESSEE DISCLOSURE

- A. In prior years, the City entered into capital lease agreements for copiers and a file server. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. At inception, capital lease transactions are accounted for as capital outlay expenditure and other financing source in the appropriate fund.

Capital assets consisting of furniture and equipment have been capitalized in the amount of \$34,845. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2009 was \$17,134, leaving a current book value of \$17,711. A corresponding liability was recorded in the government-wide financial statements. Principal payments in 2009 totaled \$3,644 paid by the general fund.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 12 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2009.

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>
2010	\$ 5,402
2011	5,245
2012	4,459
2013	4,459
2014	<u>371</u>
Total future minimum lease payments	19,936
Less: amount representing interest	<u>(2,851)</u>
Present value of net minimum lease payments	<u>\$ 17,085</u>

- B.** During 2007, the City entered into a capital lease agreement for a new fire truck. This lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. At inception, capital lease transactions are accounted for as capital outlay expenditure and other financing source in the appropriate fund.

Capital assets consisting of furniture and equipment have been capitalized in the amount of \$421,361. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2009 was \$79,005, leaving a current book value of \$342,356. A corresponding liability was recorded in the government-wide financial statements. Principal payments in 2009 totaled \$84,993, paid by the fire capital improvement fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2009.

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>
2010	\$ 94,735
2011	<u>79,442</u>
Total future minimum lease payments	174,177
Less: amount representing interest	<u>(8,192)</u>
Present value of net minimum lease payments	<u>\$ 165,985</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 13 - LONG-TERM OBLIGATIONS

A. During 2009, the following changes occurred in governmental activities long-term obligations:

Governmental activities:	Balance <u>12/31/08</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/09</u>	Amounts Due in <u>One Year</u>
Bond anticipation note	\$ 1,250,000	\$ 1,085,000	\$ (1,250,000)	\$ 1,085,000	\$ 1,085,000
Note payable	1,068,000	-	(43,000)	1,025,000	45,000
Capital lease obligations	20,729	-	(3,644)	17,085	4,181
Fire truck lease obligation	250,978	-	(84,993)	165,985	88,703
Equipment loan	80,942	-	(80,942)	-	-
Compensated absences	<u>107,863</u>	<u>54,766</u>	<u>(65,301)</u>	<u>97,328</u>	<u>45,275</u>
Total governmental activities long-term obligations	<u>\$ 2,778,512</u>	<u>\$ 1,139,766</u>	<u>\$ (1,527,880)</u>	<u>\$ 2,390,398</u>	<u>\$ 1,268,159</u>

Compensated absences: Compensated absences are reported in the statement of net assets and will be paid from the fund from which the employee's salaries are paid which will primarily be the General Fund, Street Construction, Maintenance and Repair Fund (a nonmajor governmental fund) and Parks and Recreation fund (a nonmajor governmental fund).

Note payable: In 2006, the City entered into a 20 year note to provide long-term financing for the industrial park. A portion of the note, \$700,000, bears a fixed rate of 4.62% while the remaining \$465,000 is variable. The notes are scheduled to mature on January 1, 2026, however the City consistently pays the principal and interest prior to the due date. Payments of principal and interest on the note are made from the debt service fund (a nonmajor governmental fund).

Equipment loan: In May of 2007, the City entered into a 3 year loan to purchase police and fire mobile data equipment from Montgomery County. The loan bears a 0% interest rate and the final payment was due on August 1, 2009. The equipment purchased under the loan did not meet the City's capitalization threshold and, as such, is not reported in the City's capital assets. Payments of principal and interest on the equipment loan are made from the general fund.

Bond anticipation note: On April 22, 2009, the City issued a \$1,085,000 bond anticipation note bearing a 2.875% interest rate. This note matures on April 24, 2010. In accordance with FASB Statement No. 6, "Classification of Short-Term Obligations Expected to Be Refinanced", the note is considered a long-term obligation since it was refinanced prior to the issuance of the financial statements (See Note 19). Payments of principal and interest are paid from the bond retirement fund.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

The following is the summary of the City's future annual principal and interest requirements for the note payable:

Year Ending December 31,	Note Payable		
	Principal	Interest	Total
2010	\$ 45,000	\$ 44,921	\$ 89,921
2011	47,000	42,905	89,905
2012	49,000	40,800	89,800
2013	52,000	38,591	90,591
2014	54,000	36,261	90,261
2015 - 2019	307,000	142,857	449,857
2020 - 2024	384,000	67,682	451,682
2025	87,000	3,523	90,523
	<u>\$ 1,025,000</u>	<u>\$ 417,540</u>	<u>\$ 1,442,540</u>

B. During 2009, the following changes occurred in the City's business-type long-term liabilities:

Business-type activities:	Interest Rate	Balance 12/31/08	Additions	Reductions	Balance 12/31/09	Amounts Due in One Year
<u>OPWC loans</u>						
Water tower	5.00%	\$ 169,732	\$ -	\$ (30,679)	\$ 139,053	\$ 32,232
Wolf Creek sanitary trunk main	0.00%	17,500	-	(5,000)	12,500	5,000
Wastewater treatment plant	0.00%	405,590	-	(42,694)	362,896	42,694
Total OPWC loans		592,822	-	(78,373)	514,449	79,926
<u>OWDA loan</u>						
Wastewater treatment plant	5.00%	130,855	-	(86,144)	44,711	44,711
<u>Other long-term obligations</u>						
Compensated absences		30,650	19,079	(16,365)	33,364	19,079
Total business-type activities long-term obligations		<u>\$ 754,327</u>	<u>\$ 19,079</u>	<u>\$ (180,882)</u>	<u>\$ 592,524</u>	<u>\$ 143,716</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

The City has entered into three debt financing arrangements through the Ohio Public Works Commission (OPWC) to fund a new water tower, the Wolf Creek sanitary trunk extension and wastewater treatment plant improvements. The amounts due to the OPWC are payable solely from water and sewer revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2009, the City has outstanding borrowings of \$139,053 in the water fund and \$12,500 and \$362,896 in the sewer fund which matures on January 1, 2014, July 1, 2012 and July 1, 2018, respectively. The loan agreements require semi-annual payments based on the actual amount loaned. The Wolfcreek sanitary trunk main and the wastewater treatment plant of the OPWC loans are interest free, the Water Tower has a rate of 5%.

The City has entered into debt financing arrangements through the Ohio Water Development Authority (OWDA) to fund a wastewater treatment project. The amounts due to the OWDA are payable solely from sewer revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2009, the City has outstanding borrowings of \$44,711 which matures on July 1, 2010. The loan agreement requires semi-annual payments based on the actual amount loaned.

The following is the summary of the City's future annual principal and interest requirements for the OWDA and OPWC loans:

Year Ending December 31,	OWDA Loan			OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 44,711	\$ 1,101	\$ 45,812	\$ 79,926	\$ 6,555	\$ 86,481
2011	-	-	-	81,558	4,923	86,481
2012	-	-	-	80,773	3,209	83,982
2013	-	-	-	80,073	1,408	81,481
2014	-	-	-	42,694	-	42,694
2015 - 2018	-	-	-	149,425	-	149,425
	<u>\$ 44,711</u>	<u>\$ 1,101</u>	<u>\$ 45,812</u>	<u>\$ 514,449</u>	<u>\$ 16,095</u>	<u>\$ 530,544</u>

C. Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2009, the City's total debt margin was \$11,417,904 and the unvoted debt margin was \$5,957,139.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 14 - RISK MANAGEMENT

A. Liability Insurance

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City has contracted with Ohio Government Risk Management Plan, an Ohio government risk management program. The Plan was formed in June 1988 for the primary purpose of managing third-party liability claims against its members. The Plan provides property, liability, error and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its 713 members. The City's settled claims have not exceeded insurance coverage for the past three years. The Plan has chosen to adopt the forms and endorsements of conventional insurance coverages and to reinsure these coverages 100%, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have excess reinsurance coverage above the retention amount. Therefore, the City is only responsible for its self-retention (deductible) amount. The Plan reinsures its coverage 100% with various reinsurances companies up to a limit of \$5,000,000 per occurrence, per member.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

B. Employee Health Insurance

During 2009, the City provided employees health and life insurance through United Health Care and dental insurance through Dental Select. The premiums for dental and life insurance are paid monthly with the City paying one hundred percent of the cost.

The premiums for health insurance are paid monthly with the City paying ninety percent of the cost.

C. Workers' Compensation

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate of \$100 of payroll plus administrative costs. The rate is determined based on accident history of the City. The City also pays unemployment claims to the State of Ohio as incurred.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 15 - PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2009 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.10%. The City's contribution rate for 2009 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.63% of covered payroll.

The City's contribution rate for pension benefits for 2009 was 7.00% from January 1 through March 31, 2009 and 8.50% from April 1 through December 31, 2009, except for those plan members in law enforcement and public safety. For those classifications, pension contributions were 10.63% from January 1 through March 31, 2009 and 12.13% from April 1 through December 31, 2009. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2009, 2008 and 2007 were \$83,996, \$75,321 and \$88,234, respectively; 100% has been contributed for 2009, 2008 and 2007.

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 15 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2009, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$80,250 and \$11,914 for the year ended December 31, 2009, \$84,878 and \$11,954 for the year ended December 31, 2008 and \$73,492 and \$10,526 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 75.08% has been contributed for police and 73.08% has been contributed for firefighters for 2009.

NOTE 16 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but not does mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14.00% of covered payroll (17.63% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for 2009 was 7.00% from January 1 through March 31, 2009 and 5.50% from April 1 through December 31, 2009.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008 and 2007 were \$60,498, \$75,321 and \$57,609, respectively; 100% has been contributed for 2009, 2008 and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$42,485 and \$4,662 for the year ended December 31, 2009, \$44,936 and \$4,678 for the year ended December 31, 2008 and \$48,385 and \$5,022 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 75.08% has been contributed for police and 73.08% has been contributed for firefighters for 2009.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balances - budget and actual (non-GAAP budgetary basis) presented for the general fund and street construction, maintenance and repair fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
2. Expenditures/expenses and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP);
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP); and,
4. Unreported cash represents amounts received, but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for the general fund and the street construction maintenance and repair fund.

	Net Change in Fund Balance	
	<u>General</u>	<u>Street Construction Maintenance and Repair Fund</u>
Budget basis	\$ (204,095)	\$ 7,594
Net adjustment for revenue accruals	(17,717)	139
Net adjustment for expenditure accruals	12,939	(2,427)
Adjustment for encumbrances	<u>2,440</u>	<u>3,383</u>
GAAP basis	<u>\$ (206,433)</u>	<u>\$ 8,689</u>

NOTE 18 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2009.

B. Litigation

The City is currently not involved in pending litigation at year end.

NOTE 19 - SIGNIFICANT SUBSEQUENT EVENTS

On April 20, 2010, the City issued a \$750,000 bond anticipation note to retire a portion of the \$1,085,000 bond anticipation note issued on April 22, 2009 (See Note 13). This note bears an interest rate of 2.75% and matures on April 20, 2011.



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**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

Members of Council and Mayor
City of Brookville
301 Sycamore Street
Brookville, Ohio 45309

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brookville, Montgomery County, Ohio, as of and for the year ended December 31, 2009, which collectively comprise the City of Brookville's basic financial statements and have issued our report thereon dated May 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Brookville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City of Brookville's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City of Brookville's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting of the City of Brookville's financial statements was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Members of Council and Mayor
City of Brookville

Compliance and Other Matters

As part of reasonably assuring whether the City of Brookville's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must to report under *Government Auditing Standards*.

We intend this report solely for the information and use of the management and City Council of the City of Brookville. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
May 19, 2010

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Mary Taylor, CPA
Auditor of State

CITY OF BROOKVILLE

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 22, 2010**