

CITY OF BROOKVILLE
MONTGOMERY COUNTY
REGULAR AUDIT
JANUARY 1, 2017 – DECEMBER 31, 2017





Dave Yost • 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 Wilson, Shannon & Snow, Inc., for the audit period January 1, 2017 through December 31, 2017. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 25, 2018

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**CITY OF BROOKVILLE
MONTGOMERY COUNTY**

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**CITY OF BROOKVILLE
MONTGOMERY COUNTY**

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INDEPENDENT AUDITOR'S REPORT

City of Brookville
Montgomery County
301 Sycamore Street
Brookville, Ohio 45309

To the City Council:

Report on the Financial Statements

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 (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Street Construction, Maintenance, and Repair Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities/assets and pension contributions, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2018, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
June 12, 2018

CITY OF BROOKVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

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, 2017. 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 2017 are as follows:

- The total net position of the City decreased \$381,894. Net position of governmental activities decreased \$103,928 or 1.17% from 2016's net position. Net position of business-type activities decreased \$277,966 or 12.95% from 2016's net position.
- General revenues accounted for \$4,083,949 or 69.18% of total governmental activities revenue. Program specific revenues accounted for \$1,819,757 or 30.82% of total governmental activities revenue.
- The City had \$6,007,634 in expenses related to governmental activities; \$1,819,757 of these expenses was offset by program specific charges for services and sales, grants or contributions. The remaining expenses of the governmental activities of \$4,187,877 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$4,083,949.
- The general fund had revenues and other financing sources of \$4,926,132 in 2017. This represents an increase of \$226,637 from 2016's revenues and other financing sources. The expenditures and other financing uses of the general fund, which totaled \$4,663,837 in 2017, increased \$191,104 from 2016's expenditures and other financing uses. The net increase in fund balance for the general fund was \$262,295 or 10.66%.
- The street construction maintenance and repair fund had revenues and other financing sources of \$2,207,911 in 2017. The expenditures of the street construction maintenance and repair fund, totaled \$2,212,328 in 2017. The net decrease in fund balance for the street construction maintenance and repair fund was \$4,417.
- The fire capital improvement fund had revenues of \$342,088 in 2017. The expenditures of the fire capital improvement fund, totaled \$4,306,772 in 2017. The net decrease in fund balance for the fire capital improvement fund was \$3,964,684.
- Net position for the business-type activities, which are made up of the water, sewer, and refuse enterprise funds, decreased in 2017 by \$277,966 from 2016's net position. This decrease in net position was due primarily to operating expenses exceeding operating revenues.
- In the general fund, the actual revenues and other financing sources came in \$215,957 less than they were in the final budget and actual expenditures and other financing uses were \$309,069 less than the amount in the final budget.

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.

CITY OF BROOKVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

The statement of net position 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 Position 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 2017?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, 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 position and changes in net position. This change in net position 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 position 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, fire 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 position and statement of activities can be found on pages 19-21 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.

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 12.

CITY OF BROOKVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

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 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 22-27 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 31-75 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability. The required supplementary information can be found on pages 76-82 of this report.

CITY OF BROOKVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

Government-Wide Financial Analysis

The table below provides a summary of the City's assets, deferred inflows of resources, liabilities, deferred outflows of resources and net position at December 31, 2017 and 2016.

	Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<u>Assets</u>						
Current and other assets	\$ 7,866,540	\$ 11,743,441	\$ 1,349,479	\$ 1,388,522	\$ 9,216,019	\$ 13,131,963
Capital assets, net	<u>13,519,627</u>	<u>7,847,055</u>	<u>3,638,165</u>	<u>3,534,757</u>	<u>17,157,792</u>	<u>11,381,812</u>
Total assets	<u>21,386,167</u>	<u>19,590,496</u>	<u>4,987,644</u>	<u>4,923,279</u>	<u>26,373,811</u>	<u>24,513,775</u>
<u>Deferred outflows of resources</u>						
Pension	942,620	980,612	251,961	195,845	1,194,581	1,176,457
Total deferred outflows	<u>942,620</u>	<u>980,612</u>	<u>251,961</u>	<u>195,845</u>	<u>1,194,581</u>	<u>1,176,457</u>
<u>Liabilities</u>						
Current liabilities	673,986	216,649	228,888	248,542	902,874	465,191
Long-term liabilities:						
Due within one year	286,522	269,342	186,410	199,735	472,932	469,077
Net pension liability	3,392,113	3,267,569	639,176	502,622	4,031,289	3,770,191
Other amounts	<u>8,976,634</u>	<u>7,810,940</u>	<u>2,299,732</u>	<u>2,004,880</u>	<u>11,276,366</u>	<u>9,815,820</u>
Total liabilities	<u>13,329,255</u>	<u>11,564,500</u>	<u>3,354,206</u>	<u>2,955,779</u>	<u>16,683,461</u>	<u>14,520,279</u>
<u>Deferred inflows of resources</u>						
Property taxes	122,041	111,361	-	-	122,041	111,361
Pension	<u>123,631</u>	<u>37,459</u>	16,763	16,743	140,394	54,202
Total deferred inflows	<u>245,672</u>	<u>148,820</u>	<u>16,763</u>	<u>16,743</u>	<u>262,435</u>	<u>165,563</u>
<u>Net Position</u>						
Net investment in capital assets	6,467,786	6,066,119	1,182,489	1,358,200	7,650,275	7,424,319
Restricted	1,565,561	2,196,866	-	-	1,565,561	2,196,866
Unrestricted	<u>720,513</u>	<u>594,803</u>	686,147	788,402	1,406,660	1,383,205
Total net position	<u>\$ 8,753,860</u>	<u>\$ 8,857,788</u>	<u>\$ 1,868,636</u>	<u>\$ 2,146,602</u>	<u>\$ 10,622,496</u>	<u>\$ 11,004,390</u>

During 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

CITY OF BROOKVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

Under the new standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2017, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$10,622,496. At year-end, net position was \$8,753,860 and \$1,868,636 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 63.22% and 72.94% of total assets for the governmental activities and business-type activities, respectively. Capital assets include land, construction in progress, land improvements, buildings and improvements, equipment, vehicles, software and infrastructure. The City's net investment in capital assets at December 31, 2017, were \$6,467,786 and \$1,182,489 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.

CITY OF BROOKVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

A portion of the City's net position, \$1,565,561 represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position of \$720,513 may be used to meet the government's ongoing obligations to citizens and creditors.

The following table shows the changes in net position for 2017 and 2016.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues						
Program revenues:						
Charges for services and sales	\$ 1,198,254	\$ 1,222,214	\$ 2,006,095	\$ 2,028,220	\$ 3,204,349	\$ 3,250,434
Operating grants and contributions	368,672	486,654	-	-	368,672	486,654
Capital grants and contributions	<u>252,831</u>	<u>202,775</u>	<u>50,000</u>	<u>64,860</u>	<u>302,831</u>	<u>267,635</u>
Total program revenues	<u>1,819,757</u>	<u>1,911,643</u>	<u>2,056,095</u>	<u>2,093,080</u>	<u>3,875,852</u>	<u>4,004,723</u>
General revenues:						
Property taxes	170,299	164,403	-	-	170,299	164,403
Income taxes	3,690,301	3,370,396	-	-	3,690,301	3,370,396
Unrestricted grants and entitlements	91,174	92,857	-	-	91,174	92,857
Investment earnings	94,583	43,773	-	-	94,583	43,773
Miscellaneous	<u>37,592</u>	<u>59,160</u>	<u>-</u>	<u>-</u>	<u>37,592</u>	<u>59,160</u>
Total general revenues	<u>4,083,949</u>	<u>3,730,589</u>	<u>-</u>	<u>-</u>	<u>4,083,949</u>	<u>3,730,589</u>
Total revenues	<u>5,903,706</u>	<u>5,642,232</u>	<u>2,056,095</u>	<u>2,093,080</u>	<u>7,959,801</u>	<u>7,735,312</u>
Expenses:						
General government	1,288,487	1,168,673	-	-	1,288,487	1,168,673
Security of persons and property	2,799,121	2,575,155	-	-	2,799,121	2,575,155
Transportation	1,301,211	1,138,364	-	-	1,301,211	1,138,364
Leisure time activity	297,263	216,676	-	-	297,263	216,676
Economic development	62,500	187,500	-	-	62,500	187,500
Interest, fiscal & issuance costs	259,052	223,456	-	-	259,052	223,456
Water	-	-	1,031,110	1,036,829	1,031,110	1,036,829
Sewer	-	-	866,721	863,945	866,721	863,945
Refuse	<u>-</u>	<u>-</u>	<u>436,230</u>	<u>415,805</u>	<u>436,230</u>	<u>415,805</u>
Total expenses	<u>6,007,634</u>	<u>5,509,824</u>	<u>2,334,061</u>	<u>2,316,579</u>	<u>8,341,695</u>	<u>7,826,403</u>
Change in net position	(103,928)	132,408	(277,966)	(223,499)	(381,894)	(91,091)
Net position at beginning of year	<u>8,857,788</u>	<u>8,725,380</u>	<u>2,146,602</u>	<u>2,370,101</u>	<u>11,004,390</u>	<u>11,095,481</u>
Net position at end of year	<u>\$ 8,753,860</u>	<u>\$ 8,857,788</u>	<u>\$ 1,868,636</u>	<u>\$ 2,146,602</u>	<u>\$ 10,622,496</u>	<u>\$ 11,004,390</u>

CITY OF BROOKVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

Governmental Activities

Governmental activities net position decreased \$103,928 in 2017.

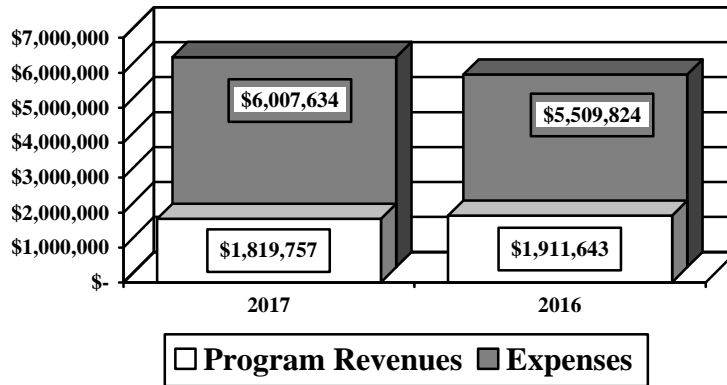
Security of persons and property which primarily supports the operations of the police and fire department accounted for \$2,799,121 or 46.59% of the total expenses of the City. Security of persons and property expenses were partially funded by \$881,778 in direct charges to users of the services, \$5,601 in operating grants and contributions and \$124,473 in capital grants and contributions. General government expenses totaled \$1,288,487. General government expenses were partially funded by \$153,547 in direct charges to users of the services.

The State government contributed to the City a total of \$368,672 in operating grants and contributions and \$252,831 in capital grants and contributions. These revenues are restricted to a particular program or purpose.

General revenues totaled \$4,083,949 and amounted to 69.18% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$3,860,600. 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 \$91,174.

The statement of activities shows the cost of program services and the charges for services and sales, grants and contributions offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2017 compared to 2016. 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

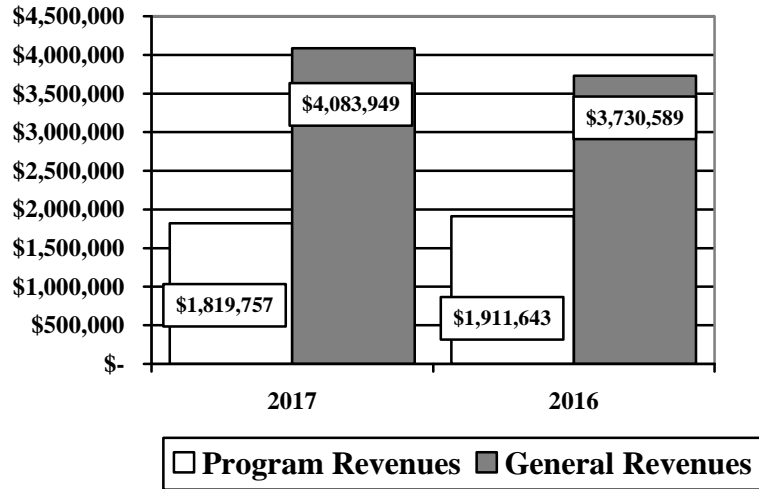
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

Governmental Activities

	2017		2016	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Program Expenses:				
General government	\$ 1,288,487	\$ 1,134,940	\$ 1,168,673	\$ 1,043,555
Security of persons and property	2,799,121	1,787,269	2,575,155	1,696,239
Transportation	1,301,211	737,170	1,138,364	446,008
Leisure time activity	297,263	269,446	216,676	188,923
Economic development	62,500	-	187,500	-
Interest fiscal charges and issuance costs	<u>259,052</u>	<u>259,052</u>	<u>223,456</u>	<u>223,456</u>
Total	<u>\$ 6,007,634</u>	<u>\$ 4,187,877</u>	<u>\$ 5,509,824</u>	<u>\$ 3,598,181</u>

The dependence upon general revenues for governmental activities is apparent, with 69.71% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2017.

Governmental Activities – General and Program Revenues



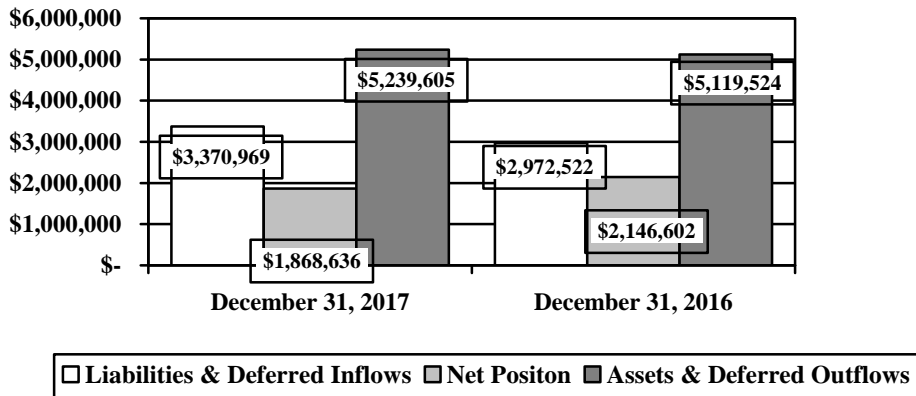
CITY OF BROOKVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

Business-type Activities

Business-type activities include the water, sewer, and refuse enterprise funds. These programs had program revenues of \$2,056,095 and expenses of \$2,334,061 for 2017. The graph below shows the business-type activities assets, deferred outflows, liabilities, deferred inflows and net position at year-end.

Net Position 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.

The City's governmental funds (as presented on the balance sheet) reported a combined fund balance of \$6,595,416 which is \$4,397,613 below last year's total of \$10,993,029. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2017 for all major and non-major governmental funds.

	Fund Balances 12/31/2017	Fund Balances 12/31/2016	Increase (Decrease)
Major funds:			
General	\$ 2,722,038	\$ 2,459,743	\$ 262,295
Street construction maintenance and repair	222,603	227,020	(4,417)
Fire capital improvement	2,555,031	6,519,715	(3,964,684)
Other nonmajor governmental funds	1,095,744	1,786,551	(690,807)
Total	<u>\$ 6,595,416</u>	<u>\$ 10,993,029</u>	<u>\$ (4,397,613)</u>

CITY OF BROOKVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

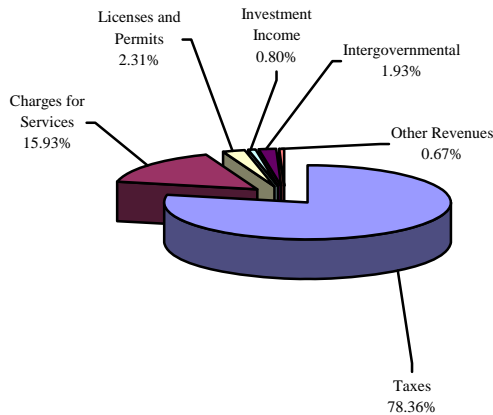
General Fund

The City's general fund balance increased \$262,295. The table that follows assists in illustrating the revenues of the general fund.

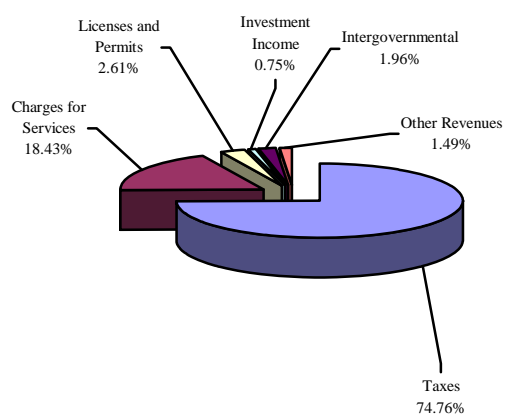
	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 3,859,427	\$ 3,496,895	10.37 %
Charges for services	784,574	862,304	(9.01) %
Licenses, permits and fees	113,861	122,137	(6.78) %
Investment income	39,466	35,250	11.96 %
Intergovernmental	95,191	91,666	3.85 %
Other	<u>32,973</u>	<u>69,718</u>	(52.71) %
Total	<u>\$ 4,925,492</u>	<u>\$ 4,677,970</u>	5.29 %

The City's largest revenue source in the general fund was tax revenue, which represents 78.36% of all general fund revenue. Charges for service revenues decreased 9.01% due to a decrease in receivables related to EMS billings. Tax revenues increased 10.37% due to a slight increase in income tax revenues. Revenues related to licenses, permits and fees decreased 6.78% due to a decrease in building permits. Investment income increased 11.96% due to variations in interest rates. The 3.85% increase in intergovernmental income is due to an increase in local governmental revenues. The 52.71% decrease in other revenue is due to a decrease in rental income during the year.

Revenues - 2017



Revenues - 2016



CITY OF BROOKVILLE, OHIO

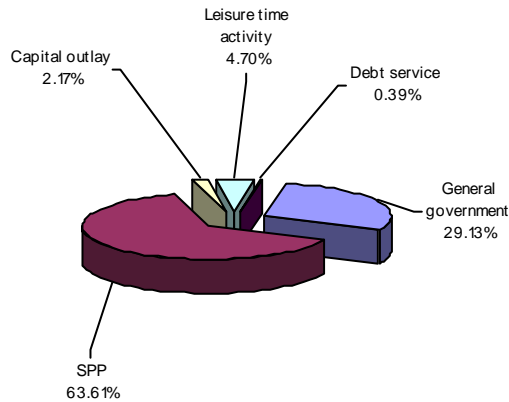
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

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

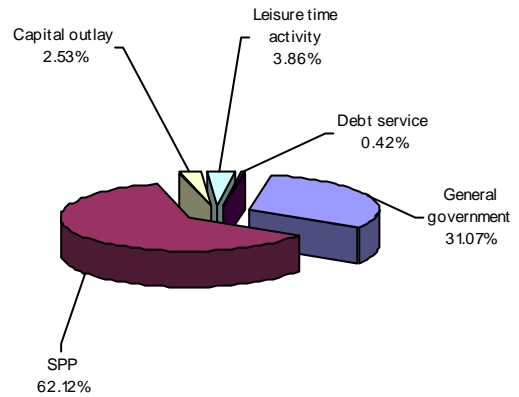
	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 1,133,216	\$ 1,119,441	1.23 %
Security of persons and property	2,474,913	2,237,742	10.60 %
Leisure time activity	182,874	139,092	31.48 %
Capital outlay	84,399	91,223	(7.48) %
Debt service	<u>15,235</u>	<u>15,235</u>	- %
 Total	 <u>\$ 3,890,637</u>	 <u>\$ 3,602,733</u>	 7.99 %

Expenditures increased by 7.99% during 2017. Expenditures related to security of persons and property increased due to an increase in expenses related to the police and fire department. Expenditures related to leisure time activity increased due to an increase in expenditures related to the park department.

Expenditures - 2017



Expenditures - 2016



CITY OF BROOKVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

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 and financing sources came in \$215,957 lower than they were in the final budget and actual expenditures and other financing uses were \$309,069 less than the amount in the final budget. Original budgeted revenues and other financing sources decreased \$25,000 from an original budget of \$5,152,516 to a final budget of \$5,127,516. Budgeted expenditures and other financing uses decreased \$149,800 from an original budget of \$5,154,235 to a final budget of \$5,004,435.

Street Construction Maintenance and Repair Fund

The street construction maintenance and repair fund had revenues and other financing sources of \$2,207,911 in 2017. The expenditures of the street construction maintenance and repair fund, totaled \$2,212,328 in 2017. The net decrease in fund balance for the street construction maintenance and repair fund was \$4,417.

Fire Capital Improvement Fund

The fire capital improvement fund had revenues of \$342,088 in 2017. The expenditures of the fire capital improvement fund, totaled \$4,306,772 in 2017. The net decrease in fund balance for the fire capital improvement fund was \$3,964,684.

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.

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CITY OF BROOKVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

Capital Assets and Debt Administration

Capital Assets

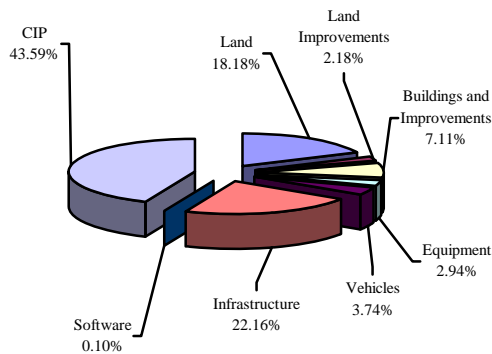
At the end of 2017, the City had \$17,157,792 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, equipment, software, vehicles and infrastructure. Of this total, \$13,519,627 was reported in governmental activities and \$3,638,165 was reported in business-type activities. See Note 9 for further description of capital assets. The following table shows 2017 balances compared to 2016.

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

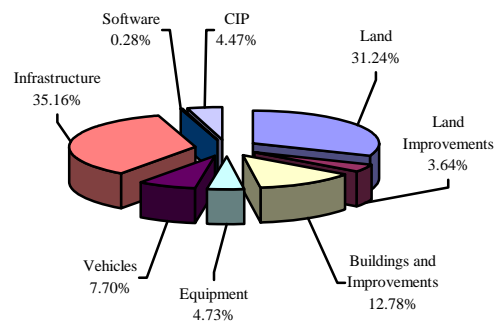
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 2,458,378	\$ 2,451,288	\$ 32,388	\$ 32,388	\$ 2,490,766	\$ 2,483,676
Land improvements	294,130	285,690	1,892,023	2,308,163	2,186,153	2,593,853
Buildings and improvements	961,257	1,002,742	123,704	129,627	1,084,961	1,132,369
Equipment	396,899	371,495	339,552	260,558	736,451	632,053
Software	14,187	22,041	-	-	14,187	22,041
Vehicles	505,783	604,226	111,778	137,511	617,561	741,737
Infrastructure	2,995,410	2,759,132	617,033	664,360	3,612,443	3,423,492
Construction in progress	<u>5,893,583</u>	<u>350,441</u>	<u>521,687</u>	<u>2,150</u>	<u>6,415,270</u>	<u>352,591</u>
Totals	<u>\$ 13,519,627</u>	<u>\$ 7,847,055</u>	<u>\$ 3,638,165</u>	<u>\$ 3,534,757</u>	<u>\$ 17,157,792</u>	<u>\$ 11,381,812</u>

The following graphs show the breakdown of governmental capital assets by category for 2017 and 2016.

Capital Assets - Governmental Activities 2017



Capital Assets - Governmental Activities 2016



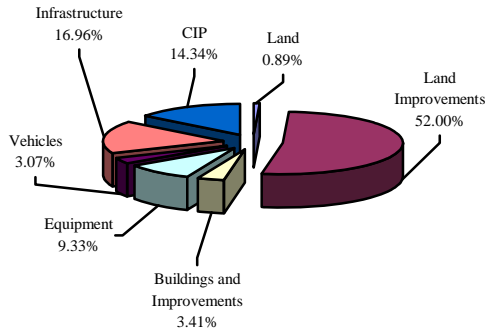
Infrastructure is the second largest capital asset category for the City's governmental activities. Infrastructure includes bridges and streets. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 22.16% of the City's total governmental capital assets.

CITY OF BROOKVILLE, OHIO

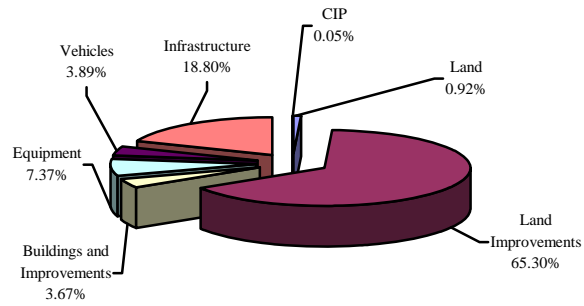
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

The following graphs show the breakdown of business-type capital assets by category for 2017 and 2016.

Capital Assets - Business - Type Activities 2017



Capital Assets - Business - Type Activities 2016



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 52.00% of the City's total business-type capital assets.

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2017 and 2016:

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Note payable	\$ 602,000	\$ 663,000
OPWC loan	3,444	5,167
Mortgage loan	-	50,000
State Infrastructure bank (SIB loan)	1,398,379	-
Capital lease obligation	25,705	35,122
Installment financing agreement	8,550	12,825
Bonds	<u>6,220,000</u>	<u>6,300,000</u>
Total long-term obligations	<u>\$ 8,258,078</u>	<u>\$ 7,066,114</u>
	<u>Business-type Activities</u>	
	<u>2017</u>	<u>2016</u>
OPWC loans	\$ 1,953,300	\$ 2,088,439
State Infrastructure bank (SIB loan)	445,626	-
Capital lease obligation	<u>56,750</u>	<u>88,118</u>
Total long-term obligations	<u>\$ 2,455,676</u>	<u>\$ 2,176,557</u>

CITY OF BROOKVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

See Note 12 to the basic financial statements for detail on the City's long-term obligations.

Economic Conditions and Outlook

The City of Brookville, a Charter government, operates under the Mayor-Council-Manager form of government. The City is located in Montgomery County in southwestern Ohio, approximately 12 miles west of the I-70/75 interchange. It was incorporated as a village in 1874 and became the Municipality of Brookville, with a new charter, on January 1, 1979. The City attained city status with the 2000 census.

The City is an attractive planned community located along the I-70 corridor. The City is accessible to some of the largest markets in the United States and Canada. The community is located within the largest 90-minute air market in America and the eighth largest 90-minute road market. The City is located just west of the core of a national network of 25 interstate highways and major state routes referred to as the "Crossroads of America".

The City is now home to approximately 6,050 residents. The City considers itself a suburban city, with the space of country and amenities of a city, as well as a few special features you'd expect in a much larger community. The housing character clearly reflects the hometown charm. Recreational opportunities are endless in the Brookville region. The five city parks comprised of 120 acres of green space and neighboring Sycamore State Park make the City one of the most popular "walkable communities." The City offers a tremendous opportunity for everyone who lives, visits, works and shops in the community.

The City offers commercial, industrial and retail opportunities that developers compete for and quality neighborhoods that homeowners wish for, making it one of the best kept secrets in Montgomery County. Brookville takes pride in its low crime rates, excellent fire and EMS response times, exceptional paved streets and exquisitely maintained green space and park systems.

A 2.00% local income tax and successful efforts to secure state, local and federal grants have enabled the City to provide excellent public service to its constituents and to maintain municipal infrastructure, while continually improving the overall appearance of the community. In 2017, income tax receipts exceeded \$3 million for the fifth consecutive year. The City's tax base includes a good mix of industrial, commercial, medical, service, retail, government and education segments.

The City has two industrial parks, Mosier Industrial Park located in the northeast corner of the City is home to 17 businesses and NorthBrook Industrial Park located along Interstate 70 in the northwest corner of the City is home to 3 businesses. The NorthBrook Industrial Park has shovel ready sites available for new construction and expansion.

Eight new businesses opened their doors in our community in 2017. Four of these new businesses located on or near Market Street in our Downtown area, which filled some vacant store fronts. A positive event in our community was the demolition of an old gas station near the I-70 interchange that has been vacant for 12 years. Plans have been approved to construct a new gas station and convenience store with a drive-thru restaurant. Construction is expected to be completed in mid-2018.

The City continues to see employment growth despite the slow economy; the City continues to carefully monitor two primary sources of revenue, local income taxes and shared intergovernmental (state) revenue. To stabilize the impact of the fluctuations in these revenue streams, City Council continues to pursue economic development and job creation to maintain the community's reputation for high public safety standards and adoption of a budget designed to promote long-term fiscal stability. A strong and sound economy is vital to maintaining and improving the quality of life in the City.

CITY OF BROOKVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

In 2016, the City issued its first Official Statement in connection with issuing \$6,300,000 General Obligation (Limited Tax) Fire Station Bonds for the construction of a new fire station. S&P Global Ratings Services assigned its municipal bond rating of "AA". A municipal bond insurance policy was issued by Build America Mutual Assurance Company (BAM).

An application for a rating on the Bonds in the absence of bond insurance was made only to Moody's Investors Service, Inc., which assigned a rating of "A1" to the Bonds prior to the City's decision to purchase bond insurance.

In 2017, the City completed and submitted its Annual Information Filing, which provides annual financial information and operating data agreed to be provided under the Continuing Disclosure Agreement entered into at the time of the primary offering.

Construction of our new 23,089 square foot fire station began in Spring 2017, with completion scheduled for late Spring 2018. The building is constructed of limited combustible and non-combustible materials and sits on 2.74 acres on the northeast corner of the City of Brookville.

The City applied for and received approval for a State Infrastructure Bank loan to construct the extension of Market Street from its existing dead-end north to Upper Lewisburg-Salem Road. This new roadway created access for future commercial development and will also provide additional access for our new fire station. In combination with this project, water and sewer lines were also extended to Upper Lewisburg-Salem Road, which provides water and sewer service to the new fire station and future commercial development.

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 M. Keaton, Director of Finance, 301 Sycamore Street, Brookville, Ohio 45309.

**BASIC
FINANCIAL STATEMENTS**

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**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 6,201,239	\$ 626,922	\$ 6,828,161
Receivables:			
Income taxes	583,863	-	583,863
Real and other taxes	124,849	-	124,849
Accounts	104,310	661,976	766,286
Accrued interest	9,945	-	9,945
Special assessments	50,775	8,185	58,960
Due from other governments	312,229	-	312,229
Prepayments	79,055	22,519	101,574
Materials and supplies inventory	27,366	26,297	53,663
Assets held for resale	366,069	-	366,069
Net pension asset	6,840	3,580	10,420
Capital assets:			
Land and construction in progress	8,351,961	554,075	8,906,036
Depreciable capital assets, net	5,167,666	3,084,090	8,251,756
Total capital assets, net	<u>13,519,627</u>	<u>3,638,165</u>	<u>17,157,792</u>
Total assets	<u>21,386,167</u>	<u>4,987,644</u>	<u>26,373,811</u>
Deferred outflows of resources:			
Pension Ohio police and fire	454,713	-	454,713
Pension OPERS	487,907	251,961	739,868
Total deferred outflows of resources	<u>942,620</u>	<u>251,961</u>	<u>1,194,581</u>
Liabilities:			
Accounts payable	67,333	215,930	283,263
Contracts payable	498,422	480	498,902
Accrued wages and benefits payable	48,030	9,814	57,844
Due to other governments	3,499	154	3,653
Pension and postemployment benefits obligation payable	15,803	2,510	18,313
Accrued interest payable	40,899	-	40,899
Long-term liabilities:			
Due within one year	286,522	186,410	472,932
Due in more than one year:			
Net pension liability	3,392,113	639,176	4,031,289
Other amounts due in more than one year	8,976,634	2,299,732	11,276,366
Total liabilities	<u>13,329,255</u>	<u>3,354,206</u>	<u>16,683,461</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	122,041	-	122,041
Pension Ohio police and fire	106,291	-	106,291
Pension OPERS	17,340	16,763	34,103
Total deferred inflows of resources	<u>245,672</u>	<u>16,763</u>	<u>262,435</u>
Net position:			
Net investment in capital assets	6,467,786	1,182,489	7,650,275
Restricted for:			
Debt service	406,263	-	406,263
Capital projects	1,107,017	-	1,107,017
Other purposes	52,281	-	52,281
Unrestricted	720,513	686,147	1,406,660
Total net position	<u>\$ 8,753,860</u>	<u>\$ 1,868,636</u>	<u>\$ 10,622,496</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Current:				
General government.	\$ 1,288,487	\$ 153,547	\$ -	\$ -
Security of persons and property . . .	2,799,121	881,778	5,601	124,473
Transportation.	1,301,211	135,112	300,571	128,358
Leisure time activity.	297,263	27,817	-	-
Economic development	62,500	-	62,500	-
Interest and fiscal charges.	259,052	-	-	-
Total governmental activities	<u>6,007,634</u>	<u>1,198,254</u>	<u>368,672</u>	<u>252,831</u>
Business-type activities:				
Water	1,031,110	1,018,621	-	-
Sewer	866,721	563,452	-	50,000
Refuse	436,230	424,022	-	-
Total business-type activities	<u>2,334,061</u>	<u>2,006,095</u>	<u>-</u>	<u>50,000</u>
Total primary government	<u>\$ 8,341,695</u>	<u>\$ 3,204,349</u>	<u>\$ 368,672</u>	<u>\$ 302,831</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

Total general revenues

Change in net position

Net position at beginning of year

Net position at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (1,134,940)	\$ -	\$ (1,134,940)
(1,787,269)	-	(1,787,269)
(737,170)	-	(737,170)
(269,446)	-	(269,446)
-	-	-
(259,052)	-	(259,052)
<u>(4,187,877)</u>	<u>-</u>	<u>(4,187,877)</u>
-	(12,489)	(12,489)
-	(253,269)	(253,269)
-	<u>(12,208)</u>	<u>(12,208)</u>
-	<u>(277,966)</u>	<u>(277,966)</u>
<u>(4,187,877)</u>	<u>(277,966)</u>	<u>(4,465,843)</u>
170,299	-	170,299
3,690,301	-	3,690,301
91,174	-	91,174
94,583	-	94,583
<u>37,592</u>	<u>-</u>	<u>37,592</u>
<u>4,083,949</u>	<u>-</u>	<u>4,083,949</u>
(103,928)	(277,966)	(381,894)
<u>8,857,788</u>	<u>2,146,602</u>	<u>11,004,390</u>
<u>\$ 8,753,860</u>	<u>\$ 1,868,636</u>	<u>\$ 10,622,496</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General	Street Construction Maintenance & Repair	Fire Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents . . .	\$ 2,363,879	\$ 200,650	\$ 2,914,143	\$ 722,567	\$ 6,201,239
Receivables:					
Income taxes	583,863	-	-	-	583,863
Real and other taxes	124,849	-	-	-	124,849
Accounts	94,312	20	9,978	-	104,310
Accrued interest	6,357	7	3,080	501	9,945
Special assessments	-	17,670	-	33,105	50,775
Due from other governments	45,928	146,137	116,820	3,344	312,229
Prepayments	67,781	11,274	-	-	79,055
Materials and supplies inventory	13,051	14,315	-	-	27,366
Assets held for resale	-	-	-	366,069	366,069
Total assets	<u>\$ 3,300,020</u>	<u>\$ 390,073</u>	<u>\$ 3,044,021</u>	<u>\$ 1,125,586</u>	<u>\$ 7,859,700</u>
Liabilities:					
Accounts payable	\$ 52,005	\$ 14,278	\$ 1,000	\$ 50	\$ 67,333
Contracts payable	6,768	320	487,990	3,344	498,422
Accrued wages and benefits payable	40,268	7,762	-	-	48,030
Due to other governments	3,391	108	-	-	3,499
Pension and postemployment benefits obligation payable	13,463	2,340	-	-	15,803
Total liabilities	<u>115,895</u>	<u>24,808</u>	<u>488,990</u>	<u>3,394</u>	<u>633,087</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year . . .	122,041	-	-	-	122,041
Delinquent property tax revenue not available . .	2,808	-	-	-	2,808
Accrued interest not available	4,015	-	-	-	4,015
Special assessments revenue not available	-	17,670	-	25,972	43,642
Miscellaneous revenue not available	478	20	-	-	498
Income tax revenue not available	297,510	-	-	-	297,510
Other nonexchange transactions not available . .	35,235	124,972	-	476	160,683
Total deferred inflows of resources	<u>462,087</u>	<u>142,662</u>	<u>-</u>	<u>26,448</u>	<u>631,197</u>
Total liabilities and deferred inflows of resources.	<u>577,982</u>	<u>167,470</u>	<u>488,990</u>	<u>29,842</u>	<u>1,264,284</u>
Fund balances:					
Nonspendable	80,832	25,589	-	-	106,421
Restricted	-	197,014	2,555,031	1,087,893	3,839,938
Committed	23,070	-	-	7,851	30,921
Assigned	536,494	-	-	-	536,494
Unassigned	2,081,642	-	-	-	2,081,642
Total fund balances	<u>2,722,038</u>	<u>222,603</u>	<u>2,555,031</u>	<u>1,095,744</u>	<u>6,595,416</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,300,020</u>	<u>\$ 390,073</u>	<u>\$ 3,044,021</u>	<u>\$ 1,125,586</u>	<u>\$ 7,859,700</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017

Total governmental fund balances		\$	6,595,416
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			13,519,627
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Income taxes receivable	\$	297,510	
Real and other taxes receivable		2,808	
Accounts receivable		498	
Intergovernmental receivable		160,683	
Special assessments receivable		43,642	
Investment income receivable		4,015	
Total		509,156	509,156
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(40,899)
Unamortized premiums on bond issuances are not recognized in the funds.			(832,128)
The net pension asset is not available to pay for current period expenditures; therefore, the asset is not reported in the governmental funds.			6,840
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.			
Deferred outflows of resources		942,620	
Deferred inflows of resources		(123,631)	
Net pension liability		(3,392,113)	
Total		(2,573,124)	(2,573,124)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(172,950)	
Bonds payable		(6,220,000)	
Capital lease payable		(25,705)	
Installment financing agreement		(8,550)	
Note payable		(602,000)	
Loans payable		(1,401,823)	
Total		(8,431,028)	(8,431,028)
Net position of governmental activities		\$	8,753,860

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General	Street Construction Maintenance & Repair	Fire Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Municipal income taxes	\$ 3,690,043	\$ -	\$ -	\$ -	\$ 3,690,043
Real and other taxes	169,384	-	-	-	169,384
Charges for services	784,574	67,870	164,506	199	1,017,149
Licenses, permits and fees	113,861	-	-	-	113,861
Intergovernmental	95,191	298,850	123,616	157,320	674,977
Special assessments	-	39,494	-	14,404	53,898
Investment income	39,466	38	53,109	6,376	98,989
Rental income	33,625	-	-	-	33,625
Donations	3,901	-	857	-	4,758
Decrease in fair value of investments	(4,553)	-	-	-	(4,553)
Other	-	-	-	5,601	5,601
Total revenues	4,925,492	406,252	342,088	183,900	5,857,732
Expenditures:					
Current:					
General government	1,133,216	-	-	-	1,133,216
Security of persons and property	2,474,913	-	-	5,778	2,480,691
Transportation	-	752,940	-	-	752,940
Leisure time activity	182,874	-	-	-	182,874
Economic development	-	-	-	62,500	62,500
Capital outlay	84,399	1,457,665	4,306,772	709,606	6,558,442
Debt service:					
Principal retirement	13,692	1,723	-	191,000	206,415
Interest and fiscal charges	1,543	-	-	294,593	296,136
Total expenditures	3,890,637	2,212,328	4,306,772	1,263,477	11,673,214
Excess (deficiency) of revenues over (under) expenditures	1,034,855	(1,806,076)	(3,964,684)	(1,079,577)	(5,815,482)
Other financing sources (uses):					
Sale of capital assets	640	3,280	-	15,570	19,490
Loan proceeds	-	1,398,379	-	-	1,398,379
Transfers in	-	400,000	-	373,200	773,200
Transfers (out)	(773,200)	-	-	-	(773,200)
Total other financing sources (uses)	(772,560)	1,801,659	-	388,770	1,417,869
Net change in fund balances	262,295	(4,417)	(3,964,684)	(690,807)	(4,397,613)
Fund balances at beginning of year	2,459,743	227,020	6,519,715	1,786,551	10,993,029
Fund balances at end of year	\$ 2,722,038	\$ 222,603	\$ 2,555,031	\$ 1,095,744	\$ 6,595,416

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, 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, 2017

Net change in fund balances - total governmental funds	\$	(4,397,613)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	\$ 6,286,218	
Current year depreciation	(576,223)	
Total		5,709,995
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(37,423)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	258	
Real and other taxes	915	
Charges for services	412	
Intergovernmental revenues	(1,858)	
Special assessments	39,322	
Investment income	185	
Rental income	(350)	
Total		38,884
Proceeds of loan agreements are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.		
		(1,398,379)
Repayment of bond, note, loan and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		206,415
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items contributed to more interest being reported in the statement of activities:		
Decrease in accrued interest payable	7,276	
Amortization of bond premium	29,808	
Total		37,084
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		272,310
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities.		
		(514,483)
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.		
		(20,718)
Change in net position of governmental activities	\$	(103,928)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, 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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Municipal income taxes.	\$ 3,862,884	\$ 3,844,140	\$ 3,682,234	\$ (161,906)
Real and other taxes.	177,088	176,229	168,807	(7,422)
Charges for services.	857,855	853,693	817,738	(35,955)
Licenses, permits and fees	80,052	79,664	76,309	(3,355)
Intergovernmental.	96,039	95,573	91,548	(4,025)
Investment income.	41,246	41,046	39,317	(1,729)
Rental income.	36,009	35,834	34,325	(1,509)
Donations	5	5	5	-
Total revenues	<u>5,151,178</u>	<u>5,126,184</u>	<u>4,910,283</u>	<u>(215,901)</u>
Expenditures:				
Current:				
General government	1,293,504	1,293,504	1,165,460	128,044
Security of persons and property	2,548,358	2,565,858	2,497,579	68,279
Capital outlay	202,373	202,373	109,127	93,246
Total expenditures	<u>4,044,235</u>	<u>4,061,735</u>	<u>3,772,166</u>	<u>289,569</u>
Excess of revenues over expenditures.	<u>1,106,943</u>	<u>1,064,449</u>	<u>1,138,117</u>	<u>73,668</u>
Other financing sources (uses):				
Sale of capital assets.	1,338	1,332	1,276	(56)
Transfers (out).	(1,110,000)	(942,700)	(923,200)	19,500
Total other financing sources (uses)	<u>(1,108,662)</u>	<u>(941,368)</u>	<u>(921,924)</u>	<u>19,444</u>
Net change in fund balances	(1,719)	123,081	216,193	93,112
Fund balance at beginning of year	1,970,714	1,970,714	1,970,714	-
Prior year encumbrances appropriated	47,235	47,235	47,235	-
Fund balance at end of year	<u>\$ 2,016,230</u>	<u>\$ 2,141,030</u>	<u>\$ 2,234,142</u>	<u>\$ 93,112</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, 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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services.	\$ 59,789	\$ 55,900	\$ 67,870	\$ 11,970
Intergovernmental.	323,757	302,700	299,899	(2,801)
Special assessments.	29,948	28,000	39,494	11,494
Investment income.	107	100	38	(62)
Total revenues.	<u>413,601</u>	<u>386,700</u>	<u>407,301</u>	<u>20,601</u>
Expenditures:				
Current:				
Transportation	817,885	847,885	760,437	87,448
Capital outlay	164,500	1,559,065	1,454,385	104,680
Debt service:				
Principal retirement.	1,800	1,800	1,723	77
Total expenditures.	<u>984,185</u>	<u>2,408,750</u>	<u>2,216,545</u>	<u>192,205</u>
Excess of expenditures over revenues.	<u>(570,584)</u>	<u>(2,022,050)</u>	<u>(1,809,244)</u>	<u>212,806</u>
Other financing sources:				
Note issuance	-	1,500,000	1,398,379	(101,621)
Sale of capital assets.	1,390	1,300	-	(1,300)
Transfers in	446,009	417,000	400,000	(17,000)
Total other financing sources.	<u>447,399</u>	<u>1,918,300</u>	<u>1,798,379</u>	<u>(119,921)</u>
Net change in fund balances.	(123,185)	(103,750)	(10,865)	92,885
Fund balance at beginning of year	182,908	182,908	182,908	-
Prior year encumbrances appropriated	19,185	19,185	19,185	-
Fund balance at end of year	<u>\$ 78,908</u>	<u>\$ 98,343</u>	<u>\$ 191,228</u>	<u>\$ 92,885</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Refuse	Total
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents . . .	\$ 110,336	\$ 372,065	\$ 144,521	\$ 626,922
Receivables:				
Accounts	335,817	187,884	138,275	661,976
Special assessments	3,063	2,069	3,053	8,185
Prepayments	10,440	8,230	3,849	22,519
Materials and supplies inventory	19,102	1,035	6,160	26,297
Total current assets	<u>478,758</u>	<u>571,283</u>	<u>295,858</u>	<u>1,345,899</u>
Noncurrent assets:				
Net pension asset	1,113	1,216	1,251	3,580
Capital assets:				
Land and construction in progress	279,674	274,401	-	554,075
Depreciable capital assets, net	518,618	2,476,039	89,433	3,084,090
Total capital assets, net	<u>798,292</u>	<u>2,750,440</u>	<u>89,433</u>	<u>3,638,165</u>
Total noncurrent assets	<u>799,405</u>	<u>2,751,656</u>	<u>90,684</u>	<u>3,641,745</u>
Total assets	<u>1,278,163</u>	<u>3,322,939</u>	<u>386,542</u>	<u>4,987,644</u>
Deferred outflows of resources:				
Pension OPERS	79,724	84,899	87,338	251,961
Total deferred outflows of resources	<u>79,724</u>	<u>84,899</u>	<u>87,338</u>	<u>251,961</u>
Liabilities:				
Current liabilities:				
Accounts payable	187,027	17,638	11,265	215,930
Contracts payable	160	160	160	480
Accrued wages and benefits payable	3,024	3,321	3,469	9,814
Compensated absences payable - current	8,328	9,090	9,472	26,890
Due to other governments	60	61	33	154
Pension and postemployment benefits				
obligation payable	909	1,034	567	2,510
OPWC loans payable	9,729	117,657	-	127,386
Capital lease obligations payable	-	-	32,134	32,134
Total current liabilities	<u>209,237</u>	<u>148,961</u>	<u>57,100</u>	<u>415,298</u>
Long-term liabilities:				
Compensated absences payable	1,192	1,192	1,192	3,576
OPWC loans payable	175,124	1,650,790	-	1,825,914
Other loans payable	277,384	168,242	-	445,626
Capital lease obligations payable	-	-	24,616	24,616
Net pension liability	198,659	217,139	223,378	639,176
Total long-term liabilities	<u>652,359</u>	<u>2,037,363</u>	<u>249,186</u>	<u>2,938,908</u>
Total liabilities	<u>861,596</u>	<u>2,186,324</u>	<u>306,286</u>	<u>3,354,206</u>
Deferred inflows of resources:				
Pension OPERS	2,816	4,774	9,173	16,763
Total deferred inflows of resources	<u>2,816</u>	<u>4,774</u>	<u>9,173</u>	<u>16,763</u>
Total liabilities and deferred inflows of resources.	<u>864,412</u>	<u>2,191,098</u>	<u>315,459</u>	<u>3,370,969</u>
Net position:				
Net investment in capital assets	336,055	813,751	32,683	1,182,489
Unrestricted	157,420	402,989	125,738	686,147
Total net position	<u>\$ 493,475</u>	<u>\$ 1,216,740</u>	<u>\$ 158,421</u>	<u>\$ 1,868,636</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Refuse	Total
Operating revenues:				
Charges for services	\$ 1,015,621	\$ 561,202	\$ 424,022	\$ 2,000,845
Tap-in fees.	3,000	2,250	-	5,250
Total operating revenues.	<u>1,018,621</u>	<u>563,452</u>	<u>424,022</u>	<u>2,006,095</u>
Operating expenses:				
Personal services	198,444	215,826	220,453	634,723
Contract services.	790,663	155,118	167,891	1,113,672
Materials and supplies.	2,131	8,641	25,936	36,708
Depreciation.	39,872	487,136	20,101	547,109
Total operating expenses.	<u>1,031,110</u>	<u>866,721</u>	<u>434,381</u>	<u>2,332,212</u>
Operating loss	<u>(12,489)</u>	<u>(303,269)</u>	<u>(10,359)</u>	<u>(326,117)</u>
Nonoperating revenue (expenses):				
Interest and fiscal charges	-	-	(1,849)	(1,849)
Capital contributions.	-	50,000	-	50,000
Total nonoperating revenue (expenses).	<u>-</u>	<u>50,000</u>	<u>(1,849)</u>	<u>48,151</u>
Change in net position	(12,489)	(253,269)	(12,208)	(277,966)
Net position at beginning of year.	<u>505,964</u>	<u>1,470,009</u>	<u>170,629</u>	<u>2,146,602</u>
Net position at end of year.	<u>\$ 493,475</u>	<u>\$ 1,216,740</u>	<u>\$ 158,421</u>	<u>\$ 1,868,636</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Refuse	Total
Cash flows from operating activities:				
Cash received from customers	\$ 1,012,867	\$ 565,465	\$ 419,770	\$ 1,998,102
Cash received from tap-in fees	3,000	2,250	-	5,250
Cash payments for personal services	(171,157)	(187,380)	(193,279)	(551,816)
Cash payments for contract services	(821,909)	(148,819)	(168,112)	(1,138,840)
Cash payments for materials and supplies	(4,720)	(8,386)	(17,960)	(31,066)
Net cash provided by operating activities	<u>18,081</u>	<u>223,130</u>	<u>40,419</u>	<u>281,630</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(389,320)	(260,510)	(687)	(650,517)
Cash received from capital grants	-	50,000	-	50,000
Principal retirement on capital lease	-	-	(31,368)	(31,368)
Principal retirement on loans	(9,729)	(138,999)	-	(148,728)
Interest and fiscal charges	-	-	(1,849)	(1,849)
Proceeds of loans	277,384	181,831	-	459,215
Net cash used in capital and related financing activities	<u>(121,665)</u>	<u>(167,678)</u>	<u>(33,904)</u>	<u>(323,247)</u>
Net increase (decrease) in cash and cash equivalents	(103,584)	55,452	6,515	(41,617)
Cash and cash equivalents at beginning of year . . .	<u>213,920</u>	<u>316,613</u>	<u>138,006</u>	<u>668,539</u>
Cash and cash equivalents at end of year	<u>\$ 110,336</u>	<u>\$ 372,065</u>	<u>\$ 144,521</u>	<u>\$ 626,922</u>
Reconciliation of operating loss to net cash provided by operating activities:				
Operating loss	\$ (12,489)	\$ (303,269)	\$ (10,359)	\$ (326,117)
Adjustments:				
Depreciation	39,872	487,136	20,101	547,109
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	66	6,201	(2,032)	4,235
Decrease (increase) in materials and supplies inventory	(2,594)	-	8,509	5,915
Decrease (increase) in prepayments	(1,161)	(1,796)	624	(2,333)
Increase in special assessment receivable	(2,820)	(1,938)	(2,220)	(6,978)
(Increase) in net pension asset	(1,064)	(1,159)	(1,190)	(3,413)
Increase in deferred outflows - pension - OPERS	(21,834)	(18,539)	(15,743)	(56,116)
Increase in accrued wages and benefits	615	572	494	1,681
Increase (decrease) in pension obligation payable	50,089	312	(201)	50,200
Increase (decrease) in accounts payable	(29,894)	8,690	(970)	(22,174)
Increase in contracts payable	160	160	160	480
Increase in compensated absences payable	995	826	587	2,408
Increase (decrease) in intergovernmental payable	9	3	(28)	(16)
Increase in net pension liability	264	46,830	39,635	86,729
Increase (decrease) in deferred inflows - pension - OPERS	(2,133)	(899)	3,052	20
Net cash provided by operating activities	<u>\$ 18,081</u>	<u>\$ 223,130</u>	<u>\$ 40,419</u>	<u>\$ 281,630</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Noncash Capital and Related Financing Activities:

The sewer fund was the beneficiary of Ohio Water Development Loan Authority loan proceeds received and paid on its behalf of \$13,589.

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**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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 and 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 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 and 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 position and a statement of activities and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements - The statement of net position 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.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

The statement of net position 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.

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, deferred outflows, liabilities and deferred inflows is reported as fund balance. The following are the City's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Fire capital improvement fund - The fire capital improvement fund accounts for all transactions relating to the purchase of capital equipment and the construction and improvements of the City's fire station.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

Other governmental funds of the City are used to account for (a) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (b) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Proprietary Funds - Proprietary fund reporting focuses on changes in net position, 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 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 position and changes in net position. 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, deferred outflows, liabilities and deferred inflows associated with the operation of the City are included on the statement of net position.

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, 2017

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, deferred outflows, liabilities and deferred inflows associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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 services and sales. 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 inflows and outflows and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions - Revenues 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, 2017

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, See Note 14 for deferred outflows of resources related the City's net pension liability/(asset).

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes, but is not limited to, income taxes, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. For the City, See Note 14 for deferred inflows of resources related to the City's net pension liability/(asset). This deferred inflow of resources is only reported on the government-wide statement of net position.

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 2017. 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 January 1, 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, 2017

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. 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 2017, investments were limited to negotiable 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.

During 2017, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2017 amounted to \$39,466, which included \$14,633 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.

H. Inventories of Materials and Supplies

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

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

I. 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 position, 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 position 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 acquisition 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
Software	5 - 10 years	5 - 10 years
Vehicles	8-10 years	8-10 years
Infrastructure	20 years	20 years

J. Compensated Absences

Compensated absences of the City consist of vacation leave and sick leave to the extent that payments 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.

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 or greater with at least ten years of service or any employee with at least twenty 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.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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 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.

K. 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. Bonds, long-term notes, loans and capital lease obligations are recognized as a liability on the governmental fund financial statements when due.

L. Interfund Activity

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

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.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (legislation) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (legislation) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the Finance Director the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. 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.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

O. Net Position

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its 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 position is available. Net position restricted for other purposes consists primarily of street construction maintenance and repair and programs to enhance the security of persons and property.

P. Prepayments

Payments made to vendors for services that will benefit beyond December 31, 2017 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.

Q. 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 2017.

R. Assets Held for Resale

As part of the economic development program, the City has acquired land within its Industrial Park. The City's intent is for the land to be sold to businesses to promote economic development within the City. Transactions are conducted through the City's Capital Improvement Fund (a nonmajor governmental fund).

S. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For 2017, the City has implemented GASB Statement No. 80, “*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*”, GASB Statement No. 81 “*Irrevocable Split-Interest Agreements*”, and GASB Statement No. 82, “*Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*”.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the City.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the City.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 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, 2017

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 items (1) or (2), above 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, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At December 31, 2017, the carrying amount of all City deposits was \$264,646 and the bank balance of all City deposits was \$462,092. Of the bank balance, \$254,983 was covered by the FDIC and \$207,109 was covered by the Ohio Pooled Collateral System. Although 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.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. Financial institutions which have received an extension (the "grace period") from the Ohio Treasurer of State to participate in the OPCS beyond December 31, 2017 may also pledge a single pool of eligible securities to secure the repayment of all public moneys deposited in the institution and not otherwise secured pursuant to law, provided that all times the total market value of the securities so pledged is at least equal to 105% of the total amount of all public deposits to be secured by the pooled securities that are not covered by any federal deposit insurance. For 2017, certain City financial institutions participated in OPCS and some did not participate in the OPCS because they received an extension of time to participate.

C. Investments

As of December 31, 2017, the City had the following investments and maturities:

Measurement/ <u>Investment Type</u>	Measurement <u>Amount</u>	Investment Maturity				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
Fair Value:						
U.S. Government money market						
mutual funds	\$ 44,253	\$ 44,253	\$ -	\$ -	\$ -	\$ -
Negotiable CD's	1,915,447	469,858	449,254	647,681	99,656	248,998
Amortized cost:						
STAR Ohio	<u>4,603,615</u>	<u>4,603,615</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,563,315</u>	<u>\$ 5,117,726</u>	<u>\$ 449,254</u>	<u>\$ 647,681</u>	<u>\$ 99,656</u>	<u>\$ 248,998</u>

The weighted average maturity of investments is 0.35 years.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The above chart identifies the City's recurring fair value measurements as of December 31, 2017. The U.S. Government Money Market Mutual Funds is measured at fair value and is valued using quoted market prices (Level 1 inputs). The City's negotiable certificates of deposit are measured at fair value and are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the City's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio and the U.S. Government money market carry 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 rating service. 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.

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, 2017:

<u>Measurement/ Investment Type</u>	<u>Measurement Amount</u>	<u>% of Total</u>
Fair Value:		
U.S. Government money market mutual funds	\$ 44,253	0.68
Negotiable CD's	1,915,447	29.18
Amortized Cost:		
STAR Ohio	<u>4,603,615</u>	<u>70.14</u>
Total	<u>\$ 6,563,315</u>	<u>100.00</u>

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

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 position as of December 31, 2017:

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 264,646
Investments	6,563,315
Cash on hand	<u>200</u>
Total	<u>\$ 6,828,161</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 6,201,239
Business-type activities	<u>626,922</u>
Total	<u>\$ 6,828,161</u>

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2017, consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:

Street construction, maintenance and repair	\$ 400,000
Nonmajor governmental funds	<u>373,200</u>
Total transfers	<u><u>\$ 773,200</u></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, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting on the government-wide financial statements.

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.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 6 - PROPERTY TAXES - (Continued)

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. 2017 public utility property taxes became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

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, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2017 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow since the current taxes were not levied to finance 2017 operations and the collection of delinquent taxes has been offset by a deferred inflow 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 a deferred inflow.

The full tax rate for all City operations for the year ended December 31, 2017 was 1.3 mils per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2017 property tax receipts were based are as follows:

Real property tax	\$ 101,377,100
Public utility personal property	<u>2,691,940</u>
Total assessed value	<u><u>\$ 104,069,040</u></u>

NOTE 7 - LOCAL INCOME TAX

The 2.0 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 2.0 percent. If a resident works somewhere, where the tax is less than 2.0 percent or there is no income tax, they will have to pay the difference. 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, 2017. Income tax revenue for 2017 was \$3,690,043 as reported in the fund financial statements. Income tax revenue is reported in the general fund.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2017, 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, 2017.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 8 – RECEIVABLES - (Continued)

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

Governmental activities:

Income taxes	\$ 583,863
Real and other taxes	124,849
Accounts	104,310
Accrued interest	9,945
Special assessments	50,775
Due from other governments	312,229

Business-type activities:

Accounts	661,976
Special assessments	8,185

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

NOTE 9 - CAPITAL ASSETS

A. Governmental activities capital asset activity for the year ended December 31, 2017, was as follows:

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**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 9 - CAPITAL ASSETS - (Continued)

<u>Governmental activities:</u>	<u>Balance</u>			<u>Balance</u>
	<u>12/31/16</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/17</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,451,288	\$ 7,090	\$ -	\$ 2,458,378
Construction in progress	<u>350,441</u>	<u>5,577,126</u>	<u>(33,984)</u>	<u>5,893,583</u>
Total capital assets, not being depreciated	<u>2,801,729</u>	<u>5,584,216</u>	<u>(33,984)</u>	<u>8,351,961</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,786,181	55,344	-	1,841,525
Buildings and improvements	2,148,927	18,819	(20,000)	2,147,746
Equipment	1,091,954	112,308	(33,537)	1,170,725
Software	45,963	-	-	45,963
Vehicles	2,471,347	43,042	(54,120)	2,460,269
Infrastructure	<u>5,150,664</u>	<u>506,473</u>	<u>-</u>	<u>5,657,137</u>
Total capital assets, being depreciated	<u>12,695,036</u>	<u>735,986</u>	<u>(107,657)</u>	<u>13,323,365</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,500,491)	(46,904)	-	(1,547,395)
Buildings and improvements	(1,146,185)	(54,639)	14,335	(1,186,489)
Equipment	(720,459)	(76,526)	23,159	(773,826)
Software	(23,922)	(7,854)	-	(31,776)
Vehicles	(1,867,121)	(120,105)	32,740	(1,954,486)
Infrastructure	<u>(2,391,532)</u>	<u>(270,195)</u>	<u>-</u>	<u>(2,661,727)</u>
Total accumulated depreciation	<u>(7,649,710)</u>	<u>(576,223)</u>	<u>70,234</u>	<u>(8,155,699)</u>
Total capital assets, being depreciated, net	<u>5,045,326</u>	<u>159,763</u>	<u>(37,423)</u>	<u>5,167,666</u>
Governmental activities capital assets, net	<u>\$ 7,847,055</u>	<u>\$ 5,743,979</u>	<u>\$ (71,407)</u>	<u>\$ 13,519,627</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental activities as follows:

Governmental activities:

General government	\$ 71,001
Security of persons and property	113,626
Transportation	319,318
Leisure time activity	<u>72,278</u>
Total depreciation expense - governmental activities	<u>\$ 576,223</u>

A. Business-type activities capital asset activity for the year ended December 31, 2017 was as follows:

<u>Business-type activities:</u>	<u>Balance</u> <u>12/31/16</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/17</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 32,388	\$ -	\$ -	\$ 32,388
Construction in progress	<u>2,150</u>	<u>519,537</u>	<u>-</u>	<u>521,687</u>
Total capital assets, not being depreciated	<u>34,538</u>	<u>519,537</u>	<u>-</u>	<u>554,075</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	10,771,905	-	-	10,771,905
Buildings and improvements	352,271	-	-	352,271
Equipment	465,903	124,980	-	590,883
Vehicles	213,708	-	-	213,708
Infrastructure	<u>1,063,552</u>	<u>6,000</u>	<u>-</u>	<u>1,069,552</u>
Total capital assets, being depreciated	<u>12,867,339</u>	<u>130,980</u>	<u>-</u>	<u>12,998,319</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(8,463,742)	(416,140)	-	(8,879,882)
Buildings and improvements	(222,644)	(5,923)	-	(228,567)
Equipment	(205,345)	(45,986)	-	(251,331)
Vehicles	(76,197)	(25,733)	-	(101,930)
Infrastructure	<u>(399,192)</u>	<u>(53,327)</u>	<u>-</u>	<u>(452,519)</u>
Total accumulated depreciation	<u>(9,367,120)</u>	<u>(547,109)</u>	<u>-</u>	<u>(9,914,229)</u>
Total capital assets, being depreciated, net	<u>3,500,219</u>	<u>(416,129)</u>	<u>-</u>	<u>3,084,090</u>
Business-type activities capital assets, net	<u>\$ 3,534,757</u>	<u>\$ 103,408</u>	<u>\$ -</u>	<u>\$ 3,638,165</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to the enterprise funds as follows:

Business-type activities:

Water	\$ 39,872
Sewer	487,136
Refuse	<u>20,101</u>
Total depreciation expense - business-type activities	<u><u>\$ 547,109</u></u>

NOTE 10 - VACATION AND SICK LEAVE LIABILITY

Vacation and sick leave accumulated by governmental fund type employees has been recorded on the statement of net position 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, fully vested employees are entitled to a percentage of their accumulated sick leave based on their years of service. At December 31, 2017, vested benefits for vacation leave for governmental fund type employees, net of amounts paid using current expendable available resources, totaled \$81,625 and vested benefits for sick leave, totaled \$91,325. For proprietary fund types, vested benefits for vacation leave totaled \$26,890 and vested benefits for sick leave totaled \$3,576 at December 31, 2017. 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 11 - CAPITAL LEASES - LESSEE DISCLOSURE

- A. During a prior year, the City entered into a capital lease agreement for new copiers. 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 \$48,310. This amount represents the present value of minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2017 was \$24,155, leaving a current book value of \$24,155. A corresponding liability was recorded in the government-wide financial statements. Principal payments for the capital lease in 2017 totaled \$9,417 paid by the general fund.

- B. During a prior year, the City entered into a capital lease agreement for a refuse truck. At inception, capital lease transactions are accounted for as capital outlay expenditure and other financing source in the appropriate fund.

Capital assets consisting of vehicles have been capitalized in the amount of \$156,479. This amount represents the present value of the minimum lease payments at the time of acquisition of \$155,884 and additional truck accessories of \$595. Accumulated depreciation as of December 31, 2017 was \$68,460, leaving a current book value of \$88,019. A corresponding liability was recorded in the refuse fund. Principal payments in 2017 totaled \$31,368 and were made from the refuse fund.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 11 - 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, 2017.

Year Ending December 31,	Governmental Activities	Business-Type Activities
2018	\$ 10,960	\$ 33,217
2019	10,960	24,913
2020	<u>5,480</u>	<u>-</u>
Total future minimum lease payments	27,400	58,130
Less: amount representing interest	<u>(1,695)</u>	<u>(1,380)</u>
Present value of net minimum lease payments	<u>\$ 25,705</u>	<u>\$ 56,750</u>

NOTE 12 - LONG-TERM OBLIGATIONS

A. During 2017, the following changes occurred in governmental activities long-term obligations.

Governmental activities:	Balance <u>12/31/16</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/17</u>	Amounts Due in <u>One Year</u>
Note payable	\$ 663,000	\$ -	\$ (61,000)	\$ 602,000	\$ 64,000
OPWC loan payable	5,167	-	(1,723)	3,444	1,723
Mortgage loan payable	50,000	-	(50,000)	-	-
State infrastructure bank (SIB loan)	-	1,398,379	-	1,398,379	-
Capital lease obligation	35,122	-	(9,417)	25,705	9,899
Installment financing agreement	12,825	-	(4,275)	8,550	4,275
General obligation bonds - series 2016	6,300,000	-	(80,000)	6,220,000	125,000
Net pension liability	3,267,569	303,421	(178,877)	3,392,113	-
Compensated absences	<u>152,232</u>	<u>83,645</u>	<u>(62,927)</u>	<u>172,950</u>	<u>81,625</u>
Total governmental activities long-term obligations	<u>\$ 10,485,915</u>	<u>\$ 1,785,445</u>	<u>\$ (448,219)</u>	11,823,141	<u>\$ 286,522</u>
		Add: unamortized premium		<u>832,128</u>	
		Total on statement of net position		<u>\$ 12,655,269</u>	

Compensated absences: Compensated absences are reported on the statement of net position and will be paid from the fund from which the employee's salaries are paid, which will primarily be the general fund and the street construction, maintenance and repair fund.

Capital lease obligation: See Note 11 for detail.

Net pension liability: See Note 14 for detail.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

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).

OPWC loan payable: The City entered into a debt financing arrangement through the Ohio Public Works Commission (OPWC) to fund improvements for the West Westbrook Road improvement project. The initial loan amount was for \$17,227, with semi-annual payments in January and July. Payments during 2017 totaled \$1,723. The loan matures January 1, 2020. Principal payments are made from the street construction, maintenance and repair fund. The loan is interest free.

Mortgage loan payable: In 2015, the City signed an open-end mortgage note for the purpose of revitalizing a purchased house and land. Once revitalized, the house and land is expected to be sold. This loan does not bear interest and is to be repaid within two years or when the corresponding assets are transferred to the buyer, whichever comes first. The associated assets have not been capitalized, rather recorded as assets held for resale.

State Infrastructure Bank (SIB) Loan payable: In 2017, the City entered into a debt financing arrangement through the State Infrastructure Bank (SIB) to fund improvements for the City. At December 31, 2017, the City had outstanding borrowings of \$1,398,379 in the street construction, maintenance and repair fund, \$277,384 in the water fund and \$168,242 in the sewer fund. The payments will be repaid from the street construction, maintenance and repair fund and from the water and sewer fund. The loan is currently "open" meaning the final disbursements have not yet been made from SIB.

Installment financing agreement: In 2016, the City entered into an installment financing agreement with Civic Plus for website design. The City chose to pay for these services in annual installments of \$4,275. Annual payments began in 2016 and will conclude in 2019.

General obligation bonds - series 2016: In 2016, the City issued \$6,300,000 in bonds, with a variable interest rate, for the purpose of financing the construction of a fire station. The payments are made from the bond retirement fund (a nonmajor governmental fund). Interest payments on the bonds are due on June 1 and December 1 each year. The final maturity date is December 1, 2045. The bonds are general obligations of the City for which the full faith and credit of the City is pledged for repayment.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

The following is the summary of the City's future annual principal and interest requirements for the OPWC loan, note payables, loan payable and general obligation bonds:

Year Ending December 31,	OPWC Loan	Note Payable		
	Principal	Principal	Interest	Total
2018	\$ 1,723	\$ 64,000	\$ 25,943	\$ 89,943
2019	1,721	67,000	23,066	90,066
2020	-	70,000	20,059	90,059
2021	-	73,000	16,905	89,905
2022	-	77,000	13,626	90,626
2023 - 2025	-	251,000	20,615	271,615
Total	<u>\$ 3,444</u>	<u>\$ 602,000</u>	<u>\$ 120,214</u>	<u>\$ 722,214</u>

Year Ending December 31,	General Obligation Bonds		
	Principal	Interest	Total
2018	\$ 125,000	\$ 248,800	\$ 373,800
2019	130,000	243,800	373,800
2020	135,000	238,600	373,600
2021	140,000	233,200	373,200
2022	145,000	227,600	372,600
2023 - 2027	825,000	1,045,600	1,870,600
2028 - 2032	995,000	867,400	1,862,400
2033 - 2037	1,215,000	651,200	1,866,200
2038 - 2042	1,475,000	388,800	1,863,800
2043 - 2045	1,035,000	84,000	1,119,000
Total	<u>\$ 6,220,000</u>	<u>\$ 4,229,000</u>	<u>\$ 10,449,000</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

B. During 2017, the following changes occurred in the City's business-type long-term liabilities.

Business-type activities:	<u>Interest Rate</u>	<u>Balance 12/31/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/17</u>	<u>Amounts Due in One Year</u>
<u>OPWC loans</u>						
Wastewater treatment plant - CD007	0.00%	\$ 64,044	\$ -	\$ (42,693)	\$ 21,351	\$ 21,351
Wastewater treatment plant - CD25Q	0.00%	1,829,813	-	(96,306)	1,733,507	96,306
Maple Street Waterline						
Replacement - CD27T	0.00%	194,582	-	(9,729)	184,853	9,729
Wastewater treatment plant						
Phase II - Imp #CDO4U	0.00%	-	13,589	-	13,589	-
Total OPWC loans		<u>2,088,439</u>	<u>13,589</u>	<u>(148,728)</u>	<u>1,953,300</u>	<u>127,386</u>
<u>Other long-term obligations</u>						
State Infrastructure Bank (SIB) loan		-	445,626	-	445,626	-
Capital lease obligation		88,118	-	(31,368)	56,750	32,134
Net pension liability		502,622	136,554	-	639,176	-
Compensated absences		<u>28,058</u>	<u>26,911</u>	<u>(24,503)</u>	<u>30,466</u>	<u>26,890</u>
Total business-type activities						
long-term obligations		<u>\$ 2,707,237</u>	<u>\$ 622,680</u>	<u>\$ (204,599)</u>	<u>\$ 3,125,318</u>	<u>\$ 186,410</u>

OPWC loans payable: The City has entered into four debt financing arrangements through the Ohio Public Works Commission (OPWC) to fund wastewater treatment plant improvements and waterline replacements. 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, 2017, the City has outstanding borrowings of \$184,853 in the water fund and \$1,768,447 in the sewer fund. The final OPWC loan matures on January 1, 2037. The loan agreements require semi-annual payments based on the actual amount loaned. These payments are reflected in the future maturities of principal and interest table and are subject to revision if the total amount is not drawn down.

The following is the summary of the City's future debt service principal and interest requirements for the OPWC loans. OPWC Loan #CDO4U has been excluded from the following calculations because the loan is currently "open" meaning the final disbursements have not yet been made from OPWC.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

<u>Year Ending December 31,</u>	<u>OPWC Loan Principal</u>
2018	\$ 127,386
2019	106,035
2020	106,035
2021	106,035
2022	106,035
2023 - 2027	530,176
2028 - 2032	530,176
2033 - 2037	<u>327,833</u>
Total	<u>\$ 1,939,711</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, 2017, the City's total debt margin was \$10,927,249 and the unvoted debt margin was \$5,723,797.

NOTE 13 - RISK MANAGEMENT

A. Liability Insurance

The City of Brookville belongs to the Ohio Plan Risk Management, Inc. (the "Plan"), a non-assessable, non-profit providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 770 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 13 - RISK MANAGEMENT - (Continued)

Effective November 1, 2012, the Plan retained 50% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2014, the Plan retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the Plan retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The Plan is also participating in a property primary excess of loss treaty. This treaty reimburses the Plan 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and members' equity at December 31 (latest information available):

	<u>2016</u>	<u>2015</u> <u>(In thousands)</u>	<u>2014</u>
Total Assets	\$14,766	\$14,644	\$14,830
Total Liabilities	\$9,532	\$9,112	\$8,942
Accumulated Surplus	\$5,234	\$5,532	\$5,888

You can read the complete audited financial statements for The Ohio Plan Risk Management at the Plan's website, www.ohioplan.org.

B. Employee Health Insurance

During 2017, the City provided employees' health insurance through Anthem Blue Cross and Blue Shield. The City offered dual health insurance plans, a traditional plan and an HSA plan. Dental insurance is provided through Dental Select. Life insurance is provided through United Health Care. 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 eighty-five percent of the cost of the health insurance.

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, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

The net pension liability/asset reported on the statement of net position represents a liability or asset to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability/asset represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes any net pension liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits or overfunded benefits is presented as a long-term *net pension liability* or *net pension asset*, respectively, on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits obligation payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate 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 and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

**CITY OF BROOKVILLE
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 2.25%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 2.25% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0 %
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$147,662 for 2017. Of this amount, \$7,019 is reported as pension and postemployment benefits obligation payable.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension 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 information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>Police</u>	<u>Firefighters</u>
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50 %</u>	<u>0.50 %</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$175,378 for 2017. Of this amount \$11,294 is reported as pension and postemployment benefits obligation payable.

Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability and net pension asset for the OPERS Traditional Pension Plan, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2016, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2016 and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS - Traditional</u>	<u>OPERS - Combined</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net pension liability/asset prior measurement date	0.008201%	0.000970%	0.0365250%	
Proportion of the net pension liability/asset current measurement date	<u>0.008193%</u>	<u>0.018721%</u>	<u>0.0342730%</u>	
Change in proportionate share	<u>-0.000008%</u>	<u>0.017751%</u>	<u>-0.002252%</u>	
Proportionate share of the net pension liability	\$ 1,860,492	\$ -	\$ 2,170,797	\$ 4,031,289
Proportionate share of the net pension asset	-	(10,420)	-	(10,420)
Pension expense	370,577	7,528	264,153	642,258

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS - Traditional	OPERS - Combined	OP&F	Total
Deferred outflows of resources				
Differences between expected and actual experience	\$ 2,522	\$ -	\$ 615	\$ 3,137
Net difference between projected and actual earnings on pension plan investments	277,071	2,542	211,103	490,716
Changes of assumptions	295,095	2,540	-	297,635
Changes in employer's proportionate percentage/difference between employer contributions	12,436	-	67,617	80,053
City contributions subsequent to the measurement date	145,368	2,294	175,378	323,040
Total deferred outflows of resources	<u>\$ 732,492</u>	<u>\$ 7,376</u>	<u>\$ 454,713</u>	<u>\$ 1,194,581</u>
Deferred inflows of resources				
Differences between expected and actual experience	\$ 11,072	\$ 5,327	\$ 4,998	\$ 21,397
Changes in employer's proportionate percentage/difference between employer contributions	17,704	-	101,293	118,997
Total deferred inflows of resources	<u>\$ 28,776</u>	<u>\$ 5,327</u>	<u>\$ 106,291</u>	<u>\$ 140,394</u>

\$323,040 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2018.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS - Traditional	OPERS - Combined	OP&F	Total
2018	\$ 226,094	\$ 493	\$ 76,328	\$ 302,915
2019	241,680	493	76,328	318,501
2020	98,696	382	57,293	156,371
2021	(8,122)	(518)	(18,072)	(26,712)
2022	-	(423)	(16,865)	(17,288)
Thereafter	-	(672)	(1,968)	(2,640)
Total	\$ 558,348	\$ (245)	\$ 173,044	\$ 731,147

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board's actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, for the defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Wage inflation	3.25%
Future salary increases, including inflation COLA or ad hoc COLA	3.25% to 10.75% including wage inflation Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2018, then 2.15% simple
Investment rate of return	7.50%
Actuarial cost method	Individual entry age

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.75 %
Domestic equities	20.70	6.34
Real estate	10.00	4.75
Private equity	10.00	8.97
International equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	5.66 %

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.50%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. A discount rate of 8.00% was used in the previous measurement period. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.50%, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.50%) or one-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 2,842,316	\$ 1,860,492	\$ 1,042,313
Combined Plan	749	(10,420)	(19,095)

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016 and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

Valuation date	January 1, 2016
Actuarial cost method	Entry age normal
Investment rate of return	8.25%
Projected salary increases	4.25% - 11.00%
Payroll increases	3.75%
Inflation assumptions	3.25%
Cost of living adjustments	2.60% and 3.00% simple

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed for the five-year period ended December 31, 2016. The recommended assumption changes based on this experience study were adopted by OPF’s Board and were effective beginning with the January 1, 2017 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2016 are summarized below:

Asset Class	Target Allocation	10 Year Expected Real Rate of Return **	30 Year Expected Real Rate of Return **
Cash and Cash Equivalents	- %		
Domestic Equity	16.00	4.46 %	5.21 %
Non-US Equity	16.00	4.66	5.40
Core Fixed Income *	20.00	1.67	2.37
Global Inflation			
Protected Securities *	20.00	0.49	2.33
High Yield	15.00	3.33	4.48
Real Estate	12.00	4.71	5.65
Private Markets	8.00	7.31	7.99
Timber	5.00	6.87	6.87
Master Limited Partnerships	8.00	6.92	7.36
Total	120.00 %		

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

OPF's Board of Trustees has incorporated the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The total pension liability was calculated using the discount rate of 8.25%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25%), or one percentage point higher (9.25%) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 2,891,272	\$ 2,170,797	\$ 1,560,223

Changes Between Measurement Date and Report Date - In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25% to 8.00%. Although the exact amount of these changes is not known, it has the potential to impact to the City's net pension liability.

NOTE 15 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) 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 visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 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 2017, local government employers contributed 14.00% of covered payroll. 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 members in the Traditional Plan and Combined Plan for 2017 was 1.00%.

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.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2017, 2016, and 2015 were \$11,358, \$22,625, and \$20,515, respectively; 95.59% has been contributed for 2017 and 100% has been contributed for 2016 and 2017. The remaining 2017 post-employment health care benefits liability has been reported as pension and postemployment benefits obligation payable on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

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 health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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 or by visiting the website at www.op-f.org.

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 account is for health care benefits under an Internal Revenue Code Section 115 trust and the other account is for Medicare Part B reimbursements administered as an Internal Revenue Code Section 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. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2017 thru December 31, 2017. 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).

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 \$4,089 and \$426 for the year ended December 31, 2017, \$3,744 and \$388 for the year ended December 31, 2016, and \$3,688 and \$762, for the year ended December 31, 2015. 100% has been contributed for 2016 and 2015. 95.27% has been contributed for police and 81.65% has been contributed for firefighters for 2017. The remaining 2017 post-employment health care benefits liability has been reported as pension and postemployment benefits obligation payable on the basic financial statements.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While 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 and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and the 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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 all governmental funds for which a budgetary basis statement is presented:

Net Change in Fund Balance		
	<u>General fund</u>	<u>Street Construction, Maintenance and Repair fund</u>
Budget basis	\$ 216,193	\$ (10,865)
Net adjustment for revenue accruals	(53,654)	(1,049)
Net adjustment for expenditure accruals	9,993	(5,205)
Net adjustment for other sources/uses	(1,276)	3,280
Funds budgeted elsewhere	24,514	-
Adjustment for encumbrances	66,525	9,422
GAAP basis	\$ 262,295	\$ (4,417)

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the parks and recreation fund.

NOTE 17 - 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, 2017.

B. Litigation

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

NOTE 18 - OTHER COMMITMENTS

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, commitments for encumbrances in the City's major funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 49,416
Street construction, maintenance and repair fund	2,053
Fire capital improvement fund	2,246,460
Nonmajor governmental funds	<u>48,381</u>
Total	<u>\$ 2,346,310</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 19 - SIGNIFICANT CONTRACTUAL COMMITMENTS

The City has outstanding contracts for professional services and construction. The following amounts remain on these contracts as of December 31, 2017:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Paid as of December 31, 2017</u>	<u>Outstanding Balance</u>
GGC Engineers	\$ 15,532	\$ 13,532	\$ 2,000
Fryman-Kuck General Contractors	217,387	58,522	158,865
App Architecture	305,900	123,010	182,890
Brumbaugh Construction, Inc.	5,821,746	3,439,630	2,382,116
ZH Commissioning	22,400	3,000	19,400
Geotechnical Consultants, Inc.	27,297	25,714	1,583
Machinex	8,156	-	8,156
Geargrid	14,587	-	14,587
Ritter Plumbing Company, Inc.	2,590	-	2,590
JTC	37,420	-	37,420
	<u>6,473,015</u>	<u>3,663,408</u>	<u>2,809,607</u>
Total			

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**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 20 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund balance	General	Street Construction, Maintenance and Repair	Fire Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ 13,051	\$ 14,315	\$ -	\$ -	\$ 27,366
Prepayments	<u>67,781</u>	<u>11,274</u>	-	-	<u>79,055</u>
Total nonspendable	<u>80,832</u>	<u>25,589</u>	-	-	<u>106,421</u>
Restricted:					
Debt service	-	-	-	447,162	447,162
Capital projects	-	-	2,555,031	595,245	3,150,276
Transportation	-	197,014	-	-	197,014
Public safety programs	-	-	-	6,213	6,213
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,273</u>	<u>39,273</u>
Total restricted	<u>-</u>	<u>197,014</u>	<u>2,555,031</u>	<u>1,087,893</u>	<u>3,839,938</u>
Committed:					
Capital projects	21,070	-	-	-	21,070
Debt service	-	-	-	7,851	7,851
Public safety programs	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
Total committed	<u>23,070</u>	<u>-</u>	<u>-</u>	<u>7,851</u>	<u>30,921</u>
Assigned:					
Capital projects	7,200	-	-	-	7,200
General government	35,432	-	-	-	35,432
Public safety programs	27,946	-	-	-	27,946
Leisure time activity	58,761	-	-	-	58,761
Subsequent year appropriations	<u>407,155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>407,155</u>
Total assigned	<u>536,494</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>536,494</u>
Unassigned	<u>2,081,642</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,081,642</u>
Total fund balances	<u>\$ 2,722,038</u>	<u>\$ 222,603</u>	<u>\$ 2,555,031</u>	<u>\$ 1,095,744</u>	<u>\$ 6,595,416</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 21 - TAX INCENTIVES

Community Reinvestment Area

The Ohio Community Reinvestment Area (CRA) program is an economic development tool administered by a municipal government that provides real property tax exemptions for property owners who renovate existing or construct new buildings. Community Reinvestment Areas are areas of land in which property owners can receive tax incentives for investing in real property improvements.

The Community Reinvestment Area of the City of Brookville was first established in 1983 to encourage housing maintenance and economic and community development in areas that had not enjoyed reinvestment by remodeling or new construction. Since 1983, the City of Brookville has used tax abatements to attract new businesses and retain existing businesses and residential remodeling. The boundaries of the Community Reinvestment Area #1 have been amended several times since its inception. All CRA abatements in 2017 were filed as Pre-1994.

Below is a chart of the CRA abatements for 2017.

<u>Property Owner</u>	<u>Parcel</u>	<u>2017 Abated Taxable Value</u>	<u>2017 All Taxes Abated</u>	<u>2017 City Taxes Abated</u>	<u>Class</u>
Brookville Enterprises, Inc.	C05 00521 0001	\$316,050	\$25,242	\$411	Commercial
Brookville Enterprises, Inc.	C05 00624 0001	\$233,280	\$18,631	\$303	Commercial
Mehland Developers, LLC	C05 00513 0023	\$737,750	\$58,922	\$959	Commercial
Matthew and Lori Balsbaugh	C05 00513 0025	\$162,940	\$13,014	\$212	Commercial
Blue Group Holdings, LLC	C05 00503 0011	\$167,610	\$13,387	\$218	Industrial
ARC PLBKVOH001 LLC	C05 00513 0018	\$12,960,680	\$1,035,135	\$16,849	Industrial

Pursuant to Section 5709.82 of the Ohio Revised Code, the City of Brookville and the Brookville Local School District created an Income Tax Revenue Sharing Agreement on three projects in the NorthBrook Industrial Park. The City and the School District agreed that these three projects would receive a 15 year, 100% CRA abatement for the value of improvements for each project. In exchange for the abatement stated above, for each calendar year in which each project receives tax exemption, the City agrees to pay the School District an amount equal to fifty percent of income taxes collected from each project, subject to an allowance for an Infrastructure Offset charge.

The City of Brookville paid the Brookville Local School District \$181,057.68 in 2017. There is a \$1,223.79 credit that will be applied toward 2018.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 22 - TAX INCENTIVES - (Continued)

Income Tax Credits

The City, by Ordinance, may grant a refundable or nonrefundable credit against its tax on income to a taxpayer to foster job creation and/or for the purpose of fostering job retention in the City of Brookville. For new job creation, if a credit is granted, it shall be measured as a percentage of the new income tax revenue the City derives from new employees of the taxpayer and shall be for a term not exceeding fifteen years. For job retention, if a credit is granted, it shall be measured as a percentage of the income tax revenue the City derives from the retained employees of the taxpayer and shall be for a term not exceeding fifteen years. Before the City passes an Ordinance granting a credit and/or allowing such a credit, the City and the taxpayer shall enter into an agreement specifying all the conditions of the credit.

The City did not have any Income Tax Credit Agreements for 2017.

Enterprise Zone

Enterprise zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. The Enterprise Zone Program provides tax exemptions for a portion of the value of new real property when the investment is made in conjunction with a project that includes job creation.

The Enterprise Zone of the City of Brookville was certified as an Ohio Enterprise Zone on March 20, 1998. The boundary of the Enterprise Zone is the entire corporate boundary of the City of Brookville.

The Enterprise Zone law permits municipalities to grant exemption of real property assessed values up to 75% and up to 10 years on new investments in building and improvements to existing land and buildings for a specific project. The exemptions may be increased up to 100% with approval of the affected Board of Education.

The Enterprise Zone Program provides tax exemptions for a portion of the value of new real property when the investment is made in conjunction with a project that includes job creation.

The City of Brookville had an Enterprise Zone Agreement with Green Tokai Co. Ltd. dated August 3, 2004 that established a 10 year enterprise zone exemption that has expired.

The City of Brookville entered into an Enterprise Zone Agreement with Green Tokai Co. Ltd. in March 2016 to construct a 52,500 square foot building expansion to the existing 40,481 square foot building at 80 Parker Avenue. The Agreement will provide a 75% real property exemption for a period of 10 years. Green Tokai is in compliance with their Enterprise Zone Agreement for 2017.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BROOKVILLE

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY/ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST FOUR YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>				
City's proportion of the net pension liability	0.008193%	0.008201%	0.008434%	0.008434%
City's proportionate share of the net pension liability	\$ 1,860,492	\$ 1,420,517	\$ 1,017,235	\$ 994,259
City's covered payroll	\$ 1,058,408	\$ 1,022,192	\$ 1,057,550	\$ 1,027,008
City's proportionate share of the net pension liability as a percentage of its covered payroll	175.78%	138.97%	96.19%	96.81%
Plan fiduciary net position as a percentage of the total pension liability	77.25%	81.08%	86.45%	86.36%
<i>Combined Plan:</i>				
City's proportion of the net pension asset	0.018721%	0.000970%	n/a	n/a
City's proportionate share of the net pension asset	\$ 10,420	\$ 472	n/a	n/a
City's covered payroll	\$ 72,875	\$ 3,533	n/a	n/a
City's proportionate share of the net pension asset as a percentage of its covered payroll	14.30%	13.36%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	116.55%	116.90%	n/a	n/a

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented as of the City's measurement date which is the prior year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BROOKVILLE

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST FOUR YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.03427300%	0.03652500%	0.03486690%	0.03486690%
City's proportionate share of the net pension liability	\$ 2,170,797	\$ 2,349,674	\$ 1,806,251	\$ 1,698,128
City's covered payroll	\$ 806,685	\$ 870,574	\$ 748,716	\$ 790,424
City's proportionate share of the net pension liability as a percentage of its covered payroll	269.10%	269.90%	241.25%	214.84%
Plan fiduciary net position as a percentage of the total pension liability	68.36%	66.77%	72.20%	73.00%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented as of the City's measurement date which is the prior year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BROOKVILLE

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 145,368	\$ 127,009	\$ 122,663	\$ 126,906
Contributions in relation to the contractually required contribution	<u>(145,368)</u>	<u>(127,009)</u>	<u>(122,663)</u>	<u>(126,906)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,118,215	\$ 1,058,408	\$ 1,022,192	\$ 1,057,550
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 2,294	\$ 8,745	\$ 424	\$ -
Contributions in relation to the contractually required contribution	<u>(2,294)</u>	<u>(8,745)</u>	<u>(424)</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 17,646	\$ 72,875	\$ 3,533	\$ -
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 133,511	\$ 104,014	\$ 106,543	\$ 93,749	\$ 83,996	\$ 75,321
<u>(133,511)</u>	<u>(104,014)</u>	<u>(106,543)</u>	<u>(93,749)</u>	<u>(83,996)</u>	<u>(75,321)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,027,008	\$ 1,040,140	\$ 1,065,430	\$ 1,050,998	\$ 1,033,161	\$ 1,076,014
13.00%	10.00%	10.00%	8.92%	8.13%	7.00%
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13.00%	7.95%	7.95%	9.69%	8.13%	7.00%

CITY OF BROOKVILLE

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Police:</i>				
Contractually required contribution	\$ 155,363	\$ 138,519	\$ 136,471	\$ 128,808
Contributions in relation to the contractually required contribution	<u>(155,363)</u>	<u>(138,519)</u>	<u>(136,471)</u>	<u>(128,808)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 817,700	\$ 729,047	\$ 718,268	\$ 677,937
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%
 <i>Fire:</i>				
Contractually required contribution	\$ 20,015	\$ 18,245	\$ 35,792	\$ 16,633
Contributions in relation to the contractually required contribution	<u>(20,015)</u>	<u>(18,245)</u>	<u>(35,792)</u>	<u>(16,633)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 85,170	\$ 77,638	\$ 152,306	\$ 70,779
Contributions as a percentage of covered payroll	23.50%	23.50%	23.50%	23.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 112,820	\$ 82,160	\$ 86,159	\$ 83,224	\$ 80,250	\$ 84,878
<u>(112,820)</u>	<u>(82,160)</u>	<u>(86,159)</u>	<u>(83,224)</u>	<u>(80,250)</u>	<u>(84,878)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 710,453	\$ 644,392	\$ 675,757	\$ 652,737	\$ 629,412	\$ 665,710
15.88%	12.75%	12.75%	12.75%	12.75%	12.75%
\$ 16,298	\$ 13,794	\$ 12,806	\$ 12,332	\$ 11,914	\$ 11,954
<u>(16,298)</u>	<u>(13,794)</u>	<u>(12,806)</u>	<u>(12,332)</u>	<u>(11,914)</u>	<u>(11,954)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 79,971	\$ 79,965	\$ 74,238	\$ 71,490	\$ 69,067	\$ 69,299
20.38%	17.25%	17.25%	17.25%	17.25%	17.25%

CITY OF BROOKVILLE

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2017.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2016. For 2017, the Cost of Living Adjustment (COLA) was reduced to 0% effective July 1, 2017.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the COLA was reduced to zero, (b) inflation assumptions were lowered from 2.75% to 2.50%, (c) Investment return assumptions were lowered from 7.75% to 7.45%, (d) total salary increases rates were lowered by decreasing merit component of the individual salary increases, as well as by 0.25% due to lower inflation, (e) payroll growth assumptions were lowered to 3.00%, (f) updated the health and disability mortality assumption to the "RP-2014" mortality tables with generational improvement scale MP-2016 and (g) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

City of Brookville
Montgomery County
301 Sycamore Street
Brookville, Ohio 45309

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 12, 2018.

Internal Control over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the City'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, opining 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 report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilson, Shuman & Snow, Inc.

Newark, Ohio
June 12, 2018

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Dave Yost • 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
JULY 5, 2018**