

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY, OHIO**

***BASIC
FINANCIAL STATEMENTS
(Audited)***

For The Year Ended
December 31, 2004

MR. TOM REILLY, FINANCE DIRECTOR



**Auditor of State
Betty Montgomery**

Members of City Council and Mayor
City of West Carrollton
300 East Central Ave
West Carrollton, Ohio 45449

We have reviewed the Independent Auditor's Report of the City of West Carrollton, Montgomery County, prepared by Julian & Grube, Inc., for the audit period January 1, 2004 to December 31, 2004. 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 West Carrollton is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 28, 2005

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CITY OF WEST CARROLLTON, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Westerville, Ohio 43082

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Independent Auditor's Report

Members of Council and Mayor
City of West Carrollton
300 E. Central Avenue
West Carrollton, Ohio 45449

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the remaining fund information of the City of West Carrollton, Montgomery County, (the “City”), as of and for the year ended December 31, 2004, which collectively comprise the City’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City’s management. Our responsibility is to express opinions on these financial statements based on our audit.

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

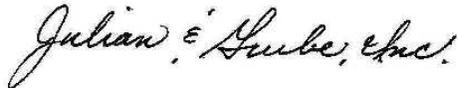
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of West Carrollton, Montgomery County, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 2, the City reclassified its private purpose trust funds to agency funds for the year ended December 31, 2004.

Members of Council and Mayor
City of West Carrollton
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2005, 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 grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.
June 10, 2005

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2004**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section provides an overview of the City's financial activities for the year ended December 31, 2004.

FINANCIAL HIGHLIGHTS

The City's total net assets decreased \$751,840 in 2004.

The general fund reported a net decrease in fund balance of \$232,308.

USING THIS ANNUAL FINANCIAL REPORT

The annual report consists of a series of financial statements. These statements are presented so that the reader can understand the City's financial situation as a whole (government-wide statements) as well as from the major funds perspective (fund financial statements).

The statement of Net Assets and Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Major 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 the amount of funds available for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds combined in one column.

REPORTING THE CITY AS A WHOLE

Statement of Net Assets and the Statement of Activities

The analysis of the City as a whole begins with the Statement of Net Assets and the Statement of Activities. These reports provide information that will help the reader to determine how the City of West Carrollton is financially performing from a full accrual basis of accounting similar to the accounting used by the private sector businesses. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes to those assets. This change indicates whether the City's financial position, as a whole, improved or declined. Non-financial factors must also be taken into consideration when evaluating the City's overall financial health. Some examples are the City's tax base, economic development projects, and conditions of capital assets.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities.

- ◆ Governmental Activities – Most of the City's services are reported here including police, fire, street maintenance, parks and recreation, and general administration. Income tax, property tax, and the local government fund finance most of these activities.
- ◆ Business-Type Activities – These services include sewer, water, waste collection, and pool. Service fees for these operations are charged based upon the amount of usage or a usage fee with the intent to recoup operational costs.

CITY OF WEST CARROLLTON MONTGOMERY COUNTY

Management's Discussion and Analysis DECEMBER 31, 2004

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial statements provide detailed information about the City's major funds, not the City as a whole. An analysis of the City's major funds is presented later in the Management's Discussion and Analysis. Some funds are required by State law and bond covenants. Other funds may be established by the Finance Director, with approval of council, to help control, manage and report money received for a particular purpose. The City's major funds in 2004 are General, Fire Stations Debt Service, Street Improvement, Other Capital, Half Percent, Water, Sewer, and Refuse.

Governmental Funds – Most of the City's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future on services provided to our residents. The differences between the governmental activities and governmental funds is reconciled in the financial statements.

Proprietary Funds – When the City charges citizens for the services it provides with the intent of recapturing operating costs, these services are generally reported in proprietary funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

Fiduciary Funds – The City is the fiscal agent for the Bonds Returnable and Inspection Funds. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY AS A WHOLE

As previously stated, the Statement of Net Assets looks at the City as a whole. The following tables provides a summary of the City's net assets and changes in net assets first as a whole and then broken down between governmental and business-type activities for 2004 and 2003.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2004**

<u>City as a Whole</u>	<u>NET ASSETS</u>	
	<u>2004</u>	<u>2003</u>
Current and Other Assets	\$11,958,349	\$9,403,381
Capital Assets	<u>19,483,709</u>	<u>15,282,554</u>
Total Assets	<u>31,442,058</u>	<u>24,685,935</u>
Long-Term Debt Outstanding	10,302,892	1,115,503
Other Liabilities	<u>3,168,612</u>	<u>4,848,038</u>
Total Liabilities	<u>13,471,504</u>	<u>5,963,541</u>
Net Assets:		
Invested in Capital Assets, Net of Debt	10,275,121	14,282,554
Restricted	1,848,676	840,835
Unrestricted	<u>5,846,757</u>	<u>3,599,005</u>
Total Net Assets	<u>\$17,970,554</u>	<u>\$18,722,394</u>

In 2004 and 2003 the City's net assets decreased 4.0% and 6.8% respectively. The main reason for a net decline over the past two years is a decline in income tax revenue. However a five-year ¼% income tax increase was passed effective January 1, 2005. A sluggish economy combined with the closing of businesses have held this revenue stream down. Property taxes continues to decline due largely to the personal property values, or business equipment, falling sharply. Additionally State funding has either been frozen or cut.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2004**

CHANGE IN NET ASSETS

	<u>2004</u>	<u>2003</u>
Revenues		
Program Revenues:		
Charges for Services	\$3,370,121	\$3,317,542
Operating Grants and Contributions	127,894	89,818
Capital Grants and Contributions	<u>0</u>	<u>1,168,285</u>
Total Program Revenues	<u>3,498,015</u>	<u>4,575,645</u>
General Revenues:		
Income Taxes	5,612,398	6,483,425
Property Taxes	682,695	931,510
Unrestricted Grants and Entitlements	329,394	621,192
Investment Earnings	236,347	86,211
Refunds and Reimbursements	108,391	403,418
Other	<u>24,018</u>	<u>14,349</u>
Total General Revenue	<u>6,993,243</u>	<u>8,540,105</u>
Total Revenues	<u>10,491,258</u>	<u>13,115,750</u>
Program Expenses:		
General Government	1,192,329	1,689,490
Security of Persons	3,995,726	4,926,644
Leisure Time Activities	656,561	1,466,055
Community Environment	1,392,732	2,564,017
Transportation	457,963	760,311
Interest and Fiscal Charges	89,329	179,337
Water	1,247,552	893,999
Sewer	1,305,135	1,175,346
Refuse	697,095	614,013
Pool	<u>208,676</u>	<u>203,518</u>
Total Expenses	<u>11,243,098</u>	<u>14,472,730</u>
Net Decrease in Net Assets	<u>(751,840)</u>	<u>(1,356,980)</u>
Net assets at beginning of year	<u>18,722,394</u>	<u>17,365,414</u>
Net assets at end of year	<u>\$17,970,554</u>	<u>\$18,722,394</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2004**

Revenues decreased 20% mainly due to decreases in income tax and capital grants. As previously noted, the income tax remains flat as the economy continues to be sluggish. Expenses decreased 22.31% largely due to budget cuts and fewer projects/activities budgeted in 2004. However the normal operating costs continue to rise with health care costs causing the largest percentage of the increase.

Governmental Activities

NET ASSETS

	<u>2004</u>	<u>2003</u>
Current and Other Assets	\$8,269,726	\$6,954,712
Capital Assets	<u>12,386,539</u>	<u>10,724,961</u>
Total Assets	<u>20,656,265</u>	<u>17,679,673</u>
Long-Term Debt Outstanding	5,788,660	2,025,503
Other Liabilities	<u>2,603,288</u>	<u>3,591,763</u>
Total Liabilities	<u>8,391,948</u>	<u>5,617,266</u>
Net Assets:		
Invested in Capital Assets, Net of Debt	7,586,539	9,724,961
Restricted	1,848,676	840,835
Unrestricted	<u>2,829,102</u>	<u>1,496,611</u>
Total Net Assets	<u>\$12,264,317</u>	<u>\$12,062,407</u>

In 2004 and 2003 Governmental Activities' net assets increased (decreased) 1.7% and (7.1%) respectively. The main reason is due to the increase was budget cuts. The main reason for the decline in 2003 was the continued loss of income tax revenue.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2004**

CHANGE IN NET ASSETS

	<u>2004</u>	<u>2003</u>
Revenues		
Program Revenues:		
Charges for Services	\$1,048,650	\$1,001,304
Operating Grants and Contributions	127,894	89,818
Capital Grants and Contributions	<u>0</u>	<u>1,168,285</u>
Total Program Revenues	<u>1,176,544</u>	<u>2,259,407</u>
General Revenues:		
Income Taxes	5,612,398	6,483,425
Property Taxes	682,695	931,510
Unrestricted Grants and Entitlements	329,394	621,192
Investment Earnings	77,128	62,554
Refunds and Reimbursements	<u>108,391</u>	<u>403,418</u>
Total General Revenue	<u>6,810,006</u>	<u>8,502,099</u>
Total Revenues	<u>7,986,550</u>	<u>10,761,506</u>
Program Expenses:		
General Government	1,192,329	1,689,490
Security of Persons	3,995,726	4,926,644
Leisure Time Activities	656,561	1,466,055
Community Environment	1,392,732	2,564,017
Basic Utility	0	99,757
Transportation	457,963	760,311
Interest and Fiscal Charges	<u>89,329</u>	<u>179,337</u>
Total Expenses	<u>7,784,640</u>	<u>11,685,611</u>
Net Increase (Decrease) in Net Assets	<u>201,910</u>	<u>(924,105)</u>
Net assets at beginning of year	<u>12,062,407</u>	<u>12,986,512</u>
Net assets at end of year	<u>\$12,264,317</u>	<u>\$12,062,407</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2004**

Total revenues decreased 25.8% with the largest revenue stream, income tax, declining 13.4%. Since no capital grants were recognized in 2004, this category generated the largest decline in revenues of almost 1.2 million or almost 60% of the total decline. General revenues totaled \$6,810,006 in 2004 and amounted to 80% of total governmental revenues. The largest revenue stream in general revenues is the income tax at \$5,612,398 or 82.4%. Total expenditures decreased due to budget cuts and fewer activities in 2004.

Program Expenses Percentage breakdown:

	<u>2004</u>	<u>% 2004</u>	<u>2003</u>	<u>% 2003</u>
General Government	\$ 1,192,329	15.32%	\$ 1,689,490	14.46%
Security of Persons	3,995,726	51.33%	6,926,644	59.27%
Leisure Time Activities	656,561	8.43%	966,065	8.27%
Community Environment	1,392,732	17.89%	1,064,017	9.11%
Basic Utility Services	-		99,757	0.85%
Transportation	457,963	5.88%	760,311	6.51%
Interest and Fiscal Charges	89,329	1.15%	179,337	1.53%
Totals	<u>\$ 7,784,640</u>	<u>100.00%</u>	<u>\$ 11,685,621</u>	<u>100.00%</u>

The largest program expense is Security of Persons at 51.33% of the total. It primarily represents the operation of the police and fire departments. These expenses were partially funded by \$325,991 in direct charges to users of service.

	<u>Total cost of Services 2004</u>	<u>Net Expense (Revenue) 2004</u>	<u>Total cost of Services 2003</u>	<u>Net Expense (Revenue) 2003</u>
Program Expenses:				
General Government	\$ 1,192,329	\$ 1,143,302	\$ 1,689,490	\$ 1,318,665
Security of Persons	3,995,726	3,666,585	6,926,644	6,524,450
Leisure Time Activities	656,561	587,676	966,065	831,886
Community Environment	1,392,732	1,328,700	1,064,017	393,383
Basic Utility Services	-		99,757	98,473
Transportation	457,963	(207,496)	760,311	80,010
Interest and Fiscal Charges	89,329	89,329	179,337	179,337
Totals	<u>\$ 7,784,640</u>	<u>\$ 6,608,096</u>	<u>\$ 11,685,621</u>	<u>\$ 9,426,204</u>

As noted in the above table, the programs are 85% dependent on general revenues.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2004**

Business-Type Activities

The Business-Type activities include the water, sewer, refuse and pool enterprise funds.

NET ASSETS

	<u>2004</u>	<u>2003</u>
Current and Other Assets	\$3,688,623	\$2,448,669
Capital Assets	<u>7,097,170</u>	<u>4,557,593</u>
Total Assets	<u>10,785,793</u>	<u>7,006,262</u>
Long-Term Debt Outstanding	4,514,232	89,780
Other Liabilities	<u>565,324</u>	<u>256,495</u>
Total Liabilities	<u>5,079,556</u>	<u>346,275</u>
Net Assets:		
Invested in Capital Assets, Net of Debt	2,688,582	4,557,593
Unrestricted	<u>3,017,655</u>	<u>2,102,394</u>
Total Net Assets	<u>\$5,706,237</u>	<u>\$6,659,987</u>

In 2004 and 2003 the Business-Type Activities' net assets decreased 14.3% and 9.4% respectively. The biggest change in 2004 was the completion of the water softening plant which generated most of the increase in assets as well as the increase in liabilities with the corresponding twenty-year loan.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2004**

CHANGE IN NET ASSETS

	<u>2004</u>	<u>2003</u>
Revenues		
Program Revenues:		
Charges for Services	\$2,321,471	\$2,316,238
Total Program Revenues	<u>2,321,471</u>	<u>2,316,238</u>
General Revenues:		
Investment Earnings	159,219	23,657
Other	<u>24,018</u>	<u>14,349</u>
Total General Revenue	<u>183,237</u>	<u>38,006</u>
Total Revenues	<u>2,504,708</u>	<u>2,354,244</u>
Program Expenses:		
Water	1,247,552	893,999
Sewer	1,305,135	1,175,346
Refuse	697,095	514,256
Nonmajor - Pool	<u>208,676</u>	<u>203,518</u>
Total Expenses	<u>3,458,458</u>	<u>2,787,119</u>
Net Decrease in Net Assets	(\$953,750)	(\$432,875)
Net assets at beginning of year	<u>6,659,987</u>	<u>7,092,862</u>
Net assets at end of year	<u>\$5,706,237</u>	<u>6,659,987</u>

Business-Type operations had \$2,321,471 program revenues, \$183,237 in general revenues, and \$3,458,458 of total expense in 2004. Water and sewer fund expenses have increased due in a large part to operational costs associated with the new water softening plant and repainting a water reservoir in 2004.

Financial Analysis of the Government Funds

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2004**

Governmental Funds

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

The City's governmental funds reported a combined fund balance of \$5,072,167 and \$2,314,912 in 2004 and 2003 respectively. The main reason for the increase in fund balance pertained to the completion of the YMCA project in the Other Capital fund. The funding for this project was not received until 2004 creating a \$1,539,451 deficit fund balance in 2003 in the Other Capital fund. However the General Fund declined \$232,308 (8.6%). The schedule below shows the fund balances and the total change in fund balances as of December 31, 2004 for all major and nonmajor governmental funds.

	<u>2004</u>	<u>2003</u>
Major Funds:		
General	\$2,483,889	\$2,716,197
Street Improvement	\$134,554	\$66,648
Other Capital	\$2,841	(\$1,539,451)
Half % Fund	\$1,583,022	\$222,604
Other Nonmajor Governmental Funds	<u>\$867,861</u>	<u>\$848,914</u>
Total	<u>\$ 5,072,167</u>	<u>\$2,314,912</u>

General Fund

The City's general fund balance decreased \$232,308 mainly due to personnel expenses out pacing revenue. The largest increase is in health care costs.

	<u>2004</u>	<u>2003</u>
Revenues		
Local Taxes	\$4,574,025	\$5,104,827
Intergovernmental	593,658	646,564
Charges for Services	168,241	261,283
Investment Earnings	53,975	40,736
Fines and Forfeitures	179,476	128,164
License and Permits	31,948	36,748
Other	<u>118,076</u>	<u>125,906</u>
Total Revenue	<u>\$5,719,399</u>	<u>\$6,344,228</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2004**

	<u>2004</u>	<u>2003</u>
Expenditures		
General Government	\$1,152,512	\$1,385,077
Security of Persons	3,655,534	3,784,593
Leisure Time Activities	560,333	571,464
Community Environment	337,391	310,077
Basic Utility	<u>0</u>	<u>99,757</u>
Total Expenses	<u>\$5,705,770</u>	<u>\$6,150,968</u>

As previously noted, the income tax and property tax declined causing the overall revenues to fall. Expenditures have declined due to budget cuts.

Other Major Governmental Funds

The Fire Station Debt Service Fund's expenditures of \$1,043,326 equal the transfers-in to pay for the final installment of three payments. The debt was extinguished in March of 2004.

The Street Improvement Fund transfers-in and revenue of \$830,226 exceed expenditures of \$762,320 by \$67,906. This increased the 2004 fund balance to \$134,554.

The Other Capital Fund began the year with a deficit fund balance due to funds for the YMCA project not being received until 2004 after the project was completed. The fund balance went from (\$1,539,451) in 2003 to \$2,841 in 2004.

The Half Percent Fund revenue and bond proceeds of \$6,443,096 exceed expenditures and transfers out of \$5,082,678 by \$1,359,418. This increased the 2004 fund balance to \$1,583,022.

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. In the general fund, the actual revenues came in \$222,509 lower than they were in the final budget and actual expenditures were \$937,670 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues increased \$18,898 from the original to the final budget due primarily to an increase in projected other revenue. Budgeted expenditures increased \$232,429 from the original to the final budget due primarily to an increase in the cost of security of persons expenditures.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2004**

Major Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities. The major proprietary funds are Water, Sewer, and Refuse.

The Water Fund expenses of \$1,247,552 exceed revenue of \$826,490 by \$421,062. Correspondingly Net Assets declined from \$2,430,662 in 2003 to \$2,009,600 in 2004. The most important change in 2004 is the \$4.6 million water softening plant project. About \$4.4 million of the \$4.6 million project has been expended at the end of 2004. The project was completed in 2005. Increases in user fees will fund the additional operational costs.

The Sewer Fund Net Assets declined \$406,580 from \$3,407,944 to \$3,001,364. Even though this fund has a healthy fund balance and been relatively stable, user fees are not keeping pace with inflationary expenditure increases. The sewer rates have not been changed since 1994.

The Refuse Fund expenses of \$697,095 exceeded revenues of \$645,651 by \$51,444. This decreased Net Assets to \$177,087 in 2004 from \$228,531 in 2003.

CAPITAL ASSETS

The City is applying the transition provision for Governmental Activities Infrastructure Assets (streets, curbs, bridges and culverts) for the current year-end. This means that infrastructure only includes 2003 and current year additions. A two-year comparison of capital asset balances, net of accumulated depreciation, for 2004 and 2003 are as follows:

	<u>2004</u>	<u>2003</u>
<u>Governmental Activities</u>		
Land	\$ 2,328,133	\$ 2,328,133
Building and Improvements	7,903,919	4,435,230
Machinery and Equipment	998,215	1,197,314
Infrastructure	1,156,272	369,695
Construction in Progress	<u>0</u>	<u>2,394,589</u>
Total	<u>\$ 12,386,539</u>	<u>\$ 10,724,961</u>

The YMCA was completed and reclassified from construction in progress to buildings and improvements to account for the most of the increase in this category.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2004**

	<u>2004</u>	<u>2003</u>
<u>Business-Type Activities</u>		
Land	\$ 53,500	\$ 53,500
Building and Improvements	1,814,157	2,297,738
Machinery and Equipment	347,677	456,487
Infrastructure	583,295	607,257
Construction in Progress	<u>4,298,541</u>	<u>1,142,611</u>
Total	<u>\$ 7,097,170</u>	<u>\$ 4,557,593</u>

The most significant change in business-type capital assets is the over three million addition in construction in progress from the water softening plant.

	<u>2004</u>	<u>2003</u>
City as a Whole	<u>\$ 19,483,709</u>	<u>\$ 15,282,554</u>

A detailed summary of capital asset activity for the year ended December 31, 2004 is disclosed in note 9.

Debt Administration

	<u>2004</u>	<u>2003</u>
Governmental Activities	\$ 5,788,660	\$ 2,025,723
Business-Type Activities	<u>4,514,232</u>	<u>89,780</u>
Total	<u>\$ 10,302,892</u>	<u>\$ 2,115,503</u>
Due Within One Year	<u>\$ 814,180</u>	<u>\$ 1,186,417</u>

The YMCA and water softening plant bonds and loan generated a net \$5,745,299 increase in long-term debt in 2004. The fire stations' debt was extinguished in 2004.

Detailed long-term debt information is disclosed in note 13.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2004**

Contacting the City's Financial Management

The financial report is designed to provide our citizen's, taxpayers, investors, and creditors with a general overview of the City's finances while showing accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the Finance Director, City of West Carrollton, 300 E. Central Ave., West Carrollton, Oh 45449.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

STATEMENT OF NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Equity in Pooled Cash & Investments	\$4,164,086	\$2,749,119	\$6,913,205
Segregated Cash	0	190,794	190,794
Receivables (Net)			
Taxes	1,633,275	0	1,633,275
Accounts	49,223	530,559	579,782
Intergovernmental	1,783,582	0	1,783,582
Special Assessments	529,527	0	529,527
Loan	105,482	170,100	275,582
Accrued Interest	3,032	1,651	4,683
Prepaid Items	1,519	0	1,519
Inventory	0	46,400	46,400
Nondepreciable Capital Assets	2,328,133	53,500	2,381,633
Depreciable Capital Assets, Net	10,058,406	7,043,670	17,102,076
Total Assets	20,656,265	10,785,793	31,442,058
LIABILITIES:			
Accounts Payable	49,392	45,268	94,660
Contracts Payable	0	98,911	98,911
Accrued Wages and Benefits	143,253	26,131	169,384
Accrued Pensions	190,833	34,120	224,953
Accrued Interest	15,251	0	15,251
Deferred Revenue	2,204,559	170,100	2,374,659
Retainage Payable	0	190,794	190,794
Long-term Liabilities:			
Due Within One Year	643,330	170,850	814,180
Due In More Than One Year	5,145,330	4,343,382	9,488,712
Total Liabilities	8,391,948	5,079,556	13,471,504
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	7,586,539	2,688,582	10,275,121
Restricted for:			
Debt Service Funds	90,674	0	90,674
Capital Project Funds	1,758,002	0	1,758,002
Unrestricted	2,829,102	3,017,655	5,846,757
Total Net Assets	\$12,264,317	\$5,706,237	\$17,970,554

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2004

	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Assets		
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Government Activities						
General Government	\$1,192,329	\$23,861	\$25,166	(1,143,302)	\$0	(1,143,302)
Security of Persons	3,995,726	325,991	3,150	(3,666,585)	0	(3,666,585)
Leisure Time Activities	656,561	64,660	4,225	(587,676)	0	(587,676)
Community Environment	1,392,732	64,032	0	(1,328,700)	0	(1,328,700)
Transportation	457,963	570,106	95,353	207,496		207,496
Interest and Fiscal Charges	89,329	0	0	(89,329)	0	(89,329)
Total Government Activities	7,784,640	1,048,650	127,894	(6,608,096)	0	(6,608,096)
Business-Type Activities						
Water	1,247,552	770,274	0	0	(477,278)	(477,278)
Sewer	1,305,135	779,857	0	0	(525,278)	(525,278)
Refuse	697,095	638,274	0	0	(58,821)	(58,821)
Nonmajor:						
Pool	208,676	133,066	0	0	(75,610)	(75,610)
Total Business-Type Activities	3,458,458	2,321,471	0	0	(1,136,987)	(1,136,987)
Totals	\$11,243,098	\$3,370,121	\$127,894	(\$6,608,096)	(\$1,136,987)	(\$7,745,083)
General Revenues:						
Income Taxes				5,612,398	0	5,612,398
Property Taxes Levied for:						
General Purposes				572,303	0	572,303
Special Revenue Purposes				110,392	0	110,392
Grants and Entitlements not Restricted				329,394	0	329,394
Investment Earnings				77,128	159,219	236,347
Refunds and Reimbursements				108,391	0	108,391
Other				0	24,018	24,018
Total General Revenues				6,810,006	183,237	6,993,243
Change in Net Assets				201,910	(953,750)	(751,840)
Net Assets Beginning of the Year				12,062,407	6,659,987	18,722,394
Net Assets End of Year				\$12,264,317	\$5,706,237	\$17,970,554

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2004

	GENERAL	STREET IMPROVEMENT	OTHER CAPITAL	HALF % TAX	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:						
Pooled Cash & Investments	\$2,109,854	\$39,201	\$3,348	\$1,394,315	\$617,368	\$4,164,086
Receivables (Net)						
Taxes	1,245,945	0	0	283,354	103,976	1,633,275
Accounts	49,223	0	0	0	0	49,223
Intergovernmental	294,047	1,150,790	0	0	338,745	1,783,582
Special Assessments	0	0	0	0	529,527	529,527
Loans	0	0	0	0	105,482	105,482
Accrued Interest	1,434	0	0	863	735	3,032
Due from Other Funds	0	0	0	21,712	0	21,712
Prepaid Items	1,519	0	0	0	0	1,519
Advance to Other Funds	0	0	0	139,093	0	139,093
Total Assets	<u>\$3,702,022</u>	<u>\$1,189,991</u>	<u>\$3,348</u>	<u>\$1,839,337</u>	<u>\$1,695,833</u>	<u>\$8,430,531</u>
LIABILITIES:						
Accounts Payable	\$30,258	\$0	\$507	\$0	\$18,627	\$49,392
Accrued Wages and Benefits	133,759	0	0	0	9,494	143,253
Accrued Pensions	179,253	0	0	0	11,580	190,833
Compensated Absences	80,229	0	0	0	3,272	83,501
Due to Other Funds	0	0	0	0	21,712	21,712
Advance from Other Funds	0	0	0	0	139,093	139,093
Deferred Revenue	794,634	1,055,437	0	256,315	624,194	2,730,580
Total Liabilities	<u>1,218,133</u>	<u>1,055,437</u>	<u>507</u>	<u>256,315</u>	<u>827,972</u>	<u>3,358,364</u>
FUND BALANCES:						
Fund Balance:						
Reserved for Encumbrances	58,937	6,562	2,769	0	2,799	71,067
Reserved for Prepays	1,519	0	0	0	0	1,519
Reserved for Advances	0	0	0	139,093	0	139,093
Reserved for Loans	0	0	0	0	105,482	105,482
Reserved for Debt Service	0	0	0	0	90,674	90,674
Unreserved Reported in:						
General Fund	2,423,433	0	0	0	0	2,423,433
Special Revenue Funds	0	0	0	0	631,321	631,321
Capital Project Funds	0	127,992	72	1,443,929	37,585	1,609,578
Total Fund Balances	<u>2,483,889</u>	<u>134,554</u>	<u>2,841</u>	<u>1,583,022</u>	<u>867,861</u>	<u>5,072,167</u>
Total Liabilities and Fund Balances	<u>\$3,702,022</u>	<u>\$1,189,991</u>	<u>\$3,348</u>	<u>\$1,839,337</u>	<u>\$1,695,833</u>	<u>\$8,430,531</u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2004

Total Governmental Fund Balances	\$5,072,167
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	12,386,539
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	526,021
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In the statement of net assets, interest is accrued, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.	(15,251)
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Some liabilities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.	(617,159)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(5,088,000)</u>
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Net Assets of Governmental Activities	<u><u>\$12,264,317</u></u>
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See accompanying notes to the basic financial statements.

CITY OF WEST CARROLLTON
MONTGOMERY COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

	GENERAL	FIRE STATIONS DEBT SERVICE	STREET IMPROVEMENT	OTHER CAPITAL	HALF % FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:							
Local Taxes	\$4,574,025	\$0	\$0	\$0	\$1,619,285	\$110,392	\$6,303,702
Special Assessments	0	0	0	0	0	71,071	\$71,071
Charges for Services	168,241	0	0	0	0	94,446	\$262,687
Intergovernmental	593,658	0	131,804	92,693	0	570,076	\$1,388,231
Investment Earnings	53,975	0	0	0	22,465	688	\$77,128
Fines & Forfeitures	179,476	0	0	0	0	9,519	\$188,995
License & Permits	31,948	0	0	0	0	0	\$31,948
Other Revenue	118,076	0	5,581	0	1,346	9,640	\$134,643
Total Revenues	5,719,399	0	137,385	92,693	1,643,096	865,832	8,458,405
EXPENDITURES:							
General Government	1,152,512	0	0	0	0	0	1,152,512
Security of Persons	3,655,534	0	0	0	0	303,071	3,958,605
Leisure Time Activities	560,333	0	0	0	0	96,228	656,561
Community Environment	337,391	0	762,320	0	54,306	171,063	1,325,080
Capital Outlay	0	0	0	1,766,351	0	0	1,766,351
Transportation	0	0	0	0	0	457,963	457,963
Debt Service:							
Principal	0	1,000,000	0	0	0	42,000	1,042,000
Interest & Fiscal Charges	0	43,326	0	0	0	98,752	142,078
Total Expenditures	5,705,770	1,043,326	762,320	1,766,351	54,306	1,169,077	10,501,150
Excess (Deficiency) of Revenue Over/(Under) Expenditures	13,629	(1,043,326)	(624,935)	(1,673,658)	1,588,790	(303,245)	(2,042,745)
Other Financing Sources (Uses):							
Transfers-In	0	1,043,326	692,841	3,215,950	0	322,192	5,274,309
Transfers-Out	(245,937)	0	0	0	(5,028,372)	0	(5,274,309)
Bond Proceeds	0	0	0	0	4,800,000	0	4,800,000
Total Other Financing Sources (Uses)	(245,937)	1,043,326	692,841	3,215,950	(228,372)	322,192	4,800,000
Net Change in Fund Balance (Deficit)	(232,308)	0	67,906	1,542,292	1,360,418	18,947	2,757,255
Fund Balance (Deficit) - Beginning of Year	2,716,197	0	66,648	(1,539,451)	222,604	848,914	2,314,912
Fund Balance - End of Year	\$2,483,889	\$0	\$134,554	\$2,841	\$1,583,022	\$867,861	\$5,072,167

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2004

Net Change in Fund Balances - Total Governmental Funds \$2,757,254

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

Governmental funds report capital outlays as expenditures while the in the statement of activities, those costs are allocated over the capital assets' estimated useful lives as depreciation expense. 1,661,578

Proceeds from debt issue are an other financing source in the funds but a debt issue increases long-term liabilities in the statement of net assets. (4,800,000)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (471,854)

In the statement of activities, interest is accrued, In governmental funds interest expenditures are reported when due. 52,749

Repayment of long-term debt is an expenditure in the governmental funds, but reduces a long-term liabilities in the statement of net assets. 1,042,000

Some expenses, such as compensated absences, do not require the use of current financial resources and therefore are not reported as an expenditure in governmental funds. (39,817)

Change in Net Assets of Governmental Activities \$201,910

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL BUDGET</u>
REVENUES:				
Local Taxes	\$4,732,900	\$4,735,400	\$4,514,434	(\$220,966)
Charges for Services	200,000	200,000	180,445	(19,555)
Intergovernmental	607,500	607,500	598,293	(9,207)
Investment Earnings	55,000	55,000	50,019	(4,981)
Fines & Forfeitures	114,300	114,300	179,476	65,176
Licenses & Permits	38,000	38,000	31,948	(6,052)
Other Revenue	103,602	120,000	118,076	(1,924)
Total Revenues	<u>5,851,302</u>	<u>5,870,200</u>	<u>5,672,691</u>	<u>(197,509)</u>
EXPENDITURES:				
General Government	1,709,048	1,709,048	1,278,184	430,864
Security of Persons	3,896,652	4,129,081	3,692,535	436,546
Leisure Time Activities	594,500	594,500	578,861	15,639
Community Environment	371,775	371,775	339,017	32,758
Total Expenditures	<u>6,571,975</u>	<u>6,804,404</u>	<u>5,888,597</u>	<u>915,807</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(720,673)</u>	<u>(934,204)</u>	<u>(215,906)</u>	<u>718,298</u>
Other Financing Sources (Uses):				
Advances-In	1,575,000	1,575,000	1,550,000	(25,000)
Transfers-Out	(267,800)	(267,800)	(245,937)	21,863
Total Other Financing Sources (Uses)	<u>1,307,200</u>	<u>1,307,200</u>	<u>1,304,063</u>	<u>(3,137)</u>
Net Change in Fund Balance	586,527	372,996	1,088,157	715,161
Fund Balance - Beginning of the Year	<u>962,760</u>	<u>962,760</u>	<u>962,760</u>	<u>0</u>
Fund Balance - End of the Year	<u>\$1,549,287</u>	<u>\$1,335,756</u>	<u>\$2,050,917</u>	<u>\$715,161</u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Business-Type Activities - Proprietary Funds</u>				
	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>REFUSE FUND</u>	<u>NONMAJOR POOL FUND</u>	<u>TOTAL PROPRIETARY FUNDS</u>
ASSETS:					
Equity in Pooled Cash & Investments	\$1,145,552	\$1,559,833	\$39,217	\$4,517	\$2,749,119
Segregated Cash	190,794	0	0	0	190,794
Receivables (Net)					
Accounts	208,162	196,700	125,697	0	530,559
Loans	170,100	0	0	0	170,100
Accrued Interest	604	1,044	0	3	1,651
Inventory	32,200	14,200	0	0	46,400
Total Current Assets	<u>1,747,412</u>	<u>1,771,777</u>	<u>164,914</u>	<u>4,520</u>	<u>3,688,623</u>
Nondepreciable Capital Assets	29,500	24,000	0	0	53,500
Depreciable Capital Assets, Net	5,159,222	1,306,218	63,338	514,892	7,043,670
Total Assets	<u>6,936,134</u>	<u>3,101,995</u>	<u>228,252</u>	<u>519,412</u>	<u>10,785,793</u>
LIABILITIES:					
Accounts Payable	16,776	3,629	23,637	1,226	45,268
Contracts Payable	98,911	0	0	0	98,911
Accrued Wages and Benefits	11,984	10,294	3,853	0	26,131
Accrued Pensions	14,216	14,712	5,192	0	34,120
Deferred Revenue	170,100	0	0	0	170,100
Retainage Payable	190,794	0	0	0	190,794
Compensated Absences	2,239	3,365	1,071	0	6,675
Loan Payable Due Within One Year	164,175	0	0	0	164,175
Total Current Liabilities	<u>669,195</u>	<u>32,000</u>	<u>33,753</u>	<u>1,226</u>	<u>736,174</u>
Long-term Liabilities					
Compensated Absences	12,926	68,631	17,412	0	98,969
Loans Payable	4,244,413	0	0	0	4,244,413
Total Liabilities	<u>4,926,534</u>	<u>100,631</u>	<u>51,165</u>	<u>1,226</u>	<u>5,079,556</u>
NET ASSETS:					
Invested in Capital Assets, Net of Debt	780,134	1,330,218	63,338	514,892	2,688,582
Unrestricted	1,229,466	1,671,146	113,749	3,294	3,017,655
Total Net Assets	<u>\$2,009,600</u>	<u>\$3,001,364</u>	<u>\$177,087</u>	<u>\$518,186</u>	<u>\$5,706,237</u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Business-Type Activities - Proprietary Funds</u>				<u>TOTAL PROPRIETARY FUNDS</u>
	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>REFUSE FUND</u>	<u>NONMAJOR POOL FUND</u>	
Operating Revenues:					
Charges for Services	\$770,274	\$779,857	\$638,274	\$133,066	\$2,321,471
Other	6,897	9,145	7,211	765	24,018
Total Operating Revenues	<u>777,171</u>	<u>789,002</u>	<u>645,485</u>	<u>133,831</u>	<u>2,345,489</u>
Operating Expenses:					
Personal Services	617,450	637,693	325,667	90,117	1,670,927
Contractual Services	0	104,604	281,651	2,912	389,167
Material and Supplies	384,773	71,702	56,418	39,263	552,156
Utilities	77,485	89,130	0	25,894	192,509
Depreciation	167,719	400,991	33,232	46,271	648,213
Other	125	1,015	127	4,219	5,486
Total Operating Expenses	<u>1,247,552</u>	<u>1,305,135</u>	<u>697,095</u>	<u>208,676</u>	<u>3,458,458</u>
Operating Income (Loss)	<u>(470,381)</u>	<u>(516,133)</u>	<u>(51,610)</u>	<u>(74,845)</u>	<u>(1,112,969)</u>
Non-Operating Revenues:					
Investment Earnings	49,319	109,553	166	181	159,219
Total Non-Operating Revenues	<u>49,319</u>	<u>109,553</u>	<u>166</u>	<u>181</u>	<u>159,219</u>
Change in Net Assets	(421,062)	(406,580)	(51,444)	(74,664)	(953,750)
Net Assets Beginning of the Year	<u>2,430,662</u>	<u>3,407,944</u>	<u>228,531</u>	<u>592,850</u>	<u>6,659,987</u>
Net Assets End of the Year	<u><u>\$2,009,600</u></u>	<u><u>\$3,001,364</u></u>	<u><u>\$177,087</u></u>	<u><u>\$518,186</u></u>	<u><u>\$5,706,237</u></u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Business-Type Activities - Enterprise Funds</u>				
	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>REFUSE FUND</u>	<u>NONMAJOR POOL FUND</u>	<u>TOTAL PROPRIETARY FUNDS</u>
Increase (Decrease) in Cash and Cash Equivalents					
Cash Flows from Operating Activities:					
Cash received from charges for services	\$760,684	\$769,476	\$645,043	\$133,066	\$2,308,269
Cash received from other operating services	6,897	9,145	7,365	765	24,172
Cash payments for personal services	(623,225)	(626,099)	(325,667)	(90,117)	(1,665,108)
Cash payments for contractual services	0	(105,927)	(259,090)	(3,091)	(368,108)
Cash payments for material and supplies	(285,916)	(70,738)	(56,418)	(39,263)	(452,335)
Cash payments for utilities	(77,485)	(89,130)	0	(25,894)	(192,509)
Cash payments for other expenses	(125)	(1,015)	(127)	(4,219)	(5,486)
Net cash provided by (used in) operating activities	<u>(219,170)</u>	<u>(114,288)</u>	<u>11,106</u>	<u>(28,753)</u>	<u>(351,105)</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(3,168,670)	(15,091)	0	(4,029)	(3,187,790)
Loan Proceeds	4,408,588	0	0	0	4,408,588
Net cash used for capital and related financing activities	<u>1,239,918</u>	<u>(15,091)</u>	<u>0</u>	<u>(4,029)</u>	<u>1,220,798</u>
Cash flows from investing activities:					
Interest earnings	49,283	110,355	166	218	160,022
Net cash provided by investing activities	<u>49,283</u>	<u>110,355</u>	<u>166</u>	<u>218</u>	<u>160,022</u>
Net increase (decrease) in cash and cash equivalents	1,070,031	(19,024)	11,272	(32,564)	1,029,715
Cash and cash equivalents at beginning of year (restated)	266,315	1,578,857	27,945	37,081	1,910,198
Cash and cash equivalents at end of year	<u><u>\$1,336,346</u></u>	<u><u>\$1,559,833</u></u>	<u><u>\$39,217</u></u>	<u><u>\$4,517</u></u>	<u><u>\$2,939,913</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating Income (Loss)	(\$470,381)	(\$516,133)	(\$51,610)	(\$74,845)	(\$1,112,969)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation	167,719	400,991	33,232	46,271	648,213
(Increase) Decrease in accounts receivable	(30,164)	(10,381)	1,845	0	(38,700)
Increase in inventory	(1,565)	(677)	0	0	(2,242)
Increase (decrease) in accounts payable	1,468	318	23,497	(179)	25,104
Increase in contracts/retainage payable	98,960	0	0	0	98,960
Increase in accrued wages and benefits	4,914	3,783	1,549	0	10,246
Increase in accrued pensions	2,665	782	972	0	4,419
Increase in compensated absences	7,214	7,029	1,621	0	15,864
Total adjustments	<u>251,211</u>	<u>401,845</u>	<u>62,716</u>	<u>46,092</u>	<u>761,864</u>
Net cash provided by (used in) operating activities	<u><u>(\$219,170)</u></u>	<u><u>(\$114,288)</u></u>	<u><u>\$11,106</u></u>	<u><u>(\$28,753)</u></u>	<u><u>(\$351,105)</u></u>

See accompanying notes to the basic financial statements.

CITY OF WEST CARROLLTON
MONTGOMERY COUNTY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>AGENCY FUNDS</u>
ASSETS:	
Segregated Cash & Investments	28,884
Receivables (Net)	
Taxes	<u>991,787</u>
Total Assets	<u><u>1,020,671</u></u>
LIABILITIES:	
Deferred Revenue	334,301
Undistributed Monies	<u>686,370</u>
Total Liabilities	<u><u>\$1,020,671</u></u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY AND REPORTING ENTITIIY

The City of West Carrollton, (the "City") is a home rule municipal corporation under the laws of the State of Ohio and operates under its own Charter. The current Charter, which provides for a Council/Manager form of government, was adopted in 1967 and has been subsequently been amended.

The City provides various services as authorized by its charter including police and fire protection, parks, recreation, street maintenance, planning and development, zoning and general government services. Educational services are provided by West Carrollton City School District. The District is a separate governmental entity and its financial statements are not included in this audit report.

The financial reporting entity consists of the primary government and other organizations that are included to ensure the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City.

The Miami Valley Risk Management Association (MVRMA) is a jointly governed organization established as a joint self-insurance pool for the purpose of enabling the subscribing political subdivisions to obtain liability insurance and providing a formalized, jointly administered self-insurance fund for its members. Also, the Miami Valley Fire/EMS Alliance is a jointly governed organization among thirty townships, cities, and other public entities that was formed on April 1, 1995. See Note 10.

The City does not have component units as defined in Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units."

B. BASIS OF PRESENTATION

The financial reporting practices of the City conform to accounting principles generally accepted in the United States of America (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB). Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial principals. The City has the option to apply FASB Statements and Interpretations issued after November 30, 1989 to its business type and enterprise funds provided they do not contradict GASB pronouncements and has elected not to apply them. The following is a summary of its significant accounting policies:

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

**CITY OF WEST CARROLLTON
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function for both the governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and are clearly identifiable to a particular function. Program revenues include charges paid for goods or services, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds for financial management purposes and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The focus of the fund financial statements is on major funds with each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Governmental Funds

The City reports the following major governmental funds:

General Fund – This fund is the general operating fund of the City covering services such as police, fire, emergency medical services, parks and recreations, and economic development. It is used to account for all financial resources except those required to be accounted for in another fund.

Fire Stations Debt Service Fund – This debt service fund records the accumulation of resources for the payment of debt principal and interest associated with the fire stations project.

Street Improvement Fund – This capital project fund accounts the financial resources to be used for the acquisition or construction of major street projects.

Other Capital Fund – This capital project fund reports for the financial resources to be used for the acquisition or construction of major capital projects other than those financed by proprietary funds.

Half Percent Fund – This capital project fund reports for the financial resources which mainly consists of ½% income tax to be transferred to other capital funds other than those financed by proprietary funds to be used for capital purposes.

The other governmental funds of the City account for resources that are generally restricted for a particular purpose.

Proprietary Funds

Proprietary funds reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City does not have any internal service funds.

**CITY OF WEST CARROLLTON
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The City has three major proprietary funds as follows:

Water Fund – The water fund accounts for the water treatment and distribution to its residential and commercial users.

Sewer Fund – The sewer fund accounts for the provision of sanitary sewer service to the community.

Refuse Fund – This fund reports the waste collection operation.

The City has one nonmajor enterprise fund which is used to account for the City's swimming pool.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's only trust fund is a private-purpose trust which accounts for beautification of City's parks. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency fund accounts for mayor's court.

C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-wide, proprietary and fiduciary fund financial statements measure and report all assets (both financial and capital), liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned.

Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty-one 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 5). Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 4).

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

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.

All governmental funds utilize a measurement focus based on current financial resources and use the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become measurable and available. "Measurable" means the amount of the transaction that can be determined and "available" means collectible within the current period or 31 days for City purposes. Revenues considered susceptible to accrual are community development block grants, delinquent property taxes, income tax and interest on investments. Property taxes levied before year-end are not recognized as revenue until the next calendar year. The fiscal period for which property taxes are levied at year-end in the State of Ohio is the succeeding calendar year.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for interest on unmatured general long-term debt, and on special assessment indebtedness collateralized by special assessment levies, which are recognized when due.

D. BUDGETARY PROCESS

1. Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

2. Estimated Resources

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 receipts of each fund. On or about January 1 this certificate is amended to include any unencumbered balances from the preceding fiscal year.

Prior to December 31, the City must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. The amounts reported in the General Fund budgetary statement represent the final estimated resources as certified by the County Budget Commission.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

3. Appropriations

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. 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. Appropriations may not exceed estimated resources. Unencumbered appropriations lapse at the end of the fiscal year. The amounts reported in the General Fund appropriations represent the final appropriations approved by City Council. As a matter of legal level of budgetary control, the appropriations ordinance generally controls expenditures at the department level for the general fund and the fund level for all other funds.

4. Encumbrances

The City is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. Unencumbered appropriations lapse at the end of the year. Encumbrances outstanding at year-end are reported as reservations of fund balance for subsequent year expenditures.

5. Budgetary Basis of Accounting

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) reported for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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

The following table summarizes the adjustment necessary to reconcile the GAAP basis statement (as reported in the fund financial statements) to the budgetary basis statements for the general fund.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

Net Change in Fund Balances

	<u>General Fund</u>
Budget Basis	\$ 1,088,157
Net Adjustment for revenue	46,708
Net Adjustment for expenditure	123,890
Net Adjustment for other financing sources	(1,550,000)
Encumbrances	<u>58,937</u>
GAAP Basis	<u>\$ (232,308)</u>

E. POOLED CASH AND INVESTMENTS

Cash and investment balances of the City's funds, except cash held in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. Investments are stated at fair value.

The fair value of investments was determined through the use of published market values. For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments with original maturities of three months or less are considered to be cash and cash equivalents.

F. INVENTORY

On the government-wide financial statements and proprietary funds, inventories are stated at the lower of cost or market on a first-in, first-out basis and are expensed when consumed.

G. CAPITAL ASSETS

The cost of normal repairs and maintenance that do not add value to the asset or materially extend its life are not capitalized in either the governmental or business-type activities. Assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value at the date donated. Only capital assets with a cost in excess of \$1,000 are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Depreciation of capital assets is computed and recorded by the straight-line method over the estimated useful lives of the capital assets.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
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The estimated useful lives of the various classes of capital assets range as follows:

<u>Class</u>	<u>Estimated Useful Life</u>
Equipment	3 to 15 years
Buildings and improvements	20 to 30 years
Infrastructure	20 to 40 years

The City is applying the transition provision for General Infrastructure Assets (streets, curbs, bridges and culverts) for the current year-end. This means that infrastructure only includes current year additions.

H. 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 judgements, compensated absences, and contractually required pension contributions 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.

I. COMPENSATED ABSENCES

The City reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at fiscal year end taking into consideration any limits specified in the City's personnel manual.

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

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts that are recorded in the account "compensated absences payable" are for the employees associated with that fund. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a short and long term liability.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

J. INTER-FUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions among funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by City management. Quasi-external transactions, transactions that would be accounted for as revenues, expenditures or expenses if they involved a party external to the government, are accounted for as revenues in the receiving fund and expenditures or expenses by the paying fund. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it, that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund, and as reductions of expenditures/expenses in the fund that is reimbursed. All other inter-fund transactions are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

On fund financial statements, internal activity such as long-term interfund loans or disbursements are classified as "due to/from other funds" on the balance sheet. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets.

K. FUND BALANCE RESERVES

Reserves indicate portions of fund equity legally segregated for a specific future use and cannot be appropriated for expenditures. The City reports reserves associated with encumbrances, prepaids, advances, loans, and debt service.

L. NET ASSETS

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

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

M. ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

N. PREPAID ITEMS

Payments made to vendors for services that will benefit beyond year-end are recorded as prepaid expenditures. Prepayments are accounted for using the consumption method. On governmental fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

O. 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 Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2004.

2. ACCOUNTABILITY AND COMPLIANCE

A. Fund Reclassifications

The Private Purpose Trust Funds were more appropriately reclassified as agency funds in 2004 which had the following impact:

	Private Purpose Trust Funds	Agency Funds
Total Assets at December 31, 2003	\$ 7,343	\$ 1,056,013
Reclassification	(7,343)	7,343
Total Assets at January 1, 2004	\$ 0	\$ 1,063,356

B. Water Fund Cash Restatement

The Water fund's beginning cash and cash equivalent amount has been restated to include cash in segregated accounts as a component of cash.

3. POOLED CASH AND INVESTMENTS

The City maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the Combined Balance sheet as Pooled Cash and Investments.

Legal Requirements: Pursuant to Division (L) of Section 135.01, Ohio Revised Code, any municipal corporation which has adopted a charter under Article XVIII, Ohio Constitution, may, by ordinance, set forth special provisions respecting the deposit or investment of its public monies. The City of West Carrollton adopted ordinances No. 2973, dated April 11, 1995, approving policies and procedures for selecting depositories and making investments.

**CITY OF WEST CARROLLTON
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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The Director of Finance may invest on behalf of and in the name of the City in the following instruments at a price not exceeding their fair value:

A. **Government Securities**

Negotiable direct obligations of the United States or obligations issued by federal agencies the principal and interest of which are unconditionally guaranteed by the United States, or bonds, notes, debentures, or other obligations or securities issued by any federal government agency, whether or not they are guaranteed by the United State.

B. **Non-Negotiable Interest Bearing Time Certificates of Deposits and Savings Accounts**

Non-Negotiable Interest Bearing Time Certificates of Deposits and savings accounts in banks organized under the laws of this State, National banks organized under the laws of the United States, doing business and situated in this State, and under Federal supervision, savings and loan associations located in this State and organized under Federal law and under Federal supervision, provided that such deposits and savings account are secured by collateral.

C. **Repurchase Agreements and Reverse Purchase Agreements**

Repurchase agreements of a bank or savings and loan association organized under the laws of the United States or any State thereof and Reverse Repurchase Agreements for negotiable direct obligations of the U.S., Federal agencies, and Federal instrumentalities of the following types:

1. U.S. Treasury bills and notes.
2. Government National Mortgage Association (GNMA).
3. Federal Farm Credit Bank obligations.
4. Federal Home Loan Bank obligations.

D. **Money Market Funds**

Money market funds whose portfolios consist of those instruments of governmental securities.

E. **Now Accounts**

Now Accounts, Super Now Accounts or any other similar account authorized by the Federal Reserve's Deposit Institutions' Deregulation Committee.

F. **STAR Ohio**

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository with which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in an amount equal to at least 110% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Deposits collateralized by investment pools are

**CITY OF WEST CARROLLTON
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

classified as Category 3 deposits per GASB Statement No. 3. STAR 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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2004. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

The GASB has established risk categories for deposits and investments as follows:

Category 1

- Investments that are insured or registered, or securities held by the City or its agent in the City's name.
- Deposits that are insured or collateralized with securities held by the City or its agent in the City's name.

Category 2

- Investments that are uninsured and unregistered with securities held by the counterparty's trust department or agent in the City's name.
- Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3

- Investments that are uninsured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the City's name.
- Deposits that are un-collateralized or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name.

Cash in segregated accounts: At year-end, the City had \$190,794 in retainage accounts on deposit of which these amounts are included in "deposits" below.

Deposits: At year-end, the carrying amount of the City's cash and deposits was \$3,634,402 and the bank balance was \$3,579,218. \$200,000 of the City's bank balance was covered by Federal Deposit Insurance. The remaining balance was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by third party trustees pursuant to Section 135.81, Ohio Revised Code, in single institution collateral pools securing all public funds on deposit with specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**CITY OF WEST CARROLLTON
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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Based on the above criteria, the City's deposits and investments at December 31, 2004 are classified as follows:

	Category 1	Category 2	Category 3	Carrying/ Fair Value
Investments:				
Money Market Funds			\$64,874	\$64,874
Star Ohio (1)				\$22,467
Government Obligations		\$3,411,140		\$3,411,140
Total Investments	<u>\$0</u>	<u>\$3,411,140</u>	<u>\$64,874</u>	<u>\$3,498,481</u>

(1) The City's deposits in the State Treasury Pool are not categorized because they are not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 7,132,883	\$ 0
Investment of the cash management pool:		
Money Market Funds	(64,874)	64,874
Star Ohio	(22,467)	22,467
Government Obligations	<u>(3,411,140)</u>	<u>3,411,140</u>
GASB Statement No. 3	<u>\$ 3,634,402</u>	<u>\$ 3,498,481</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

4. PROPERTY TAX

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the City. Property taxes are levied each December 31 on the assessed value listed as of the prior December 31. Assessed values are established at 35% of true value for real property, 100% of true value for public utility property, and 25% of true value for tangible property (excluding the first \$10,000 of value). Property market values are required to be updated every three years and revalued every six years. A revaluation was completed in 2003.

The tax rate applied to all real property for the fiscal year ended December 31, 2004 was \$2.74 per \$1,000 of assessed valuation. Real property owners' tax bills are reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback deductions is reimbursed to the City by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 2004 was \$2.74 per \$1,000 of assessed valuation. The assessed values per category are as follows:

Real Estate	\$233,788,160
Public Utilities Tangible Personal Property	5,753,430
Tangible Personal Property	<u>17,575,249</u>
Total Valuation	<u>\$257,116,839</u>

The Montgomery County Treasurer collects property tax on behalf of all taxing districts within the county. The Montgomery County Auditor periodically remits to the taxing districts their portions of the taxes collected.

5. LOCAL INCOME TAX

This locally levied tax of 1.75 percent applied to gross salaries, wages and other personal service compensation earned by residents both in and out of the City and to earnings of nonresidents (except certain transients) earned in the City. It also applied to net income of business organizations conducted within the City. In 2004, tax receipts net of refunds amounted to \$5,544,797 of which \$3,960,571 was recorded in the General Fund and \$1,619,285 was recorded in the One Half Percent Tax Fund for use in various capital improvements.

6. RECEIVABLES

Receivables at year end, consisted primarily of income and property taxes, special assessments, accounts (billings for user charged services), intergovernmental receivables arising from grants, entitlements, and shared revenue. Receivables have been reported to the extent that they are both measurable and available at December 31, 2004 as well as intended to finance fiscal 2004 operations.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

A summary of the receivables is as follows:

<u>Governmental Funds</u>	<u>General</u>	<u>Street Improvement</u>	<u>Other Capital</u>	<u>Half % Tax</u>	<u>Nonmajor</u>
Taxes	\$ 1,245,945	\$ 0	\$ 0	\$ 283,354	\$ 103,976
Accounts	49,223	0	0	0	0
Intergovernmental	294,047	1,150,790	0	0	338,745
Special Assessments	0	0	0	0	529,527
Loans	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>105,482</u>
Total	<u>\$ 1,589,215</u>	<u>\$ 1,150,790</u>	<u>\$ 0</u>	<u>\$ 283,354</u>	<u>\$ 1,077,730</u>
 <u>Proprietary Funds</u>		<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	
Accounts		<u>\$ 208,162</u>	<u>\$ 196,700</u>	<u>\$ 125,697</u>	

7. LOANS RECEIVABLE

The City established a fund to provide low-interest loans for housing rehabilitation. The loans are payable in installments for up to 15 years. The program is administered by County Corp based on a criteria set by City Council. The amount outstanding at December 31, 2004 was \$105,482.

Additionally \$170,100 of loan receivable remains from the water softening plant in the water fund.

8. INTERFUND TRANSACTIONS

Interfund Transfers

Interfund transfers consist of the following as reported on the fund statements:

Transfers to Other Governmental Funds from:

General Fund \$ 245,937

Transfer to the Fire Station Debt Service Fund from:

Half Percent Tax Fund \$ 1,043,326

Transfer to the Street Improvement Fund from:

Half Percent Tax Fund \$ 692,841

Transfer to the Other Capital Fund from:

Half Percent Tax Fund \$ 3,215,950

Transfer to Other Governmental Funds from:

Half Percent Tax Fund \$ 76,255

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

All transfers were legal and in compliance with the Ohio Revised Code. The two most significant transfers during the year were both from the Half Percent Tax Fund to the Fire Station Debt Service Fund (\$1,043,326) and Other Capital Fund (\$3,215,950) for capital projects.

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Half Percent Tax Fund	Other Governmental Fund	\$ 21,712

The balance resulted from the time lag between the annual curb, gutter, and sidewalk project expenditures and the property owner reimbursement made through special assessments payable in 2004. The amount due after 2004 is reported in advances to/from noted below.

Advances To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Half Percent Tax Fund	Other Governmental Fund	\$ 139,093

The balance resulted from the time lag between the annual curb, gutter, and sidewalk project expenditures and the property owner reimbursement made through special assessments payable after 2004. The amount due in 2004 is reported in due to/from noted above.

9. CAPITAL ASSETS

The City is applying the transition provision for Governmental Activities Infrastructure Assets (streets, curbs, bridges and culverts) for the current year-end. This means that infrastructure only includes 2003 and current year additions. A summary of capital asset activity for the year ended December 31, 2004, was as follows:

Governmental Activities

<u>Category</u>	<u>Cost Balance As of 1/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Accumulated Depreciation</u>	<u>Net Balance As of 12/31/04</u>
Land	\$2,328,133	\$ 0	\$ 0	\$ 0	\$2,328,133
Building and Improvements	7,841,783	3,923,899	0	(3,861,763)	7,903,919
Machinery and Equipment	4,135,097	141,947	(33,335)	(3,245,494)	998,215
Infrastructure	380,613	857,744	0	(82,085)	1,156,272
Construction In Progress	2,394,589	1,529,310	(3,923,899)	0	0
Total	\$17,080,215	\$6,452,900	\$(3,957,234)	\$(7,189,342)	\$12,386,539

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

Governmental Activities

Category	Accumulated Depreciation Balance As of 1/1/04	Depreciation	Disposals	Accumulated Depreciation Balance As of 12/31/04
Building and Improvements	\$ 3,406,553	\$ 455,210	\$ 0	\$3,861,763
Machinery and Equipment	2,937,783	341,046	(33,335)	3,245,494
Infrastructure	10,918	71,167	0	82,085
Total	\$ 6,355,254	\$867,423	(\$33,335)	\$7,189,342

Governmental Activities depreciation expense was charged as follows:

General Government	\$ 285,110
Public Safety	401,126
Leisure Time Activities	52,927
Community Development	4,736
Transportation	<u>123,524</u>
Total	\$ <u>867,423</u>

Business-Type Activities

Category	Cost Balance As of 1/1/04	Additions	Deletions	Accumulated Depreciation	Net Balance As of 12/31/04
Land	\$ 53,500	\$ 0	\$ 0	\$ 0	\$ 53,500
Building and Improvements	8,463,101	0	0	(6,648,944)	1,814,157
Machinery and Equipment	1,669,690	11,260	(1,640)	(1,331,633)	347,677
Infrastructure	8,059,680	20,600	0	(7,496,985)	583,295
Construction In Progress	1,142,611	3,155,930	0	0	4,298,541
Total	\$19,388,582	\$3,187,790	\$(1,640)	(\$15,477,562)	\$7,097,170

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

Category	Accumulated Depreciation Balance As of 1/1/04	Depreciation	Disposals	Accumulated Depreciation Balance As of 12/31/04
Building and Improvements	\$6,165,363	\$483,581	\$ 0	\$ 6,648,944
Machinery and Equipment	1,213,203	120,070	(1,640)	1,331,633
Infrastructure	7,452,423	44,562	0	7,496,985
Total	<u>\$14,830,989</u>	<u>\$648,213</u>	<u>(\$1,640))</u>	<u>\$ 15,477,562</u>

Business-Type depreciation expense was charged as follows:

Water	\$ 167,719
Sewer	400,991
Pool	46,271
Refuse	<u>33,232</u>
Total	<u>\$ 648,213</u>

10. INSURANCE

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. In 1989, the City joined the Miami Valley Risk Management Association, Inc. (MVRMA, Inc.), a joint insurance pool. The pool consists of seventeen municipalities who pool risk for property, liability (third party, general, police professional and automobile), boiler and machinery, and public official liability.

The City pays an annual premium to MVRMA, Inc. for this coverage. The agreement provides that the MVRMA, Inc. will be self-sustaining through member premiums and will purchase excess and stop-loss insurance. The deductible per occurrence for all types of claims is \$2,500.

Property	Blanket
General Liability	\$ 11,000,000 per occurrence
Crime	\$ 1,000,000 per occurrence
Boiler and Machinery	\$ 100,000,000 per occurrence
Public Officials Liability	\$ 1,000,000 per occurrence

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The City also pays for eighty-eight percent of the health insurance premium and a term life insurance premium for its full-time employees. The City pays to a private insurance company and retains no risk. There have been no significant reductions in insurance coverage and no settlements have exceeded insurance coverage for each of the past three years.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

11. EMPLOYEES RETIREMENT SYSTEM

A. Ohio Public Employees' Retirement System (OPERS)

The employees of the City are covered by either the Ohio Public Employees Retirement System or the Police and Fireman's Disability Pension Fund which are both cost-sharing, multi-employer defined benefit pension plans. OPERS provides basic retirement, disability, and survivor benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. The amounts of these funds are not reflected in the accompanying financial statements.

OPERS issues a financial report available to the public that includes financial statements and required supplementary information. That report may be obtained by writing to the Ohio Public Employees' Retirement System, 277 East Town Street, Columbus, Ohio 43215 or by calling (614) 466-2085.

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual-covered salary to fund pension obligations and the City is required to contribute 13.55 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2004, 2003 and 2002, were \$363,110, \$363,819, and \$361,043, respectively, equal to the required contribution for each year.

B. Police and Firemen's Disability and Pension Fund

The City also contributes to the Police and Firemen's Disability and Pension Fund of Ohio, a cost sharing, multiple-employer, defined benefit public employee retirement system. This Fund provides retirement and disability benefits to qualified participants. Additionally qualified spouses, children, and dependent parents can receive survivor and death benefits. Benefits are based on eligible service credit and are established by Ohio Revised Code, Chapter 742. A financial report for this report may be obtained by writing to the Police and Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215-5164.

Police and firefighters are required to contribute 10 percent of their annual-covered salary to fund pension obligations and the City is required to contribute 19.5 percent for the police and 24 percent for the firefighters. Contributions are authorized by state statute. An actuary, however, is used to determine the actuarial implications of the statutory requirements. The City's required contributions to the Fund for police and firefighters for the year ended December 31, 2004, 2003, and 2002 were \$416,216, \$412,190 and \$399,916, respectively.

When the Police and Firemen's Pension and Disability System was established in 1967, each participating entity was assessed for prior pension costs. The City of West Carrollton previously extinguished the balance of this obligation.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

12. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. Ohio Public Employees' Retirement System (OPERS)

The Ohio Public Employees' Retirement System provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability and primary survivor recipients is available. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care based on authority granted by State Statute. Of the 13.55 percent employer contribution, 5 percent is used to fund health care, which amounted to \$133,989.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. OPEB's are advance funded on an actuarially determined basis.

The Ohio public employee benefits are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

The significant assumption and calculations described below were as of December 31, 2004 based on OPERS latest information after an actuarial review. There were 369,885 active contributing participants. Estimated net assets available for future benefits payments were \$10.5 billion. Estimated accrued liability and the unfunded actuarial liability based on the actuarial cost method used, were \$26.9 billion and 16.4 billion, respectively. Benefits are financed through employer contributions and investment earnings there on.

B. Police and Firemen's Disability and Pension Fund

The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and Pension Fund's board of trustees to provide health care coverage stating that health care cost paid from the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total employer contribution rates are 19.5 percent and 24 percent for police and fire respectively, of which 7.75 percent of covered payroll is applied to the post-employment health care program. The portion of the current year City contribution that was used to fund post-employment benefits totaled \$154,499.

In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

As of December 31, 2003, the number of participants eligible to receive health care benefits was 13,662 for police and 10,474 for fire. Funding and accounting are on a pay-as-you-go basis. The PFDPF System of Ohio does not provide separate data on the funded status and funding progress of post-employment health care benefits. The Fund's total health care expenses for the year ended December 31, 2003(latest available information) were \$150,853,148, which was net of member contributions of \$17,207,506.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

13. GENERAL LONG-TERM DEBT OBLIGATIONS

	Interest	Issue	Maturity	Balance	Increase	Balance	Due Within	
Governmental Activities:	Rate	Date	Date	12/31/03	(Decrease)	12/31/04	One Year	Thereafter
Water Tower Lane	8.625%	12-1-85	12-1-05	\$ 20,000	\$ (10,000)	\$ 10,000	\$ 10,000	\$ 0
Marina Drive	7.375%	5-1-90	12-1-10	65,000	(7,000)	58,000	8,000	50,000
Gargrave Road	6.875%	6-1-91	12-1-11	140,000	(15,000)	125,000	15,000	110,000
Infirmary Road	6.050%	9-1-92	12-1-12	105,000	(10,000)	95,000	10,000	85,000
Fire Stations Bond	4.250%	3-22-01	3-22-04	1,000,000	(1,000,000)	0	0	0
YMCA Bonds	4.175%	7-1-04	12-1-19	0	4,800,000	4,800,000	250,000	4,550,000
Compensated Absences				<u>695,723</u>	<u>4,937</u>	<u>700,660</u>	<u>350,330</u>	<u>350,330</u>
Total Governmental Activities Long-Term Debt				<u>2,025,723</u>	<u>3,762,937</u>	<u>5,788,660</u>	<u>643,330</u>	<u>5,145,330</u>
Business-Type Activities:								
Water Plant Loan	3.50%	1-1-05	7-1-24	0	4,408,588	4,408,588	164,175	4,244,413
Compensated Absences				<u>89,780</u>	<u>15,864</u>	<u>105,644</u>	<u>6,675</u>	<u>98,969</u>
Total Business-Type Activities				<u>89,780</u>	<u>4,424,452</u>	<u>4,514,232</u>	<u>170,850</u>	<u>4,343,382</u>
Grand Total				<u>\$2,115,503</u>	<u>\$8,187,389</u>	<u>\$10,302,892</u>	<u>\$ 814,180</u>	<u>\$ 9,488,712</u>

Special assessment bonds consist of street improvement projects which are payable from the proceeds of tax assessments against individual property owners. These special assessments are obligations of the City payable from proceeds of special assessments.

The YMCA Bonds are an unvoted general obligation bond issued for the purpose of acquiring real estate for, and constructing, equipping and furnishing the YMCA recreational facility in the City. It will be paid through the General Obligation Bond Retirement Debt Service Fund from City income tax revenue transferred from the Half Percent Tax Fund.

The water softening plant loan through the Ohio Water Development Authority was obtained for the purpose of constructing, equipping and furnishing a water softening facility for the City. It will be paid through water rate increases. The actual amount of the loan will be \$4,578,688 of which the City received \$4,408,588 in 2004 and a loan receivable of \$170,100 is recorded for the remainder.

The City records accumulated unpaid vacation and vested sick leave benefits as accrued payroll when earned by employees. For governmental funds, the portion of the liability which is not currently due and payable is recorded in the governmental activities within the statement of net assets; while this liability is recorded within the respective proprietary funds. Employees earn vacation time at varying rates depending upon length of service.

The City recognizes as a liability, all of the accumulated sick leave benefits payable upon retirement, earned by vested employees, which exceed certain levels as determined by city policy or union contract for employees with fifteen years of service or more.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

The annual requirements of general governmental revenues to pay principal and interest on the long-term debt at December 31, 2004 are as follows:

<u>Year Ending December 31</u>	<u>Special Assessment Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2005	43,000	19,481
2006	33,000	16,393
2007	34,000	14,167
2008	40,000	11,866
2009	41,000	8,360
2010	47,000	6,358
2011	35,000	3,190
2012	<u>15,000</u>	<u>907</u>
Total	<u>\$ 288,000</u>	<u>\$ 80,722</u>

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 250,000	\$ 183,011
2006	250,000	177,386
2007	265,000	171,886
2008	275,000	163,936
2009	280,000	154,999
2010	290,000	145,199
2011	300,000	134,324
2012	310,000	122,324
2013	325,000	109,924
2014	340,000	96,111
2015	350,000	81,661
2016	365,000	67,224
2017	385,000	51,711
2018	400,000	35,156
2019	<u>415,000</u>	<u>18,156</u>
Total	<u>\$ 4,800,000</u>	<u>\$ 1,713,008</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

<u>Year Ending December 31</u>	<u>Water Softening Plant Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 164,175	\$ 158,854
2006	167,097	153,156
2007	172,996	147,256
2008	179,104	141,148
2009	185,428	134,825
2010	191,975	128,278
2011	198,752	121,500
2012	205,770	114,483
2013	213,035	107,218
2014	220,556	99,697
2015	228,343	91,910
2016	236,405	83,848
2017	244,752	75,501
2018	253,393	66,860
2019	262,339	57,913
2020	271,602	48,651
2021	281,191	39,062
2022	291,118	29,134
2023	301,397	18,856
2024	<u>309,260</u>	<u>8,215</u>
Total	<u>\$ 4,578,688</u>	<u>\$ 1,826,365</u>

14. JOINTLY-GOVERNED ORGANIZATION

The City is a member of the Miami Valley Risk Management Association (MVRMA) which is a jointly governed organization established as a joint insurance pool. As of December 31, 2004, the pool had twenty members. This organization covers all property, crime, liability, boiler and machinery and public liability insurance. It is intended to provide broad based coverage up to the limits stated in note 4, with increased emphasis on safety and loss prevention and to create an opportunity for other local governments to participate.

MVRMA is a corporation governed by a seventeen-member board of trustees, consisting of a representative appointed by each of the member cities. The board of trustees elects the officers of the corporation, with each trustee having a single vote. The board is responsible for its own financial matters, and the corporation maintains its own book of account. Budgeting and financing of MVRMA is subject to the approval of the board. As of December 31, 2004, the participant cities were: Beavercreek, Bellbrook, Blue Ash, Centerville, Englewood, Indian Hill, Kettering, Maderia, Mason, Miamisburg, Montgomery, Piqua, Sidney, Springdale, Tipp City, Troy, Vandalia, West Carrollton, Wilmington, and Wyoming.

Member contributions are calculated annually to produce a sufficient sum of money within the self-insurance pool to fund administrative expenses of the association and to create adequate reserves for claims and unallocated loss adjustment expenses.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

The City has no explicit and measurable equity interest in MVRMA and no ongoing financial responsibility for MVRMA. The following is a summary of the MVRMA audited financial statements presented in conformity with generally accepted principles as of and for the year ended December 31, 2003 (latest available):

Assets	<u>\$ 7,462,934</u>
Liabilities	5,015,363
Fund Equity	<u>2,447,571</u>
Total Liabilities and Fund Equity	<u>\$ 7,462,934</u>
Revenues	\$4,268,152
Expenses	<u>4,250,177</u>
Excess of Revenues Over Expenses	17,975
Retained Earnings – Beginning of Year	<u>2,429,596</u>
Retained Earnings – End of Year	<u>\$ 2,447,571</u>

To obtain additional financial information write to Miami Valley Risk Management Association, Inc., at 4625 Presidential Way, Kettering, Ohio, 45429.

The City also is a member of the Miami/Valley Fire/EMS Alliance. It is a jointly governed organization among thirty townships, cities, and other public entities that formed on April 1, 1995. The jointly governed organization was formed for the purpose of fostering cooperation among the political subdivisions through the establishment of an organization that promotes and recommends matters that result in more efficient methods of delivering fire and emergency services in the region.

The legislative and advisory body is the assembly that is comprised of one delegate from each participating public subdivision. The degree of control exercised by any participating public subdivision is limited to its representation on the assembly, which elects the board of directors.

The board of directors' exercises total control over the operation of the Alliance including budgeting, appropriating, contracting, and designating management and significant management control over CareNOW, a billing agent organized to manage health care costs. The five member board of directors consists of: one full-time and one volunteer fire department representative; two representatives from combined fire departments; and one representative from the City of Dayton fire department. Revenues are generated from Federal and State funding and an annual fee of \$ 0.24 per capita charged to participating subdivisions. The City paid \$3,409 to the Miami Valley Fire/EMS Alliance during 2004.

Financial information can be obtained by writing to Glen Alexander, Miami Valley Fire/EMS Alliance, 444 W. Third Street, Suite 13-204, Dayton, Ohio 45402.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

15. CONSTRUCTION AND COMMITMENTS

At December 31, 2004, the City had the following contractual commitments:

	<u>Remaining Commitment</u>
Water Softening Plant	\$400,952

This project will be completed in 2005.

16. CONTINGENCIES

The City is the defendant in various lawsuits and subject to various claims over which litigation is not complete. Although the outcome of these matters is not presently determinable, in the opinion of the Law Director the resolution of these matters will not have a material adverse effect on the financial condition of the City.

17. SUBSEQUENT EVENTS

There are no material subsequent events to report.

JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

333 County Line Rd. West
Westerville, Ohio 43082

Telephone 614.846.1899
Facsimile 614.846.2799

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

Members of Council and Mayor
City of West Carrollton
300 E. Central Avenue
West Carrollton, Ohio 45449

We have audited the financial statements consisting of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of West Carrollton, Montgomery County (the “City”) as of and for the year ended December 31, 2004, and have issued our report thereon dated June 10, 2005. As disclosed in Note 3, the City reclassified its private purpose trust funds to agency funds for the year ended December 31, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the management of the City in a separate letter dated June 10, 2005.

Members of Council and Mayor
City of West Carrollton

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a matter which we have reported to the management of the City in a separate letter dated June 10, 2005.

This report is intended for the information and use of management and the City and is not intended to be and should not be used by anyone other than these specified parties.

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

Julian & Grube, Inc.
June 10, 2005



**Auditor of State
Betty Montgomery**

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**CITY OF WEST CARROLLTON
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
AUGUST 9, 2005**