

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

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

For The Year Ended
December 31, 2003

MR. TOM REILLY, FINANCE DIRECTOR



**Auditor of State
Betty Montgomery**

Members of Council and Mayor
City of West Carrollton
West Carrollton, Ohio

We have reviewed the Independent Auditor's Report of the City of West Carrollton, Montgomery County, prepared by Trimble, Julian & Grube, Inc., for the audit period January 1, 2003 through December 31, 2003. 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

December 13, 2004

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CITY OF WEST CARROLLTON, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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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, 2003, 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 an opinion 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 basic 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, 2003, 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 to the basic financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments, GASB Statement No. 37, Basic Financial Statements for State and Local Governments: Omnibus, GASB Statement No. 38, Certain Financial Statement Note Disclosures, GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences for the year ended December 31, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2004 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Members of Council and Mayor
City of West Carrollton

Management's Discussion and Analysis on pages 3 through 25 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Trimble, Julian, & Grube, Inc.

Trimble, Julian & Grube, Inc.
July 30, 2004

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2003**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section provides an overview of the City's financial activities for the year ended December 31, 2003.

FINANCIAL HIGHLIGHTS

The City's total net assets decreased 1.36 million in 2003.

The general fund reported a net decrease in fund balance of 184 thousand.

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, 2003**

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 2003 are General, Fire Stations Debt Service, Street Improvement, and Other Capital.

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 has established a private purpose trust fund to account for beautification of parks within the City. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and Statement of Changes in 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 2003 and 2002.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2003**

<u>City as a Whole</u>	<u>NET ASSETS</u>	
	<u>2003</u>	<u>2002</u>
Current and Other Assets	\$9,403,381	\$12,021,354
Capital Assets	<u>15,282,554</u>	<u>12,275,310</u>
Total Assets	<u>24,685,935</u>	<u>24,296,664</u>
Long-Term Liabilities	2,115,503	2,037,280
Other Liabilities	<u>3,848,038</u>	<u>2,180,010</u>
Total Liabilities	<u>5,963,541</u>	<u>4,217,290</u>
Net Assets:		
Invested in Capital Assets, Net of Debt	14,282,554	12,003,813
Restricted	840,835	448,510
Unrestricted	<u>3,599,005</u>	<u>7,627,051</u>
Total Net Assets	<u>\$18,722,394</u>	<u>\$20,079,374</u>

In 2003 and 2002 the City's overall net assets decreased 6.8%. The main reason is due to a decline in income tax revenue. A sluggish economy combined with the closing of businesses have kept this revenue stream stagnant. Investment earnings have also declined due to record low interest rates and shrinking reserve balances. The City will address the shortfall through either an increase in property or income tax effective in 2005.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2003**

CHANGE IN NET ASSETS

	<u>2003</u>	<u>2002</u>
Revenues		
Program Revenues:		
Charges for Services	\$3,317,542	\$2,852,747
Operating Grants and Contributions	89,818	167,809
Capital Grants and Contributions	<u>1,168,285</u>	<u>283,470</u>
Total Program Revenues	<u>4,575,645</u>	<u>3,304,026</u>
General Revenues:		
Income Taxes	6,483,425	6,609,571
Property Taxes	931,510	839,631
Unrestricted Grants and Entitlements	621,192	740,247
Investment Earnings	86,211	517,389
Refunds and Reimbursements	403,418	159,880
Other	<u>14,349</u>	<u>10,580</u>
Total General Revenue	<u>8,540,105</u>	<u>8,877,298</u>
Total Revenues	<u>13,115,750</u>	<u>12,181,324</u>
Program Expenses:		
General Government	1,689,490	1,797,126
Security of Persons	6,926,644	6,211,678
Leisure Time Activities	966,055	741,131
Community Environment	1,064,017	1,605,372
Basic Utility Service	99,757	-
Transportation	760,311	627,432
Interest and Fiscal Charges	179,337	225,380
Water	893,999	885,043
Sewer	1,175,346	1,133,225
Refuse	514,256	393,929
Nonmajor	<u>203,518</u>	<u>198,838</u>
Total Expenses	<u>14,472,730</u>	<u>13,819,154</u>
Net Decrease in Net Assets	<u>(\$1,356,980)</u>	<u>(\$1,637,830)</u>

Revenues increased 7.7% mainly due to increases in user fees. As previously noted, the income tax remains flat as the economy continues to be sluggish.

Expenses increased 4.7% largely due to a 20% jump in health care costs.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2003**

Governmental Activities

	<u>2003</u>	<u>2002</u>
Current and Other Assets	\$6,954,712	\$9,142,135
Capital Assets	<u>10,724,961</u>	<u>7,806,669</u>
Total Assets	<u>17,679,673</u>	<u>16,948,804</u>
Long-Term Liabilities	2,025,723	3,079,280
Other Liabilities	<u>3,591,543</u>	<u>883,012</u>
Total Liabilities	<u>5,617,266</u>	<u>3,962,292</u>
Net Assets:		
Invested in Capital Assets, Net of Debt	9,724,961	5,806,669
Restricted	840,835	448,510
Unrestricted	<u>1,496,611</u>	<u>6,731,333</u>
Total Net Assets	<u>\$12,062,407</u>	<u>\$12,986,512</u>

In 2003 Governmental Activities' net assets decreased 7.1%. The main reason is due to a decline in income tax revenue. A sluggish economy combined with the closing of businesses have kept this revenue stream stagnant. Investment earnings have also declined due to record low interest rates and shrinking reserve balances. The City will address the shortfall through either an increase in property or income tax effective in 2005.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2003**

CHANGE IN NET ASSETS

	<u>2003</u>	<u>2002</u>
Revenues		
Program Revenues:		
Charges for Services	\$1,001,304	\$1,156,749
Operating Grants and Contributions	89,818	167,809
Capital Grants and Contributions	<u>1,168,285</u>	<u>224,365</u>
Total Program Revenues	<u>2,259,407</u>	<u>1,548,923</u>
General Revenues:		
Income Taxes	6,483,425	6,609,571
Property Taxes	931,510	839,631
Unrestricted Grants and Entitlements	621,192	740,247
Investment Earnings	62,554	357,475
Refunds and Reimbursements	<u>403,418</u>	<u>159,880</u>
Total General Revenue	<u>8,502,099</u>	<u>8,706,804</u>
Total Revenues	<u>10,761,506</u>	<u>10,255,727</u>
Program Expenses:		
General Government	1,689,490	1,797,126
Security of Persons	6,926,644	6,211,678
Leisure Time Activities	966,055	741,131
Community Environment	1,064,017	1,605,372
Basic Utility	99,757	393,929
Transportation	760,311	627,432
Interest and Fiscal Charges	<u>179,337</u>	<u>225,380</u>
Total Expenses	<u>11,685,611</u>	<u>11,602,048</u>
Net Decrease in Net Assets	<u>(\$924,105)</u>	<u>(\$1,346,321)</u>

Total revenues increased 4.9%. However the biggest revenue stream, income tax, declined 1.9%. In 2003 Basic Utility expenses dropped sharply because the refuse operation was reclassified as an enterprise fund and reported in Business-Type Activities.

General revenues totaled \$8,502,099 in 2003 and amounted to 79% of total governmental revenues. The largest revenue stream in general revenues is the income tax at \$6,483,425 or 76.3%.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2003**

Program Expenses Percentage breakdown:

General Government	\$1,689,490	14.46%
Security of Persons	6,926,644	59.27%
Leisure Time Activities	966,055	8.27%
Community Environment	1,064,017	9.11%
Basic Utility	99,757	.85%
Transportation	760,311	6.51%
Interest and Fiscal Charges	<u>179,337</u>	<u>1.53%</u>
 Total Expenses	 <u>\$11,685,611</u>	 <u>100.00%</u>

The largest program expense is Security of Persons at 59.27% of the total. It primarily represents the operation of the police and fire departments. These expenses were partially funded by \$370,998 in direct charges to users of service.

	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Program Expenses:		
General Government	\$ 1,689,490	\$ 1,318,665
Security of Persons	6,926,644	6,524,450
Leisure Time Activities	966,055	831,886
Community Environment	1,064,017	393,383
Basic Utility	99,757	98,473
Transportation	760,311	80,010
Interest and Fiscal Charges	<u>179,337</u>	<u>179,337</u>
 Total Expenses	 <u>\$ 11,685,611</u>	 <u>\$ 9,426,204</u>

As noted in the above table, the programs are over 81% dependent on general revenues.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2003**

Business-Type Activities

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

NET ASSETS

	<u>2003</u>	<u>2002</u>
Current and Other Assets	\$2,448,669	\$2,879,032
Capital Assets	<u>4,557,593</u>	<u>4,468,828</u>
Total Assets	<u>7,006,262</u>	<u>7,347,860</u>
Long-Term Liabilities	89,780	77,732
Other Liabilities	<u>256,495</u>	<u>177,266</u>
Total Liabilities	<u>346,275</u>	<u>254,998</u>
Net Assets:		
Invested in Capital Assets, Net of Debt	4,557,593	4,468,828
Unrestricted	<u>2,102,394</u>	<u>2,624,034</u>
Total Net Assets	<u>\$6,659,987</u>	<u>\$7,092,862</u>

In 2003 the Business-Type Activities' net assets decreased 6.1%. User fee increases are expected to reduce the net assets decline in the future.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2003**

CHANGE IN NET ASSETS

	<u>2003</u>	<u>2002</u>
Revenues		
Program Revenues:		
Charges for Services	\$2,316,238	\$1,695,998
Capital Grants and Contributions	<u>0</u>	<u>59,105</u>
Total Program Revenues	<u>2,316,238</u>	<u>1,755,103</u>
General Revenues:		
Investment Earnings	23,657	159,914
Other	<u>14,349</u>	<u>10,580</u>
Total General Revenue	<u>38,006</u>	<u>170,494</u>
 Total Revenues	 <u>2,354,244</u>	 <u>1,925,597</u>
Program Expenses:		
Water	893,999	885,043
Sewer	1,175,346	1,133,225
Refuse	514,256	0
Nonmajor	<u>203,518</u>	<u>198,838</u>
 Total Expenses	 <u>2,787,119</u>	 <u>2,217,106</u>
 Net Decrease in Net Assets	 <u>(\$432,875)</u>	 <u>(\$291,509)</u>

Business-Type operations had \$2,316,238 program revenues, \$38,006 in general revenues, and \$2,787,119 of total expense in 2003. As previously noted, in 2003, the refuse operation was reclassified from Governmental Activities to Business-Type Activities. Investment earnings have sharply declined due to record low interest rates and shrinking reserve balances.

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, 2003**

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 \$2,314,912 and \$5,179,843 in 2003 and 2002 respectively. The main reason for the decline in fund balance pertained to the YMCA project in the Other Capital fund. The funding for this project was not received until 2004 creating a \$1,773,871 decline at the end of 2003. The schedule below show the fund balances and the total change in fund balances as of December 31, 2003 for all major and nonmajor governmental funds.

	<u>2003</u>	<u>2002</u>
Major Funds:		
General	\$2,716,197	\$2,900,306
Street Improvement	66,648	40,147
Other Capital	(1,539,451)	234,420
Other Nonmajor Governmental Funds	<u>1,071,518</u>	<u>2,004,970</u>
Total	<u>\$ 2,314,912</u>	<u>\$5,179,843</u>

General Fund

The City's general fund balance decreased \$184,109 mainly due to personnel expenses out pacing revenue increases. The largest increase is in health care costs.

	<u>2003</u>	<u>2002</u>
Revenues		
Local Taxes	\$5,104,827	\$4,470,002
Intergovernmental	646,564	644,061
Charges for Services	261,283	196,186
Investment Earnings	40,736	227,701
Fines and Forfeitures	128,164	152,026
License and Permits	36,748	44,903
Other	<u>125,906</u>	<u>148,655</u>
Total Revenue	<u>\$6,344,228</u>	<u>\$5,883,534</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2003**

	<u>2003</u>	<u>2002</u>
Expenditures		
General Government	\$1,385,077	\$1,463,304
Security of Persons	3,784,593	3,493,892
Leisure Time Activities	571,464	559,432
Community Environment	310,077	392,156
Basic Utility	<u>99,757</u>	<u>393,929</u>
Total Expenses	<u>\$6,150,968</u>	<u>\$6,302,713</u>

Other Major Funds

The Fire Station Debt Service Fund's expenditures of \$1,085,826 equal the transfers-in to pay for the second installment payments of the three for the fire stations leaving a zero fund balance. The debt was extinguished in March of 2004.

The Street Improvement Fund transfers-in and revenue of \$390,628 exceed expenditures of \$364,127 by \$26,501. This increased the 2003 fund balance to \$66,648.

The Other Capital Fund ran a deficit due the YMCA project. The funding for this project was not received until 2004 creating a \$1,773,871 decline in fund balance at the end of 2003. The fund balance went from \$234,420 in 2002 to (\$1,539,451) in 2003. Bond proceeds were received in 2004 will restore this fund balance.

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 Montgomery County Budget Commission in accordance with the ORC. If the budgeted revenues are adjusted due to actual activity, then the appropriations can be adjusted accordingly.

The budgetary information is presented for the general fund. In the general fund the only change from the original to the final was a \$2,000,000 increase in advances out. This addition provided cash flow to the other capital fund for the YMCA project. The advance was repaid in 2004 once the bond proceeds for were received.

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.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2003**

The Water Fund expenses of \$893,999 exceed revenue of \$792,610 by \$101,389. Correspondingly Net Assets declined from \$2,532,051 in 2002 to \$2,430,662 in 2003. The most important change in 2003 is the \$4.6 million water softening plant project. About \$1.1 million of the \$4.6 million project has been expended at the end of 2003 with completion expected by the end of 2004. Increases in user fees will fund the additional operational costs.

The Sewer Fund Net Assets declined \$377,716 from \$3,785,660 to \$3,407,944. Even though this fund has a healthy fund balance and been relatively stable, user fees may need to be increased to keep pace with inflation.

The Refuse Fund revenues of \$612,986 exceeded expenses of \$514,256 by \$98,730. This increased Net Assets to \$228,531 in 2003 from \$129,801 in 2002.

CAPITAL ASSETS

A summary of capital asset activity for the year ended December 31, 2003, was as follows:

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 current year additions.

Governmental Activities

Category	Cost Balance As of 1/1/03 (Restated)	Additions	Deletions	Accumulated Depreciation	Net Balance As of 12/31/03
Land	\$1,621,532	\$706,601	\$0	\$0	\$2,328,133
Building and Improvements	7,806,504	35,279	0	(3,406,553)	4,435,230
Machinery and Equipment	4,076,073	134,536	(75,512)	(2,937,783)	1,197,314
Infrastructure	0	380,613	0	(10,918)	369,695
Construction In Progress	0	2,394,589	0	0	2,394,589
Total	\$13,504,109	\$3,651,618	(\$75,512)	(\$6,355,254)	\$10,724,961

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2003**

Governmental Activities

Category	Accumulated Depreciation Balance As of 1/1/03 (Restated)	Depreciation	Disposals	Accumulated Depreciation Balance As of 12/31/03
Building and Improvements	\$ 3,030,894	\$ 375,659	\$ 0	\$ 3,406,553
Machinery and Equipment	2,666,546	346,749	(75,512)	2,937,783
Infrastructure	0	10,918	0	10,918
Total	\$ 5,697,440	\$733,326	(\$75,512)	\$6,355,254

Governmental Activities depreciation expense was charged as follows:

General Government	\$ 205,337
Public Safety	408,485
Leisure Time Activities	51,212
Community Development	4,735
Transportation	<u>63,557</u>
Total	\$ <u>733,326</u>

The entire \$2,394,589 construction in progress represents the YMCA project that was completed in 2004.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2003**

Business-Type Activities

Category	Cost Balance As of 1/1/03 (Restated)	Additions	Deletions	Accumulated Depreciation	Net Balance As of 12/31/03
Land	\$ 53,500	\$0	\$0	\$0	\$ 53,500
Building and Improvements	8,463,101	0	0	(6,165,363)	2,297,738
Machinery and Equipment	1,642,025	32,956	(5,291)	(1,213,203)	456,487
Infrastructure	8,014,465	45,215	0	(7,452,423)	607,257
Construction In Progress	446,561	696,050	0	0	1,142,611
Total	\$18,619,652	\$774,221	(\$5,291)	(\$14,830,989)	\$4,557,593

Category	Accumulated Depreciation Balance As of 1/1/03 (Restated)	Depreciation	Disposals	Accumulated Depreciation Balance As of 12/31/03
Building and Improvements	\$5,681,782	\$483,581	\$0	\$ 6,165,363
Machinery and Equipment	1,095,019	123,475	(5,291)	1,213,203
Infrastructure	7,374,023	78,400	0	7,452,423
Total	\$14,150,824	\$685,456	(\$5,291)	\$ 14,830,989

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
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\$303,430 of capital assets and the corresponding \$173,629 of accumulated depreciation were reclassified as business-type from the governmental funds as of January 1, 2003. The entire \$1,142,611 construction in progress represents the water softening plant that is expected to be completed in 2004.

Business-Type depreciation expense was charged as follows:

Water	204,161
Sewer	402,138
Pool	45,926
Refuse	<u>33,231</u>
 Total	 <u>\$ 685,456</u>

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2003:

Governmental Activities:	Interest Rate	Issue Date	Maturity Date	Balance 12/31/02	Increase (Decrease)	Balance 12/31/03	Due Within One Year	Thereafter
Water Tower Lane	8.625%	12-1-85	12-1-05	\$ 30,000	\$ (10,000)	\$ 20,000	\$ 10,000	\$ 10,000
Marina Drive	7.375%	5-1-90	12-1-10	72,000	(7,000)	65,000	7,000	58,000
Gargrave Road	6.875%	6-1-91	12-1-11	155,000	(15,000)	140,000	15,000	125,000
Infirmary Road	6.050%	9-1-92	12-1-12	115,000	(10,000)	105,000	10,000	95,000
 Fire Stations Bond	 4.250%	 3-22-01	 3-22-04	 2,000,000	 (1,000,000)	 1,000,000	 1,000,000	 0
 Compensated Absences				 <u>707,280</u>	 <u>(11,557)</u>	 <u>695,723</u>	 <u>118,381</u>	 <u>577,342</u>
 Total Governmental Activities Long-Term Debt				 <u>\$3,079,280</u>	 <u>(\$1,053,557)</u>	 <u>\$2,025,723</u>	 <u>\$1,160,381</u>	 <u>\$ 865,342</u>
 Business-Type Activities:								
 Compensated Absences				 <u>77,732</u>	 <u>12,048</u>	 <u>89,780</u>	 <u>26,036</u>	 <u>63,744</u>
 Grand Total				 <u>\$3,157,012</u>	 <u>(\$1,041,509)</u>	 <u>\$2,115,503</u>	 <u>\$1,186,417</u>	 <u>\$ 929,086</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.

CITY OF WEST CARROLLTON MONTGOMERY COUNTY

Management's Discussion and Analysis DECEMBER 31, 2003

The Fire Stations Bond is an unvoted general obligation bond issued for the purpose of acquiring real estate for, and constructing, equipping and furnishing two fire stations in the City. It will be paid through the General Obligation Bond Retirement Debt Service Fund from City income tax revenue transferred from the Capital Improvement Fund.

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 General Long-Term Obligations Account Group; for Proprietary Funds, as vacation and sick leave liabilities. 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.

Regional Setting

West Carrollton, incorporated in 1887, is located in Montgomery County in southwestern Ohio. The City is situated east of Interstate 75 and north of Interstate 671, approximately 8 miles south of downtown Dayton, Ohio.

Originally settled in 1830, West Carrollton became a city in 1967. The greatest population and geographic growth has occurred in the last 20 years.

Business and Industry

The City of West Carrollton is the ideal location to conduct business. Proximity to major interstate systems and international airports, as well as a supportive local government, put West Carrollton in the highest ranks of excellent business location. West Carrollton is located in Montgomery County, just 8 miles south of Dayton, Ohio. West Carrollton is part of the Dayton-Springfield "Metropolitan Statistical Area" (MSA) of over one million people.

West Carrollton provides exceptional transportation convenience and rapid access to major U.S. and World Markets. I-75, the major U.S. north-south corridor, passes through West Carrollton. The nearby Dayton International Airport makes the area the nation's largest 90-minute air travel market, reaching 75% of the U.S. population. The airport is also ranked sixth in the U.S. in air freight handling.

Many of the residents of the City work in the surrounding Dayton Metropolitan Area (the "Metropolitan Area").

CITY OF WEST CARROLLTON MONTGOMERY COUNTY

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The Dayton area is known as a leader in the production of many products, including business machines, business forms, and automotive parts. The Dayton area is also home to many advanced technology businesses and has the highest concentration of per capita scientific and technical personnel in the State. Montgomery County's geographic location in southwestern Ohio makes it accessible to some of the largest markets in North America. From the Montgomery County area it is possible to reach more than half of the U.S. population within 90 minutes by air. Interstates 70 and 75 intersect just north of Montgomery County. It is this intersection that is the nucleus of a national network of 25 interstate highways and major state routes. Montgomery County's key position at the "Crossroads of America" makes it an ideal center for highway transportation, tying it to more than 300 cities and towns in the nation's tenth largest 90-minute highway market. The I-675 bypass has increased access to both Cincinnati and Columbus and the communities east and south of Montgomery.

The County's location along U.S. Interstate 75 and the area's 75-year history of automotive manufacturing make this region an attractive location for the automotive component supplier industry. There are over 250 component manufacturing facilities in the Montgomery County region.

Recent Projects in the City of West Carrollton

The West Carrollton YMCA is under construction at S. Alex Road and Liberty Lane. The 35,000 Square foot YMCA will include a six (6) lane pool, gymnasium, walking track, wellness center, multi-purpose room and teen center opened in March, 2004.

The State of Ohio Transportation Review Advisory Council recently approved \$1.4 million of the \$2 million needed for design work to modify the Central Avenue/Dixie Drive interchange with I-75 (Exit 47) to provide full access. The remaining \$600,000 will come from a variety of other State and local sources. The current configuration is missing four of the eight normal interchange traffic movements. The \$28 million ODOT project will provide the missing access and replace all of the existing bridges. The improvement will support the redevelopment of over 100 acres of land in West Carrollton and Moraine, and also improve access for residents in Miami Township, Kettering and Miamisburg.

Governor Bob Taft visited West Carrollton to cut the ribbon for the opening of the Midwest Service Center of Clear Medical Inc. This is the first regional center for the Bellevue, Washington company, a reprocessor of non-invasive medical devices using a proprietary high-level disinfection process. The Company is expected to employ 60 technicians, sales staff and managers. The attraction of Clear Medical to the Dayton region was the result of the work of the Dayton Developer Coalition.

In the Fall of 2003, the City began construction on a new \$3.8 million water softening membrane filtration plant. The new water conditioning process will eliminate the need for water softeners for residents and businesses. The plant construction is expected to be complete in the Fall of 2004.

The federal government has recently approved \$2 million for the Army Corps of Engineers to construct a floodwall and levee to protect businesses included along the north side of Holes Creek. These businesses include Crown Cork and Seal, Everybody's Office Solutions, Jena Tools and Fricker's. The project is anticipated to take about two years to complete.

CITY OF WEST CARROLLTON MONTGOMERY COUNTY

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West Carrollton Parchment purchased 27,000 sq. ft. of the former Fraser Paper plant for expansion. A \$250,000 Economic Development Grant from Montgomery County secured by the City will assist the company to upgrade the building and connect to the existing Parchment Plant. Parchment is relocating 30 employees to West Carrollton from a former Middletown facility.

Police and Fire Service

The City of West Carrollton Police Department consists of 26 full-time officers and 2 non-sworn administrative personnel and responds to approximately 23,000 service calls a month. They also have a community orientation program for all of the area businesses and residents and is committed to offering the best in crime prevention. Special programs include Anti-Drug presentations, Neighborhood Watch, Safety Programs in the schools, Crime Prevention, School Resource Officer, Bicycle Patrol and Operation Identification.

The City's Fire Department is staffed 24 hours a day by 8 full-time and 39 part-time firefighters. Services offered by the Department include fire suppression, paramedic level Emergency Medical Services, fire prevention, and public education (grades K-8). The Department operates from 2 stations which is located in the City of West Carrollton. The Fire Department maintains a class 2 ISO Rating.

Print and Broadcast Media

The Metropolitan Area has 1 daily newspapers of general circulation as well as more than 12 community newspapers. Five (5) television stations, are available in addition to cable television. Seventeen (17) AM and FM radio stations complement the area's communication capabilities.

Culture and Education

Montgomery County has many educational facilities (including 40 school systems), churches, parks and playgrounds, hospital and medical centers and cultural resources. Included among local educational facilities are the University of Dayton, Sinclair Community College, Wright State University, Air Force Institute of Technology, Miami-Jacobs Junior College, Kettering College of Medical Arts, United Theology Seminary and Southwestern College of Business in nearby Greene County. The Dayton area has 26 colleges and universities within commuting distance. There are also a large number of public, charter, private and parochial schools as well as two County-supported schools for helping the mentally retarded and handicapped infants, aged one month to two years of age.

Seventeen radio stations, 5 television stations, 2 cable television services and 1 daily and several weekly newspapers provide media services in the area.

CITY OF WEST CARROLLTON MONTGOMERY COUNTY

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The County operates and maintains several parks and playgrounds for recreation and enjoyment. In addition, a number of facilities and woodland reserves, encompassing approximately 7,200 acres, are operated by the Five Rivers Metro Park District. Theater, concerts and other forms of entertainment come to the stage of the Victoria Theater and to other community and drama centers. From May until September each year, various concerts and entertainment events are held at the 4,456-seat, outdoor Frazee Pavilion in Kettering. Several exceptionally fine museums and exhibits are notable: The Dayton Art Institute; Aullwood Audubon Nature Preserve; Air Force Museum; Boonshoft Museum of Discovery; and Montgomery County Historical Society. The area is also entertained by the Dayton Philharmonic Orchestra, the Dayton Ballet Company, the Dayton Opera, the Dayton Contemporary Dance Company and the Victoria Theater Association.

In 2000 the Dayton Art Institute completed a \$20 million expansion nearly doubling the museum gallery space and making it one of America's finest mid-sized art museums. The museum features a renowned permanent collection and world-class special exhibit space.

Schuster Performing Arts Center

Ground was broken on April 22, 2000, for the Benjamin and Marian Schuster Performing Arts Center at Second and Main streets in downtown Dayton. The \$125 million complex, includes a 2,300-seat concert hall-theater, an eight-story glass winter garden-atrium and a 26-story residential and office tower. The theater is designed with moveable acoustic walls and curtains to accommodate both orchestras and theater companies. The Dayton Philharmonic Orchestra, Dayton Opera and Dayton Ballet are the primary tenants of the hall, but the hall also hosts touring Broadway Productions. The grand opening performance was in March 2003. A community open house to celebrate the Center's inauguration brought over 50,000 people to tour the facility.

RiverScape

Montgomery County, Five Rivers MetroParks, Miami Conservancy District, the City of Dayton, the Greater Dayton Regional Transit Authority and the Downtown Dayton Partnership embarked on a \$30 million redevelopment of the riverfront. Phase I consisted of a \$21 million investment for renovation of parks, creation of plazas, pedestrian walkways and the installation of the Five-Rivers fountain and the laser light show. Phase II construction is underway and scheduled for completion in 2003. This phase involves the installation of a pedestrian bridge across the Mad River to Deed's Point, the extension of the Canal Walk, enhancement of the laser water screen and the addition of a central feature to the redesigned fountain. The goal of RiverScape is to create activities and amenities that promote private investment and development, resulting in more downtown jobs, businesses and housing. The Riverfront Development has also been supported by private sector contributions and expertise. The park opened in May 2001 with a full range of activities including boating, concerts, nightly laser light shows, festivals and many other family oriented events. Programming for the venue is a public/private partnership which garnered nearly \$2.5 million in private sector participation in each of its first two seasons. From the opening in May 2001 through January 2003, estimated attendance at all functions at RiverScape neared 600,000.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2003**

Baseball

In April 2000, the Dayton Dragons, a Class A minor league affiliate of the Cincinnati Reds, began play at a new baseball stadium in downtown Dayton. The stadium holds 8,230 seats and set a Class A attendance record in 2000 with over 581,000 attendance. In July 2001 the Dragons set another record when they became the youngest Class A organization to welcome their one-millionth fan. Additionally, in 2001 the Dragons hosted the Midwest League All-Star game bringing many out of town visitors to downtown Dayton to enjoy the festivities.

Inventing Flight

2003 marked the centennial of powered flight and Dayton, home of the Wright brothers, is the hub of a yearlong celebration. The festivities will peak during three weeks in July, which will be filled with events designed to engage hometown folk and tourists alike. During this time, the National Park Service will open the Wright-Dunbar Interpretive Center and the Huffman Prairie Interpretive Center, both new sites in the Dayton Aviation Heritage National Historical Park. There will be a record setting Great Blimp Meet, a Hot Air Balloon Celebration, and an expanded four day Dayton Air Show. Local arts organizations are focusing exhibits and annual festivals on flight related themes and there will be gala opening and closing ceremonies.

Health

Sycamore Hospital is located within one mile from the City of West Carrollton and residents have access to the 28 other hospitals in the Montgomery County area.

Population

The population of the City was estimated at 13,818 in the 2000 census.

CITY OF WEST CARROLLTON POPULATION

<u>Year</u>	<u>Count</u>	<u>% Change</u>
1970	10,748	--
1980	13,160	22.44%
1990	14,403	9.45
2000	13,818	(4.06)

Source: U. S. Census Bureau and Ohio Municipal Advisory Council.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2003**

Employment

TEN LARGEST EMPLOYERS IN THE DAYTON AREA

	<u>Employer</u>	<u>Type of Business</u>	<u>No. of Employees</u>
1)	Wright-Patterson Air Force Base	Military	22,000
2)	Premier Health Partners	Health Care	9,000
3)	Delphi Automotive Systems	Manufacturing	8,700
4)	Kettering Medical Center	Health Care	7,000
5)	Airborne Express	Courier	4,900
6)	Montgomery County	Government	4,700
7)	University of Dayton	Education	4,500
8)	GM Truck Group Moraine Assembly	Manufacturing	4,300
9)	AK Steel Corporation	Manufacturing	4,200
10)	NCR Corporation	Manufacturing	3,000

Source: Dayton Area Chamber of Commerce

LARGEST EMPLOYERS (CITY OF WEST CARROLLTON)

	<u>Employer</u>	<u>Type of Business</u>	<u>No. of Employees</u>
	Dayton Progress	Manufacturing	554
	Appleton Papers	Manufacturing	443
	West Carrollton Board of Education	Government	817
	Motoman	Manufacturing	266
	Findlay Industries	Automobile Services	469
	United Parcel Service	Distribution	511
	Crown Beverage Packaging	Manufacturing	208
	WREN Industries	Manufacturing	124
	West Carrollton Parchment	Manufacturing	115
	Production Design	Manufacturing	100

Source: City of West Carrollton Finance Dept.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
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Unemployment Statistics

The following table lists the unemployment rates for Montgomery County, the State of Ohio and the United States for the past five years. The figures are expressed in percentages and represent the ratio of the total unemployed to the total labor force.

<u>Year</u>	<u>United States</u>	<u>State of Ohio</u>	<u>County</u>
1998	4.5%	4.3%	4.1%
1999	4.2	4.3	3.8
2000	4.0	4.1	3.8
2001	4.8	4.3	4.3
2002	5.8	5.7	5.6
2003	6.0	6.1	6.3

The chart below provides employment data for the County.

<u>Year</u>	<u>Total Labor Force</u>	<u>Total Employment</u>	<u>Unemployment</u>	<u>Percent Unemployed</u>
1998	281,000	269,600	11,400	4.1%
1999	278,500	267,800	10,700	3.8
2000	278,800	268,300	10,500	3.8
2001	284,900	272,700	12,200	4.3
2002	278,700	263,100	15,600	5.6
2003	279,400	261,800	17,600	6.3

Source: Labor Force Estimates, Ohio Bureau of Employment Services.

Employment for the City is not separately compiled and it should not be implied that the City's employment figures are comparable to the County's, or vice versa.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2003**

Income and Housing Data

The following shows the Median Household Income, Median Family Per Capita Income and Median Value of Owner-Occupied Housing Units for 2000 for the City of West Carrollton in comparison to the County, State of Ohio and the Nation:

	<u>City of West Carrollton</u>	<u>Montgomery County</u>	<u>State of Ohio</u>	<u>United States</u>
2000 Median Household Income	\$40,964	\$40,156	\$40,956	\$41,994
2000 Median Family Income	48,832	50,071	50,037	50,046
2000 Per Capita Income	20,721	21,743	21,003	21,587
2000 Median Home Value	95,700	95,900	103,700	119,600

Source: U.S. Census Bureau

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 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, 2003

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Equity in Pooled Cash & Investments	\$1,917,445	\$1,866,538	\$3,783,983
Segregated Cash	274,410	43,660	318,070
Receivables (Net)			
Taxes	1,581,537	0	1,581,537
Accounts	61,427	491,859	553,286
Intergovernmental	2,458,561	0	2,458,561
Special Assessments	526,750	0	526,750
Loans	129,394	0	129,394
Accrued Interest	3,741	2,454	6,195
Prepaid Items	1,447	0	1,447
Inventory	0	44,158	44,158
Nondepreciable Capital Assets	4,722,722	1,196,111	5,918,833
Depreciable Capital Assets, Net	6,002,239	3,361,482	9,363,721
Total Assets	17,679,673	7,006,262	24,685,935
LIABILITIES:			
Accounts Payable	87,710	20,164	107,874
Contracts Payable	558,158	147,085	705,243
Accrued Wages and Benefits	205,549	15,885	221,434
Accrued Pensions	179,252	29,701	208,953
Accrued Interest	68,000	0	68,000
Deferred Revenue	2,218,464	0	2,218,464
Retainage Payable	274,410	43,660	318,070
Long-term Liabilities:			
Due Within One Year	1,160,381	26,036	1,186,417
Due In More Than One Year	865,342	63,744	929,086
Total Liabilities	5,617,266	346,275	5,963,541
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	9,724,961	4,557,593	14,282,554
Restricted for:			
Special Revenue	840,835	0	840,835
Unrestricted	1,496,611	2,102,394	3,599,005
Total Net Assets	\$12,062,407	\$6,659,987	\$18,722,394

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2003

	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Government Activities							
General Government	\$1,689,490	\$20,554	\$54,527	\$295,744	(\$1,318,665)	\$0	(\$1,318,665)
Security of Persons	6,926,644	370,998	31,196	0	(6,524,450)	0	(6,524,450)
Leisure Time Activities	966,055	67,574	4,095	62,500	(831,886)	0	(831,886)
Community Environment	1,064,017	56,499	0	614,135	(393,383)	0	(393,383)
Basic Utility Services	99,757	1,284	0	0	(98,473)	0	(98,473)
Transportation	760,311	484,395	0	195,906	(80,010)	0	(80,010)
Interest and Fiscal Charges	179,337	0	0	0	(179,337)	0	(179,337)
Total Government Activities	11,685,611	1,001,304	89,818	1,168,285	(9,426,204)	0	(9,426,204)
Business-Type Activities							
Water	893,999	773,125	0	0	0	(120,874)	(120,874)
Sewer	1,175,346	783,621	0	0	0	(391,725)	(391,725)
Waste Collection	514,256	611,343	0	0	0	97,087	97,087
Nonmajor	203,518	148,149	0	0	0	(55,369)	(55,369)
Total Business-Type Activities	\$2,787,119	\$2,316,238	\$0	\$0	0	(470,881)	(470,881)
General Revenues:							
Income Taxes					6,483,425	0	6,483,425
Property Taxes Levied for:							
General Purposes					780,383	0	780,383
Special Revenue Purposes					151,127	0	151,127
Grants and Entitlements not Restricted					621,192	0	621,192
Investment Earnings					62,554	23,657	86,211
Refunds and Reimbursements					403,418	0	403,418
Other					0	14,349	14,349
Total General Revenues					8,502,099	38,006	8,540,105
Change in Net Assets					(924,105)	(432,875)	(1,356,980)
Net Assets Beginning of the Year - (Restated)					12,986,512	7,092,862	20,079,374
Net Assets End of Year					\$12,062,407	\$6,659,987	\$18,722,394

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>GENERAL</u>	<u>STREET IMPROVEMENT</u>	<u>OTHER CAPITAL</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS:					
Pooled Cash & Investments	\$928,008	\$316,954	\$98,229	\$574,254	\$1,917,445
Segregated Cash	0	25,951	248,459	0	274,410
Receivables (Net)					
Taxes	1,212,257	0	0	369,280	1,581,537
Accounts	61,427	0	0	0	61,427
Intergovernmental	403,956	1,095,900	340,000	618,705	2,458,561
Special Assessments	0	0	0	526,750	526,750
Loans	0	0	0	129,394	129,394
Interfund	1,550,000	0	0	0	1,550,000
Accrued Interest	2,408	0	0	1,333	3,741
Due from Other Funds	0	0	0	17,322	17,322
Prepaid Items	1,447	0	0	0	1,447
Advance to Other Funds	0	0	0	76,210	76,210
Total Assets	<u>\$4,159,503</u>	<u>\$1,438,805</u>	<u>\$686,688</u>	<u>\$2,313,248</u>	<u>\$8,598,244</u>
LIABILITIES:					
Accounts Payable	\$42,556	\$23,007	\$6,821	\$15,326	\$87,710
Contracts Payable	0	227,299	330,859	0	558,158
Accrued Wages and Benefits	199,040	0	0	6,509	205,549
Accrued Pensions	166,673	0	0	12,579	179,252
Compensated Absences	109,226	0	0	9,156	118,382
Due to Other Funds	0	0	0	17,322	17,322
Retainage Payable	0	25,951	248,459	0	274,410
Interfund Payable	0	0	1,550,000	0	1,550,000
Advance from Other Funds	0	0	0	76,210	76,210
Deferred Revenue	925,811	1,095,900	90,000	1,104,628	3,216,339
Total Liabilities	<u>1,443,306</u>	<u>1,372,157</u>	<u>2,226,139</u>	<u>1,241,730</u>	<u>6,283,332</u>
FUND BALANCES (DEFICITS):					
Fund Balance:					
Reserved for Encumbrances	0	64,885	0	139,026	203,911
Reserved for Prepays	1,447	0	0	0	1,447
Reserved for Advances	0	0	0	76,210	76,210
Reserved for Loans	0	0	0	129,394	129,394
Reserved for Debt Service	0	0	0	100,315	100,315
Unreserved Reported in:					
General Fund	2,714,750	0	0	0	2,714,750
Special Revenue Funds	0	0	0	417,680	417,680
Capital Project Funds	0	1,763	(1,539,451)	208,893	(1,328,795)
Total Fund Balances (Deficit)	<u>2,716,197</u>	<u>66,648</u>	<u>(1,539,451)</u>	<u>1,071,518</u>	<u>2,314,912</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$4,159,503</u>	<u>\$1,438,805</u>	<u>\$686,688</u>	<u>\$2,313,248</u>	<u>\$8,598,244</u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

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

FOR THE YEAR ENDED DECEMBER 31, 2003

Total Governmental Fund Balance	\$2,314,912
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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.	10,724,961
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	997,875
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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.	(68,000)
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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.	(577,341)
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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>(1,330,000)</u>
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Net Assets of Governmental Activities	<u><u>\$12,062,407</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 (DEFICIT)
GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2003

	GENERAL	FIRE STATIONS DEBT SERVICE	STREET IMPROVEMENT	OTHER CAPITAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
Local Taxes	\$5,104,827	\$0	\$0	\$0	\$1,948,527	\$7,053,354
Special Assessments	0	0	0	0	138,404	138,404
Charges for Services	261,283	0	0	0	71,669	332,952
Intergovernmental	646,564	0	18,428	250,000	715,314	1,630,306
Investment Earnings	40,736	0	0	0	21,818	62,554
Fines & Forfeitures	128,164	0	0	0	5,703	133,867
License & Permits	36,748	0	0	0	0	36,748
Other Revenue	125,906	0	2,000	109,549	30,663	268,118
Total Revenues	6,344,228	0	20,428	359,549	2,932,098	9,656,303
EXPENDITURES:						
General Government	1,385,077	0	0	0	0	1,385,077
Security of Persons	3,784,593	0	0	0	321,029	4,105,622
Leisure Time Activities	571,464	0	0	0	212,480	783,944
Community Environment	310,077	0	364,127	0	39,896	714,100
Basic Utility Services	99,757	0	0	0	0	99,757
Capital Outlay	0	0	0	3,587,900	30,804	3,618,704
Transportation	0	0	0	0	660,693	660,693
Debt Service:						
Principal	0	1,000,000	0	0	42,000	1,042,000
Interest & Fiscal Charges	0	85,826	0	0	25,511	111,337
Total Expenditures	6,150,968	1,085,826	364,127	3,587,900	1,332,413	12,521,234
Excess (Deficiency) of Revenue Over/(Under) Expenditures	193,260	(1,085,826)	(343,699)	(3,228,351)	1,599,685	(2,864,931)
Other Financing Sources (Uses):						
Transfers-In	0	1,085,826	370,200	1,454,480	531,479	3,441,985
Transfers-Out	(377,369)	0	0	0	(3,064,616)	(3,441,985)
Total Other Financing Sources (Uses)	(377,369)	1,085,826	370,200	1,454,480	(2,533,137)	0
Net Change in Fund Balance	(184,109)	0	26,501	(1,773,871)	(933,452)	(2,864,931)
Fund Balance - Beginning of Year	2,900,306	0	40,147	234,420	2,004,970	5,179,843
Fund Balance (Deficit) - End of Year	\$2,716,197	\$0	\$66,648	(\$1,539,451)	\$1,071,518	\$2,314,912

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, 2003

Net Change in Fund Balance - Total Governmental Funds **(\$2,864,931)**

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. 3,651,618

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported. (75,512)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (1,105,203)

In the statement of activities, interest is accrued, In governmental funds interest expenditures are reported when due. (68,000)

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. 579,923

Change in Net Assets of Governmental Activities **(\$924,105)**

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, 2003**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL BUDGET</u>
REVENUES:				
Local Taxes	\$5,698,397	\$5,706,400	\$4,496,782	(\$1,209,618)
Charges for Services	209,000	209,000	200,258	(8,742)
Intergovernmental	646,500	646,500	697,475	50,975
Investment Earnings	110,000	110,000	85,139	(24,861)
Fines & Forfeitures	125,000	125,000	125,906	906
Licenses & Permits	40,000	40,000	36,748	(3,252)
Other Revenue	108,100	108,100	128,164	20,064
Total Revenues	<u>6,936,997</u>	<u>6,945,000</u>	<u>5,770,472</u>	<u>(1,174,528)</u>
EXPENDITURES:				
General Government	1,678,527	1,678,527	1,317,772	360,755
Security of Persons	3,826,721	3,826,721	3,613,687	213,034
Leisure Time Activities	586,220	586,220	543,677	42,543
Community Environment	405,950	405,950	306,316	99,634
Basic Utility	440,450	440,450	111,035	329,415
Total Expenditures	<u>6,937,868</u>	<u>6,937,868</u>	<u>5,892,487</u>	<u>1,045,381</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(871)</u>	<u>7,132</u>	<u>(122,015)</u>	<u>(129,147)</u>
Other Financing Sources (Uses):				
Advances-Out	0	(2,000,000)	(1,550,000)	450,000
Transfers-Out	(407,800)	(407,800)	(377,369)	30,431
Total Other Financing Sources (Uses)	<u>(407,800)</u>	<u>(2,407,800)</u>	<u>(1,927,369)</u>	<u>480,431</u>
Net Change in Fund Balance	<u>(408,671)</u>	<u>(2,400,668)</u>	<u>(2,049,384)</u>	<u>351,284</u>
Fund Balance - Beginning of the Year (Restated)	<u>3,012,144</u>	<u>3,012,144</u>	<u>3,012,144</u>	<u>0</u>
Fund Balance - End of the Year	<u>\$2,603,473</u>	<u>\$611,476</u>	<u>\$962,760</u>	<u>\$351,284</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, 2003

	<u>Business-Type Activities - Proprietary Funds</u>				
	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>REFUSE FUND</u>	<u>NONMAJOR FUND</u>	<u>TOTAL PROPRIETARY FUNDS</u>
ASSETS:					
Equity in Pooled Cash & Investments	\$222,655	\$1,578,857	\$27,945	\$37,081	\$1,866,538
Segregated Cash	43,660	0	0	0	43,660
Receivables (Net)					
Accounts	177,998	186,319	127,542	0	491,859
Accrued Interest	568	1,846	0	40	2,454
Inventory	30,635	13,523	0	0	44,158
Total Current Assets	<u>475,516</u>	<u>1,780,545</u>	<u>155,487</u>	<u>37,121</u>	<u>2,448,669</u>
Nondepreciable Capital Assets	1,172,111	24,000	0	0	1,196,111
Depreciable Capital Assets, Net	1,015,660	1,692,118	96,570	557,134	3,361,482
Total Assets	<u>2,663,287</u>	<u>3,496,663</u>	<u>252,057</u>	<u>594,255</u>	<u>7,006,262</u>
LIABILITIES:					
Accounts Payable	15,308	3,311	140	1,405	20,164
Contracts Payable	147,085	0	0	0	147,085
Accrued Wages and Benefits	7,070	6,511	2,304	0	15,885
Accrued Pensions	11,551	13,930	4,220	0	29,701
Retainage Payable	43,660	0	0	0	43,660
Compensated Absences	2,306	18,840	4,890	0	26,036
Total Current Liabilities	<u>226,980</u>	<u>42,592</u>	<u>11,554</u>	<u>1,405</u>	<u>282,531</u>
Long-term Liabilities					
Compensated Absences	5,645	46,127	11,972	0	63,744
Total Liabilities	<u>232,625</u>	<u>88,719</u>	<u>23,526</u>	<u>1,405</u>	<u>346,275</u>
NET ASSETS:					
Invested in Capital Assets, Net of Debt	2,187,771	1,716,118	96,570	557,134	4,557,593
Unrestricted	242,891	1,691,826	131,961	35,716	2,102,394
Total Net Assets	<u>\$2,430,662</u>	<u>\$3,407,944</u>	<u>\$228,531</u>	<u>\$592,850</u>	<u>\$6,659,987</u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

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

FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Business-Type Activities - Proprietary Funds</u>				
	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>REFUSE FUND</u>	<u>NONMAJOR FUND</u>	<u>TOTAL PROPRIETARY FUNDS</u>
Operating Revenues:					
Charges for Services	\$773,125	\$783,621	\$611,343	\$148,149	\$2,316,238
Other	4,918	6,385	1,643	1,403	14,349
Total Operating Revenues	<u>778,043</u>	<u>790,006</u>	<u>612,986</u>	<u>149,552</u>	<u>2,330,587</u>
Operating Expenses:					
Personal Services	469,820	537,521	132,693	89,581	1,229,615
Contractual Services	44,884	103,967	182,335	2,988	334,174
Material and Supplies	99,359	36,367	165,802	37,097	338,625
Utilities	75,736	95,353	0	24,041	195,130
Depreciation	204,161	402,138	33,231	45,926	685,456
Other	39	0	195	3,885	4,119
Total Operating Expenses	<u>893,999</u>	<u>1,175,346</u>	<u>514,256</u>	<u>203,518</u>	<u>2,787,119</u>
Operating Income (Loss)	<u>(115,956)</u>	<u>(385,340)</u>	<u>98,730</u>	<u>(53,966)</u>	<u>(456,532)</u>
Non-Operating Revenues:					
Investment Earnings	14,567	7,624	0	1,466	23,657
Total Non-Operating Revenues	<u>14,567</u>	<u>7,624</u>	<u>0</u>	<u>1,466</u>	<u>23,657</u>
Change in Net Assets	(101,389)	(377,716)	98,730	(52,500)	(432,875)
Net Assets Beginning of the Year (Restated)	<u>2,532,051</u>	<u>3,785,660</u>	<u>129,801</u>	<u>645,350</u>	<u>7,092,862</u>
Net Assets End of the Year	<u><u>\$2,430,662</u></u>	<u><u>\$3,407,944</u></u>	<u><u>\$228,531</u></u>	<u><u>\$592,850</u></u>	<u><u>\$6,659,987</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, 2003

	<u>Business-Type Activities - Proprietary Funds</u>				TOTAL PROPRIETARY FUNDS
	WATER FUND	SEWER FUND	REFUSE FUND	NONMAJOR FUND	
Increase (Decrease) in Cash and Cash Equivalents					
Cash Flows from Operating Activities:					
Cash received from charges for services	\$758,104	\$783,512	\$483,801	\$148,149	\$2,173,566
Cash received from other operating services	4,918	6,385	1,643	1,403	14,349
Cash payments for personal services	(487,508)	(551,123)	(109,307)	(34,442)	(1,182,380)
Cash payments for contractual services	(44,627)	(104,400)	(182,335)	(2,832)	(334,194)
Cash payments for material and supplies	(39,158)	(37,360)	(165,662)	(92,559)	(334,739)
Cash payments for utilities	(75,736)	(95,353)	0	(24,041)	(195,130)
Cash payments for other expenses	(347)	(96)	(195)	(3,562)	(4,200)
Net cash provided by (used in) operating activities	<u>115,646</u>	<u>1,565</u>	<u>27,945</u>	<u>(7,884)</u>	<u>137,272</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(719,314)	(51,551)	0	(3,356)	(774,221)
Proceeds from the disposal of capital assets	0	0	0	323	323
Net cash (used in) capital and related financing activities	<u>(719,314)</u>	<u>(51,551)</u>	<u>0</u>	<u>(3,033)</u>	<u>(773,898)</u>
Cash flows from investing activities:					
Interest earnings	15,103	7,900	0	1,487	24,490
Net cash provided by investing activities	<u>15,103</u>	<u>7,900</u>	<u>0</u>	<u>1,487</u>	<u>24,490</u>
Net increase (decrease) in cash and cash equivalents	(588,565)	(42,086)	27,945	(9,430)	(612,136)
Cash and cash equivalents at beginning of year	<u>811,220</u>	<u>1,620,943</u>	<u>0</u>	<u>46,511</u>	<u>2,478,674</u>
Cash and cash equivalents at end of year	<u><u>\$222,655</u></u>	<u><u>\$1,578,857</u></u>	<u><u>\$27,945</u></u>	<u><u>\$37,081</u></u>	<u><u>\$1,866,538</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating Income (Loss)	(\$115,956)	(\$385,340)	\$98,730	(\$53,966)	(\$456,532)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation	204,161	402,138	33,231	45,926	685,456
Increase in accounts receivable	(15,021)	(109)	(127,542)	0	(142,672)
Decrease in inventory	3,403	0	0	0	3,403
Increase (decrease) in accounts payable	(90,338)	(1,522)	140	156	(91,564)
Increase in contracts payable	147,085	0	0	0	147,085
Increase (decrease) in accrued wages and benefits	(12,045)	(9,591)	2,304	0	(19,332)
Increase (decrease) in accrued pensions	(3,250)	(1,590)	4,220	0	(620)
Increase (decrease) in compensated absences	(2,393)	(2,421)	16,862	0	12,048
Total adjustments	<u>231,602</u>	<u>386,905</u>	<u>(70,785)</u>	<u>46,082</u>	<u>593,804</u>
Net cash provided by (used in) operating activities	<u><u>\$115,646</u></u>	<u><u>\$1,565</u></u>	<u><u>\$27,945</u></u>	<u><u>(\$7,884)</u></u>	<u><u>\$137,272</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, 2003

	<u>TRUST FUNDS</u>	<u>AGENCY FUNDS</u>	<u>TOTAL FIDUCIARY FUNDS</u>
ASSETS:			
Pooled Cash & Investments	\$7,343	\$0	\$7,343
Segregated Cash & Investments	0	23,014	23,014
Receivables (Net)			
Taxes	<u>0</u>	<u>1,032,999</u>	<u>1,032,999</u>
Total Assets	<u>7,343</u>	<u>1,056,013</u>	<u>1,063,356</u>
LIABILITIES:			
Accounts Payable	50	0	50
Deferred Revenue	0	414,661	414,661
Undistributed Monies	<u>0</u>	<u>641,352</u>	<u>641,352</u>
Total Liabilities	<u>50</u>	<u>\$1,056,013</u>	<u>1,056,063</u>
NET ASSETS:			
Unrestricted	<u>7,293</u>		<u>7,293</u>
Total Net Assets	<u><u>\$7,293</u></u>		<u><u>\$7,293</u></u>

See accompanying notes to the basic financial statements.

CITY OF WEST CARROLLTON
MONTGOMERY COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>TRUST FUNDS</u>
Additions:	
Charges for Services	<u>\$1,550</u>
Total Operating Revenues	<u>1,550</u>
Deductions:	
Community Environment	<u>1,350</u>
Total Operating Expenses	<u>1,350</u>
Operating Income	200
Change in Net Assets	200
Net Assets Beginning of the Year (Restated)	<u>7,093</u>
Net Assets End of the Year	<u><u>\$7,293</u></u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY AND REPORTING ENTITY

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.

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
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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 governmental 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.

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.

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:

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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.

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.

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 60 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.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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. In the General Fund, there was an overall positive variance from the final budget of \$1.6 million. The only change comparing the original budget to the final budget in the General Fund was a 2 million-dollar increase to Advances Out and changes in the expected amount of local taxes to be received. This advance to the "Other Capital Fund" provided cash flow for the YMCA project and was repaid in July of 2004.

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.

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.

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.

**CITY OF WEST CARROLLTON
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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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.

Net Change in Fund Balances

	<u>General Fund</u>
Budget Basis	\$ (2,049,384)
Net Adjustment for revenue accruals	573,756
Net Adjustment for expenditure accruals	(223,038)
Net Adjustment for other financing source accruals	1,550,000
Encumbrances	<u>(35,443)</u>
GAAP Basis	<u>\$ (184,109)</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.

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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 restated 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.

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 propriety 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.

**CITY OF WEST CARROLLTON
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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 fund liability.

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.

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.

**CITY OF WEST CARROLLTON
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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 generally accepted accounting principles 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.

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 2003.

2. ACCOUNTABILITY AND COMPLIANCE

Fund Reclassifications

The fiduciary fund Police Pension Fund was more appropriately reclassified as a special revenue fund in 2003. This fund had a December 31, 2002 fund balance of \$477.

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Fund Balance at December 31, 2002	\$ 5,179,366	\$ 7,570
Reclassification	<u>477</u>	<u>(477)</u>
Fund Balance at January 1, 2003	<u>\$ 5,179,843</u>	<u>\$ 7,093</u>

**CITY OF WEST CARROLLTON
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Additionally, capital assets were reclassified from the Governmental Funds to the Proprietary Funds with a net book value of \$129,801.

	<u>Enterprise Funds</u>
Net Assets at December 31, 2002	\$ 6,963,061
Reclassification	129,801
Net Assets at January 1, 2003	\$ 7,092,862

Changes in Accounting Principles and Restatement of Fund Balance

As disclosed in Note 2 to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, GASB Statement No. 37, Basic Financial Statements for State and Local Governments: Omnibus, GASB Statement No. 38, Certain Financial Statement Note Disclosures, GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences for the year ended December 31, 2003.

GASB 34 creates new basic financial statements for reporting on the City's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the City's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net assets amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net assets amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 2002, caused by the conversion from the modified to the accrual basis of accounting.

The transition from governmental fund balance to net assets of governmental activities is as follows:

Fund Balance at December 31, 2002	\$5,179,843
GASB Statement No. 34 adjustments:	
Capital Assets	7,882,181
Accrued liabilities	(255,571)
Long-term Liabilities	(1,042,000)
Long-term Liabilities (deferred assets)	1,222,059
Governmental Activities Net Assets, January 1, 2003	\$12,986,512

**CITY OF WEST CARROLLTON
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Also, the City has restated the General Fund beginning balance on the schedule of Revenues, Expenditures, and Changes in Fund Balance (Non-GAAP Budgetary Basis) from \$2,829,574 to \$3,012,144.

Deficit Fund Balance

Other Capital Fund	\$ 1,539,451
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The Other Capital Fund complied with Ohio State Law, which does not permit a cash basis deficit at year-end. However a deficit fund balance resulted from adjustments for accrued liabilities. The General Fund is liable for any deficits in these funds and provides transfers when cash is required, but not when deficits are caused by accruals.

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.

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.

**CITY OF WEST CARROLLTON
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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 classified as Category 3 deposits per GASB Statement No. 3.

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.

**CITY OF WEST CARROLLTON
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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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.

Deposits: At year-end, the carrying amount of the City's cash and deposits was \$389,848 and the bank balance was \$441,209. \$113,952 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.

Based on the above criteria, the City's deposits and investments at December 31, 2003 are classified as follows:

	Category 1	Category 2	Category 3	Carrying/ Fair Value
Investments:				
Money Market Funds			\$29,873	\$29,873
First Am Gov Ob Fund			\$2,558	\$2,558
Star Ohio (1)				\$22,450
Government Obligations		\$3,687,681		\$3,687,681
Total Investments	<u>\$0</u>	<u>\$3,687,681</u>	<u>\$32,431</u>	<u>\$3,742,562</u>

**CITY OF WEST CARROLLTON
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- (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	\$ 4,132,410	\$ 0
Investment of the cash management pool:		
Money Market Funds	(32,431)	32,431
Star Ohio	(22,450)	22,450
Government Obligations	<u>(3,687,681)</u>	<u>3,687,681</u>
GASB Statement No. 3	<u>\$ 389,848</u>	<u>\$ 3,742,562</u>

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 2002.

The tax rate applied to all real property for the fiscal year ended December 31, 2003 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, 2003 was \$2.74 per \$1,000 of assessed valuation. The assessed values per category are as follows:

Real Estate	\$184,251,480
Public Utilities	14,370
Public Utilities Personal Property	6,600,410
Tangible Personal Property	<u>61,826,838</u>
Total Valuation	<u>\$252,693,098</u>

**CITY OF WEST CARROLLTON
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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 2003, tax receipts net of refunds amounted to \$5,490,401 of which \$3,921,717 was recorded in the General Fund and \$1,568,684 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, 2003 as well as intended to finance fiscal 2003 operations.

A summary of the receivables is as follows:

<u>Governmental Funds</u>	<u>General</u>	<u>Street Improvement</u>	<u>Other Capital</u>	<u>Nonmajor</u>
Taxes	\$ 1,212,257	\$ 0	\$ 0	\$ 369,280
Accounts	61,427	0	0	0
Intergovernmental	403,956	1,095,900	340,000	618,705
Special Assessments	0	0	0	526,750
Loans	<u>0</u>	<u>0</u>	<u>0</u>	<u>129,394</u>
Total	<u>\$ 1,677,640</u>	<u>\$ 1,095,900</u>	<u>\$ 340,000</u>	<u>\$ 1,644,129</u>
<u>Proprietary Funds</u>	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	
Accounts	<u>\$ 177,998</u>	<u>\$ 186,319</u>	<u>\$ 127,542</u>	

**CITY OF WEST CARROLLTON
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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.

8. INTERFUND TRANSACTIONS

Interfund Transfers

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

Transfers to Nonmajor Governmental Funds from:

General Fund	\$ 377,369
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Transfer to the Fire Station Debt Service Fund from:

Nonmajor – Capital Improvement Fund	\$ 1,085,826
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Transfer to the Street Improvement Fund from:

Nonmajor – Capital Improvement Fund	\$ 370,200
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Transfer to the Other Capital Fund from:

Nonmajor – Capital Improvement Fund	\$ 1,454,480
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Transfers to Various Nonmajor Governmental Funds from:

Various Nonmajor Governmental Funds	\$ 154,110
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All transfers were legal and in compliance with the Ohio Revised Code. The two most significant transfers during the year were both from the Capital Improvement Fund to the Fire Station Debt Service Fund (\$1,085,826) and Other Capital Fund (\$1,454,480) for capital projects.

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor - Capital Improvement Fund	Nonmajor – Special Assessment Fund	\$ 17,322

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.

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Advances To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor - Capital Improvement Fund	Nonmajor – Special Assessment Fund	\$ 76,210

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.

Interfund Loan Receivable/Payable

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Capital Fund	\$ 1,550,000

This advance to the Other Capital Fund provided cash flow for the YMCA project and was repaid in July of 2004.

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 current year additions. A summary of capital asset activity for the year ended December 31, 2003, was as follows:

Governmental Activities

Category	Cost Balance As of 1/1/03 (Restated)	Additions	Deletions	Accumulated Depreciation	Net Balance As of 12/31/03
Land	\$1,621,532	\$706,601	\$ 0	\$ 0	\$2,328,133
Building and Improvements	7,806,504	35,279	0	(3,406,553)	4,435,230
Machinery and Equipment	4,076,073	134,536	(75,512)	(2,937,783)	1,197,314
Infrastructure	0	380,613	0	(10,918)	369,695
Construction In Progress	0	2,394,589	0	0	2,394,589
Total	\$13,504,109	\$3,651,618	\$(75,512)	(\$6,355,254)	\$10,724,961

**CITY OF WEST CARROLLTON
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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Governmental Activities

Category	Accumulated Depreciation Balance As of 1/1/03 (Restated)	Depreciation	Disposals	Accumulated Depreciation Balance As of 12/31/03
Building and Improvements	\$ 3,030,894	\$ 375,659	\$ 0	\$ 3,406,553
Machinery and Equipment	2,666,546	346,749	(75,512)	2,937,783
Infrastructure	0	10,918	0	10,918
Total	\$ 5,697,440	\$733,326	\$(75,512)	\$6,355,254

Governmental Activities depreciation expense was charged as follows:

General Government	\$ 205,337
Public Safety	408,485
Leisure Time Activities	51,212
Community Development	4,735
Transportation	<u>63,557</u>
Total	<u>\$ 733,326</u>

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Business-Type Activities

Category	Cost Balance As of 1/1/03 (Restated)	Additions	Deletions	Accumulated Depreciation	Net Balance As of 12/31/03
Land	\$ 53,500	\$ 0	\$ 0	\$ 0	\$ 53,500
Building and Improvements	8,463,101	0	0	(6,165,363)	2,297,738
Machinery and Equipment	1,642,025	32,956	(5,291)	(1,213,203)	456,487
Infrastructure	8,014,465	45,215	0	(7,452,423)	607,257
Construction In Progress	446,561	696,050	0	0	1,142,611
Total	\$18,619,652	\$774,221	\$(5,291)	(\$14,830,989)	\$4,557,593

Category	Accumulated Depreciation Balance As of 1/1/03 (Restated)	Depreciation	Disposals	Accumulated Depreciation Balance As of 12/31/03
Building and Improvements	\$5,681,782	\$483,581	\$ 0	\$ 6,165,363
Machinery and Equipment	1,095,019	123,475	(5,291)	1,213,203
Infrastructure	7,374,023	78,400	0	7,452,423
Total	\$14,150,824	\$685,456	\$(5,291)	\$ 14,830,989

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\$303,430 of capital assets and the corresponding \$173,629 of accumulated depreciation were reclassified as business-type from the governmental funds as of January 1, 2003.

Business-Type depreciation expense was charged as follows:

Water	\$ 204,161
Sewer	402,138
Pool	45,926
Refuse	<u>33,231</u>
 Total	 <u>\$ 685,456</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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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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, 2003, 2002 and 2001, were \$363,819, \$361,043, and \$320,203, 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, 2003, 2002, and 2001 were \$412,190, \$399,916, and \$371,924, 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, 2003**

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 \$130,974.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS.

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, 2002 based on OPERS latest information after an actuarial review. There were 364,881 active contributing participants. Estimated net assets available for future benefits payments were \$10 billion. Estimated accrued liability and the unfunded actuarial liability based on the actuarial cost method used, were \$18.7 billion and 8.7 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 \$151,968.

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, 2002, the number of participants eligible to receive health care benefits was 13,527 for police and 10,396 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, 2002(latest available information) were \$141,028,006.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

13. GENERAL LONG-TERM DEBT OBLIGATIONS

Governmental Activities:	Interest <u>Rate</u>	Issue <u>Date</u>	Maturity <u>Date</u>	Balance <u>12/31/02</u>	Increase <u>(Decrease)</u>	Balance <u>12/31/03</u>	Due Within <u>One Year</u>	<u>Thereafter</u>
Water Tower Lane	8.625%	12-1-85	12-1-05	\$ 30,000	\$ (10,000)	\$ 20,000	\$ 10,000	\$ 10,000
Marina Drive	7.375%	5-1-90	12-1-10	72,000	(7,000)	65,000	7,000	58,000
Gargrave Road	6.875%	6-1-91	12-1-11	155,000	(15,000)	140,000	15,000	125,000
Infirmary Road	6.050%	9-1-92	12-1-12	115,000	(10,000)	105,000	10,000	95,000
 Fire Stations Bond	 4.250%	 3-22-01	 3-22-04	 2,000,000	 (1,000,000)	 1,000,000	 1,000,000	 0
 Compensated Absences				 <u>707,280</u>	 <u>(11,557)</u>	 <u>695,723</u>	 <u>118,381</u>	 <u>577,342</u>
 Total Governmental Activities Long-Term Debt				 <u>3,079,280</u>	 <u>(1,053,557)</u>	 <u>2,025,723</u>	 <u>1,160,381</u>	 <u>865,342</u>
 Business-Type Activities:								
 Compensated Absences				 <u>77,732</u>	 <u>12,048</u>	 <u>89,780</u>	 <u>26,036</u>	 <u>63,744</u>
 Grand Total				 <u>\$3,157,012</u>	 <u>(\$1,041,509)</u>	 <u>\$2,115,503</u>	 <u>\$1,186,417</u>	 <u>\$ 929,086</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 Fire Stations Bond is an unvoted general obligation bond issued for the purpose of acquiring real estate for, and constructing, equipping and furnishing two fire stations in the City. It will be paid through the General Obligation Bond Retirement Debt Service Fund from City income tax revenue transferred from the Capital Improvement Fund.

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.

The annual requirements of general governmental revenues to pay principal and interest on the long-term debt at December 31, 2003 are as follows:

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

<u>Year Ending December 31</u>	<u>Special Assessment Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 42,000	\$ 22,496
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>\$330,000</u>	<u>\$103,218</u>

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2004	<u>\$1,000,000</u>	<u>\$42,500</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, 2003, the pool had seventeen 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, 2003, the participant cities were: Beavercreek, Blue Ash, 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, 2003**

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:

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 2003.

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, 2003**

15. CONSTRUCTION AND COMMITMENTS

At December 31, 2003, the City had the following contractual commitments:

	<u>Remaining Commitment</u>
Water Softening Plant	\$3,540,369
YMCA Project	\$2,137,113

Both of these projects are expected to be completed in 2004.

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

In July 2004, the City issued 4.8 million in general obligation bonds for the YMCA project. The term is 15 years with an effective rate of 4.17%. The City was also approved for a 4.6 million-dollar twenty-year loan at a rate of 3.50% through the Ohio Water Development Authority for the water softening facility. This loan will be repaid through water rate increases.

TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Report on Compliance and on Internal Control over Financial Reporting 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, 2003, and have issued our report thereon dated July 30, 2004. During the year ended December 31, 2003, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments, GASB Statement No. 37, Basic Financial Statements for State and Local Governments: Omnibus, GASB Statement No. 38, Certain Financial Statement Note Disclosures, GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, for the year ended December 31, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether City’s financial statements consisting of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of basic 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*.

Members of Council and Mayor
City of West Carrollton

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 consisting of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 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 does not require inclusion in this report that we have reported to the management of the City in a separate letter dated July 30, 2004.

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.

Trimble, Julian & Grube, Inc.

Trimble, Julian & Grube, Inc.
July 30, 2004



**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
DECEMBER 23, 2004**