



Dave Yost • Auditor of State

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of West Carrollton
Montgomery County
300 East Central Avenue
West Carrollton, Ohio 45449

To the Honorable Mayor and City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Carrollton, Montgomery County, Ohio (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Carrollton, Montgomery County, Ohio, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the January 1, 2014 net position and fund balances were restated. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

August 3, 2015

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section provides an overview of the City of West Carrollton's (the City's) financial activities for the year ended December 31, 2014.

FINANCIAL HIGHLIGHTS

The City's total net position increased \$259,515 in 2014.

The general fund reported a net increase in fund balance of \$81,872.

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 Position 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 non-major funds combined in one column.

REPORTING THE CITY AS A WHOLE

Statement of Net Position and the Statement of Activities

The analysis of the City as a whole begins with the Statement of Net Position 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 position and changes to the net position. 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 Position 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 local government funding 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
For the Year Ended December 31, 2014
(UNAUDITED)
(Continued)**

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 2014 are General, Half Percent, Water, Sewer, and Refuse.

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

Fiduciary Funds – The City is the fiscal agent for the Mayor's Court, Bonds Returnable and Inspection Funds. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. 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 Position looks at the City as a whole. The following tables provides a summary of the City's net position and changes in net position first as a whole and then broken down between governmental and business-type activities for 2014 and 2013.

**Table 1
Net Position**

	2014	2013 Restated
Assets:		
Current and Other Assets	\$10,444,730	\$10,732,156
Capital Assets	<u>23,799,073</u>	<u>25,196,793</u>
Total Assets	<u>34,243,803</u>	<u>35,928,949</u>
Deferred Outflows of Resources		
Total Deferred Outflows of Resources	<u>150,000</u>	<u>180,000</u>
Liabilities:		
Current and Other Liabilities	2,863,670	2,448,164
Long-Term Liabilities	<u>6,344,374</u>	<u>8,263,725</u>
Total Liabilities	<u>9,208,044</u>	<u>10,711,889</u>

(Continued)

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2014
(UNAUDITED)
(Continued)**

**Table 1
Net Position
(Continued)**

	2014	2013 Restated
Deferred Inflows of Resources		
Total Deferred Inflows of Resources	847,252	1,318,068
Net Position:		
Net Investments in Capital Assets	15,925,089	16,592,552
Restricted	2,269,013	2,307,590
Unrestricted	6,144,405	5,178,850
Total Net Position	<u>\$24,338,507</u>	<u>\$24,078,992</u>

In 2014 the City's net position increased 1.1%.

**Table 2
Change in Net Position**

	2014	2013 Restated
Revenue:		
Program Revenues:		
Changes for Services	\$5,463,336	\$4,692,916
Capital Grants and Contributions	6,528	1,114,192
Operating Grants and Contributions	492,252	455,212
Total Program Revenues	<u>5,962,116</u>	<u>6,262,320</u>
General Revenues:		
Income Taxes	6,042,042	5,814,501
Property Taxes	1,149,949	1,212,597
Other Local Taxes	30,705	215,585
Grants and Entitlements Not Restricted	641,081	416,810
Investment Earnings	39,280	46,996
Refunds, Reimbursements, and Other	515,375	316,372
Total General Revenues	<u>8,418,432</u>	<u>8,022,861</u>
Total Revenues	<u>14,380,548</u>	<u>14,285,181</u>
Expenses:		
General Government	1,074,653	981,830
Public Safety	5,408,345	5,577,158
Leisure Time Activities	689,110	735,825
Community Environment	1,215,639	1,153,146
Transportation	1,686,944	1,567,422
Interest and Fiscal Charges	54,212	56,730
Water	1,688,938	1,605,845
Sewer	1,359,955	1,215,690
Refuse	726,992	746,424
Pool	216,245	231,237
Total Expenses	<u>14,121,033</u>	<u>13,871,307</u>
Net Increase in Net Position	<u>259,515</u>	<u>413,874</u>
Beginning Net Position (Restated)	<u>24,078,992</u>	<u>23,665,118</u>
Ending Net Position	<u>\$24,338,507</u>	<u>\$24,078,992</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2014
(UNAUDITED)
(Continued)**

Revenues increased 0.7%. Increases in charges for service and taxes helped net out a large decline in capital grants. Expenses increased slightly by 1.8% which is in line with inflation.

Governmental Activities

**Table 3
Net Position
Governmental Activities**

	2014	2013 Restated
Assets:		
Current and Other Assets	\$6,458,202	\$7,277,709
Capital Assets	18,477,083	19,371,652
Total Assets	<u>24,935,285</u>	<u>26,649,361</u>
Deferred Outflows of Resources		
Total Deferred Outflows of Resources	<u>150,000</u>	<u>180,000</u>
Liabilities:		
Current and Other Liabilities	2,447,034	3,160,381
Long-Term Liabilities	2,663,265	3,151,096
Total Liabilities	<u>5,110,299</u>	<u>6,311,477</u>
Deferred Inflows of Resources		
Total Deferred Inflows of Resources	<u>847,252</u>	<u>1,318,068</u>
Net Position:		
Net Investment in Capital Assets	14,533,992	14,984,980
Restricted	2,269,013	2,307,590
Unrestricted	2,324,729	1,907,246
Total Net Position	<u>\$19,127,734</u>	<u>\$19,199,816</u>

Governmental Activities' net position decreased 0.4% in 2014.

**Table 4
Change in Net Position
Governmental Activities**

	2014	2013 Restated
Revenue:		
Program Revenues:		
Changes for Services	\$1,260,937	\$740,211
Capital Grants and Contributions	6,528	1,114,192
Operating Grants and Contributions	478,347	455,212
Total Program Revenues	<u>1,745,812</u>	<u>2,309,615</u>

(Continued)

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2014
(UNAUDITED)
(Continued)**

**Table 4
Change in Net Position
Governmental Activities
(Continued)**

	2014	2013 Restated
General Revenues:		
Income Taxes	6,042,042	5,814,501
Property Taxes	1,149,949	1,212,597
Other Local Taxes	30,705	215,585
Grants and Entitlements Not Restricted	641,081	416,810
Investment Earnings	17,311	22,927
Refunds, Reimbursements, and Other	488,262	316,372
Transfers - Internal Activities	(58,341)	(40,017)
Total General Revenues	<u>8,311,009</u>	<u>7,958,775</u>
Total Revenues	<u>10,056,821</u>	<u>10,268,390</u>
Expenses:		
General Government	1,074,653	981,830
Public Safety	5,408,345	5,577,158
Leisure Time Activities	689,110	735,825
Community Environment	1,215,639	1,153,146
Transportation	1,686,944	1,567,422
Interest and Fiscal Charges	54,212	56,730
Total Expenses	<u>10,128,903</u>	<u>10,072,111</u>
Net Increase (Decrease) in Net Position	<u>(72,082)</u>	<u>196,279</u>
Beginning Net Position (Restated)	<u>19,199,816</u>	<u>19,003,537</u>
Ending Net Position	<u>\$19,127,734</u>	<u>\$19,199,816</u>

Total revenues decreased 2.1% for the most part due to capital grants and contributions. The largest revenue stream, income tax, improved in part due to a rate increase. Income tax was \$6,042,042 representing 60.1% of total revenue compared to 56.6% in 2013. Total expenses increased .6%. The 2014 transfer-out is the general fund providing resources for the pool operation in the business-type activities.

**Table 5
Expenses Percentage Breakdown
Governmental Activities**

	2014		2013	
General Government	\$1,074,653	10.6%	\$981,830	9.7%
Public Safety	5,408,345	53.4%	5,577,158	55.4%
Leisure Time Activities	689,110	6.8%	735,825	7.3%
Community Environment	1,215,639	12.0%	1,153,146	11.4%
Transportation	1,686,944	16.7%	1,567,422	15.6%
Interest and Fiscal Charges	54,212	0.5%	56,730	0.6%
Totals	<u>\$10,128,903</u>	<u>100.0%</u>	<u>\$10,072,111</u>	<u>100.0%</u>

The largest program expense is Public Safety totaling 53.4% which primarily represents the operation of the police and fire departments. These expenses were partially funded by \$564,938 in direct charges to users of service.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2014
(UNAUDITED)
(Continued)**

**Table 6
Cost of Services and Net Expense
Governmental Activities**

	Total Cost of Services 2014	Net Expense 2014	Total Cost of Services 2013	Net Expense 2013 Restated
General Government	\$ 1,074,653	\$ 1,043,683	\$ 981,830	\$ 795,837
Public Safety	5,408,345	4,836,369	5,577,158	5,284,719
Leisure Time Activities	689,110	616,067	735,825	648,979
Community Environment	1,215,639	331,368	1,153,146	647,833
Transportation	1,686,944	1,501,392	1,567,422	328,398
Interest and Fiscal Charges	54,212	54,212	56,730	56,730
Totals	<u>\$10,128,903</u>	<u>\$8,383,091</u>	<u>\$10,072,111</u>	<u>\$7,762,496</u>

As detailed in the above table, the programs are 83% and 77% dependent on general revenues for 2014 and 2013 respectively.

Business-Type Activities

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

**Table 7
Net Position
Business-Type Activities**

	2014	2013
Assets:		
Current and Other Assets	\$3,986,528	\$3,454,447
Capital Assets	5,321,990	5,825,141
Total Assets	<u>9,308,518</u>	<u>9,279,588</u>
Liabilities:		
Current and Other Liabilities	416,636	284,620
Long-Term Liabilities	3,681,109	4,115,792
Total Liabilities	<u>4,097,745</u>	<u>4,400,412</u>
Net Position:		
Net Investments in Capital Assets	1,391,097	1,607,572
Unrestricted	3,819,676	3,271,604
Total Net Position	<u>\$5,210,773</u>	<u>\$4,879,176</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2014
(UNAUDITED)
(Continued)**

In 2014 the Business-Type Activities' net position increased \$331,597 (6.8%).

**Table 8
Change in Net Position
Business-Type Activities**

	2014	2013
Revenue:		
Program Revenues:		
Charges for Services	\$4,202,399	\$3,952,705
Operating Grants and Contributions	13,905	-
Total Program Revenues	<u>4,216,304</u>	<u>3,952,705</u>
General Revenues:		
Investment Earnings	21,969	24,069
Refunds, Reimbursements, and Other	27,113	-
Transfers - Internal Activities	58,341	40,017
Total General Revenues	<u>107,423</u>	<u>64,086</u>
Total Revenues	<u>4,323,727</u>	<u>4,016,791</u>
Expenses:		
Water	1,688,938	1,605,845
Sewer	1,359,955	1,215,690
Refuse	726,992	746,424
Pool	216,245	231,237
Total Expenses	<u>3,992,130</u>	<u>3,799,196</u>
Net Increase in Net Position	<u>331,597</u>	<u>217,595</u>
Beginning Net Position	<u>4,879,176</u>	<u>4,661,581</u>
Ending Net Position	<u>\$5,210,773</u>	<u>\$4,879,176</u>

Business-Type operations had \$4,216,304 total program revenues against \$3,992,130 of total expense in 2014. Most of the 6.7% increase in program revenues was created from an increase utility rates. Expenses also increased 5.1%.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned 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 \$2,087,679 and \$1,854,576 in 2014 and 2013 respectively. The schedule below shows the fund balances and the total change in fund balances as of December 31, 2014 for all major and non-major governmental funds.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2014
(UNAUDITED)
(Continued)**

**Table 9
Fund Balances**

	2014	2013 Restated
General Fund	\$2,082,042	\$2,000,170
Half Percent Fund	(730,905)	(931,514)
Other Governmental Funds	736,542	785,920
Total	<u>\$2,087,679</u>	<u>\$1,854,576</u>

General Fund

**Table 10
Changes in Fund Balance
General Fund**

	2014	2013 Restated
Revenues:		
Local Taxes	\$5,638,996	\$5,118,032
Special Assessments	69,468	46,764
Charges for Services	360,364	301,644
Intergovernmental	344,286	369,314
Investment Earnings	13,631	18,228
Fines and Forfeitures	256,162	337,077
License and Permits	60,349	48,619
Other Revenue	259,358	283,039
Total Revenues	<u>7,002,614</u>	<u>6,522,717</u>
Expenditures:		
General Government	900,580	871,785
Public Safety	4,536,077	4,526,472
Leisure Time Activities	591,503	624,569
Community Environment	491,364	519,191
Total Expenditures	<u>6,519,524</u>	<u>6,542,017</u>
Excess (Deficiency) of Revenue Over/(Under) Expenditure	<u>483,090</u>	<u>(19,300)</u>
Other Financing Uses:		
Transfers-Out	<u>(401,218)</u>	<u>(554,802)</u>
Net Change in Fund Balance	<u>81,872</u>	<u>(574,102)</u>
Fund Balance - Beginning of the Year (Restated)	<u>2,000,170</u>	<u>2,574,272</u>
Fund Balance - End of Year	<u>\$2,082,042</u>	<u>\$2,000,170</u>

The City's general fund balance increased \$81,872. The expenditures decreased 0.3% versus a 7.4% increase in revenue. The increase in revenues was mainly from local taxes which included the income tax rate increase.

Other Major Fund

The Half Percent Fund revenue of \$1,415,557 paced net transfers-out of \$1,214,948 by \$200,609. This reduced the 2014 deficit balance to \$(730,905).

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2014
(UNAUDITED)
(Continued)**

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.

In the general fund, the actual revenues of \$6,851,957 were less than the final budget of \$7,735,398 by \$883,441. The actual expenditures of \$7,181,076 were less than the final budget of \$9,028,985 by \$1,847,909. The overall net positive variance, including transfers totaled \$997,071.

Proprietary Funds

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

The Water Fund operating revenue of \$1,810,461 exceeded operating expenses of \$1,558,810 producing operating income of \$251,651. After factoring in non-operating activity, net position increased \$129,341 from \$2,061,360 in 2013 to \$2,190,701 in 2014.

The Sewer Fund Net Position rose \$46,729 from \$2,064,156 in 2013 to \$2,110,885 in 2014. Operating income totaled \$21,956 while investment earnings were \$10,868.

The Refuse Fund operating revenues of \$928,205 outpaced expenses of \$726,992 generating an operating income of \$201,213. After including investment earnings totaling \$3,270, net position increased \$204,483 to \$790,899 in 2014 from \$586,416 in 2013.

CAPITAL ASSETS

A two-year comparison of capital asset balances, net of accumulated depreciation, for 2014 and 2013 are as follows:

Table 11		
Summary of Capital Asset Balances		
	2014	2013
Governmental Activities:		
Land	\$5,198,510	\$4,823,484
Building and Improvements	5,161,482	5,579,473
Machinery and Equipment	1,238,226	1,516,023
Infrastructure	6,878,865	7,452,672
Total Governmental Activities	18,477,083	19,371,652
Business-Type Activities:		
Land	53,500	53,500
Building and Improvements	2,539,208	2,854,460
Machinery and Equipment	513,942	595,322
Infrastructure	2,215,340	2,321,859
Total Business-Type Activities	5,321,990	5,825,141
Grand Total, City as a Whole	\$23,799,073	\$25,196,793

A detailed summary of capital asset activity for the year ended December 31, 2014 is disclosed in note 8.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2014
(UNAUDITED)
(Continued)**

DEBT ADMINISTRATION

A two-year comparison of short- and long-term debt obligations, including compensated absences, for 2014 and 2013 follows:

Table 12
Summary of Short- and Long-Term Debt Obligations

	<u>2014</u>	<u>2013</u>
Short-Term	\$1,335,000	\$1,380,000
Long-Term:		
Governmental Activities	3,425,601	3,973,083
Business-Type Activities	4,022,895	4,290,842
Total Long-Term	<u>7,448,496</u>	<u>8,263,925</u>
Due Within One Year	<u>\$1,104,122</u>	<u>\$996,837</u>

Detailed long-term debt information is disclosed in note 12.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2014**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash & Investments	\$2,971,022	\$2,938,680	\$5,909,702
Receivables (Net)			
Taxes	1,981,438		1,981,438
Accounts	50,819	1,007,932	1,058,751
Intergovernmental	823,801		823,801
Special Assessments	595,276		595,276
Loan	29,244		29,244
Accrued Interest	2,656	3,671	6,327
Prepaid Items	3,946	0	3,946
Inventory	0	36,245	36,245
Non-depreciable Capital Assets	5,198,510	53,500	5,252,010
Depreciable Capital Assets, Net	13,278,573	5,268,490	18,547,063
Total Assets	<u>24,935,285</u>	<u>9,308,518</u>	<u>34,243,803</u>
Deferred Outflows of Resources:			
Loss on Refunding	150,000	0	150,000
Liabilities:			
Accounts Payable	64,258	24,479	88,737
Accrued Wages and Benefits	219,879	39,009	258,888
Accrued Pensions	63,061	11,362	74,423
Accrued Interest	2,500	0	2,500
Note Payable	1,335,000	0	1,335,000
Long-term Liabilities:			
Due Within One Year	762,336	341,786	1,104,122
Due In More Than One Year	2,663,265	3,681,109	6,344,374
Total Liabilities	<u>5,110,299</u>	<u>4,097,745</u>	<u>9,208,044</u>
Deferred Inflows of Resources:			
Property Taxes	847,252	0	847,252
Net Position:			
Net Investment in Capital Assets	14,533,992	1,391,097	15,925,089
Restricted for:			
Capital Projects	769,063	0	769,063
Public Safety	57,288	0	57,288
Community Development	481,831	0	481,831
Transportation	960,831	0	960,831
Unrestricted	2,324,729	3,819,676	6,144,405
Total Net Position	<u>\$19,127,734</u>	<u>\$5,210,773</u>	<u>\$24,338,507</u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Program Revenues			Net Revenue (Expense) and Changes in Net Position			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Government Activities:							
General Government	\$1,074,653	\$30,970			(\$1,043,683)	\$0	(\$1,043,683)
Public Safety	5,408,345	564,938	\$510	\$6,528	(4,836,369)	0	(4,836,369)
Leisure Time Activities	689,110	68,131	4,912	0	(616,067)	0	(616,067)
Community Environment	1,215,639	411,346	472,925	0	(331,368)	0	(331,368)
Transportation	1,686,944	185,552	0	0	(1,501,392)	0	(1,501,392)
Interest and Fiscal Charges	54,212	0	0	0	(54,212)	0	(54,212)
Total Government Activities	<u>10,128,903</u>	<u>1,260,937</u>	<u>478,347</u>	<u>6,528</u>	<u>(8,383,091)</u>	<u>0</u>	<u>(8,383,091)</u>
Business-Type Activities							
Water	1,688,938	1,796,772	0	0	0	107,834	107,834
Sewer	1,359,955	1,371,734	13,905	0	0	25,684	25,684
Refuse	726,992	925,859	0	0	0	198,867	198,867
Pool	216,245	108,034	0	0	0	(108,211)	(108,211)
Total Business-Type Activities	<u>\$3,992,130</u>	<u>\$4,202,399</u>	<u>\$13,905</u>	<u>\$0</u>	<u>0</u>	<u>224,174</u>	<u>224,174</u>
Totals	<u>\$14,121,033</u>	<u>\$5,463,336</u>	<u>\$492,252</u>	<u>\$6,528</u>	<u>(\$8,383,091)</u>	<u>\$224,174</u>	<u>(\$8,158,917)</u>
General Revenues:							
					6,042,042	0	6,042,042
Property Taxes Levied for:							
					1,088,238	0	1,088,238
					61,711	0	61,711
					30,705	0	30,705
					641,081	0	641,081
					17,311	21,969	39,280
					488,262	27,113	515,375
					(58,341)	58,341	0
Total General Revenues and Transfers					<u>8,311,009</u>	<u>107,423</u>	<u>8,418,432</u>
Change in Net Position					(72,082)	331,597	259,515
Net Position Beginning of the Year - Restated					<u>19,199,816</u>	<u>4,879,176</u>	<u>24,078,992</u>
Net Position End of Year					<u>\$19,127,734</u>	<u>\$5,210,773</u>	<u>\$24,338,507</u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS**

AS OF DECEMBER 31, 2014

	<u>General</u>	<u>Half Percent</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash & Investments	\$1,879,769	\$238,047	\$853,206	\$2,971,022
Receivables (Net)				
Taxes	1,680,606	236,946	63,886	1,981,438
Accounts	50,819	0	0	50,819
Intergovernmental	195,178	0	628,623	823,801
Special Assessments	193,916	0	401,360	595,276
Loans	0	0	29,244	29,244
Accrued Interest	1,911	206	539	2,656
Due from Other Funds	0	52,232	48,162	100,394
Prepaid Items	3,946	0	0	3,946
Advance to Other Funds	0	173,264	0	173,264
Total Assets	<u>4,006,145</u>	<u>700,695</u>	<u>2,025,020</u>	<u>6,731,860</u>
Liabilities:				
Accounts Payable	32,279	0	31,979	64,258
Accrued Wages and Benefits	204,436	0	15,443	219,879
Accrued Pensions	59,225	0	3,836	63,061
Compensated Absences	95,148	0	5,040	100,188
Due to Other Funds	0	0	100,394	100,394
Advance from Other Funds	0	0	173,264	173,264
Note Payable	0	1,335,000	0	1,335,000
Total Liabilities	<u>391,088</u>	<u>1,335,000</u>	<u>329,956</u>	<u>2,056,044</u>
Deferred Inflows of Resources:				
Property Taxes	787,390	0	59,862	847,252
Unavailable Revenue	745,625	96,600	898,660	1,740,885
Total Deferred Inflow of Resources	<u>1,533,015</u>	<u>96,600</u>	<u>958,522</u>	<u>2,588,137</u>
Fund Balances:				
Non-spendable	3,946	0	0	3,946
Restricted	0	0	962,038	962,038
Assigned	76,478	0	0	76,478
Unassigned	2,001,618	(730,905)	(225,496)	1,045,217
Total Fund Balances	<u>2,082,042</u>	<u>(730,905)</u>	<u>736,542</u>	<u>2,087,679</u>
Total Liabilities and Fund Balances	<u>\$4,006,145</u>	<u>\$700,695</u>	<u>\$2,025,020</u>	<u>\$6,731,860</u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
AS OF DECEMBER 31, 2014**

Total Governmental Fund Balance	\$2,087,679
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	18,477,083
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	1,740,885
Loss on refunding is expensed in the funds and amortized over the life of bonds in governmental activities	150,000
In the statement of net position, 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.	(2,500)
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.	(567,322)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,758,091)</u>
Net Position of Governmental Activities	<u><u>\$19,127,734</u></u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>General</u>	<u>Half Percent</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Local Taxes	\$5,638,996	\$1,319,770	\$121,954	\$7,080,720
Special Assessments	69,468	0	214,294	283,762
Charges for Services	360,364	0	34,454	394,818
Intergovernmental	344,286	95,233	1,101,649	1,541,168
Investment Earnings	13,631	554	3,126	17,311
Fines & Forfeitures	256,162	0	12,767	268,929
License & Permits	60,349	0	0	60,349
Payment in Lieu of Taxes	0	0	30,704	30,704
Other Revenue	259,358	0	112,943	372,301
Total Revenues	<u>7,002,614</u>	<u>1,415,557</u>	<u>1,631,891</u>	<u>10,050,062</u>
Expenditures:				
General Government	900,580	0	0	900,580
Public Safety	4,536,077	0	504,943	5,041,020
Leisure Time Activities	591,503	0	19,585	611,088
Community Environment	491,364	0	1,172,468	1,663,832
Transportation	0	0	1,102,405	1,102,405
Debt Service:				
Principal	0	0	385,000	385,000
Interest & Fiscal Charges	0	0	54,693	54,693
Total Expenditures	<u>6,519,524</u>	<u>0</u>	<u>3,239,094</u>	<u>9,758,618</u>
Excess (Deficiency) of Revenue Over/(Under) Expenditures	<u>483,090</u>	<u>1,415,557</u>	<u>(1,607,203)</u>	<u>291,444</u>
Other Financing Sources (Uses):				
Transfers-In	0	0	1,557,825	1,557,825
Transfers-Out	(401,218)	(1,214,948)	0	(1,616,166)
Total Other Financing Sources (Uses)	<u>(401,218)</u>	<u>(1,214,948)</u>	<u>1,557,825</u>	<u>(58,341)</u>
Net Change in Fund Balance(Deficit)	81,872	200,609	(49,378)	233,103
Fund Balance - Beginning of Year (Restated)	<u>2,000,170</u>	<u>(931,514)</u>	<u>785,920</u>	<u>1,854,576</u>
Fund Balance - End of Year	<u>\$2,082,042</u>	<u>(\$730,905)</u>	<u>\$736,542</u>	<u>\$2,087,679</u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Net Change in Fund Balance - Total Governmental Funds	\$233,103
Amounts reported for governmental activities in the statement of activities are different because:	
The difference between governmental funds reporting 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.	
	(894,569)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	65,100
In the statement of activities, interest is accrued, In governmental funds interest expenditures are reported when due.	481
Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net position.	428,381
Loss on refunding is amortized over the life of bonds in statement of net position	(30,000)
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.	<u>125,422</u>
Change in Net Position of Governmental Activities	<u><u>(\$72,082)</u></u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget</u>
Revenues:				
Local Taxes	\$6,244,418	\$6,114,913	\$5,539,822	(\$575,091)
Charges for Services	334,739	364,193	316,818	(47,375)
Intergovernmental	406,787	442,581	339,876	(102,705)
Investment Earnings	23,379	25,436	14,925	(10,511)
Fines & Forfeitures	354,611	385,813	256,162	(129,651)
Licenses & Permits	52,177	56,768	60,349	3,581
Special Assessments	40,381	43,934	64,647	20,713
Other Revenue	277,355	301,760	259,358	(42,402)
Total Revenues	<u>7,733,847</u>	<u>7,735,398</u>	<u>6,851,957</u>	<u>(883,441)</u>
Expenditures:				
Council - Personnel Services	28,000	28,000	24,381	3,619
Council - Other	12,049	12,049	4,456	7,593
Mayor - Personnel Services	135,000	135,000	121,040	13,960
Mayor - Other	16,500	16,500	7,634	8,866
Law - Personnel Services	55,000	55,000	47,517	7,483
Law - Other	80,000	80,000	60,003	19,997
City Manager - Personnel Services	300,000	300,000	276,735	23,265
City Manager - Other	20,339	20,339	8,563	11,776
Finance - Personnel Services	205,000	205,000	194,685	10,315
Finance - Other	20,194	20,194	5,189	15,005
Income Tax - Personnel Services	225,000	225,000	205,941	19,059
Income Tax - Other	30,253	30,253	18,668	11,585
Police - Personnel Services	2,994,125	2,994,125	2,508,850	485,275
Police - Other	656,933	656,933	344,183	312,750
Fire - Personnel Services	1,650,000	1,650,000	1,355,444	294,556
Fire - Other	382,850	382,850	179,621	203,229
Building Inspection - Personnel Services	210,000	210,000	167,301	42,699
Building Inspection - Other	105,090	105,090	63,597	41,493
Economic Development - Personnel Services	160,000	160,000	132,404	27,596
Economic Development - Other	40,000	40,000	7,927	32,073
Parks and Recreation - Personnel Services	550,000	550,000	489,291	60,709
Parks and Recreation - Other	151,002	151,002	109,131	41,871
Planning - Personnel Services	210,000	210,000	184,892	25,108
Planning - Other	31,725	31,725	4,661	27,064
Building Maintenance - Personnel Services	100,000	100,000	84,082	15,918
Building Maintenance - Other	275,342	275,342	274,360	982
Other Services - Other	384,583	384,583	300,520	84,063
Total Expenditures	<u>9,028,985</u>	<u>9,028,985</u>	<u>7,181,076</u>	<u>1,847,909</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,295,138)</u>	<u>(1,293,587)</u>	<u>(329,119)</u>	<u>964,468</u>
Other Financing Sources (Uses):				
Transfers-In	471,000	471,000	470,821	(179)
Transfers-Out	<u>(434,000)</u>	<u>(434,000)</u>	<u>(401,218)</u>	<u>32,782</u>
Total Other Financing Sources (Uses)	<u>37,000</u>	<u>37,000</u>	<u>69,603</u>	<u>32,603</u>
Net Change in Fund Balance	(1,258,138)	(1,256,587)	(259,516)	997,071
Fund Balance - Beginning of the Year (includes prior year appropriated encumbrances)	<u>2,062,720</u>	<u>2,062,720</u>	<u>2,062,720</u>	<u>0</u>
Fund Balance - End of the Year	<u>\$804,582</u>	<u>\$806,133</u>	<u>\$1,803,204</u>	<u>\$997,071</u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2014**

Business-Type Activities - Proprietary Funds

	Water Fund	Sewer Fund	Refuse Fund	Non-Major Pool Fund	Total Proprietary Funds
Assets:					
Equity in Pooled Cash & Investments	\$969,285	\$1,525,043	\$439,347	\$5,005	\$2,938,680
Receivables (Net)					
Accounts	437,479	297,916	272,537	0	1,007,932
Accrued Interest	1,290	1,772	603	6	3,671
Inventory	26,740	9,505	0	0	36,245
Total Current Assets	<u>1,434,794</u>	<u>1,834,236</u>	<u>712,487</u>	<u>5,011</u>	<u>3,986,528</u>
Non-depreciable Capital Assets	29,500	24,000	0	0	53,500
Depreciable Capital Assets, Net	<u>4,542,875</u>	<u>490,787</u>	<u>121,000</u>	<u>113,828</u>	<u>5,268,490</u>
Total Assets	<u>6,007,169</u>	<u>2,349,023</u>	<u>833,487</u>	<u>118,839</u>	<u>9,308,518</u>
Liabilities:					
Accounts Payable	14,843	8,760	325	551	24,479
Accrued Wages and Benefits	15,206	17,881	5,922	0	39,009
Accrued Pensions	3,695	5,637	2,030	0	11,362
Compensated Absences	14,616	14,230	17,156	0	46,002
Loan Payable Due Within One Year	285,033	10,751	0	0	295,784
Total Current Liabilities	<u>333,393</u>	<u>57,259</u>	<u>25,433</u>	<u>551</u>	<u>416,636</u>
Long-term Liabilities:					
Compensated Absences	14,616	14,229	17,155	0	46,000
Loans Payable	<u>3,468,459</u>	<u>166,650</u>	<u>0</u>	<u>0</u>	<u>3,635,109</u>
Total Liabilities	<u>3,816,468</u>	<u>238,138</u>	<u>42,588</u>	<u>551</u>	<u>4,097,745</u>
Net Position:					
Net Investment in Capital Assets	818,883	337,386	121,000	113,828	1,391,097
Unrestricted	<u>1,371,818</u>	<u>1,773,499</u>	<u>669,899</u>	<u>4,460</u>	<u>3,819,676</u>
Total Net Position	<u>\$2,190,701</u>	<u>\$2,110,885</u>	<u>\$790,899</u>	<u>\$118,288</u>	<u>\$5,210,773</u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Business-Type Activities - Proprietary Funds</u>				
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Refuse Fund</u>	<u>Non-Major Pool Fund</u>	<u>Total Proprietary Funds</u>
Operating Revenues:					
Charges for Services	\$1,796,772	\$1,371,734	\$925,859	\$108,034	\$4,202,399
Other Revenue	13,689	10,177	2,346	901	27,113
Total Operating Revenues	<u>1,810,461</u>	<u>1,381,911</u>	<u>928,205</u>	<u>108,935</u>	<u>4,229,512</u>
Operating Expenses:					
Personal Services	583,226	795,180	353,430	90,060	1,821,896
Contractual Services	24,731	150,674	287,204	315	462,924
Material and Supplies	443,726	202,728	51,079	55,554	753,087
Utilities	148,067	117,345	0	19,076	284,488
Depreciation	359,060	94,028	35,279	51,240	539,607
Total Operating Expenses	<u>1,558,810</u>	<u>1,359,955</u>	<u>726,992</u>	<u>216,245</u>	<u>3,862,002</u>
Operating Income (Loss)	<u>251,651</u>	<u>21,956</u>	<u>201,213</u>	<u>(107,310)</u>	<u>367,510</u>
Non-Operating Revenues(Expense):					
Capital Grants	0	13,905	0	0	13,905
Transfer In	0	0	0	58,341	58,341
Investment Earnings	7,818	10,868	3,270	13	21,969
Interest Expense	(130,128)	0	0	0	(130,128)
Total Non-Operating Revenues(Expense)	<u>(122,310)</u>	<u>24,773</u>	<u>3,270</u>	<u>58,354</u>	<u>(35,913)</u>
Change in Net Position	129,341	46,729	204,483	(48,956)	331,597
Net Position Beginning of the Year	<u>2,061,360</u>	<u>2,064,156</u>	<u>586,416</u>	<u>167,244</u>	<u>4,879,176</u>
Net Position End of the Year	<u>\$2,190,701</u>	<u>\$2,110,885</u>	<u>\$790,899</u>	<u>\$118,288</u>	<u>\$5,210,773</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, 2014**

	Business-Type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Refuse Fund	Non-Major Pool Fund	Total Proprietary Funds
Increase (Decrease) in Cash and Cash Equivalents					
Cash Flows from Operating Activities:					
Cash Received from Charges for Services	\$1,625,776	\$1,274,311	\$832,484	\$108,034	\$3,840,605
Cash Received from Other Revenue	25,786	22,274	2,346	901	51,307
Cash Payments for Personal Services	(603,575)	(790,529)	(359,882)	(90,060)	(1,844,046)
Cash Payments for Contractual Services	(25,980)	(150,842)	(287,204)	(315)	(464,341)
Cash Payments for Material and Supplies	(434,658)	(205,173)	(50,809)	(55,767)	(746,407)
Cash Payments for Utilities	(148,067)	(117,345)	0	(19,076)	(284,488)
Net Cash Provided by (Used in) Operating Activities	<u>439,282</u>	<u>32,696</u>	<u>136,935</u>	<u>(56,283)</u>	<u>552,630</u>
Cash Flows from Noncapital Financing Activities:					
Transfers from Other Funds	0	0	0	58,341	58,341
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>58,341</u>	<u>58,341</u>
Cash Flows from Capital and Related Financing Activities:					
Capital Grants	0	13,905	0	0	13,905
Acquisition of Capital Assets	(11,898)	(24,558)	0	0	(36,456)
Debt Principal Payments	(275,513)	(10,752)	0	0	(286,265)
Debt Interest Payments	(130,128)	0	0	0	(130,128)
Net Cash Used for Capital and Related Financing Activities	<u>(417,539)</u>	<u>(21,405)</u>	<u>0</u>	<u>0</u>	<u>(438,944)</u>
Cash Flows from Investing Activities:					
Interest Earnings	8,313	11,564	3,259	13	23,149
Net Cash Provided by Investing Activities	<u>8,313</u>	<u>11,564</u>	<u>3,259</u>	<u>13</u>	<u>23,149</u>
Net Increase (Decrease) in Cash and Cash Equivalents	30,056	22,855	140,194	2,071	195,176
Cash and Cash Equivalents at Beginning of the Year	939,229	1,502,188	299,153	2,934	2,743,504
Cash and Cash Equivalents at End of the Year	<u><u>\$969,285</u></u>	<u><u>\$1,525,043</u></u>	<u><u>\$439,347</u></u>	<u><u>\$5,005</u></u>	<u><u>\$2,938,680</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating Income (Loss)	\$251,651	\$21,956	\$201,213	(\$107,310)	\$367,510
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:					
Depreciation	359,060	94,028	35,279	51,240	539,607
(Increase) Decrease in Accounts Receivable	(159,310)	(85,326)	(93,375)	0	(338,011)
(Increase) Decrease in Inventory	(1,640)	1,155	0	0	(485)
Increase (Decrease) in Accounts Payable	9,870	(4,187)	270	(213)	5,740
Increase (Decrease) in Accrued Wages and Benefits	(12,447)	(8,681)	(8,761)	0	(29,889)
Increase (Decrease) in Accrued Pensions	(4,263)	(3,771)	(2,537)	0	(10,571)
Increase (Decrease) in Compensated Absences	(3,639)	17,522	4,846	0	18,729
Total Adjustments	<u>187,631</u>	<u>10,740</u>	<u>(64,278)</u>	<u>51,027</u>	<u>185,120</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$439,282</u></u>	<u><u>\$32,696</u></u>	<u><u>\$136,935</u></u>	<u><u>(\$56,283)</u></u>	<u><u>\$552,630</u></u>

See accompanying notes to the basic financial statements.

CITY OF WEST CARROLLTON
MONTGOMERY COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
AS OF DECEMBER 31, 2014

	<u>Agency Funds</u>
Assets:	
Segregated Cash & Investments	\$18,994
Total Assets	<u>18,994</u>
Liabilities:	
Accounts Payable	57
Undistributed Monies	18,937
Total Liabilities	<u>\$18,994</u>

See accompanying notes to the basic financial statements.

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**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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 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 Notes 9 and 13.

The City does not have component units as defined in Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", and by GASB Statement No. 61 "The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34."

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 the 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 principles. The following is a summary of the City's significant accounting policies:

1. Government-wide Financial Statements

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function 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.

2. Fund Financial Statements

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

3. 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 recreation, and economic development. It is used to account for and report all financial resources except those required to be accounted for in another fund. The fund balance is available to the City for any purpose provided it is expended or transferred according to the City Charter and/or the general laws of the State of Ohio.

Half Percent Fund – This capital project fund accounts for and reports financial resources from the City's ½% income tax restricted to use for the City's Capital Improvement Program.

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

4. Proprietary Funds

Proprietary funds reporting focuses on changes in net position, 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:

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Refuse Fund – The refuse fund reports the City's waste collection operation.

The non-major pool fund accounts for the City's pool operation.

5. Fiduciary Funds

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

C. Basis Of Accounting And Measurement Focus

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows, and in the presentation of expenses versus expenditures.

1. Government-Wide Financial Statements

Government-wide financial statements measure and report all assets (both financial and capital), deferred outflows, liabilities, deferred inflows, revenues, expenses, gains and losses using the economic resources measurement focus. 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.

2. Governmental Fund Financial Statements

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On the modified accrual basis, expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for interest on un-matured general long-term debt, and on special assessment indebtedness collateralized by special assessment levies, which are recognized when due.

3. Proprietary Fund Financial Statements

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus using full accrual basis of accounting. All assets, deferred outflows, liabilities, and deferred inflows associated with the operation of these funds are included on the statement of net position. Proprietary fund-type operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in total net position. Proprietary funds distinguish operating revenues from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

4. Revenues – Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 3). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, interest, grants, fees and rentals.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Deferred Outflows and Inflows of Resources

Deferred outflows/inflows of resources will sometimes be reported in the statements of financial position. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund financial statements and represents receivables which will not be collected within the available period. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. For the City, deferred outflow of resources represents loss on refunding of bonds that will be amortized over the lesser of the life of refunded bonds or new bonds.

D. Budgetary Process

An annual appropriated budget is legally required to be prepared for all funds of the City other than agency funds.

1. Budget

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

2. Estimated Resources

The County Budget Commission certifies its actions to the City by September 1.

As part of this certification, the City receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1 this certificate is amended to include any unencumbered balances from the preceding fiscal year.

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 as final budgeted amounts represent the final appropriations approved by City Council. As a matter of budgetary control, the appropriations ordinance generally controls expenditures at the department, personal services, and other level for all funds.

4. Encumbrances

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

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 Statement of Revenues, Expenditures, and Changes in Fund Balance – 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 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 restricted, committed or assigned fund balance (GAAP).
- 4) Advances-in and advances-out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
- 5) Some funds are reported as part of the general fund (GAAP) as opposed to the general fund being reported alone (budget).

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Change in Fund Balance	
	General Fund
Budget Basis	(\$259,516)
Net Adjustment for Revenue	(353,660)
Net Adjustment for Expenditure	690,194
Funds Budgeted Elsewhere	4,854
GAAP Basis	\$81,872

E. Pooled Cash And Investments

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

The fair value of investments was determined through the use of published market values. For purposes of the combined statement of cash flows and for presentation on the statement of net position, investments with original maturities of three months or less are considered to be cash and cash equivalents. The general fund investment earnings totaled \$13,631.

F. Inventory

On the government-wide and proprietary funds' financial statements, inventories are stated at the lower of cost or market on a first-in, first-out basis and are expensed when consumed. On governmental fund financial statements, reported material and supplies inventory is equally offset by a non-spendable fund balance in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

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.

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:

Class	Estimated Useful Life
Machinery & Equipment	3 to 15 Years
Buildings and Improvements	20 to 30 Years
Infrastructure	20 to 40 Years

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

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, a liability is recorded for compensated absences only if they have matured such as an employee retirement or resignation. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Interfund 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. 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 equity transfers. All other inter-fund transfers are reported as operating transfers.

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City did not comply with applicable requirements of Ohio Revised Code Section 5705.14 as it relates to transfers.

K. Net Position

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on 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 positions are available. The City did not have net position restricted by enabling legislation.

L. 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.

M. 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.

N. 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 the current year.

O. Fund Balances

In accordance with Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Non-spendable – resources that are not in spendable form such as inventory or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators; or imposed by law through constitutional provisions (City Charter) or enabling legislation.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, City Council, via resolution or ordinance.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned – resources that are intended to be used for specific purposes, but are neither restricted nor committed. City Council may assign certain amounts through a motion but has also delegated authority to the City Manager and Finance Director to conduct City business, which may include the assignment of fund balances.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned to specific purposes. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenditures for specific purposes exceeding amounts which had been restricted, committed or assigned for said purpose.

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

2. 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 Balance Sheet as Equity in 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 ordinance No. 2973, dated April 11 1995, approving policies and procedures for selecting depositories and making investments.

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

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

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

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. POOLED CASH AND INVESTMENTS (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items 1 and 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool, State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies. Protection of City deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the City Auditor by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. POOLED CASH AND INVESTMENTS (Continued)

Deposits: At year-end, the carrying amount of the City's cash and deposits was \$2,873,969. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure", as of December 31, 2014 \$1,610,092 of the City's \$3,044,268 bank balance was exposed to custodial risk as discussed below. The \$1,434,176 difference was covered by Federal Deposit Insurance. The balance exposed to custodial credit risk 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.

Cash on Hand: At year-end, the City had \$875 cash on hand which is not included in the financial statements of the City as part of Equity in "Pooled Cash & Investments".

As of December 31, 2014 the City had the following investments and maturities:

<u>Investment Type</u>	<u>Total By Type</u>	<u>Percent Allocation</u>	<u>Maturity Dates</u>			
			<u>Less Than 3 Months</u>	<u>3 Months to 1 Year</u>	<u>1-3 Years</u>	<u>3-5 Years</u>
Certificates of Deposit	\$2,920,084	95.59%	\$318,438	\$856,692	\$1,221,398	\$523,556
Money Market	134,643	4.41%	134,643			
Total	<u>\$3,054,727</u>	<u>100.00%</u>	<u>\$453,081</u>	<u>\$856,692</u>	<u>\$1,221,398</u>	<u>\$523,556</u>

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

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

Concentration of Credit Risk: The City's investment policy places a 50% limit on the amount that may be invested with one issuer.

Reconciliation of Cash and Investments to the Statement of Net Position and Fiduciary Net Position

<u>Cash and Investments per Footnote</u>	
Carrying Amount of Deposits	\$2,873,969
Investments	3,054,727
Total	<u>\$5,928,696</u>
<u>Cash and Investments per Statement of Net Position</u>	
Governmental Activities	\$2,971,022
Business-Type Activities	2,938,680
Sub-Total	5,909,702
Fiduciary Funds	18,994
Total	<u>\$5,928,696</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

3. PROPERTY TAX

Property taxes include amounts levied against all real and public utility property located in the City. Property taxes are levied each October 31 on the assessed value listed as of the prior January 1. Assessed values are established at 35% of appraised market value for real property and at varying percentages, generally 25%, for public utility property. Property market values are required to be statistically updated every three years and revalued every six years. A revaluation was completed in 2014.

The tax rate applied to all real property for the fiscal year ended December 31, 2014 was \$6.25 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.

The assessed December 31, 2014 values per category are as follows:

Real Estate	\$169,322,940
Public Utilities	33,580
Public Utilities Personal Property	5,910,750
Total Valuation	<u>\$175,267,270</u>

The Montgomery County Treasurer collects property tax on behalf of all taxing districts within the county. The Montgomery County Auditor periodically remits to the taxing districts their portions of the taxes collected. Property taxes may be paid on either an annual or semi-annual basis.

4. LOCAL INCOME TAX

This locally levied tax of 2.25 percent applies 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 applies to net income of business organizations conducted within the City. In 2014 on a cash basis, tax receipts net of refunds amounted to \$5,897,478 of which \$4,581,106 was recorded in the General Fund and \$1,316,372 was recorded in the One Half Percent Tax Fund for use in various capital improvements.

5. 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 and loans. Receivables have been reported in the to the extent that they are both measurable and available at December 31, 2014.

A summary of the receivables is as follows:

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

5. RECEIVABLES (Continued)

Governmental Funds			
	General	Half Percent	Other Governmental
Taxes	\$1,680,606	\$236,946	\$63,886
Accounts	50,819		
Intergovernmental	195,178		628,623
Special Assessments	193,916		401,360
Loans			29,244
Total	\$2,120,519	\$236,946	\$1,123,113
Proprietary Funds			
	Water	Sewer	Refuse
Accounts	\$437,479	\$297,916	\$272,537

6. 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.

7. INTERFUND TRANSACTIONS

Interfund Transfers

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

Transfers to Non-Major Proprietary Funds from:	
General Fund	\$58,341
 Transfers to Other Governmental Funds from:	
General Fund	342,877
Half Percent Fund	1,214,948
Total Transfers	\$1,616,166

All interfund transfers are routine in nature and are to subsidize the operations of the applicable fund.

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
Neighborhood Improvement Fund	Street Fund	\$48,162

The balance resulted from Neighborhood Improvement Fund revenue erroneously input in the Street Fund.

Receivable Fund	Payable Fund	Amount
Half Percent Fund	Special Assessment Fund	\$52,232

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

7. INTERFUND TRANSACTIONS (Continued)

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 2014. The amount due after 2014 is reported in advances to/from noted below.

Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Half Percent Fund	Special Assessment Fund	\$173,264

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 2014. The amount due in 2014 is reported in due to/from noted above.

8. CAPITAL ASSETS

A summary of capital asset activity for the year ended December 31, 2014, was as follows:

Governmental Activities

Category	Cost Balance As of 1/1/14	Additions	Deletions	Accumulated Depreciation	Net Balance as of 12/31/14
Land	\$4,823,484	\$375,026			\$5,198,510
Buildings and Improvements	14,059,470	40,863		(\$8,938,851)	5,161,482
Machinery and Equipment	7,037,283	229,725	(\$379,411)	(5,649,371)	1,238,226
Infrastructure	20,323,854	318,023		(13,763,012)	6,878,865
Total	\$46,244,091	\$963,637	(\$379,411)	(\$28,351,234)	\$18,477,083

Category	Accumulated Depreciation Balance As of 1/1/14	Depreciation	Disposals	Accumulated Depreciation Balance As of 12/31/14
Buildings and Improvements	\$8,479,997	\$458,854		\$8,938,851
Machinery and Equipment	5,521,260	507,522	(\$379,411)	5,649,371
Infrastructure	12,871,182	891,830		13,763,012
Total	\$26,872,439	\$1,858,206	(\$379,411)	\$28,351,234

Governmental Activities depreciation expense was charged as follows:

General Government	\$220,356
Public Safety	615,201
Leisure Time Activities	73,957
Community Environment	29,359
Transportation	919,333
Total	\$1,858,206

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

8. CAPITAL ASSETS (Continued)

Business-Type Activities

<u>Category</u>	<u>Cost Balance As of 1/1/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Other</u>	<u>Accumulated Depreciation</u>	<u>Net Balance As of 12/31/14</u>
Land	\$53,500					\$53,500
Buildings and Improvements	13,373,194				(\$10,833,986)	2,539,208
Machinery and Equipment	2,372,868	\$22,551	(\$62,283)	(\$545,000)	(1,274,194)	513,942
Infrastructure	11,000,847	13,905		545,000	(9,344,412)	2,215,340
Total	<u>\$26,800,409</u>	<u>\$36,456</u>	<u>(\$62,283)</u>	<u>\$0</u>	<u>(\$21,452,592)</u>	<u>\$5,321,990</u>

The other column represents a reclassification of fixed assets.

<u>Category</u>	<u>Accumulated Depreciation Balance As of 1/1/14</u>	<u>Depreciation</u>	<u>Disposals</u>	<u>Other</u>	<u>Accumulated Depreciation Balance As of 12/31/14</u>
Buildings and Improvements	\$10,518,734	\$254,722		\$60,530	\$10,833,986
Machinery and Equipment	1,777,546	110,029	(\$62,283)	(551,098)	1,274,194
Infrastructure	8,678,988	174,856		490,568	9,344,412
Total	<u>\$20,975,268</u>	<u>\$539,607</u>	<u>(\$62,283)</u>	<u>\$0</u>	<u>\$21,452,592</u>

Business-Type depreciation expense was charged as follows:

Water	\$359,060
Sewer	94,028
Pool	51,240
Refuse	35,279
Total	<u>\$539,607</u>

9. 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 twenty 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	\$1,000,000,000 per occurrence
General Liability	10,000,000 per occurrence
Crime	10,000,000 per occurrence
Boiler and Machinery	100,000,000 per occurrence
Public Officials Liability	500,000 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.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

9. INSURANCE (Continued)

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

10. EMPLOYEES RETIREMENT SYSTEM

A. Ohio Public Employees' Retirement System (OPERS)

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans, a Traditional Pension Plan (TP), a Member-Directed Plan (MD) and a Combined Plan (CO). The TP Plan is a cost-sharing multiple-employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings. The CO Plan is a cost sharing, multiple-employer defined benefit pension plan. Under the CO Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the TP Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the TP and CO Plans. Members of the MD Plan do not qualify for the ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to the OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-5601 or 800-222-7377, or by visiting the OPERS website at www.opers.org.

The Ohio Revised Code provides statutory authority for member and employer contributions. Plan members and employer contributions rates were consistent across all three plans. Plan members are required to contribute 10% of their annual covered salary to fund pension obligations. The employer pension contribution rate for the City is 14% of covered payroll. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2014, 2013 and 2012 were \$452,342, \$428,786 and \$431,647, respectively. The full amount has been contributed for all three years.

B. Ohio Police and Fire Pension Fund

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

Plan members were required to contribute 10.75% from January 1, 2014 thru July 1, 2014 and 11.5% from July 2, 2014 thru December 31, 2014 of their annual covered salary, while employers (the City) were required to contribute 19.5% for police officers and 24.0% for firefighters. The City's required contributions to OP&F for the years ending December 31, 2014, 2013 and 2012 were \$455,442, \$534,535, and \$474,046, respectively. The full amount has been contributed for each year.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

11. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. Ohio Public Employees' Retirement System (OPERS)

1. Plan Description

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377, or by visiting the OPERS website at www.opers.org.

2. Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, the City contributed 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contribution allocated to the health care plan was 2% during calendar year 2014. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

11. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

3. Information from City's Records

The City's required contributions to OPERS for the years ended December 31, 2014, 2013 and 2012 which were used to fund postemployment benefits, were \$64,594, \$122,504, and \$123,322, respectively. The full amount has been contributed for all three years.

B. Ohio Police and Fire Pension Fund

1. Plan Description

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

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The healthcare coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164, or by visiting the OP&F website at www.op-f.org.

2. Funding Policy

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of the covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

**CITY OF WEST CARROLLTON
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

11. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and Section 401(h) account as the employer contribution for retiree healthcare benefits. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2014 thru December 31, 2014. The amount of employer contributions allocated to the healthcare plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

3. Information from City's Records

The portion of the City's required contributions to OP&F which were allocated to the healthcare plan were \$8,648 for police and \$2,579 for fire for the year ending December 31, 2014; \$75,747 for police and \$22,304 for fire for the year ending December 31, 2013; and \$110,519 for police and \$31,536 for fire for the year ending December 31, 2012, respectively. The full amount has been contributed for each year.

12. GENERAL SHORT AND LONG-TERM DEBT OBLIGATIONS

Short-Term

	Interest Rate	Issue Date	Maturity Date	Balance 12/31/13	Increase (Decrease)	Balance 12/31/14	Due Within One Year
Development Property Series 2014 BAN	1.375%	12/18/2013	12/17/2014	\$1,380,000	(\$1,380,000)		
Development Property Series 2015 BAN	1.375%	12/18/2014	12/17/2015		1,335,000	\$1,335,000	\$1,335,000
Total Short-Term Debt				<u>\$1,380,000</u>	<u>(\$45,000)</u>	<u>\$1,335,000</u>	<u>\$1,335,000</u>

Long-Term Governmental Activities

	Interest Rate	Issue Date	Maturity Date	Balance 12/31/13	Increase (Decrease)	Balance 12/31/14	Due Within One Year
YMCA Refunding Bonds	1.5%	1/23/2013	12/1/2019	\$2,385,000	(\$385,000)	\$2,000,000	\$385,000
Farmersville Road	0%	12/31/2012	1/1/2033	476,129	(24,417)	451,712	24,417
Mayrose Bridge	0%	12/31/2010	1/1/2031	249,374	(14,250)	235,124	14,250
Gibbons Road	0%	12/31/2008	1/1/2029	76,169	(4,914)	71,255	4,914
Compensated Absences				786,411	279,256 (398,157)	667,510	333,755
Total Governmental Activities Long-Term Debt				<u>\$3,973,083</u>	<u>(\$547,482)</u>	<u>\$3,425,601</u>	<u>\$762,336</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

12. GENERAL SHORT AND LONG-TERM DEBT OBLIGATIONS (Continued)

Long-Term Business-Type Activities

	Interest Rate	Issue Date	Maturity Date	Balance 12/31/13	Increase (Decrease)	Balance 12/31/14	Due Within One Year
Water Plant	3.50%	12/31/2004	7/1/2024	\$2,690,020	(\$216,078)	\$2,473,942	\$223,708
Clearwell	3.36%	7/1/2013	1/1/2033	1,137,379	(43,621)	1,093,758	45,100
Sewer Improvements	0%	12/31/2010	1/1/2031	188,153	(10,752)	177,401	10,751
Skyview Reservoir	0%	12/31/2011	1/1/2032	174,942	(9,456)	165,486	9,456
Bit Road Water Main	0%	1/1/2008	7/1/2017	27,075	(6,769)	20,306	6,769
Compensated Absences				73,273	73,024 (54,295)	92,002	46,002
Total Business-Type Activities Long-Term Debt				<u>\$4,290,842</u>	<u>(\$267,947)</u>	<u>\$4,022,895</u>	<u>\$341,786</u>
Long-Term Debt Grand Total				<u>\$8,263,925</u>	<u>(\$815,429)</u>	<u>\$7,448,496</u>	<u>\$1,104,122</u>

The property debt, also listed as a short-term notes payable, are one-year property acquisition revenue bond anticipation notes with Fifth Third Bank. They will be paid through the Half Percent Tax Fund.

The Gibbons Road, Mayrose Bridge, Skyview Reservoir Rehabilitation, Farmersville Road Reconstruction, and Sewer Improvements projects all received twenty-year, zero-interest loans from the Ohio Public Works Commission. The Gibbons Road, Farmersville Road Reconstruction, and Mayrose Bridge projects will be paid through the Half Percent Tax Fund while the Skyview Reservoir Rehabilitation and Sewer Improvements projects will be paid with water and sewer fees detailed in the Water and Sewer Funds respectively.

In 2013 the City refunded \$2,255,000 of 2004 YMCA Bonds with the YMCA Refunding Bonds. Refunding bond proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 2004 YMCA bonds. As a result, the refunded bonds were considered defeased and the liability for the bonds was removed from the City's financial statements. Accordingly, the trust account assets and liabilities of the defeased bonds are not included in the City's financial statements. The YMCA Refunding Bonds will be paid from the Half Percent fund.

The Water Plant loan through the Ohio Water Development Authority was obtained for the purpose of constructing, equipping and furnishing a water softening facility for the City. It will be paid through water rate increases from the Water Fund.

The Clearwell loan through the Ohio Water Development Authority was obtained for constructing the Clearwell. It will be paid through water rate increases from the Water Fund.

The Bit Road Water Main project received a ten-year, zero-interest loan from the Ohio Public Works Commission. It will be paid through the Water and Half Percent Funds.

**CITY OF WEST CARROLLTON
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

12. GENERAL SHORT AND LONG-TERM DEBT OBLIGATIONS (Continued)

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 position; while the liability in its entirety 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. For governmental activities, compensated absences additions totaled \$279,256 while uses were \$398,157 generating a net decrease of \$118,901. For business type activities, compensated absences additions \$73,024 and uses were \$54,295. This resulted in a net increase of \$18,729.

The annual requirements of general governmental revenues to pay principal and interest on the long-term debt at December 31, 2014 are as follows:

<u>Year Ending December 31</u>	<u>YMCA Refunding General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$385,000	\$30,000
2016	395,000	24,225
2017	405,000	18,300
2018	405,000	12,225
2019	410,000	6,150
Total	\$2,000,000	\$90,900

<u>Year Ending December 31</u>	<u>Farmersville Road Loan</u>
	<u>Principal</u>
2015	\$24,417
2016	24,417
2017	24,417
2018	24,417
2019	24,417
2020 - 2024	122,084
2025 - 2029	122,084
2030 - 2033	85,459
Total	\$451,712

**CITY OF WEST CARROLLTON
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

12. GENERAL SHORT AND LONG-TERM DEBT OBLIGATIONS (Continued)

<u>Year Ending December 31</u>	<u>Mayrose Bridge Loan Principal</u>
2015	\$14,250
2016	14,250
2017	14,250
2018	14,250
2019	14,250
2020 - 2024	71,250
2025 - 2029	71,250
2030 - 2031	21,374
Total	<u>\$235,124</u>

<u>Year Ending December 31</u>	<u>Gibbons Road Loan Principal</u>
2015	\$4,914
2016	4,914
2017	4,914
2018	4,914
2019	4,914
2020 - 2024	24,571
2025 - 2029	22,114
Total	<u>\$71,255</u>

<u>Year Ending December 31</u>	<u>Water Plant Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$223,708	\$84,648
2016	231,606	76,749
2017	239,783	68,572
2018	248,249	60,106
2019	257,013	51,342
2020 - 2024	1,273,583	114,015
Total	<u>\$2,473,942</u>	<u>\$455,432</u>

<u>Year Ending December 31</u>	<u>Clearwell Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$45,100	\$36,373
2016	46,628	34,846
2017	48,208	33,267
2018	49,841	31,633
2019	51,530	29,945
2020 - 2024	285,052	122,320
2025 - 2029	336,728	70,644
2030 - 2033	230,671	13,751
Total	<u>\$1,093,758</u>	<u>\$372,779</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

12. GENERAL SHORT AND LONG-TERM DEBT OBLIGATIONS (Continued)

	Sewer Improvements Loan
Year Ending December 31	Principal
2015	\$10,751
2016	10,752
2017	10,751
2018	10,752
2019	10,751
2020 - 2024	53,758
2025 - 2029	53,759
2030 - 2031	16,127
Total	\$177,401

	Skyview Reservoir Loan
Year Ending December 31	Principal
2015	\$9,456
2016	9,456
2017	9,457
2018	9,456
2019	9,456
2020 - 2024	47,282
2025 - 2029	47,282
2030 - 2032	23,641
Total	\$165,486

	Bit Road Water Main Loan
Year Ending December 31	Principal
2015	\$6,769
2016	6,769
2017	6,768
Total	\$20,306

13. 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, 2014, the pool had twenty members. This organization covers all property, crime, liability, boiler and machinery and public liability insurance. It is intended to provide broad based coverage up to the limits with increased emphasis on safety and loss prevention and to create an opportunity for other local governments to participate.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

13. JOINTLY-GOVERNED ORGANIZATION (Continued)

MVRMA is a corporation governed by a twenty-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, 2014, the participant cities were: Beavercreek, Bellbrook, Blue Ash, Centerville, Englewood, Indian Hill, Kettering, Maderia, Mason, Miamisburg, Montgomery, Piqua, Sidney, Springdale, Tipp City, Troy, Vandalia, West Carrollton, Wilmington, and Wyoming.

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

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, 2013 (most recent information available):

Assets	\$19,039,885
Liabilities	806,613
Net Position	<u>\$11,233,272</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. 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 2014.

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

14. FUND BALANCES

The fund balances are classified as non-spendable, restricted, committed, assigned and unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. Definitions can be found in Note 1.O. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

14. FUND BALANCES (Continued)

	<u>General</u>	<u>Half Percent</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Non-spendable:				
Prepaid Items	\$3,946			\$3,946
Restricted:				
Law Enforcement and Education			\$5,629	5,629
Law Enforcement Trust			35,260	35,260
Police Pension			9,155	9,155
Street Light			36,307	36,307
Miami Conservancy			3,104	3,104
Parks			62,492	62,492
Economic Development			216	216
Tax Increment Financing			107,291	107,291
Neighborhood Improvement			117,220	117,220
Street			448,710	448,710
Motor Vehicle License			89,729	89,729
Federal Grants			951	951
Vehicle Replacement			6,368	6,368
Other Capital			39,606	39,606
Total Restricted			<u>962,038</u>	<u>962,038</u>
Assigned:				
Encumbrances	39,160			39,160
Recreation	37,318			37,318
Total Assigned	<u>76,478</u>			<u>76,478</u>
Unassigned (Deficit)	<u>2,001,618</u>	<u>(\$730,905)</u>	<u>(225,496)</u>	<u>1,045,217</u>
Total Fund Balance	<u>\$2,082,042</u>	<u>(\$730,905)</u>	<u>\$736,542</u>	<u>\$2,087,679</u>

15. 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.

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2014.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

16. ACCOUNTING CHANGE

An accounting change was required to restate governmental fund balance at December 31, 2013 to correctly match deferred inflows with receivables and report the City's short term notes payable as a Half Percent fund liability. The effect on governmental funds at December 31, 2013 was as follows:

	General	Half Percent	Other Governmental Funds
Ending Fund Balances December 31, 2013	\$771,254	\$448,486	\$954,252
Restatement - Special Assessments Receivable	(151,084)		(168,332)
Restatement - Notes Payable	1,380,000	(1,380,000)	
Fund Balances December 31, 2013, Restated	\$2,000,170	(\$931,514)	\$785,920
		Governmental Activities	
Net Position December 31, 2013		\$19,519,232	
Restatement - Special Assessments Receivable		(319,416)	
Net Position December 31, 2013, Restated		\$19,199,816	

17. ACCOUNTABILITY

The following funds had deficit fund balances at year end:

Half Percent	\$730,905
Special Assessment	\$225,496

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Dave Yost • Auditor of State

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

City of West Carrollton
Montgomery County
300 East Central Avenue
West Carrollton, Ohio 45449

To the Honorable Mayor and City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Carrollton, Montgomery County, (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 3, 2015 wherein we noted that the January 1, 2014 net position and fund balances were restated.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. We consider finding 2014-002 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-003 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

August 3, 2015

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2014-001

NONCOMPLIANCE

Ohio Rev. Code § 5705.14 provides that no transfer shall be made from one fund of a subdivision to any other fund except as provided by law.

Section 94.19 of City Ordinance Number 3523 states, in part, that of the 2.25% City Income Tax, monies received from 0.50% City Income Tax is designated to the Capital Improvement Program Fund (CIP).

Ohio Rev. Code § 5705.14(E) states money may be transferred from the general fund to any other fund of the subdivision. **1989 Op. Atty. Gen. No. 89-075** requires a governing board resolution passed by a simple majority of the board members to transfer funds.

The City transferred \$1,207,425 from the Half Percent fund (Capital Improvement Program fund) to various other City funds. \$484,693 of these transfers were to the debt service funds and such transfers were allowed under Ohio law. The remaining \$722,732 of the transfers out of Half Percent fund did not meet the exceptions provided by Ohio Rev. Code § 5705.14. Yet the transfers were to funds restricted to capital improvement projects.

The City also transferred \$401,218 from the General fund to various City funds. The transfers were not approved by resolution of a simple majority of the Council.

Additionally, the City transferred \$474,354 from the Half Percent Fund to Other Governmental Funds during 2014 and reversed those transfers at year-end. The transfers were made to provide recipient funds with cash in anticipation of revenue. The recipient funds intended to repay the money to the Half Percent Fund upon receipt of the anticipated revenue and the reduction of transfers at year-end was to post the re-payment. These transfers should have been posted as advances rather than transfers as the intent was for the recipient funds to re-pay the Half Percent Fund.

The City should expend income tax revenue designated for capital projects as restricted by City Income Tax Ordinance 3523 directly from the Half Percent fund rather than transferring money to other capital projects funds. In addition, the City should implement procedures to obtain Council approval prior to transferring monies between funds. Failure to meet the requirements of Ohio Rev. Code § 5705.14 could result in findings for adjustment in future audits.

All transfers out of the general fund should be approved by a simple majority of the Council and any transfers that are intended to be reimbursed back to the originating fund should be reported as advances. This would verify that the transfers are made in accordance with the will of the City Council and help the City better track advances.

Official's Response:

We are aware that ORC 5705.14 provides that no transfer shall be made from one fund to another except as provided by law. For a number of years, the City has transferred funds from our ½% income tax fund, established per Ordinance 3523, to various specific purpose capital funds. In addition, the City makes various transfers from the General fund to support other funds as needed through the annual appropriations ordinance.

**FINDING NUMBER 2014-001
(Continued)**

Finding 2014-01 stipulates that transfers from the General Fund in 2014 were not properly made pursuant to **1989 Op. Atty. Gen. No. 89-017** which requires that a governing board resolution must be passed to make said transfers. However, according to the 2015 Ohio Compliance Supplement, section 1-6, pages 22 & 23, the OAG opinion is accompanied by a footnote (#19) which reads **“AOS interprets this requirement to mean that a governing board may approve interfund transfers from the general fund to other funds of the subdivision within its annual appropriation measure provided that the measure was passed by a simple majority of the board members”**. As stated above, transfers from the General Fund were approved by the City Council as part of the budget process and annual appropriation ordinance. Further, the Finance Director has modified the presentation of the annual appropriation document to specifically add a separate line to identify specific transfers from each fund, including the General fund. We trust this will satisfy this finding for future audits.

Finding 2014-001 stipulates that transfers from the ½% Income Tax Fund to various specific capital improvement funds are not authorized under 5705.14. Our position is and has been these past forty plus years that the fund created by Ordinance 3523 is a trust or agency holding fund for accumulation and set-aside of earmarked revenue from the City’s 2.25% Income tax and, as such, is not a special revenue fund subject to the requirements of 5705.14. However, since we are not in agreement on this point, the City offers the following solution:

Per ORC 5705.13(C):

“A taxing authority of a subdivision, by resolution or ordinance, may establish a capital projects fund for the purpose of accumulating resources for the acquisition, construction, or improvement of fixed assets of the subdivision. For the purposes of this section, "fixed assets" includes motor vehicles. More than one capital projects fund may be established and may exist at any time. The ordinance or resolution shall identify the source of the money to be used to acquire, construct, or improve the fixed assets identified in the resolution or ordinance, the amount of money to be accumulated for that purpose, the period of time over which that amount is to be accumulated, and the fixed assets that the taxing authority intends to acquire, construct, or improve with the money to be accumulated in the fund.

A taxing authority of a subdivision shall not accumulate money in a capital projects fund for more than ten years after the resolution or ordinance establishing the fund is adopted. If the subdivision has not entered into a contract for the acquisition, construction, or improvement of fixed assets for which money was accumulated in such a fund before the end of that ten-year period, the fiscal officer of the subdivision shall transfer all money in the fund to the fund or funds from which that money originally was transferred or the fund that originally was intended to receive the money.

A taxing authority of a subdivision, by resolution or ordinance, may rescind a capital projects fund. If a capital projects fund is rescinded, money that has accumulated in the fund shall be transferred to the fund or funds from which the money originally was transferred.

Notwithstanding sections **5705.14, 5705.15, and 5705.16** of the Revised Code, the taxing authority of a subdivision, by resolution or ordinance, may transfer money to the capital projects fund from any other fund of the subdivision that may lawfully be used for the purpose of acquiring, constructing, or improving the fixed assets identified in the resolution or ordinance.”

We propose that the City Council establish the capital improvement funds by resolution per 5705.13 (C) as part of the 2016 budget cycle for a ten year period and stipulate that the sources of revenue to fund said improvements is the ½% fund established by ordinance 3523 and the General Fund. Specific amounts to be transferred to each fund shall be determined annually by the City Council through the annual appropriations ordinance.

**FINDING NUMBER 2014-001
(Continued)**

Further, since there is agreement that complying with the letter of the law would be less efficient, less transparent and create internal accounting and audit nightmares, we proposed that the Auditor's office work with us to craft legislation to revise RC 5705.

Auditor of State's Analysis:

The City established the half percent fund to meet the requirements of its income tax ordinance. The fund is used to account for half percent income tax that has been restricted for capital improvements. This fund does not qualify as a trust or an agency fund as it holds restricted resources of the City. Additionally, the City may consider contacting its legislative representative concerning any revisions to ORC 5705.

FINDING NUMBER 2014-002

MATERIAL WEAKNESS

The City presented its financial statements in accordance with Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for the State and Local Governments. The City's 2014 annual financial report contained errors which resulted in reclassifications and adjustments to correctly report the City's financial activity.

The following errors were identified as material and resulted in audit adjustments which are reflected within the accompanying financial statements:

Governmental Fund Financial Statements

General Fund

1. Notes Payable were overstated \$1,335,000 and Opening Equity and Community Environment Expenditures were understated \$1,380,000 and \$45,000, respectively.
2. Assigned fund balance was overstated and Unassigned fund balance was understated by \$666,618.
3. Original and Final Budgeted Revenue were understated by \$456,046 and \$1,044,846, respectively, on the Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund - Budget and Actual (Non-GAAP Budgetary Basis)

Half Percent Fund

Notes Payable were understated \$1,335,000 and Opening Equity and Transfers Out were overstated \$1,380,000 and \$45,000, respectively.

Other Governmental Funds

Transfers In and Debt Service: Principal were overstated \$45,000 in Other Governmental Funds.

Business Type Activities and Proprietary Fund Financial Statements

1. Charges for Services and Accounts Receivable were understated by \$83,646, \$32,318, and \$46,141, respectively, in the Water, Sewer and Refuse Funds. Charges for Services and Sales and Accounts Receivable were understated by \$162,105 in Business-Type Activities
2. The Sewer fund reported \$13,905 in capital grants as operating instead of non-operating on the statement of revenues, expenses and changes in fund balance. Due to this misclassification, the City reported the capital grant under cash flow from operating activity instead of cash flows from capital and related financing activities on the statement of cash flows.

FINDING NUMBER 2014-002
(Continued)

3. Loans Payable was overstated and loans payable due within one year was understated in the Water fund by \$135,561
4. Long Term Liabilities - Due Within One Year were understated and Long Term Liabilities - Due in More than One Year were overstated by \$135,561 in the Business Type Activities.
5. Long Term Liabilities - Compensated Absences were over stated in Water, Sewer and Refuse fund by \$10,344; \$11,245 and \$15,651 respectively. Compensated Absences reported under current liabilities were understated by the same amount.

In addition there were other errors identified which are not material and not adjusted to the accompanying financial statements:

1. Opening Equity and Depreciation Expense were overstated by \$251,381 and \$15,205, respectively, and Accumulated Depreciation was understated \$236,176 in Governmental Activities.
2. Charges for Services - Community, Other Local Taxes, Property Taxes Levied for Special Revenue Purposes, and Grants and Entitlements Not Restricted were overstated by \$231,194, \$60,600, \$40,921, and \$243,865, respectively, in Governmental Activities. Charges for Services - Transportation, Income Taxes, and Property Taxes Levied for General Purposes were understated by \$185,552, \$225,829, and \$165,199, respectively, in Governmental Activities.
3. Opening Equity and Depreciation Expense were overstated by \$31,410 and \$4,957, respectively, and Accumulated Depreciation was understated by \$26,453 in Business-Type Activities.
4. Special Assessment Revenue and due from other funds were understated by \$8,392 in the Half Percent Fund.
5. Transfers Out were overstated and Debt Service: Interest and Fiscal Charges were understated \$18,922 in the Half Percent Fund.
6. Intergovernmental revenue was understated and local taxes revenue was overstated \$10,680 in Other Governmental Funds.
7. Transportation expenditures were overstated and Debt Service: Principal was understated by \$45,176 in Other Governmental Funds.
8. Public Safety Expenditures were overstated and Capital Outlay Expenditures were understated \$74,698 in Other Governmental Funds.
9. Transfers In and Debt Service: Interest and Fiscal Charges were overstated \$18,922 in Other Governmental Funds.
10. Special Assessment Revenue was overstated and due to other funds was understated by \$8,392 in Other Governmental Funds.
11. Accounts Receivable and Charges for Services - Refuse were understated by \$10,514 in the Refuse Fund and Business-Type Activities.
12. Opening Equity was overstated by \$15,818 and Depreciation Expense and Accumulated Depreciation were understated by \$4,017 and \$19,835, respectively, in the Water Fund.
13. Opening Equity and Depreciation Expense were overstated by \$15,592 and \$8,974, respectively, and Accumulated Depreciation was understated by \$6,618 in the Sewer Fund.

Policies and procedures should be established and implemented to verify the accuracy of amounts reported in the financial statements in accordance with applicable accounting standards. Failure to do so could result in the users of the financial statements basing their conclusions on materially misstated financial data.

Official's Response:

We did not receive a response from officials to this finding.

FINDING NUMBER 2014-003

SIGNIFICANT DEFICIENCY

During 2014, the City's General Fund charged the Water (\$186,000), Sewer (\$214,000), and Refuse (\$66,000) Funds for administrative costs incurred by the general fund on behalf of these funds during 2014. Similarly the City's Street Fund collected charges from the Refuse (\$76,000) Fund for the time spent by street personnel performing services for the refuse department. The City Council reviewed the inter-fund allocations during their annual budgetary meeting; however, there was no indication that Council formally approved these allocations.

Additionally, the amounts charged by the general fund were for reciprocal services provided by the general fund. These charges should have been reported as charges for services revenue in the general fund. The City reported these charges as reduction of expenditures in the general fund. This resulted in the general fund expenditures and revenues being understated by \$466,000. The misstatement was determined to be immaterial to the financial statements yet significant enough to warrant the attention of those charged with governance. Accompanying financial statements have not been adjusted to properly reflect general fund's actual revenues and expenditures.

Policies and procedures should be established and implemented to verify the accuracy of financial reporting. Additionally, the Council should approve all charge-back to other funds after reviewing the method used for these charge-backs. Failure to do so could result in material misstatements on the financial statements and the wrong amounts being charged to the City funds.

Official's Response:

We did not receive a response from officials to this finding.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Finding for recover repaid during the audit for overpayment of severance payout	Yes	
2013-002	Ohio Rev. Code §5705.41(D) – proper certification of expenditures	No	Repeated as management letter comment
2013-003	Financial statement misstatements	No	Repeated as finding number 2014-002
2013-004	GAAP Policies and reporting taxes receivable in accordance with GASB statement number 33.	No	Partially corrected. Repeated as management letter comment.



Dave Yost • Auditor of State

CITY OF WEST CARROLLTON

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 25, 2015**