



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, 2015, 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 opinion.

**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, 2015, 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, during the year ended December 31, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2016, 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

November 18, 2016

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(UNAUDITED)**

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**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, 2015.

**FINANCIAL HIGHLIGHTS**

The City's total net position increased \$292,806 in 2015.

The general fund reported a net decrease in fund balance of \$194,836.

**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 nonmajor 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, 2015  
(UNAUDITED)  
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**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 2015 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 2015 and 2014.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(UNAUDITED)  
(Continued)**

**Table 1, Net Position**

|   | <b>2015</b>          | <b>2014<br/>Restated</b> |
|---|----------------------|--------------------------|
| <b>Assets:</b>                              |                      |                          |
| Current and Other Assets                    | \$ 10,949,415        | \$ 10,444,730            |
| Capital Assets, Net                         | 23,112,877           | 23,799,073               |
| <b>Total Assets</b>                         | <b>34,062,292</b>    | <b>34,243,803</b>        |
| <b>Deferred Outflows of Resources:</b>      |                      |                          |
| Loss on Refunding Pension                   | 120,000              | 150,000                  |
|   | 1,174,336            | 791,290                  |
| <b>Total Deferred Outflows of Resources</b> | <b>1,294,336</b>     | <b>941,290</b>           |
| <b>Liabilities:</b>                         |                      |                          |
| Current                                     | 1,693,619            | 1,759,548                |
| Long-Term Liabilities:                      |                      |                          |
| Due Within One Year                         | 1,111,803            | 1,104,122                |
| Net Pension Liability                       | 8,289,128            | 7,903,024                |
| Due In More than One Year                   | 5,852,825            | 6,344,374                |
| <b>Total Liabilities</b>                    | <b>16,947,375</b>    | <b>17,111,068</b>        |
| <b>Deferred Inflows of Resources:</b>       |                      |                          |
| Property Taxes                              | 837,786              | 847,252                  |
| Pension                                     | 51,888               | -                        |
| <b>Total Deferred Inflows of Resources</b>  | <b>889,674</b>       | <b>847,252</b>           |
| <b>Net Position:</b>                        |                      |                          |
| Net Investments in Capital Assets           | 15,717,514           | 15,925,089               |
| Restricted                                  | 1,905,801            | 2,269,013                |
| Unrestricted                                | (103,736)            | (967,329)                |
| <b>Total Net Position</b>                   | <b>\$ 17,519,579</b> | <b>\$ 17,226,773</b>     |

In 2015 the City's net position increased 1.70%.

During 2015, the City adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

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

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

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

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

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

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

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from \$19,127,734 to \$12,790,672 for governmental activities and from \$5,210,773 to \$4,436,101 for business-type activities.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(UNAUDITED)  
(Continued)**

**Table 2, Change in Net Position**

|  | <b>2015</b>          | <b>2014<br/>Restated</b> |
|--|----------------------|--------------------------|
| <b>Revenue:</b>                        |                      |                          |
| <b>Program Revenues:</b>               |                      |                          |
| Changes for Services                   | \$ 5,588,920         | \$ 5,463,336             |
| Capital Grants and Contributions       | 422,285              | 6,528                    |
| Operating Grants and Contributions     | 9,196                | 492,252                  |
| <b>Total Program Revenues</b>          | <b>6,020,401</b>     | <b>5,962,116</b>         |
| <b>General Revenues:</b>               |                      |                          |
| Income Taxes                           | 6,286,468            | 6,042,042                |
| Property Taxes                         | 1,015,563            | 1,149,949                |
| Other Local Taxes                      | 41,471               | 30,705                   |
| Grants and Entitlements Not Restricted | 954,028              | 641,081                  |
| Investment Earnings                    | 45,800               | 39,280                   |
| Refunds, Reimbursements, and Other     | 197,439              | 515,375                  |
| <b>Total General Revenues</b>          | <b>8,540,769</b>     | <b>8,418,432</b>         |
| <b>Total Revenues</b>                  | <b>14,561,170</b>    | <b>14,380,548</b>        |
| <b>Expenses:</b>                       |                      |                          |
| General Government                     | 1,623,420            | 1,074,653                |
| Public Safety                          | 5,498,485            | 5,408,345                |
| Leisure Time Activities                | 672,363              | 689,110                  |
| Community Environment                  | 1,098,585            | 1,215,639                |
| Transportation                         | 1,642,529            | 1,686,944                |
| Interest and Fiscal Charges            | 47,824               | 54,212                   |
| Water                                  | 1,465,357            | 1,688,938                |
| Sewer                                  | 1,311,985            | 1,359,955                |
| Refuse                                 | 681,162              | 726,992                  |
| Pool                                   | 226,654              | 216,245                  |
| <b>Total Expenses</b>                  | <b>14,268,364</b>    | <b>14,121,033</b>        |
| <b>Net Increase in Net Position</b>    | <b>292,806</b>       | <b>259,515</b>           |
| <b>Beginning Net Position</b>          | <b>17,226,773</b>    | <b>N/A</b>               |
| <b>Ending Net Position</b>             | <b>\$ 17,519,579</b> | <b>\$ 17,226,773</b>     |

Revenues increased 1.26% due to increased income tax collections in 2015. Expenses increased slightly by 1.0% which is in line with inflation.

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, the 2014 functional expenses still include pension expense of \$791,290 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the pension plans. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows and outflow of resources. The required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense totaling \$841,731. Consequently, in order to compare 2015 total program expenses to those of 2014, the following adjustments are needed:

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
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|   | <b>Total</b>      | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> |
|---|-------------------|------------------------------------|-------------------------------------|
| Total 2015 program expenses under GASB 68           | \$ 14,268,364     | \$ 10,583,206                      | \$ 3,685,158                        |
| Pension expense under GASB 68                       | (841,731)         | (736,156)                          | (105,575)                           |
| 2015 contractually required contributions           | <u>786,785</u>    | <u>671,994</u>                     | <u>114,791</u>                      |
| Adjusted 2015 program expenses                      | 14,213,418        | 10,519,044                         | 3,694,374                           |
| Total 2014 program expenses under GASB 27           | <u>14,121,033</u> | <u>10,128,903</u>                  | <u>3,992,130</u>                    |
| Increase in program expenses not related to pension | <u>\$ 92,385</u>  | <u>\$ 390,141</u>                  | <u>\$ (297,756)</u>                 |

*Governmental Activities*

**Table 3, Net Position, Governmental Activities**

|   | <b>2015</b>          | <b>2014<br/>Restated</b> |
|---|----------------------|--------------------------|
| <b>Assets:</b>                              |                      |                          |
| Current and Other Assets                    | \$ 6,553,799         | \$ 6,458,202             |
| Capital Assets, Net                         | <u>17,700,584</u>    | <u>18,477,083</u>        |
| <b>Total Assets</b>                         | <u>24,254,383</u>    | <u>24,935,285</u>        |
| <b>Deferred Outflows of Resources:</b>      |                      |                          |
| Loss on Refunding                           | 120,000              | 150,000                  |
| Pension                                     | <u>1,007,757</u>     | <u>680,830</u>           |
| <b>Total Deferred Outflows of Resources</b> | <u>1,127,757</u>     | <u>830,830</u>           |
| <b>Liabilities:</b>                         |                      |                          |
| Current Liabilities                         | 1,583,515            | 1,684,698                |
| Due Within One Year                         | 759,171              | 762,336                  |
| Due More than One Year:                     |                      |                          |
| Net Pension Liability                       | 7,382,074            | 7,017,892                |
| Other Amounts Due More than One Year        | <u>2,211,518</u>     | <u>2,663,265</u>         |
| <b>Total Liabilities</b>                    | <u>11,936,278</u>    | <u>12,128,191</u>        |
| <b>Deferred Inflows of Resources:</b>       |                      |                          |
| Property Taxes                              | 837,786              | 847,252                  |
| Pension                                     | <u>34,836</u>        | <u>          </u>        |
| <b>Total Deferred Inflows of Resources</b>  | <u>872,622</u>       | <u>847,252</u>           |
| <b>Net Position:</b>                        |                      |                          |
| Net Investment in Capital Assets            | 14,201,074           | 14,533,992               |
| Restricted                                  | 1,905,801            | 2,269,013                |
| Unrestricted                                | <u>(3,533,635)</u>   | <u>(4,012,333)</u>       |
| <b>Total Net Position</b>                   | <u>\$ 12,573,240</u> | <u>\$ 12,790,672</u>     |

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
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Governmental Activities' net position decreased 1.70% in 2015.

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

|  | <b>2015</b>   | <b>2014<br/>Restated</b> |
|--|---------------|--------------------------|
| <b>Revenue:</b>                                |               |                          |
| <b>Program Revenues:</b>                       |               |                          |
| Changes for Services                           | \$ 1,495,620  | \$ 1,260,937             |
| Capital Grants and Contributions               | 422,285       | 6,528                    |
| Operating Grants and Contributions             | 9,196         | 478,347                  |
| <b>Total Program Revenues</b>                  | 1,927,101     | 1,745,812                |
| <b>General Revenues:</b>                       |               |                          |
| Income Taxes                                   | 6,286,468     | 6,042,042                |
| Property Taxes                                 | 1,015,563     | 1,149,949                |
| Other Local Taxes                              | 41,471        | 30,705                   |
| Grants and Entitlements Not Restricted         | 954,028       | 641,081                  |
| Investment Earnings                            | 23,509        | 17,311                   |
| Refunds, Reimbursements, and Other             | 180,477       | 488,262                  |
| Transfers - Internal Activities                | (62,843)      | (58,341)                 |
| <b>Total General Revenues</b>                  | 8,438,673     | 8,311,009                |
| <b>Total Revenues</b>                          | 10,365,774    | 10,056,821               |
| <b>Expenses:</b>                               |               |                          |
| General Government                             | 1,623,420     | 1,074,653                |
| Public Safety                                  | 5,498,485     | 5,408,345                |
| Leisure Time Activities                        | 672,363       | 689,110                  |
| Community Environment                          | 1,098,585     | 1,215,639                |
| Transportation                                 | 1,642,529     | 1,686,944                |
| Interest and Fiscal Charges                    | 47,824        | 54,212                   |
| <b>Total Expenses</b>                          | 10,583,206    | 10,128,903               |
| <b>Net Increase (Decrease) in Net Position</b> | (217,432)     | (72,082)                 |
| <b>Beginning Net Position</b>                  | 12,790,672    | N/A                      |
| <b>Ending Net Position</b>                     | \$ 12,573,240 | \$ 12,790,672            |

Total revenues increased 3.07% for the most part due to increased charges for services and income taxes. The largest revenue stream, income tax, improved by 4%. Income tax was \$6,286,468 representing 60.65% of total revenue compared to 60.08% in 2014. Total expenses increased 4.5%. The 2015 transfer-out is the general fund providing resources for the pool operation in the business-type activities.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(UNAUDITED)  
(Continued)**

**Table 5, Expenses Percentage Breakdown, Governmental Activities**

|                             | <u>2015</u>          |             | <u>2014</u>          |             |
|-----------------------------|----------------------|-------------|----------------------|-------------|
| General Government          | \$ 1,623,420         | 15.2%       | \$ 1,074,653         | 10.6%       |
| Public Safety               | 5,498,485            | 52.0%       | 5,408,345            | 53.4%       |
| Leisure Time Activities     | 672,363              | 6.4%        | 689,110              | 6.8%        |
| Community Environment       | 1,098,585            | 10.4%       | 1,215,639            | 12.0%       |
| Transportation              | 1,642,529            | 15.5%       | 1,686,944            | 16.7%       |
| Interest and Fiscal Charges | 47,824               | 0.5%        | 54,212               | 0.5%        |
| Totals                      | <u>\$ 10,583,206</u> | <u>100%</u> | <u>\$ 10,128,903</u> | <u>100%</u> |

The largest program expense in 2015 is Public Safety totaling 52.0% which primarily represents the operation of the police and fire departments. These expenses were partially funded by \$560,943 in direct charges to users of service.

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

|                             | <u>Total Cost of<br/>Services<br/>2015</u> | <u>Net Expense<br/>2015</u> | <u>Total Cost of<br/>Services<br/>2014<br/>Restated</u> | <u>Net Expense<br/>2014<br/>Restated</u> |
|-----------------------------|--|-----------------------------|---|--|
| General Government          | \$ 1,623,420                               | \$ 1,110,134                | \$ 1,074,653  | \$ 1,043,683                             |
| Public Safety               | 5,498,485                                  | 4,933,732                   | 5,408,345   | 4,836,369                                |
| Leisure Time Activities     | 672,363                                    | 620,418                     | 689,110   | 616,067                                  |
| Community Environment       | 1,098,585                                  | 641,728                     | 1,215,639   | 331,368                                  |
| Transportation              | 1,642,529                                  | 1,302,269                   | 1,686,944   | 1,501,392                                |
| Interest and Fiscal Charges | 47,824                                     | 47,824                      | 54,212  | 54,212                                   |
| Totals                      | <u>\$ 10,583,206</u>                       | <u>\$ 8,656,105</u>         | <u>\$ 10,128,903</u>                                    | <u>\$ 8,383,091</u>                      |

As detailed in the above table, the programs are 82% and 83% dependent on general revenues for 2015 and 2014 respectively.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(UNAUDITED)  
(Continued)**

*Business-Type Activities*

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

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

|   | <b>2015</b>         | <b>2014<br/>Restated</b> |
|---|---------------------|--------------------------|
| <b>Assets:</b>                              |                     |                          |
| Current and Other Assets                    | \$ 4,395,616        | \$ 3,986,528             |
| Capital Assets                              | 5,412,293           | 5,321,990                |
| <b>Total Assets</b>                         | <b>9,807,909</b>    | <b>9,308,518</b>         |
| <b>Deferred Outflows of Resources:</b>      |                     |                          |
| Pension                                     | 166,579             | 110,460                  |
| <b>Total Deferred Outflows of Resources</b> | <b>166,579</b>      | <b>110,460</b>           |
| <b>Liabilities:</b>                         |                     |                          |
| Current Liabilities                         | 110,104             | 74,850                   |
| Long-Term Liabilities:                      |                     |                          |
| Due Within One Year                         | 352,632             | 341,786                  |
| Net Pension Liability                       | 907,054             | 885,132                  |
| Due in More Than One Year                   | 3,641,307           | 3,681,109                |
| <b>Total Liabilities</b>                    | <b>5,011,097</b>    | <b>4,982,877</b>         |
| <b>Deferred Inflows of Resources:</b>       |                     |                          |
| Pension                                     | 17,052              | -                        |
| <b>Total Deferred Inflows of Resources</b>  | <b>17,052</b>       | <b>-</b>                 |
| <b>Net Position:</b>                        |                     |                          |
| Net Investments in Capital Assets           | 1,516,440           | 1,391,097                |
| Unrestricted                                | 3,429,899           | 3,045,004                |
| <b>Total Net Position</b>                   | <b>\$ 4,946,339</b> | <b>\$ 4,436,101</b>      |

In 2015 the Business-Type Activities' net position increased \$510,238 (11.50%).

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(UNAUDITED)  
(Continued)**

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

|                                     | 2015         | 2014<br>Restated |
|-------------------------------------|--------------|------------------|
| <b>Revenue:</b>                     |              |                  |
| <b>Program Revenues:</b>            |              |                  |
| Changes for Services                | \$ 4,093,300 | \$ 4,202,399     |
| Operating Grants and Contributions  | -            | 13,905           |
| <b>Total Program Revenues</b>       | 4,093,300    | 4,216,304        |
| <b>General Revenues:</b>            |              |                  |
| Investment Earnings                 | 22,291       | 21,969           |
| Refunds, Reimbursements, and Other  | 16,962       | 27,113           |
| Transfers - Internal Activities     | 62,843       | 58,341           |
| <b>Total General Revenues</b>       | 102,096      | 107,423          |
| <b>Total Revenues</b>               | 4,195,396    | 4,323,727        |
| <b>Expenses:</b>                    |              |                  |
| Water                               | 1,465,357    | 1,688,938        |
| Sewer                               | 1,311,985    | 1,359,955        |
| Refuse                              | 681,162      | 726,992          |
| Pool                                | 226,654      | 216,245          |
| <b>Total Expenses</b>               | 3,685,158    | 3,992,130        |
| <b>Net Increase in Net Position</b> | 510,238      | 331,597          |
| <b>Beginning Net Postion</b>        | 4,436,101    | N/A              |
| <b>Ending Net Position</b>          | \$ 4,946,339 | \$ 4,436,101     |

Business-Type operations had \$4,093,300 total program revenues against \$3,685,158 of total expense in 2015. The 2.9% decrease in program revenues was created from lower utility usage. Expenses also decreased 7.7%.

**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 \$2,352,059 and \$2,087,679 in 2015 and 2014 respectively. The schedule below shows the fund balances and the total change in fund balances as of December 31, 2015 for all major and nonmajor governmental funds.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(UNAUDITED)  
(Continued)**

**Table 9, Fund Balances**

|                          | <b>2015</b>         | <b>2014</b>         |
|--------------------------|---------------------|---------------------|
| General Fund             | \$ 1,887,206        | \$ 2,082,042        |
| Half Percent Fund        | (633,555)           | (730,905)           |
| Other Governmental Funds | 1,098,408           | 736,542             |
| <b>Total</b>             | <b>\$ 2,352,059</b> | <b>\$ 2,087,679</b> |

*General Fund*

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

|  | <b>2015</b>         | <b>2014</b>         |
|--|---------------------|---------------------|
| <b>Revenues:</b>   |                     |                     |
| Local Taxes  | \$ 5,716,897        | \$ 5,638,996        |
| Special Assessments  | 30,453              | 69,468              |
| Charges for Services   | 863,733             | 360,364             |
| Intergovernmental  | 301,889             | 344,286             |
| Investment Earnings  | 16,548              | 13,631              |
| Fines and Forfeitures  | 208,835             | 256,162             |
| License and Permits  | 50,710              | 60,349              |
| Other Revenue  | 150,121             | 259,358             |
| <b>Total Revenues</b>  | <b>7,339,186</b>    | <b>7,002,614</b>    |
| <b>Expenditures:</b>   |                     |                     |
| General Government   | 1,312,685           | 900,580             |
| Public Safety  | 4,737,784           | 4,536,077           |
| Leisure Time Activities  | 565,520             | 591,503             |
| Community Environment  | 508,511             | 491,364             |
| <b>Total Expenditures</b>  | <b>7,124,500</b>    | <b>6,519,524</b>    |
| <b>Excess (Deficiency) of Revenue<br/>Over/(Under) Expenditure</b> | <b>214,686</b>      | <b>483,090</b>      |
| <b>Other Financing Uses:</b>                                       |                     |                     |
| Transfers-Out  | (409,522)           | (401,218)           |
| <b>Net Change in Fund Balance</b>                                  | <b>(194,836)</b>    | <b>81,872</b>       |
| <b>Fund Balance - Beginning of the Year</b>                        | <b>2,082,042</b>    | <b>2,000,170</b>    |
| <b>Fund Balance - End of Year</b>                                  | <b>\$ 1,887,206</b> | <b>\$ 2,082,042</b> |

The City's general fund balance decreased \$194,836. The expenditures increased 9.3% versus a 4.8% increase in revenue. The increase in revenues was mainly from local taxes and charges for services.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(UNAUDITED)  
(Continued)**

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*Other Major Fund*

The Half Percent Fund revenue of \$1,412,602 exceeded transfers-out of \$1,296,947 by \$115,655.

*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 \$6,833,220 were less than the final budget of \$8,160,288 by \$1,327,068. The actual expenditures of \$7,544,159 were less than the final budget of \$9,724,160 by \$2,180,001. The overall net positive variance, including transfers totaled \$988,410.

*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 \$1,721,919 exceeded operating expenses of \$1,344,335 producing operating income of \$377,584. After factoring in non-operating activity, net position increased \$264,903 from \$1,951,090 in 2014 to \$2,215,993 in 2015.

The Sewer Fund Net Position rose \$104,783 from \$1,758,703 in 2014 to \$1,863,486 in 2015. Operating income totaled \$94,115 and investment earnings were \$10,668.

The Refuse Fund operating revenues of \$870,469 outpaced expenses of \$681,162 generating an operating income of \$189,307. After including investment earnings totaling \$3,265, net position increased \$192,572 to \$861,128 in 2015 from \$668,556 in 2014.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(UNAUDITED)  
(Continued)**

**CAPITAL ASSETS**

A two-year comparison of capital asset balances, net of accumulated depreciation, for 2015 and 2014 are as follows:

**Table 11, Summary of Capital Asset Balances**

|                                       | <u>2015</u>          | <u>2014</u>          |
|---------------------------------------|----------------------|----------------------|
| <b>Governmental Activities:</b>       |                      |                      |
| Land                                  | \$ 5,383,860         | \$ 5,198,510         |
| Building and Improvements             | 4,425,275            | 5,161,482            |
| Machinery and Equipment               | 1,270,565            | 1,238,226            |
| Infrastructure                        | 6,620,884            | 6,878,865            |
| <b>Total Governmental Activities</b>  | <u>\$ 17,700,584</u> | <u>\$ 18,477,083</u> |
| <b>Business-Type Activities:</b>      |                      |                      |
| Land                                  | \$ 53,500            | \$ 53,500            |
| Building and Improvements             | 2,278,329            | 2,539,208            |
| Machinery and Equipment               | 639,570              | 513,942              |
| Infrastructure                        | 2,440,894            | 2,215,340            |
| <b>Total Business-Type Activities</b> | <u>\$ 5,412,293</u>  | <u>\$ 5,321,990</u>  |
| <b>Grand Total, City as a Whole</b>   | <u>\$ 23,112,877</u> | <u>\$ 23,799,073</u> |

A detailed summary of capital asset activity for the year ended December 31, 2015 is disclosed in note 8.

**DEBT ADMINISTRATION**

A two-year comparison of short- and long-term debt obligations, including compensated absences and net pension liability, for 2015 and 2014 follows:

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

|                            | <u>2015</u>          | <u>2014<br/>Restated</u> |
|----------------------------|----------------------|--------------------------|
| <b>Short-Term</b>          | <u>\$ 1,290,000</u>  | <u>\$ 1,335,000</u>      |
| <b>Long-Term:</b>          |                      |                          |
| Governmental Activities    | 10,352,763           | 10,443,493               |
| Business-Type Activities   | 4,900,993            | 4,908,027                |
| <b>Total Long-Term</b>     | <u>\$ 15,253,756</u> | <u>\$ 15,351,520</u>     |
| <b>Due Within One Year</b> | <u>\$ 1,111,803</u>  | <u>\$ 1,104,122</u>      |

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

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(UNAUDITED)  
(Continued)**

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**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, 2015**

|  | <b>GOVERNMENTAL<br/>ACTIVITIES</b> | <b>BUSINESS-TYPE<br/>ACTIVITIES</b> | <b>TOTAL</b>        |
|--|------------------------------------|-------------------------------------|---------------------|
| <b>ASSETS:</b>                         |                                    |                                     |                     |
| Equity in Pooled Cash & Investments    | \$2,891,503                        | \$3,272,919                         | \$6,164,422         |
| Receivables (Net)                      |                                    |                                     |                     |
| Taxes                                  | 2,026,625                          |                                     | 2,026,625           |
| Accounts                               | 214,757                            | 1,086,788                           | 1,301,545           |
| Intergovernmental                      | 834,487                            |                                     | 834,487             |
| Special Assessments                    | 553,296                            |                                     | 553,296             |
| Loan                                   | 26,230                             |                                     | 26,230              |
| Accrued Interest                       | 2,640                              | 4,053                               | 6,693               |
| Prepaid Items                          | 4,261                              |                                     | 4,261               |
| Inventory                              |                                    | 31,856                              | 31,856              |
| Nondepreciable Capital Assets          | 5,383,860                          | 53,500                              | 5,437,360           |
| Depreciable Capital Assets, Net        | <u>12,316,724</u>                  | <u>5,358,793</u>                    | <u>17,675,517</u>   |
| Total Assets                           | <u>24,254,383</u>                  | <u>9,807,909</u>                    | <u>34,062,292</u>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b> |                                    |                                     |                     |
| Loss on Refunding                      | 120,000                            |                                     | 120,000             |
| Pension                                | <u>1,007,757</u>                   | <u>166,579</u>                      | <u>1,174,336</u>    |
| Total Deferred Outflows of Resources   | <u>1,127,757</u>                   | <u>166,579</u>                      | <u>1,294,336</u>    |
| <b>LIABILITIES:</b>                    |                                    |                                     |                     |
| Accounts Payable                       | 68,285                             | 9,462                               | 77,747              |
| Accrued Wages and Benefits             | 153,112                            | 29,218                              | 182,330             |
| Accrued Pensions                       | 70,099                             | 12,071                              | 82,170              |
| Accrued Interest                       | 2,019                              | 59,353                              | 61,372              |
| Note Payable                           | 1,290,000                          |                                     | 1,290,000           |
| Long-term Liabilities:                 |                                    |                                     |                     |
| Due Within One Year                    | 759,171                            | 352,632                             | 1,111,803           |
| Due In More Than One Year              | 2,211,518                          | 3,641,307                           | 5,852,825           |
| Net Pension Liability                  | <u>7,382,074</u>                   | <u>907,054</u>                      | <u>8,289,128</u>    |
| Total Liabilities                      | <u>11,936,278</u>                  | <u>5,011,097</u>                    | <u>16,947,375</u>   |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>  |                                    |                                     |                     |
| Property Taxes                         | 837,786                            |                                     | 837,786             |
| Pension                                | <u>34,836</u>                      | <u>17,052</u>                       | <u>51,888</u>       |
| Total Deferred Inflows of Resources    | <u>872,622</u>                     | <u>17,052</u>                       | <u>889,674</u>      |
| <b>NET POSITION:</b>                   |                                    |                                     |                     |
| Net Investment in Capital Assets       | 14,201,074                         | 1,516,440                           | 15,717,514          |
| Restricted for:                        |                                    |                                     |                     |
| Capital Projects                       | 48,626                             |                                     | 48,626              |
| Public Safety                          | 60,886                             |                                     | 60,886              |
| Community Development                  | 513,737                            |                                     | 513,737             |
| Transportation                         | 1,282,552                          |                                     | 1,282,552           |
| Unrestricted                           | <u>(3,533,635)</u>                 | <u>3,429,899</u>                    | <u>(103,736)</u>    |
| Total Net Position                     | <u>\$12,573,240</u>                | <u>\$4,946,339</u>                  | <u>\$17,519,579</u> |

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                       | Expenses            | Program Revenues                     |  |  | Net Revenue (Expense)<br>and Changes in Net Position |                             |                      |
|---------------------------------------|---------------------|--------------------------------------|--|--|--|-----------------------------|----------------------|
|                                       |                     | Charges for<br>Services<br>and Sales | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                           | Business-Type<br>Activities | Total                |
| <b>Government Activities</b>          |                     |                                      |  |  |  |                             |                      |
| General Government                    | \$1,623,420         | \$513,119                            | \$167                                    |  | (\$1,110,134)  |                             | (\$1,110,134)        |
| Public Safety                         | 5,498,485           | 560,943                              | 3,810                                    |  | (\$4,933,732)  |                             | (\$4,933,732)        |
| Leisure Time Activities               | 672,363             | 30,039                               | 5,219                                    | \$16,687                               | (\$620,418)  |                             | (\$620,418)          |
| Community Environment                 | 1,098,585           | 267,357                              |  | 189,500                                | (\$641,728)  |                             | (\$641,728)          |
| Transportation                        | 1,642,529           | 124,162                              |  | 216,098                                | (\$1,302,269)  |                             | (\$1,302,269)        |
| Interest and Fiscal Charges           | 47,824              |                                      |  |  | (47,824)   |                             | (\$47,824)           |
| <b>Total Government Activities</b>    | <b>10,583,206</b>   | <b>1,495,620</b>                     | <b>9,196</b>                             | <b>422,285</b>                         | <b>(8,656,105)</b>                                   |                             | <b>(8,656,105)</b>   |
| <b>Business-Type Activities</b>       |                     |                                      |  |  |  |                             |                      |
| Water                                 | 1,465,357           | 1,713,552                            |  |  |  | 248,195                     | \$248,195            |
| Sewer                                 | 1,311,985           | 1,400,370                            |  |  |  | 88,385                      | \$88,385             |
| Refuse                                | 681,162             | 867,926                              |  |  |  | 186,764                     | \$186,764            |
| Pool                                  | 226,654             | 111,452                              |  |  |  | (115,202)                   | (\$115,202)          |
| <b>Total Business-Type Activities</b> | <b>3,685,158</b>    | <b>4,093,300</b>                     |  |  |  | <b>408,142</b>              | <b>408,142</b>       |
| <b>Totals</b>                         | <b>\$14,268,364</b> | <b>\$5,588,920</b>                   | <b>\$9,196</b>                           | <b>\$422,285</b>                       | <b>(\$8,656,105)</b>                                 | <b>\$408,142</b>            | <b>(\$8,247,963)</b> |

|   |                     |                    |                     |
|---|---------------------|--------------------|---------------------|
| General Revenues:                             |                     |                    |                     |
| Income Taxes                                  | 6,286,468           |                    | 6,286,468           |
| Property Taxes Levied for:                    |                     |                    |                     |
| General Purposes                              | 894,066             |                    | 894,066             |
| Special Revenue Purposes                      | 121,497             |                    | 121,497             |
| Other Local Taxes                             | 41,471              |                    | 41,471              |
| Grants and Entitlements not Restricted        | 954,028             |                    | 954,028             |
| Investment Earnings                           | 23,509              | 22,291             | 45,800              |
| Refunds, Reimbursements, and Other            | 180,477             | 16,962             | 197,439             |
| Transfers - Internal Activities               | (62,843)            | 62,843             |                     |
| <b>Total General Revenues and Transfers</b>   | <b>8,438,673</b>    | <b>102,096</b>     | <b>8,540,769</b>    |
| Change in Net Position                        | (217,432)           | 510,238            | 292,806             |
| Net Position Beginning of the Year - Restated | 12,790,672          | 4,436,101          | 17,226,773          |
| Net Position End of Year                      | <b>\$12,573,240</b> | <b>\$4,946,339</b> | <b>\$17,519,579</b> |

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**AS OF DECEMBER 31, 2015**

|                                       | <u>GENERAL</u>              | <u>HALF<br/>PERCENT</u>     | <u>OTHER<br/>GOVERNMENTAL<br/>FUNDS</u> | <u>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</u> |
|---------------------------------------|-----------------------------|-----------------------------|---|---|
| <b>ASSETS:</b>                        |                             |                             |   |   |
| Equity in Pooled Cash & Investments   | \$1,412,136                 | \$341,762                   | \$1,137,605                             | \$2,891,503                             |
| Receivables (Net)                     |                             |                             |   |   |
| Taxes                                 | 1,715,252                   | 248,535                     | 62,838                                  | \$2,026,625                             |
| Accounts                              | 214,757                     |                             |   | \$214,757                               |
| Intergovernmental                     | 179,799                     |                             | 654,688                                 | \$834,487                               |
| Special Assessments                   | 204,009                     |                             | 349,287                                 | \$553,296                               |
| Loans                                 |                             |                             | 26,230                                  | \$26,230                                |
| Accrued Interest                      | 1,458                       | 514                         | 668                                     | \$2,640                                 |
| Due from Other Funds                  |                             | 45,906                      |   | \$45,906                                |
| Prepaid Items                         | 4,261                       |                             |   | \$4,261                                 |
| Advance to Other Funds                |                             | 127,358                     |   | \$127,358                               |
|                                       | <u>                    </u> | <u>                    </u> | <u>                    </u>             | <u>                    </u>             |
| Total Assets                          | <u>\$3,731,672</u>          | <u>\$764,075</u>            | <u>\$2,231,316</u>                      | <u>\$6,727,063</u>                      |
| <b>LIABILITIES:</b>                   |                             |                             |   |   |
| Accounts Payable                      | \$28,686                    |                             | \$39,599                                | \$68,285                                |
| Accrued Wages and Benefits            | 142,615                     |                             | 10,497                                  | \$153,112                               |
| Accrued Pensions                      | 66,232                      |                             | 3,867                                   | \$70,099                                |
| Compensated Absences                  | 38,091                      |                             | 6,226                                   | \$44,317                                |
| Due to Other Funds                    |                             |                             | 45,906                                  | \$45,906                                |
| Advance from Other Funds              |                             |                             | 127,358                                 | \$127,358                               |
| Note Payable                          |                             | \$1,290,000                 |   | \$1,290,000                             |
|                                       | <u>                    </u> | <u>                    </u> | <u>                    </u>             | <u>                    </u>             |
| Total Liabilities                     | <u>275,624</u>              | <u>1,290,000</u>            | <u>233,453</u>                          | <u>1,799,077</u>                        |
| <b>DEFERRED INFLOWS OF RESOURCES:</b> |                             |                             |   |   |
| Property Taxes                        | 779,103                     |                             | 58,683                                  | \$837,786                               |
| Unavailable Revenue                   | 789,739                     | 107,630                     | 840,772                                 | \$1,738,141                             |
|                                       | <u>                    </u> | <u>                    </u> | <u>                    </u>             | <u>                    </u>             |
| Total Deferred Inflow of Resources    | <u>1,568,842</u>            | <u>107,630</u>              | <u>899,455</u>                          | <u>2,575,927</u>                        |
| <b>FUND BALANCES:</b>                 |                             |                             |   |   |
| Fund Balance:                         |                             |                             |   |   |
| Nonspendable                          | 4,261                       |                             |   | \$4,261                                 |
| Restricted                            |                             |                             | 1,271,672                               | \$1,271,672                             |
| Assigned                              | 1,350,787                   |                             |   | \$1,350,787                             |
| Unassigned                            | 532,158                     | (633,555)                   | (173,264)                               | (\$274,661)                             |
|                                       | <u>                    </u> | <u>                    </u> | <u>                    </u>             | <u>                    </u>             |
| Total Fund Balances                   | <u>1,887,206</u>            | <u>(633,555)</u>            | <u>1,098,408</u>                        | <u>2,352,059</u>                        |
|                                       | <u>                    </u> | <u>                    </u> | <u>                    </u>             | <u>                    </u>             |
| Total Liabilities and Fund Balances   | <u>\$3,731,672</u>          | <u>\$764,075</u>            | <u>\$2,231,316</u>                      | <u>\$6,727,063</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, 2015**

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|  |                                   |
|--|-----------------------------------|
| <b>Total Governmental Fund Balance</b>   | <b>\$2,352,059</b>                |
| 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.  | 17,700,584                        |
| Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.  | 1,738,141                         |
| Loss on refunding is expensed in the funds and amortized over the life of bonds in governmental activities   | 120,000                           |
| 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. | (2,019)                           |
| 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.                     | (596,862)                         |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.   | (2,329,510)                       |
| The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:             |                                   |
| Deferred Outflows - Pension  | 1,007,757                         |
| Net Pension Liability  | (7,382,074)                       |
| Deferred Inflows - Pension   | <u>(34,836)</u>                   |
| <b>Net Position of Governmental Activities</b>   | <b><u><u>\$12,573,240</u></u></b> |

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, 2015**

|   | GENERAL            | HALF<br>PERCENT    | OTHER<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|---|--------------------|--------------------|--------------------------------|--------------------------------|
| <b>REVENUES:</b>  |                    |                    |                                |                                |
| Local Taxes   | \$5,716,897        | \$1,359,145        | \$142,124                      | \$7,218,166                    |
| Special Assessments   | 30,453             |                    | 274,238                        | 304,691                        |
| Charges for Services  | 863,733            |                    | 83,992                         | 947,725                        |
| Intergovernmental   | 301,889            | 50,100             | 1,073,643                      | 1,425,632                      |
| Investment Earnings   | 16,548             | 3,357              | 3,604                          | 23,509                         |
| Fines & Forfeitures   | 208,835            |                    | 27,911                         | 236,746                        |
| License & Permits   | 50,710             |                    |                                | 50,710                         |
| Payment in Lieu of Taxes                                    |                    |                    | 41,471                         | 41,471                         |
| Other Revenue   | 150,121            |                    | 32,590                         | 182,711                        |
| Total Revenues  | <u>7,339,186</u>   | <u>1,412,602</u>   | <u>1,679,573</u>               | <u>10,431,361</u>              |
| <b>EXPENDITURES:</b>  |                    |                    |                                |                                |
| General Government  | 1,312,685          |                    |                                | 1,312,685                      |
| Public Safety   | 4,737,784          |                    | 442,429                        | 5,180,213                      |
| Leisure Time Activities                                     | 565,520            |                    | 23,833                         | 589,353                        |
| Community Environment                                       | 508,511            |                    | 743,883                        | 1,252,394                      |
| Transportation  |                    |                    | 1,336,188                      | 1,336,188                      |
| Debt Service:   |                    |                    |                                |                                |
| Principal   |                    |                    | 385,000                        | 385,000                        |
| Interest & Fiscal Charges                                   |                    | 18,305             | 30,000                         | 48,305                         |
| Total Expenditures  | <u>7,124,500</u>   | <u>18,305</u>      | <u>2,961,333</u>               | <u>10,104,138</u>              |
| Excess (Deficiency) of Revenue<br>Over/(Under) Expenditures | <u>214,686</u>     | <u>1,394,297</u>   | <u>(1,281,760)</u>             | <u>327,223</u>                 |
| Other Financing Sources (Uses):                             |                    |                    |                                |                                |
| Transfers-In  |                    |                    | 1,643,626                      | 1,643,626                      |
| Transfers-Out   | (409,522)          | (1,296,947)        |                                | (1,706,469)                    |
| Total Other Financing Sources (Uses)                        | <u>(409,522)</u>   | <u>(1,296,947)</u> | <u>1,643,626</u>               | <u>(62,843)</u>                |
| Net Change in Fund Balance(Deficit)                         | (194,836)          | 97,350             | 361,866                        | 264,380                        |
| Fund Balance - Beginning of Year                            | <u>2,082,042</u>   | <u>(730,905)</u>   | <u>736,542</u>                 | <u>2,087,679</u>               |
| Fund Balance - End of Year                                  | <u>\$1,887,206</u> | <u>(\$633,555)</u> | <u>\$1,098,408</u>             | <u>\$2,352,059</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, 2015**

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|  |                                  |
|--|----------------------------------|
| <b>Net Change in Fund Balance - Total Governmental Funds</b>   | <b>\$264,380</b>                 |
| 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. | (776,499)                        |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.   | (2,744)                          |
| 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.   | 428,581                          |
| Loss on refunding is amortized over the life of bonds in the 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.   | (29,540)                         |
| Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows   | 326,927                          |
| Except for amounts reported as deferred inflows / outflows, changes in the net pension liability are reported as pension expense in the statement of activities  | <u>(399,018)</u>                 |
| <b>Change in Net Position of Governmental Activities</b>   | <b><u><u>(\$217,432)</u></u></b> |

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, 2015**

|   | ORIGINAL<br>BUDGET | FINAL<br>BUDGET    | ACTUAL             | VARIANCE<br>FROM FINAL<br>BUDGET |
|---|--------------------|--------------------|--------------------|----------------------------------|
| <b>REVENUES:</b>  |                    |                    |                    |                                  |
| Local Taxes   | \$6,295,988        | \$6,845,988        | \$5,714,913        | (\$1,131,075)                    |
| Charges for Services  | 320,000            | 320,000            | 356,066            | 36,066                           |
| Intergovernmental   | 330,800            | 330,800            | 310,340            | (20,460)                         |
| Investment Earnings   | 18,000             | 18,000             | 17,001             | (999)                            |
| Fines & Forfeitures   | 302,900            | 302,900            | 208,835            | (94,065)                         |
| Licenses & Permits  | 52,100             | 52,100             | 50,710             | (1,390)                          |
| Special Assessments   | 50,000             | 50,000             | 30,453             | (19,547)                         |
| Other Revenue   | 240,500            | 240,500            | 144,902            | (95,598)                         |
| Total Revenues  | <u>7,610,288</u>   | <u>8,160,288</u>   | <u>6,833,220</u>   | <u>(1,327,068)</u>               |
| <b>EXPENDITURES:</b>  |                    |                    |                    |                                  |
| Council - Personnel Services  | 28,000             | 28,000             | 23,272             | 4,728                            |
| Council - Other   | 12,019             | 12,019             | 5,485              | 6,534                            |
| Mayor - Personnel Services  | 135,000            | 135,000            | 121,760            | 13,240                           |
| Mayor - Other   | 16,250             | 16,250             | 8,267              | 7,983                            |
| Law - Personnel Services  | 60,000             | 60,000             | 47,406             | 12,594                           |
| Law - Other   | 90,000             | 125,000            | 54,895             | 70,105                           |
| City Manager - Personnel Services   | 300,000            | 300,000            | 269,459            | 30,541                           |
| City Manager - Other  | 20,000             | 20,000             | 7,180              | 12,820                           |
| Finance - Personnel Services  | 205,000            | 205,000            | 187,976            | 17,024                           |
| Finance - Other   | 20,304             | 20,304             | 5,231              | 15,073                           |
| Income Tax - Personnel Services   | 225,000            | 225,000            | 200,759            | 24,241                           |
| Income Tax - Other  | 30,380             | 30,380             | 15,855             | 14,525                           |
| Police - Personnel Services   | 3,200,000          | 3,200,000          | 2,276,400          | 923,600                          |
| Police - Other  | 260,004            | 1,010,004          | 942,688            | 67,316                           |
| Fire - Personnel Services   | 1,600,000          | 1,600,000          | 1,343,382          | 256,618                          |
| Fire - Other  | 400,316            | 400,316            | 159,342            | 240,974                          |
| Building Inspection - Personnel Services  | 195,000            | 195,000            | 150,178            | 44,822                           |
| Building Inspection - Other   | 110,907            | 110,907            | 80,634             | 30,273                           |
| Economic Development - Personnel Services   | 160,000            | 160,000            | 124,775            | 35,225                           |
| Economic Development - Other  | 40,000             | 40,000             | 11,310             | 28,690                           |
| Parks and Recreation - Personnel Services   | 540,283            | 540,283            | 463,922            | 76,361                           |
| Parks and Recreation - Other  | 150,502            | 150,502            | 102,121            | 48,381                           |
| Planning - Personnel Services   | 210,000            | 210,000            | 180,074            | 29,926                           |
| Planning - Other  | 30,000             | 30,000             | 8,695              | 21,305                           |
| Building Maintenance - Personnel Services   | 110,000            | 110,000            | 79,647             | 30,353                           |
| Building Maintenance - Other  | 275,000            | 275,000            | 222,989            | 52,011                           |
| Other Services - Other  | 315,195            | 515,195            | 450,457            | 64,738                           |
| Total Expenditures  | <u>8,739,160</u>   | <u>9,724,160</u>   | <u>7,544,159</u>   | <u>2,180,001</u>                 |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures                            | <u>(1,128,872)</u> | <u>(1,563,872)</u> | <u>(710,939)</u>   | <u>852,933</u>                   |
| <b>Other Financing Sources (Uses):</b>  |                    |                    |                    |                                  |
| Transfers-In  | 471,000            | 471,000            | 466,000            | (5,000)                          |
| Transfers-Out   | (550,000)          | (550,000)          | (409,523)          | 140,477                          |
| Total Other Financing Sources (Uses)  | <u>(79,000)</u>    | <u>(79,000)</u>    | <u>56,477</u>      | <u>135,477</u>                   |
| Net Change in Fund Balance  | <u>(1,207,872)</u> | <u>(1,642,872)</u> | <u>(654,462)</u>   | <u>988,410</u>                   |
| Fund Balance - Beginning of the Year<br>(includes prior year appropriated encumbrances) | <u>1,842,365</u>   | <u>1,842,365</u>   | <u>1,842,365</u>   |                                  |
| Fund Balance - End of the Year  | <u>\$634,493</u>   | <u>\$199,493</u>   | <u>\$1,187,903</u> | <u>\$988,410</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, 2015**

|  | <u>Business-Type Activities - Proprietary Funds</u> |                       |                        |                                   | <b>TOTAL<br/>PROPRIETARY<br/>FUNDS</b> |
|--|---|-----------------------|------------------------|-----------------------------------|--|
|  | <b>WATER<br/>FUND</b>                               | <b>SEWER<br/>FUND</b> | <b>REFUSE<br/>FUND</b> | <b>NONMAJOR<br/>POOL<br/>FUND</b> |  |
| <b>ASSETS:</b>                         |   |                       |                        |                                   |  |
| Equity in Pooled Cash & Investments    | \$1,336,239   | \$1,473,238           | \$460,379              | \$3,063                           | \$3,272,919                            |
| Receivables (Net)                      |   |                       |                        |                                   |  |
| Accounts                               | 467,036   | 342,646               | 277,106                |                                   | 1,086,788                              |
| Accrued Interest                       | 1,607   | 1,789                 | 653                    | 4                                 | 4,053                                  |
| Inventory                              | 22,960  | 8,896                 |                        |                                   | 31,856                                 |
| Total Current Assets                   | <u>1,827,842</u>                                    | <u>1,826,569</u>      | <u>738,138</u>         | <u>3,067</u>                      | <u>4,395,616</u>                       |
| Nondepreciable Capital Assets          | 29,500  | 24,000                |                        |                                   | 53,500                                 |
| Depreciable Capital Assets, Net        | 4,451,987   | 570,801               | 274,948                | 61,057                            | 5,358,793                              |
| Total Assets                           | <u>6,309,329</u>                                    | <u>2,421,370</u>      | <u>1,013,086</u>       | <u>64,124</u>                     | <u>9,807,909</u>                       |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b> |   |                       |                        |                                   |  |
| Pension                                | <u>55,507</u>                                       | <u>72,933</u>         | <u>22,948</u>          | <u>15,191</u>                     | <u>166,579</u>                         |
| <b>LIABILITIES:</b>                    |   |                       |                        |                                   |  |
| Accounts Payable                       | 3,146   | 4,941                 | 514                    | 861                               | 9,462                                  |
| Accrued Wages and Benefits             | 14,304  | 9,632                 | 5,282                  |                                   | 29,218                                 |
| Accrued Pensions                       | 4,617   | 5,614                 | 1,840                  |                                   | 12,071                                 |
| Accrued Interest                       | 59,353  |                       |                        |                                   | 59,353                                 |
| Compensated Absences                   | 25,728  | 12,259                | 11,057                 |                                   | 49,044                                 |
| Loan Payable Due Within One Year       | 292,837   | 10,751                |                        |                                   | 303,588                                |
| Net Pension Liability                  | 281,082   | 411,997               | 142,808                | 71,167                            | 907,054                                |
| Total Current Liabilities              | <u>681,067</u>                                      | <u>455,194</u>        | <u>161,501</u>         | <u>72,028</u>                     | <u>1,369,790</u>                       |
| Long-term Liabilities                  |   |                       |                        |                                   |  |
| Compensated Absences                   | 25,728  | 12,258                | 11,056                 |                                   | 49,042                                 |
| Loans Payable                          | 3,436,366   | 155,899               |                        |                                   | 3,592,265                              |
| Total Liabilities                      | <u>4,143,161</u>                                    | <u>623,351</u>        | <u>172,557</u>         | <u>72,028</u>                     | <u>5,011,097</u>                       |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>  |   |                       |                        |                                   |  |
| Pension                                | <u>5,682</u>  | <u>7,466</u>          | <u>2,349</u>           | <u>1,555</u>                      | <u>17,052</u>                          |
| <b>NET POSITION:</b>                   |   |                       |                        |                                   |  |
| Net Investment in Capital Assets       | 752,284   | 428,151               | 274,948                | 61,057                            | 1,516,440                              |
| Unrestricted                           | 1,463,709   | 1,435,335             | 586,180                | (55,325)                          | 3,429,899                              |
| Total Net Position                     | <u>\$2,215,993</u>                                  | <u>\$1,863,486</u>    | <u>\$861,128</u>       | <u>\$5,732</u>                    | <u>\$4,946,339</u>                     |

See accompanying notes to the basic financial statements.

CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2015

|  | <u>Business-Type Activities - Proprietary Funds</u> |                       |                        |                                   | <u>TOTAL<br/>PROPRIETARY<br/>FUNDS</u> |
|--|---|-----------------------|------------------------|-----------------------------------|--|
|  | <u>WATER<br/>FUND</u>                               | <u>SEWER<br/>FUND</u> | <u>REFUSE<br/>FUND</u> | <u>NONMAJOR<br/>POOL<br/>FUND</u> |  |
| <b>Operating Revenues:</b>                           |   |                       |                        |                                   |  |
| Charges for Services                                 | \$1,713,552   | \$1,400,370           | \$867,926              | \$111,452                         | \$4,093,300                            |
| Other Revenue  | 8,367   | 5,730                 | 2,543                  | 322                               | 16,962                                 |
| Total Operating Revenues                             | <u>1,721,919</u>                                    | <u>1,406,100</u>      | <u>870,469</u>         | <u>111,774</u>                    | <u>4,110,262</u>                       |
| <b>Operating Expenses:</b>                           |   |                       |                        |                                   |  |
| Personal Services                                    | 639,614   | 752,305               | 312,200                | 101,177                           | \$1,805,296                            |
| Contractual Services                                 | 49,539  | 224,357               | 286,094                | 493                               | 560,483                                |
| Material and Supplies                                | 78,522  | 102,518               | 47,334                 | 53,705                            | 282,079                                |
| Utilities  | 187,296   | 131,288               |                        | 18,508                            | 337,092                                |
| Depreciation   | 389,364   | 101,517               | 35,534                 | 52,771                            | 579,186                                |
| Total Operating Expenses                             | <u>1,344,335</u>                                    | <u>1,311,985</u>      | <u>681,162</u>         | <u>226,654</u>                    | <u>3,564,136</u>                       |
| Operating Income (Loss)                              | <u>377,584</u>                                      | <u>94,115</u>         | <u>189,307</u>         | <u>(114,880)</u>                  | <u>546,126</u>                         |
| <b>Non-Operating Revenues(Expense):</b>              |   |                       |                        |                                   |  |
| Transfer In  |   |                       |                        | 62,843                            | 62,843                                 |
| Investment Earnings                                  | 8,341   | 10,668                | 3,265                  | 17                                | 22,291                                 |
| Interest Expense                                     | (121,022)   |                       |                        |                                   | (121,022)                              |
| Total Non-Operating Revenues(Expense)                | <u>(112,681)</u>                                    | <u>10,668</u>         | <u>3,265</u>           | <u>62,860</u>                     | <u>(35,888)</u>                        |
| <b>Change in Net Position</b>                        | 264,903   | 104,783               | 192,572                | (52,020)                          | 510,238                                |
| <b>Net Position Beginning of the Year - Restated</b> | <u>1,951,090</u>                                    | <u>1,758,703</u>      | <u>668,556</u>         | <u>57,752</u>                     | <u>4,436,101</u>                       |
| <b>Net Position End of the Year</b>                  | <u>\$2,215,993</u>                                  | <u>\$1,863,486</u>    | <u>\$861,128</u>       | <u>\$5,732</u>                    | <u>\$4,946,339</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, 2015

|  | <u>Business-Type Activities - Enterprise Funds</u> |                           |                         |                                   |  |
|--|--|---------------------------|-------------------------|-----------------------------------|--|
|  | <u>WATER<br/>FUND</u>                              | <u>SEWER<br/>FUND</u>     | <u>REFUSE<br/>FUND</u>  | <u>NONMAJOR<br/>POOL<br/>FUND</u> | <u>TOTAL<br/>PROPRIETARY<br/>FUNDS</u> |
| <b>Increase (Decrease) in Cash and Cash Equivalents</b>  |  |                           |                         |                                   |  |
| Cash Flows from Operating Activities:  |  |                           |                         |                                   |  |
| Cash Received from Charges for Services  | \$1,683,995  | \$1,355,640               | \$863,357               | \$111,452                         | \$4,014,444                            |
| Cash Received from Other Revenue   | 8,367  | 5,730                     | 2,543                   | 322                               | 16,962                                 |
| Cash Payments for Personal Services  | (625,724)  | (770,171)                 | (325,362)               | (104,182)                         | (1,825,439)                            |
| Cash Payments for Contractual Services   | (49,268)   | (223,295)                 | (286,094)               | (493)                             | (559,150)                              |
| Cash Payments for Material and Supplies  | (86,710)   | (106,789)                 | (47,145)                | (53,395)                          | (294,039)                              |
| Cash Payments for Utilities  | (187,296)  | (131,288)                 | (18,288)                | (18,508)                          | (337,092)                              |
| Net Cash Provided by (Used in) Operating Activities  | <u>743,364</u>                                     | <u>129,827</u>            | <u>207,299</u>          | <u>(64,804)</u>                   | <u>1,015,686</u>                       |
| Cash Flows from Noncapital Financing Activities:   |  |                           |                         |                                   |  |
| Transfers from Other Funds   |  |                           |                         | 62,843                            | 62,843                                 |
| Net Cash Provided by Noncapital Financing Activities   |  |                           |                         | <u>62,843</u>                     | <u>62,843</u>                          |
| Cash Flows from Capital and Related Financing Activities:  |  |                           |                         |                                   |  |
| Acquisition of Capital Assets  | (298,476)  | (181,531)                 | (189,482)               |                                   | (669,489)                              |
| Debt Proceeds  | 125,183  |                           |                         |                                   | 125,183                                |
| Debt Principal Payments  | (149,472)  | (10,751)                  |                         |                                   | (160,223)                              |
| Debt Interest Payments   | (61,669)   |                           |                         |                                   | (61,669)                               |
| Net Cash Used for Capital and Related Financing Activities   | <u>(384,434)</u>                                   | <u>(192,282)</u>          | <u>(189,482)</u>        |                                   | <u>(766,198)</u>                       |
| Cash Flows from Investing Activities:  |  |                           |                         |                                   |  |
| Interest Earnings  | 8,024  | 10,650                    | 3,215                   | 19                                | 21,908                                 |
| Net Cash Provided by Investing Activities  | <u>8,024</u>                                       | <u>10,650</u>             | <u>3,215</u>            | <u>19</u>                         | <u>21,908</u>                          |
| Net Increase (Decrease) in Cash and Cash Equivalents   | 366,954  | (51,805)                  | 21,032                  | (1,942)                           | 334,239                                |
| Cash and Cash Equivalents at Beginning of the Year   | <u>969,285</u>                                     | <u>1,525,043</u>          | <u>439,347</u>          | <u>5,005</u>                      | <u>2,938,680</u>                       |
| <b>Cash and Cash Equivalents at End of the Year</b>  | <u><u>\$1,336,239</u></u>                          | <u><u>\$1,473,238</u></u> | <u><u>\$460,379</u></u> | <u><u>\$3,063</u></u>             | <u><u>\$3,272,919</u></u>              |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b> |  |                           |                         |                                   |  |
| Operating Income (Loss)  | \$377,584  | \$94,115                  | \$189,307               | (\$114,880)                       | \$546,126                              |
| Adjustments to Reconcile Operating Income to Net   |  |                           |                         |                                   |  |
| Cash Provided by (Used in) Operating Activities:   |  |                           |                         |                                   |  |
| Depreciation   | 389,364  | 101,517                   | 35,534                  | 52,771                            | 579,186                                |
| (Increase) Decrease in Accounts Receivable   | (29,557)   | (44,730)                  | (4,569)                 |                                   | (78,856)                               |
| (Increase) Decrease in Inventory   | 3,780  | 609                       |                         |                                   | 4,389                                  |
| (Increase) Decrease in Deferred Outflows - Pension   | (21,341)   | (22,716)                  | (5,503)                 | (6,559)                           | (56,119)                               |
| Increase (Decrease) in Accounts Payable  | (11,697)   | (3,819)                   | 189                     | 310                               | (15,017)                               |
| Increase (Decrease) in Accrued Wages and Benefits  | (902)  | (8,249)                   | (640)                   |                                   | (9,791)                                |
| Increase (Decrease) in Accrued Pensions  | 922  | (23)                      | (190)                   |                                   | 709                                    |
| Increase (Decrease) in Compensated Absences  | 22,224   | (3,941)                   | (12,198)                |                                   | 6,085                                  |
| Increase (Decrease) in Net Pension Liability   | 7,305  | 9,598                     | 3,020                   | 1,999                             | 21,922                                 |
| Increase (Decrease) in Deferred Inflows - Pension  | 5,682  | 7,466                     | 2,349                   | 1,555                             | 17,052                                 |
| Total Adjustments  | <u>365,780</u>                                     | <u>35,712</u>             | <u>17,992</u>           | <u>50,076</u>                     | <u>469,560</u>                         |
| <b>Net Cash Provided by (Used in) Operating Activities</b>   | <u><u>\$743,364</u></u>                            | <u><u>\$129,827</u></u>   | <u><u>\$207,299</u></u> | <u><u>(\$64,804)</u></u>          | <u><u>\$1,015,686</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, 2015**

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|                               | <u>AGENCY<br/>FUNDS</u> |
|-------------------------------|-------------------------|
| <b>ASSETS:</b>                |                         |
| Segregated Cash & Investments | <u>\$ 24,632</u>        |
| Total Assets                  | <u><u>\$ 24,632</u></u> |
| <b>LIABILITIES:</b>           |                         |
| Undistributed Monies          | <u>24,632</u>           |
| Total Liabilities             | <u><u>\$ 24,632</u></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, 2015**

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**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:

**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, 2015  
(Continued)**

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**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.

**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.

**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.

**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, 2015  
(Continued)**

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**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 nonmajor pool fund accounts for the City's pool operation.

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.

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.

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, 2015  
(Continued)**

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**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 unmatured general long-term debt, and on special assessment indebtedness collateralized by special assessment levies, which are recognized when due.

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.

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.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. 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 nonexchange transactions must also be available before it can be recognized.

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

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. 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. For the City, deferred outflows of resources are reported on the government-wide statement of net position for loss on refunding and for pension. A loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained further in Note 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and are further explained in Note 10.

Pensions

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

**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.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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).

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- 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.

| <b>Net Change in Fund Balance</b> |                         |
|-----------------------------------|-------------------------|
|                                   | <b>General<br/>Fund</b> |
| Budget Basis                      | \$ (654,462)            |
| Net Adjustment for Revenue        | 8,358                   |
| Net Adjustment for Expenditure    | 454,213                 |
| Funds Budgeted Elsewhere          | (2,945)                 |
| GAAP Basis                        | <u>\$ (194,836)</u>     |

**E. POOLED CASH AND INVESTMENTS**

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

The fair value of investments was determined through the use of published market values. For purposes of the combined statement of cash flows and for presentation on the 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 \$16,548.

**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 fund balance nonspendable 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.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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:

| <b>Class</b>               | <b>Estimated Useful Life</b> |
|----------------------------|------------------------------|
| Machinery & Equipment      | 3 to 15 Years                |
| Buildings and Improvements | 7 to 30 Years                |
| Infrastructure             | 7 to 40 Years                |
|                            |                              |

**H. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims, 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.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

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 of resources and liabilities plus deferred inflows of resources. 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.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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:

Nonspendable – 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.

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 the General Fund. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses 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 Combined Balance sheet as Equity in Pooled Cash and Investments.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

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**2. POOLED CASH AND INVESTMENTS (Continued)**

**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, which was superseded by Ordinance 3555, dated January 13, 2015, 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.

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);

**CITY OF WEST CARROLLTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

**2. POOLED CASH AND INVESTMENTS (Continued)**

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 Finance Director 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.

**Deposits:** At year-end, the carrying amount of the City's cash and deposits was \$3,098,992. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure", as of December 31, 2015 \$1,948,689 of the City's \$3,324,767 bank balance was exposed to custodial risk as discussed below. The \$1,376,078 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, 2015 the City had the following investments and maturities:

| <b>Investment Type</b>  | <b>Total By Type</b> | <b>Percent Allocation</b> | <b>Maturity Dates</b>     |                           |                   |                     |
|-------------------------|----------------------|---------------------------|---------------------------|---------------------------|-------------------|---------------------|
|                         |                      |                           | <b>Less Than 3 Months</b> | <b>3 Months to 1 Year</b> | <b>1-3 Years</b>  | <b>3-5 Years</b>    |
| Certificates of Deposit | \$ 2,870,243         | 92.89%                    | -                         | 592,988                   | 970,195           | 1,307,060           |
| Money Market            | 119,852              | 3.87%                     | 119,852                   | -                         | -                 | -                   |
| FNMA                    | 99,967               | 3.24%                     | -                         | 99,967                    | -                 | -                   |
| <b>Total</b>            | <b>\$ 3,090,062</b>  | <b>100.00%</b>            | <b>\$ 119,852</b>         | <b>\$ 692,955</b>         | <b>\$ 970,195</b> | <b>\$ 1,307,060</b> |

**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 five years or less.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

**2. POOLED CASH AND INVESTMENTS (Continued)**

*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

| Cash and Investments per Footnote                  |              |
|--|--------------|
| Carrying Amount of Deposits                        | \$ 3,098,992 |
| Investments  | 3,090,062    |
| Total  | \$ 6,189,054 |
| Cash and Investments per Statement of Net Position |              |
| Governmental Activities                            | \$ 2,891,503 |
| Business-Type Activities                           | 3,272,919    |
| Sub-Total  | 6,164,422    |
| Fiduciary Funds                                    | 24,632       |
| Total  | \$ 6,189,054 |

**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 2015.

The tax rate applied to all real property for the fiscal year ended December 31, 2015 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, 2015 values per category are as follows:

|                                    |                |
|------------------------------------|----------------|
| Real Estate                        | \$ 168,304,260 |
| Public Utilities                   | 31,840         |
| Public Utilities Personal Property | 6,012,590      |
| Total Valuation                    | \$ 174,348,690 |

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

**3. PROPERTY TAX (Continued)**

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 2015 on a cash basis, tax receipts net of refunds amounted to \$6,182,942 of which \$4,822,695 was recorded in the General Fund and \$1,360,247 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, 2015.

A summary of the receivables is as follows:

Governmental Funds

|                     | <u>General</u>             | <u>Half Percent</u>      | <u>Other<br/>Governmental</u> |
|---------------------|----------------------------|--------------------------|-------------------------------|
| Taxes               | \$ 1,715,252               | \$ 248,535               | \$ 62,838                     |
| Accounts            | 214,757                    | -                        | -                             |
| Intergovernmental   | 179,799                    | -                        | 654,688                       |
| Special Assessments | 204,009                    | -                        | 349,287                       |
| Loans               | -                          | -                        | 26,230                        |
| <b>Total</b>        | <b><u>\$ 2,313,817</u></b> | <b><u>\$ 248,535</u></b> | <b><u>\$ 1,093,043</u></b>    |

Proprietary Funds

|          | <u>Water</u> | <u>Sewer</u> | <u>Refuse</u> |
|----------|--------------|--------------|---------------|
| Accounts | \$ 467,036   | \$ 342,646   | \$ 277,106    |

**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.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

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**7. INTERFUND TRANSACTIONS**

**Interfund Transfers**

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

|   |           |                  |
|---|-----------|------------------|
| Transfers to Nonmajor Proprietary Funds from: |           |                  |
| General Fund                                  | \$        | 62,843           |
| Transfers to Other Governmental Funds from:   |           |                  |
| General Fund                                  |           | 346,679          |
| Half Percent Fund                             |           | 1,296,947        |
| Total Transfers                               | <u>\$</u> | <u>1,706,469</u> |

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    |
|-------------------|-------------------------|-----------|
| Half Percent Fund | Special Assessment Fund | \$ 45,906 |

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 2015. The amount due after 2015 is reported in advances to/from noted below.

**Advances To/From Other Funds**

| Receivable Fund   | Payable Fund            | Amount     |
|-------------------|-------------------------|------------|
| Half Percent Fund | Special Assessment Fund | \$ 127,358 |

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 2015. The amount due in 2015 is reported in due to/from noted above.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

**8. CAPITAL ASSETS**

A summary of capital asset activity for the year ended December 31, 2015, was as follows:

Governmental Activities

| Category                      | Cost Balance<br>As of 1/1/15 | Additions           | Deletions           | Accumulated<br>Depreciation | Net Balance as<br>of 12/31/15 |
|-------------------------------|------------------------------|---------------------|---------------------|-----------------------------|-------------------------------|
| Land                          | \$ 5,198,510                 | \$ 185,350          | \$ -                | \$ -                        | \$ 5,383,860                  |
| Buildings and<br>Improvements | 14,100,333                   | 23,336              | -                   | (9,698,394)                 | 4,425,275                     |
| Machinery and<br>Equipment    | 6,887,597                    | 461,439             | (138,559)           | (5,939,912)                 | 1,270,565                     |
| Infrastructure                | 20,641,877                   | 589,809             | -                   | (14,610,802)                | 6,620,884                     |
| <b>Total</b>                  | <b>\$ 46,828,317</b>         | <b>\$ 1,259,934</b> | <b>\$ (138,559)</b> | <b>\$ (30,249,108)</b>      | <b>\$ 17,700,584</b>          |

| Category                      | Accumulated<br>Depreciation<br>Balance As of<br>1/1/15 | Depreciation        | Disposals           | Accumulated<br>Depreciation<br>Balance As of<br>12/31/15 |
|-------------------------------|--|---------------------|---------------------|--|
| Buildings and<br>Improvements | \$ 8,938,851   | \$ 759,543          | \$ -                | \$ 9,698,394   |
| Machinery and<br>Equipment    | 5,649,371  | 429,100             | (138,559)           | 5,939,912  |
| Infrastructure                | 13,763,012   | 847,790             | -                   | 14,610,802   |
| <b>Total</b>                  | <b>\$ 28,351,234</b>                                   | <b>\$ 2,036,433</b> | <b>\$ (138,559)</b> | <b>\$ 30,249,108</b>                                     |

Governmental Activities depreciation expense was charged as follows:

|                         |                            |
|-------------------------|----------------------------|
| General Government      | \$ 356,564                 |
| Public Safety           | 695,856                    |
| Leisure Time Activities | 69,793                     |
| Community Environment   | 23,295                     |
| Transportation          | 890,925                    |
| <b>Total</b>            | <u><u>\$ 2,036,433</u></u> |

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

**8. CAPITAL ASSETS (Continued)**

Business-Type Activities

| Category                      | Cost Balance<br>As of 1/1/15 | Additions         | Deletions   | Accumulated<br>Depreciation | Net Balance as<br>of 12/31/15 |
|-------------------------------|------------------------------|-------------------|-------------|-----------------------------|-------------------------------|
| Land                          | \$ 53,500                    | \$ -              | \$ -        | \$ -                        | \$ 53,500                     |
| Buildings and<br>Improvements | 13,373,194                   | -                 | -           | (11,094,865)                | 2,278,329                     |
| Machinery and<br>Equipment    | 1,788,136                    | 220,859           | -           | (1,369,425)                 | 639,570                       |
| Infrastructure                | 11,559,752                   | 448,630           | -           | (9,567,488)                 | 2,440,894                     |
| <b>Total</b>                  | <b>\$ 26,774,582</b>         | <b>\$ 669,489</b> | <b>\$ -</b> | <b>\$ (22,031,778)</b>      | <b>\$ 5,412,293</b>           |

| Category                      | Accumulated<br>Depreciation<br>Balance As of<br>1/1/15 | Depreciation      | Disposals   | Accumulated<br>Depreciation<br>Balance As of<br>12/31/15 |
|-------------------------------|--|-------------------|-------------|--|
| Buildings and<br>Improvements | \$ 10,833,986  | \$ 260,879        | \$ -        | \$ 11,094,865  |
| Machinery and<br>Equipment    | 1,274,194  | 95,231            | -           | 1,369,425  |
| Infrastructure                | 9,344,412  | 223,076           | -           | 9,567,488  |
| <b>Total</b>                  | <b>\$ 21,452,592</b>                                   | <b>\$ 579,186</b> | <b>\$ -</b> | <b>\$ 22,031,778</b>                                     |

Business-Type depreciation expense was charged as follows:

|              |                   |
|--------------|-------------------|
| Water        | \$ 389,364        |
| Sewer        | 101,517           |
| Pool         | 52,771            |
| Refuse       | 35,534            |
| <b>Total</b> | <b>\$ 579,186</b> |

**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.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

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**9. INSURANCE (Continued)**

|                            |                  |                |
|----------------------------|------------------|----------------|
| 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.

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. DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

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

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

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

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

**10. DEFINED BENEFIT PENSION PLANS (Continued)**

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

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

| <b>Group A</b>  | <b>Group B</b>  | <b>Group C</b>  |
|---|---|---|
| Eligible to retire prior to January 7, 2013 or five years after January 7, 2013   | 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013                 | Members not in other Groups and members hired on or after January 7, 2013   |
| <b>State and Local Employees</b>  |   |   |
| <b>Age and Service Requirements:</b><br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | <b>Age and Service Requirements:</b><br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | <b>Age and Service Requirements:</b><br>Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| <b>Formula:</b><br>2.2% of FAS multiplied by years of   | <b>Formula:</b><br>2.2% of FAS multiplied by years of   | <b>Formula:</b><br>2.2% of FAS multiplied by years of   |

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

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

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

**10. DEFINED BENEFIT PENSION PLANS (Continued)**

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

|   | State<br>and Local |
|---|--------------------|
| <b>2015 Statutory Maximum Contribution Rates:</b> |                    |
| Employer  | 14.0%              |
| Employee  | 10.0%              |
| <b>2015 Actual Contribution Rates:</b>            |                    |
| Employer:   |                    |
| Pension   | 12.0%              |
| Post-employment Health Care Benefits              | 2.0%               |
| Total Employer                                    | 14.0%              |
| Employee  | 10.0%              |

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

The City's contractually required pension contribution was \$349,312 for 2015; \$29,655 is reported as an asset.

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

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

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

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

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

**10. DEFINED BENEFIT PENSION PLANS (Continued)**

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

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

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

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

|   | <u>Police</u> | <u>Firefighters</u> |
|---|---------------|---------------------|
| <b>2015 Statutory Maximum Contribution Rates:</b> |               |                     |
| Employer  | 19.50%        | 24.00%              |
| Employee:   |               |                     |
| January 1, 2015 through July 1, 2015              | 11.50%        | 11.50%              |
| July 2, 2015 through December 31, 2015            | 12.25%        | 12.25%              |
| <b>2015 Actual Contribution Rates:</b>            |               |                     |
| Employer:   |               |                     |
| Pension   | 19.00%        | 23.50%              |
| Post-employment Health Care Benefits              | <u>0.50%</u>  | <u>0.50%</u>        |
| Total Employer                                    | <u>19.50%</u> | <u>24.00%</u>       |
| Employee:   |               |                     |
| January 1, 2015 through July 1, 2015              | 11.50%        | 11.50%              |
| July 2, 2015 through December 31, 2015            | 12.25%        | 12.25%              |

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$437,473 for 2015; \$38,193 is reported as an

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**10. DEFINED BENEFIT PENSION PLANS (Continued)**

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

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

|  | OPERS        | OP&F         | Total        |
|--|--------------|--------------|--------------|
| Proportionate share of the net pension liability | \$ 2,953,526 | \$ 5,335,602 | \$ 8,289,128 |
| Proportion of the net pension liability          | 0.024488%    | 0.102996%    |              |
| Pension expense                                  | \$ 321,267   | \$ 520,464   | \$ 841,731   |

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | OPERS      | OP&F       | Total        |
|--|------------|------------|--------------|
| <u>Deferred Outflows of Resources:</u>   |            |            |              |
| Net difference between projected and actual earnings on pension plan investments | \$ 157,591 | \$ 229,960 | \$ 387,551   |
| City contributions subsequent to the measurement date                            | 349,312    | 437,473    | 786,785      |
| Total  | \$ 506,903 | \$ 667,433 | \$ 1,174,336 |
| <u>Deferred Inflows of Resources:</u>  |            |            |              |
| Differences between expected and actual experience                               | \$ 51,888  | \$ -       | \$ 51,888    |

\$786,785 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**10. DEFINED BENEFIT PENSION PLANS (Continued)**

|                                 | OPERS      | OP&F       | Total      |
|---------------------------------|------------|------------|------------|
| Fiscal Year Ending December 31: |            |            |            |
| 2016                            | \$ 15,457  | \$ 57,490  | \$ 72,947  |
| 2017                            | 15,457     | 57,490     | 72,947     |
| 2018                            | 35,392     | 57,490     | 92,882     |
| 2019                            | 39,397     | 57,490     | 96,887     |
|                                 | \$ 105,703 | \$ 229,960 | \$ 335,663 |

***Actuarial Assumptions - OPERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|  |  |
|--|--|
| Wage inflation                               | 3.75 percent                             |
| Future salary increases, including inflation | 4.25% to 10.05% including wage inflation |
| COLA or Ad Hoc COLA                          | 3.00%, simple                            |
| Investment rate of return                    | 8.00%                                    |
| Actuarial cost method                        | Individual Entry Age                     |

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**10. DEFINED BENEFIT PENSION PLANS (Continued)**

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

| <u>Asset Class</u>     | <u>Target<br/>Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|------------------------|------------------------------|---|
| Fixed Income           | 23.00%                       | 2.31%   |
| Domestic Equities      | 19.90%                       | 5.84%   |
| Real Estate            | 10.00%                       | 4.25%   |
| Private Equity         | 10.00%                       | 9.25%   |
| International Equities | 19.10%                       | 7.40%   |
| Other Investments      | <u>18.00%</u>                | 4.59%   |
| Total                  | <u>100.00%</u>               |   |

**Discount Rate** The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

|  | <u>1% Decrease<br/>(7.00%)</u> | <u>Current<br/>Discount Rate<br/>(8.00%)</u> | <u>1% Increase<br/>(9.00%)</u> |
|--|--------------------------------|--|--------------------------------|
| City's proportionate share of<br>the net pension liability | \$ 5,433,642                   | \$ 2,953,526                                 | \$ 864,671                     |

**CITY OF WEST CARROLLTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

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**10. DEFINED BENEFIT PENSION PLANS (Continued)**

***Actuarial Assumptions - OP&F***

OP&F's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

|                            |                  |
|----------------------------|------------------|
| Valuation Date             | January 1, 2014  |
| Actuarial Cost Method      | Entry Age Normal |
| Investment Rate of Return  | 8.25%            |
| Projected Salary Increases | 4.25% to 11.00%  |
| Payroll Increases          | 3.75%            |
| Inflation Assumptions      | 3.25%            |
| Cost of Living Adjustments | 2.60% and 3.00%  |

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

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2014 are summarized below:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**10. DEFINED BENEFIT PENSION PLANS (Continued)**

| <u>Asset Class</u>           | <u>Target<br/>Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|------------------------------|------------------------------|---|
| Cash & Cash Equivalents      | 0.00%                        | -0.25%  |
| Domestic Equity              | 16.00%                       | 4.47%   |
| Non-US Equity                | 16.00%                       | 4.47%   |
| Core Fixed Income *          | 20.00%                       | 1.62%   |
| Global Inflation Protected * | 20.00%                       | 1.33%   |
| High Yield                   | 15.00%                       | 3.39%   |
| Real Estate                  | 12.00%                       | 3.93%   |
| Private Markets              | 8.00%                        | 6.98%   |
| Timber                       | 5.00%                        | 4.92%   |
| Master Limited Partnerships  | <u>8.00%</u>                 | 7.03%   |
| Total                        | <u>120.00%</u>               |   |

\* - levered 2x

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

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

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

|  | <u>1% Decrease<br/>(7.25%)</u> | <u>Current<br/>Discount Rate<br/>(8.25%)</u> | <u>1% Increase<br/>(9.25%)</u> |
|--|--------------------------------|--|--------------------------------|
| City's proportionate share of<br>the net pension liability | \$ 7,379,973                   | \$ 5,335,602                                 | \$ 3,604,679                   |

**CITY OF WEST CARROLLTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

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

**A. Ohio Public Employees' Retirement System (OPERS)**

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 two cost-sharing multiple employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical, prescription drug coverage, deposits to a Health Reimbursement Account, 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 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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](http://www.opers.org).

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 2015, 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

Information from City's Records

The City's required contributions to OPERS for the years ended December 31, 2015, 2014 and 2013 which were used to fund postemployment benefits, were \$59,922, \$64,594, and \$122,504, respectively. The full amount has been contributed for all three years.

**B. Ohio Police and Fire Pension Fund**

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](http://www.op-f.org).

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

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.

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, 2015 thru December 31, 2015. 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.

Information from City's Records

The portion of the City's required contributions to OP&F which were allocated to the healthcare plan were \$8,870 for police and \$2,545 for fire for the year ending December 31, 2015; \$8,648 for police and \$2,579 for fire for the year ending December 31, 2014; and \$75,747 for police and \$22,304 for fire for the year ending December 31, 2013, respectively. The full amount has been contributed for each year.

**12. GENERAL SHORT AND LONG-TERM DEBT OBLIGATIONS**

**Short-Term**

|  | Interest<br>Rate | Issue Date | Maturity<br>Date | Balance<br>12/31/14 | Increase<br>(Decrease) | Balance<br>12/31/15 | Due Within<br>One Year |
|--|------------------|------------|------------------|---------------------|------------------------|---------------------|------------------------|
| Development<br>Property Series<br>2015 BAN | 1.375%           | 12/18/2014 | 12/17/2015       | \$ 1,335,000        | \$ (1,335,000)         | \$ -                | \$ -                   |
| Development<br>Property Series<br>2016 BAN | 1.625%           | 12/17/2015 | 12/16/2016       | -                   | 1,290,000              | 1,290,000           | 1,290,000              |
| <b>Total Short-Term Debt</b>               |                  |            |                  | <b>\$ 1,335,000</b> | <b>\$ (45,000)</b>     | <b>\$ 1,290,000</b> | <b>\$ 1,290,000</b>    |

**CITY OF WEST CARROLLTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

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

**Long-Term Governmental Activities**

|  | Interest<br>Rate | Issue Date | Maturity<br>Date | Balance<br>12/31/14  | Increase<br>(Decrease) | Balance<br>12/31/15  | Due Within<br>One Year |
|--|------------------|------------|------------------|----------------------|------------------------|----------------------|------------------------|
| YMCA Refunding<br>Bonds                      | 1.5%             | 1/23/2013  | 12/1/2019        | \$ 2,000,000         | \$ (385,000)           | \$ 1,615,000         | \$ 395,000             |
| Farmersville Road                            | 0%               | 12/31/2012 | 1/1/2033         | 451,712              | (24,417)               | 427,295              | 24,417                 |
| Mayrose Bridge                               | 0%               | 12/31/2010 | 1/1/2031         | 235,124              | (14,250)               | 220,874              | 14,250                 |
| Gibbons Road                                 | 0%               | 12/31/2008 | 1/1/2029         | 71,255               | (4,914)                | 66,341               | 4,914                  |
|  |                  |            |                  | <u>2,758,091</u>     | <u>(428,581)</u>       | <u>2,329,510</u>     | <u>438,581</u>         |
| Net Pension Liability                        |                  |            |                  |                      |                        |                      |                        |
| OPERS  |                  |            |                  | 2,001,684            | 44,788                 | 2,046,472            |                        |
| OP&F   |                  |            |                  | 5,016,208            | 319,394                | 5,335,602            | -                      |
|  |                  |            |                  | <u>7,017,892</u>     | <u>364,182</u>         | <u>7,382,074</u>     | <u>-</u>               |
| Compensated<br>Absences                      |                  |            |                  | 667,510              | 272,117<br>(298,448)   | 641,179              | 320,590                |
| Total Governmental Activities Long-Term Debt |                  |            |                  | <u>\$ 10,443,493</u> | <u>\$ (90,730)</u>     | <u>\$ 10,352,763</u> | <u>\$ 759,171</u>      |

**Long-Term Business-Type Activities**

|   | Interest<br>Rate | Issue Date | Maturity<br>Date | Balance<br>12/31/14 | Increase<br>(Decrease) | Balance<br>12/31/15 | Due Within<br>One Year |
|---|------------------|------------|------------------|---------------------|------------------------|---------------------|------------------------|
| Water Plant                                   | 3.50%            | 12/31/2004 | 7/1/2024         | \$ 2,473,942        | \$ (110,884)           | \$ 2,363,058        | \$ 227,623             |
| Clearwell                                     | 3.36%            | 7/1/2013   | 1/1/2033         | 1,093,758           | (22,362)               | 1,071,396           | 45,858                 |
| Sewer<br>Improvements                         | 0%               | 12/31/2010 | 1/1/2031         | 177,401             | (10,751)               | 166,650             | 10,751                 |
| Skyview Reservoir                             | 0%               | 12/31/2011 | 1/1/2032         | 165,486             | (9,457)                | 156,029             | 9,457                  |
| Bit Road Water<br>Main                        | 0%               | 1/1/2008   | 7/1/2017         | 20,306              | (6,769)                | 13,537              | 6,769                  |
| Dixie Water Main                              | 0%               | 7/1/2015   | 7/1/2036         | -                   | 125,183                | 125,183             | 3,130                  |
|   |                  |            |                  | <u>3,930,893</u>    | <u>(35,040)</u>        | <u>3,895,853</u>    | <u>303,588</u>         |
| Net Pension Liability - OPERS                 |                  |            |                  | 885,132             | 21,922                 | 907,054             | -                      |
| Compensated<br>Absences                       |                  |            |                  | 92,002              | 76,029<br>(69,945)     | 98,086              | 49,044                 |
| Total Business-Type Activities Long-Term Debt |                  |            |                  | <u>\$ 4,908,027</u> | <u>\$ (7,034)</u>      | <u>\$ 4,900,993</u> | <u>\$ 352,632</u>      |

**CITY OF WEST CARROLLTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

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, Dixie Drive Water Main, 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 Dixie Drive Water Main projects will be paid with water fees and the Sewer Improvements project will be paid with sewer fees detailed in the Water and Sewer Funds respectively.

In 2013 the City refunded \$2,255,000 of the 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 resulting in the liability being removed from 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.

The City pays pension obligations related to employee compensation from the fund benefitting from their employment.

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 \$272,117 while uses were \$298,448 generating a net decrease of \$26,331. For business type activities, compensated absences additions \$76,029 and uses were \$69,945. This resulted in a net increase of \$6,084.

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MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

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

The annual requirements of general governmental revenues to pay principal and interest on the long-term debt at December 31, 2015 are as follows:

| Year Ending<br>December 31 | YMCA Refunding General<br>Obligation Bonds |           |
|----------------------------|--|-----------|
|                            | Principal                                  | Interest  |
| 2016                       | 395,000                                    | 24,225    |
| 2017                       | 405,000                                    | 18,300    |
| 2018                       | 405,000                                    | 12,225    |
| 2019                       | 410,000                                    | 6,150     |
| Total                      | \$ 1,615,000                               | \$ 60,900 |

| Year Ending<br>December 31 | Farmersville<br>Road Loan |         |
|----------------------------|---------------------------|---------|
|                            | Principal                 |         |
| 2016                       | \$                        | 24,417  |
| 2017                       |                           | 24,417  |
| 2018                       |                           | 24,417  |
| 2019                       |                           | 24,417  |
| 2020                       |                           | 24,416  |
| 2021 - 2025                |                           | 122,085 |
| 2026 - 2030                |                           | 122,084 |
| 2031 - 2033                |                           | 61,042  |
| Total                      | \$                        | 427,295 |

| Year Ending<br>December 31 | Mayrose<br>Bridge Loan |         |
|----------------------------|------------------------|---------|
|                            | Principal              |         |
| 2016                       | \$                     | 14,250  |
| 2017                       |                        | 14,250  |
| 2018                       |                        | 14,250  |
| 2019                       |                        | 14,250  |
| 2020                       |                        | 14,250  |
| 2021 - 2025                |                        | 71,250  |
| 2026 - 2030                |                        | 71,250  |
| 2031                       |                        | 7,124   |
| Total                      | \$                     | 220,874 |

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

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

| Year Ending<br>December 31 | Gibbons Road<br>Loan<br>Principal |
|----------------------------|-----------------------------------|
| 2016                       | \$ 4,914                          |
| 2017                       | 4,914                             |
| 2018                       | 4,914                             |
| 2019                       | 4,914                             |
| 2020                       | 4,914                             |
| 2021 - 2025                | 24,571                            |
| 2026 - 2029                | 17,200                            |
| Total                      | \$ 66,341                         |

| Year Ending<br>December 31 | Water Plant Loan |            |
|----------------------------|------------------|------------|
|                            | Principal        | Interest   |
| 2016                       | \$ 227,623       | \$ 80,733  |
| 2017                       | 235,659          | 72,696     |
| 2018                       | 243,979          | 64,376     |
| 2019                       | 252,593          | 55,762     |
| 2020                       | 261,511          | 46,844     |
| 2021 - 2024                | 1,141,693        | 91,727     |
| Total                      | \$ 2,363,058     | \$ 412,138 |

| Year Ending<br>December 31 | Clearwell Loan |            |
|----------------------------|----------------|------------|
|                            | Principal      | Interest   |
| 2016                       | 45,858         | 35,617     |
| 2017                       | 47,411         | 34,063     |
| 2018                       | 49,018         | 32,457     |
| 2019                       | 50,676         | 30,796     |
| 2020                       | 52,396         | 29,079     |
| 2021 - 2025                | 289,841        | 117,530    |
| 2026 - 2030                | 342,385        | 64,986     |
| 2031 - 2033                | 193,811        | 9,876      |
| Total                      | \$ 1,071,396   | \$ 354,404 |

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

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

| Year Ending<br>December 31 | Sewer<br>Improvements<br>Loan<br><br>Principal |
|----------------------------|--|
| 2016                       | 10,751   |
| 2017                       | 10,752   |
| 2018                       | 10,752   |
| 2019                       | 10,751   |
| 2020                       | 10,752   |
| 2021 - 2025                | 53,758   |
| 2026 - 2030                | 53,758   |
| 2031                       | 5,376  |
| Total                      | \$ 166,650                                     |

| Year Ending<br>December 31 | Skyview<br>Reservoir Loan<br><br>Principal |
|----------------------------|--|
| 2016                       | \$ 9,457                                   |
| 2017                       | 9,456                                      |
| 2018                       | 9,456                                      |
| 2019                       | 9,456                                      |
| 2020                       | 9,457                                      |
| 2021 - 2025                | 47,281                                     |
| 2026 - 2030                | 47,281                                     |
| 2031 - 2032                | 14,185                                     |
| Total                      | \$ 156,029                                 |

| Year Ending<br>December 31 | Bit Road<br>Water Main<br>Loan<br><br>Principal |
|----------------------------|---|
| 2016                       | 6,769   |
| 2017                       | 6,768   |
| Total                      | \$ 13,537                                       |

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

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

| Year Ending<br>December 31 | Dixie Drive<br>Water Main<br>Loan<br><hr/> Principal |
|----------------------------|--|
| 2016                       | \$ 3,130   |
| 2017                       | 6,259  |
| 2018                       | 6,259  |
| 2019                       | 6,259  |
| 2020                       | 6,259  |
| 2021 - 2025                | 31,296   |
| 2026 - 2030                | 31,295   |
| 2031 - 2032                | 31,296   |
| 2036                       | 3,130  |
| Total                      | <hr/> <hr/> <b>\$ 125,183</b>                        |

**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, 2015, 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.

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, 2015, 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, 2015:

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

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**13. JOINTLY-GOVERNED ORGANIZATION (Continued)**

|                                  |                      |
|----------------------------------|----------------------|
| Assets and Deferred Outflows     | \$ 18,912,863        |
| Liabilities and Deferred Inflows | <u>8,328,970</u>     |
| Net Position                     | <u>\$ 10,583,893</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 2015.

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 nonspendable, 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, 2015  
(Continued)**

**14. FUND BALANCES (Continued)**

|   | General             | Half Percent        | Other<br>Governmental<br>Funds | Total               |
|---|---------------------|---------------------|--------------------------------|---------------------|
| <b>Nonspendable</b>                               |                     |                     |                                |                     |
| Prepaid Items                                     | \$ 4,261            | \$ -                | \$ -                           | \$ 4,261            |
| <b>Restricted</b>                                 |                     |                     |                                |                     |
| Law Enforcement and Education                     | -                   | -                   | 11,410                         | 11,410              |
| Law Enforcement Trust                             | -                   | -                   | 41,686                         | 41,686              |
| Street Light                                      | -                   | -                   | 29,309                         | 29,309              |
| Miami Conservancy                                 | -                   | -                   | 6,811                          | 6,811               |
| Parks   | -                   | -                   | 59,494                         | 59,494              |
| Economic Development                              | -                   | -                   | (17,601)                       | (17,601)            |
| Tax Increment Financing                           | -                   | -                   | 143,914                        | 143,914             |
| Neighborhood Improvement                          | -                   | -                   | 115,131                        | 115,131             |
| Street  | -                   | -                   | 730,183                        | 730,183             |
| Motor Vehicle License                             | -                   | -                   | 123,079                        | 123,079             |
| Federal Grants                                    | -                   | -                   | 951                            | 951                 |
| Vehicle Replacement                               | -                   | -                   | 7,747                          | 7,747               |
| Other Capital                                     | -                   | -                   | 19,558                         | 19,558              |
| <b>Total Restricted</b>                           | -                   | -                   | 1,271,672                      | 1,271,672           |
| <b>Assigned</b>                                   |                     |                     |                                |                     |
| Appropriations in Excess<br>of Estimated Receipts | 1,146,647           | -                   | -                              | 1,146,647           |
| Encumbrances                                      | 169,767             | -                   | -                              | 169,767             |
| Recreation  | 34,373              | -                   | -                              | 34,373              |
| <b>Total Assigned</b>                             | 1,350,787           | -                   | -                              | 1,350,787           |
| <b>Unassigned (Deficit)</b>                       | 532,158             | (633,555)           | (173,264)                      | (274,661)           |
| <b>Total Fund Balance</b>                         | <u>\$ 1,887,206</u> | <u>\$ (633,555)</u> | <u>\$ 1,098,408</u>            | <u>\$ 2,352,059</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.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

**16. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION**

For 2015, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position of the City's governmental activities, business-type activities, and proprietary funds as reported December 31, 2014:

|   | Governmental<br>Activities | Business-Type<br>Activities |                |  |
|---|----------------------------|-----------------------------|----------------|--|
| Net Position at December 31, 2014 as previously reported    | \$ 19,127,734              | \$ 5,210,773                |                |  |
| Adjustments:  |                            |                             |                |  |
| Net Pension Liability at December 31, 2014                  | (7,017,892)                | (885,132)                   |                |  |
| Deferred Outflows - Payments Subsequent to Measurement Date | 680,830                    | 110,460                     |                |  |
| Net Position at December 31, 2014 as restated               | \$ 12,790,672              | \$ 4,436,101                |                |  |
|   | Water<br>Fund              | Sewer<br>Fund               | Refuse<br>Fund |  |
| Net Position at December 31, 2014 as previously reported    | \$ 2,190,701               | \$ 2,110,885                | \$ 790,899     |  |
| Adjustments:  |                            |                             |                |  |
| Net Pension Liability at December 31, 2014                  | (273,777)                  | (402,399)                   | (139,788)      |  |
| Deferred Outflows - Payments Subsequent to Measurement Date | 34,166                     | 50,217                      | 17,445         |  |
| Net Position at December 31, 2014 as restated               | \$ 1,951,090               | \$ 1,758,703                | \$ 668,556     |  |
|   | Non-Major<br>Pool Fund     | Total Enterprise<br>Funds   |                |  |
| Net Position at December 31, 2014 as previously reported    | \$ 118,288                 | \$ 5,210,773                |                |  |
| Adjustments:  |                            |                             |                |  |
| Net Pension Liability at December 31, 2014                  | (69,168)                   | (885,132)                   |                |  |
| Deferred Outflows - Payments Subsequent to Measurement Date | 8,632                      | 110,460                     |                |  |
| Net Position at December 31, 2014 as restated               | \$ 57,752                  | \$ 4,436,101                |                |  |

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**17. ACCOUNTABILITY**

The following funds had deficit fund balances at year end:

|                      |              |
|----------------------|--------------|
| Half Percent         | \$ (633,555) |
| Special Assessment   | \$ (173,264) |
| Economic Development | \$ (17,601)  |

CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)

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18. COMMITMENTS

Significant encumbrances at year-end include:

|                         |                     |
|-------------------------|---------------------|
| Street Improvement Fund | \$ 267,961          |
| Sewer Fund              | \$ 745,579          |
| Total                   | <u>\$ 1,013,540</u> |

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CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
LAST TWO YEARS (1)

|   | 2014         | 2013         |
|---|--------------|--------------|
| <b><u>Ohio Public Employees Retirement System - Traditional Plan:</u></b>                               |              |              |
| City's Proportion of the Net Pension Liability  | 0.024488%    | 0.024488%    |
| City's Proportionate Share of the Net Pension Liability   | \$ 2,953,526 | \$ 2,886,816 |
| City's Covered-Employee Payroll   | \$ 3,002,167 | \$ 2,745,669 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 98.38%       | 105.14%      |
| Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability                               | 86.45%       | 86.36%       |
| <b><u>Ohio Police and Fire Pension Fund:</u></b>  |              |              |
| City's Proportion of the Net Pension Liability  | 0.102996%    | 0.102996%    |
| City's Proportionate Share of the Net Pension Liability   | \$ 5,335,602 | \$ 5,016,208 |
| City's Covered-Employee Payroll   | \$ 2,117,043 | \$ 2,961,856 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 252.03%      | 169.36%      |
| Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability                               | 72.20%       | 73.00%       |

(1) Information prior to 2013 is not available. The City will continue to present information for years available until a full ten-year trend is presented.

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

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY  
SCHEDULE OF THE CITY'S CONTRIBUTIONS  
LAST THREE YEARS**

|   | <u>2015</u>      | <u>2014</u>      | <u>2013</u>      |
|---|------------------|------------------|------------------|
| <b><u>Ohio Public Employees Retirement System - Traditional Plan:</u></b> |                  |                  |                  |
| Contractually Required Contribution                                       | \$ 349,312       | \$ 360,260       | \$ 356,937       |
| Contributions in Relation to the Contractually Required Contributions     | <u>(349,312)</u> | <u>(360,260)</u> | <u>(356,937)</u> |
| Contribution Deficiency (Excess)  | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| City Covered-Employee Payroll   | \$ 2,910,933     | \$ 3,002,167     | \$ 2,745,669     |
| Contributions as a Percentage of Covered-Employee Payroll                 | 12.00%           | 12.00%           | 13.00%           |
| <b><u>Ohio Police and Fire Pension Fund:</u></b>                          |                  |                  |                  |
| Contractually Required Contribution                                       | \$ 437,473       | \$ 431,030       | \$ 505,885       |
| Contributions in Relation to the Contractually Required Contributions     | <u>(437,473)</u> | <u>(431,030)</u> | <u>(505,885)</u> |
| Contribution Deficiency (Excess)  | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| City Covered-Employee Payroll   | \$ 2,177,566     | \$ 2,117,043     | \$ 2,961,856     |
| Contributions as a Percentage of Covered-Employee Payroll                 | 20.09%           | 20.36%           | 17.08%           |

Note: Information prior to 2013 is not available. The City will continue to present information for years available until a full ten-year trend is presented.



# 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 18, 2016, wherein we noted the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

### ***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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-002 to be a material weakness.

***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 2015-001.

***City's Response to Findings***

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

***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.



À  
**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 18, 2016

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

**FINDING NUMBER 2015-001**

**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).

The City transferred \$1,301,557 from the Half Percent fund (Capital Improvement Program fund) to various other City funds. \$415,000 of these transfers were to the debt service funds and such transfers were allowed under Ohio law. The remaining \$886,557 of the transfers out of the Half Percent fund did not meet the exceptions provided by Ohio Rev. Code § 5705.14, however, the transfers were to funds restricted to capital improvement projects.

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. Failure to meet the requirements of Ohio Rev. Code § 5705.14 could result in findings for adjustment in future audits.

**Officials' Response:**

The City is continuing to appeal the State's interpretation.

**FINDING NUMBER 2015-002**

**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 2015 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:

- Local Tax Revenue was overstated and Deferred Inflow: Property Taxes was understated by \$322,334, \$299,642, and \$22,692 in Governmental Activities, the General Fund, and Other Governmental Funds, respectively, due to the City improperly classifying a portion of Taxes Receivable as revenue.
- Assigned fund balance was understated and Unassigned balance was overstated by \$1,161,014 in the General fund due to the City not including the balance of the Recreation fund and the amount by which subsequent year appropriations exceed estimated receipts in the calculation of Assigned fund balance.
- Restricted for Transportation, Restricted for Public Safety, and Unrestricted Net Position were overstated by \$50,990, \$15,472, and \$471,873, respectively, and Restricted for Capital Projects and Restricted for Community Development were understated by \$527,944 and \$10,391, respectively, in Governmental Activities due to the City not properly calculating the restrictions on year-end net position.

**FINDING NUMBER 2015-002**  
**(Continued)**

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

- Accounts Receivable and Charges for Services - Refuse were understated by \$6,710 in the Refuse fund and Business-Type Activities due to the City not accruing delinquent trash assessments as a receivable and revenue as of December 31, 2015.
- Transportation Expenditures were overstated and Debt Service - Principal was understated by the \$45,176 in the Other Governmental Funds due to the City posting principal payments as Transportation rather than Debt Service.
- Segregated Cash and Investments and Undistributed Monies were understated by \$4,000 in the Agency Fund due to an error in posting the Mayor's Court fund balance to the trial balance.
- Long-Term Liabilities: Due in More Than One Year and Depreciable Capital Assets, Net were overstated by \$87,847 in Business-Type Activities and Long-Term Liabilities: Loans Payable and Depreciable Capital Assets, Net were overstated by the same amount in the Water Fund due to the City including the loan proceeds issued in 2016 from the Ohio Public Works Commission in the calculation of the long-term liabilities and additions to assets at December 31, 2015.
- Local Taxes, Fines & Forfeitures, and Other Revenue were overstated by \$9,842, \$6,724, and \$89, respectively, and Intergovernmental Revenue was understated by \$16,655 in Other Governmental Funds due to the City misclassifying revenue received from other governments.
- Public Safety expenditures were overstated and Capital Outlay expenditures were understated by \$37,532 in Other Governmental Funds due to an error in the City's roll-up of Other Governmental Fund expenditures.
- Accounts Receivable and Charges for Services - Refuse were understated by \$6,720 in the Refuse Fund and Business-Type Activities due to the City not properly calculating amount billed but not collected and amount used but not billed as of December 31, 2015.
- Long-Term Liabilities: Due in More than One Year and Expenses were overstated by \$33,081 in Governmental Activities due to the City not considering the 1200 hour maximum sick leave payout for employees when calculating compensated absences liability.
- Restricted fund balance was understated and Unassigned balance was overstated by \$17,601 in Other Governmental Funds due to the City including the negative year-end fund balance of the Economic Development fund within Restricted.

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.

**Officials' Response:**

Misunderstanding and miscommunication with the State Auditors.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015**

| <b>Finding Number</b> | <b>Finding Summary</b>   | <b>Status</b>   | <b>Additional Information</b>   |
|-----------------------|--|---|---|
| 2014-001              | <b>Ohio Rev. Code § 5705.14</b> - Unallowable interfund transfers. | Not Corrected.<br>Repeated as Finding 2015-001        | The City is continuing to appeal the State's interpretation.  |
| 2014-002              | Material Weakness - Financial statement misstatements              | Not Corrected.<br>Repeated as Finding 2015-002        | Misunderstanding and miscommunication with the State Auditors. We will continue to work with the Auditors to ensure the preferred presentation of the financials. |
| 2014-003              | Significant Deficiency - Misclassified charges between funds.      | Partially Corrected,<br>Repeated in Management Letter | Misunderstanding and miscommunication with the State Auditors. We will continue to work with the Auditors to ensure the preferred presentation of the financials. |

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# 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  
DECEMBER 15, 2016**