

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

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

For The Year Ended
December 31, 2006

MR. TOM REILLY, FINANCE DIRECTOR



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of West Carrollton, Montgomery County, prepared by Julian & Grube, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of West Carrollton is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 18, 2007

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CITY OF WEST CARROLLTON, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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CITY OF WEST CARROLLTON
MONTGOMERY COUNTY

300 East Central Avenue
P.O. Box
West Carrollton, Ohio 45449

ELECTED OFFICIALS AND ADMINISTRATIVE PERSONNEL
AS OF DECEMBER 31, 2006

Council Member

<u>NAME</u>	<u>TITLE</u>	<u>TERM OF OFFICE</u>
Maxine Gilman	Mayor	1/1/04 – 12/31/07
Jeffery W. Sanner	Deputy Mayor	1/1/06 – 12/31/09
James R. Bowers	Council Member	1/1/06 – 12/31/09
Angie Fryman	Council Member	1/1/04 – 12/31/07
Jody Jones	Council Member	1/1/04 – 12/31/07
Linda M. Lotspaih	Council Member	1/1/06 – 12/31/09
Harold L. Robinson	Council Member	1/1/06 – 12/31/09

ADMINISTRATIVE PERSONNEL

<u>NAME</u>	<u>TITLE</u>
G. Tracy Williams	City Manager
Thomas E. Reilly	Finance Director/Clerk of Council

CITY OF WEST CARROLLTON
MONTGOMERY COUNTY
INDEX OF FUNDS

GOVERNMENTAL FUND TYPES

General Fund Class

General Fund

Special Revenue Fund Class

Street Construction, Maintenance and Repair Fund

Law Enforcement and Education Fund

Miami Conservancy District Fund

Recreation Fund

Parks Fund

Law Enforcement Fund

Motor Vehicle License Fund

Economic Development

Neighborhood Improvement

Special Assessments Fund

Police Pension Fund

Debt Service Fund Class

Bond Retirement Fund

Capital Project Fund Class

One Half Percent Tax Fund

Street Improvement Fund

Parks and Playgrounds Improvement Fund

Vehicle Replacement Fund

Other Capital Expenditures Fund

Federal Grants Fund

PROPRIETARY FUND TYPES

Enterprise Fund Class

Water Fund

Sanitary Sewer Fund

Municipal Swimming Pool Fund

Refuse Fund

FIDUCIARY FUND TYPES

Agency Funds

Bonds Returnable Fund

Income Tax Fund

Inspection Fund

Mayor's Court Appearance Bond

Mayor's Court Fund

Unclaimed Money Fund



Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of West Carrollton, Montgomery County, (the "City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of West Carrollton, Montgomery County, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Members of Council and Mayor
City of West Carrollton
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In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2007 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Julian & Grube, Inc.
May 31, 2007

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2006**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section provides an overview of the City's financial activities for the year ended December 31, 2006.

FINANCIAL HIGHLIGHTS

The City's total net assets decreased \$194,010 in 2006.

The general fund reported a net decrease in fund balance of \$348,613.

USING THIS ANNUAL FINANCIAL REPORT

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds combined in one column.

REPORTING THE CITY AS A WHOLE

Statement of Net Assets and the Statement of Activities

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

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

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

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2006**

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 2006 are General, Street Improvement, Other Capital Expenditures, Half Percent, Water, Sewer, and Refuse.

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

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

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

THE CITY AS A WHOLE

As previously stated, the Statement of Net Assets looks at the City as a whole. The following tables provides a summary of the City's net assets and changes in net assets first as a whole and then broken down between governmental and business-type activities for 2006 and 2005. The 2005 activities were restated to include prior year infrastructure. See note 2.

NET ASSETS

City as a Whole

	<u>2006</u>	<u>2005</u> <u>Restated</u>
Assets:		
Current and Other Assets	\$11,858,391	\$12,420,555
Capital Assets	<u>23,404,940</u>	<u>23,145,472</u>
Total Assets	<u>35,263,331</u>	<u>35,566,027</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2006**

Liabilities:

Long-Term Liabilities	9,422,652	9,874,165
Current and Other Liabilities	<u>3,308,707</u>	<u>2,965,880</u>
Total Liabilities	<u>12,731,359</u>	<u>12,840,045</u>

Net Assets:

Invested in Capital Assets, Net of Debt	15,024,848	14,348,283
Restricted	2,446,810	2,788,357
Unrestricted	<u>5,060,314</u>	<u>5,589,342</u>
Total Net Assets	<u>\$22,531,972</u>	<u>\$22,725,982</u>

In 2006 the City's net assets decreased .8%.

CHANGE IN NET ASSETS

	<u>2006</u>	<u>2005</u>
Revenues		
Program Revenues:		
Charges for Services	4,174,808	\$4,004,962
Capital Grants and Contributions	495,470	0
Operating Grants and Contributions	<u>81,831</u>	<u>198,911</u>
Total Program Revenues	<u>4,752,109</u>	<u>4,203,873</u>
General Revenues:		
Income Taxes	6,747,536	6,362,927
Property Taxes	650,287	702,797
Unrestricted Grants and Entitlements	494,612	540,113
Investment Earnings	137,210	71,041
Refunds and Reimbursements	349,455	277,062
Other	<u>33,995</u>	<u>28,045</u>
Total General Revenue	<u>8,413,095</u>	<u>7,981,985</u>
Total Revenues	<u>13,165,204</u>	<u>12,185,858</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2006**

	<u>2006</u>	<u>2005</u>
Program Expenses:		
General Government	\$1,774,745	\$1,411,832
Security of Persons	4,823,199	4,327,185
Leisure Time Activities	769,860	1,052,513
Community Environment	1,253,972	710,964
Transportation	768,209	639,237
Interest and Fiscal Charges	347,657	361,346
Water	1,369,710	1,171,803
Sewer	1,400,821	1,309,958
Refuse	625,052	604,057
Pool	<u>225,989</u>	<u>212,284</u>
Total Expenses	<u>13,359,214</u>	<u>11,801,179</u>
Transfers:		
Transfers-In	69,543	10,000
Transfers-Out	<u>(69,543)</u>	<u>(10,000)</u>
Total Transfers	<u>0</u>	<u>0</u>
Net Increase (Decrease) in Net Assets	<u>\$ (194,010)</u>	<u>\$ (751,840)</u>

Revenues increased 8.0% mainly due a sharp increase in capital grants. Expenses increased 13.2% largely due to increase in staff.

Governmental Activities

	<u>NET ASSETS</u>	
	<u>2006</u>	<u>2005</u> Restated
Assets:		
Current and Other Assets	\$9,264,560	\$9,560,030
Capital Assets	<u>16,624,263</u>	<u>16,170,262</u>
Total Assets	<u>25,888,823</u>	<u>25,730,292</u>
Liabilities:		
Long-Term Liabilities	5,220,105	5,486,523
Current and Other Liabilities	<u>2,902,780</u>	<u>2,705,539</u>
Total Liabilities	<u>8,122,885</u>	<u>8,192,062</u>
Net Assets:		
Invested in Capital Assets, Net of Debt	12,324,263	11,620,262
Restricted	2,056,050	2,788,357
Unrestricted	<u>3,385,625</u>	<u>3,129,611</u>
Total Net Assets	<u>\$17,765,938</u>	<u>\$17,538,230</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2006**

Governmental Activities' net assets increased 1.3% in 2006.

CHANGE IN NET ASSETS

Revenues	<u>2006</u>	<u>2005</u>
Program Revenues:		
Charges for Services	\$1,256,008	\$1,284,622
Capital Grants and Contributions	200,615	0
Operating Grants and Contributions	<u>81,831</u>	<u>198,911</u>
Total Program Revenues	<u>1,538,454</u>	<u>1,483,533</u>
General Revenues:		
Income Taxes	6,747,536	6,362,927
Property Taxes	650,287	702,797
Unrestricted Grants and Entitlements	494,612	540,113
Investment Earnings	101,393	49,127
Refunds and Reimbursements	<u>349,455</u>	<u>277,062</u>
Total General Revenue	<u>8,343,283</u>	<u>7,932,026</u>
 Total Revenues	 <u>9,881,737</u>	 <u>9,415,559</u>
Program Expenses:		
General Government	1,774,745	1,411,832
Security of Persons	4,723,188	4,327,185
Leisure Time Activities	769,860	1,052,513
Community Environment	1,253,972	710,964
Transportation	768,209	639,237
Interest and Fiscal Charges	<u>194,501</u>	<u>202,492</u>
 Total Expenses	 <u>9,584,486</u>	 <u>8,344,223</u>
Transfers:		
Transfers-Out	<u>(69,543)</u>	<u>(10,000)</u>
 Net Increase in Net Assets	 <u>\$ 227,708</u>	 <u>\$ 1,061,336</u>

Total revenues increased 5.0% with the largest revenue stream, income tax, improving by 6.1%. Income tax was \$6,747,536 and represents 68.3% of total revenue compared to 67.6% in 2005. Total expenditures increased 14.9% due to enhanced economic development activities and increase in staff. Community Environment expenses had the highest percentage increase due to the aforementioned increase in economic development expenses. The transfer-out came from the general fund to provide resources for the pool operation in the business-type activities.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2006**

Program Expenses Percentage breakdown:

	<u>2006</u>		<u>2005</u>	
General Government	\$ 1,774,745	18.5%	\$ 1,411,832	16.8%
Security of Persons	4,823,199	50.3%	4,327,185	51.4%
Leisure Time Activities	769,860	8.0%	1,052,513	12.6%
Community Environment	1,253,972	13.1%	710,964	8.5%
Transportation	768,209	8.0%	639,237	7.7%
Interest and Fiscal Charges	<u>194,501</u>	<u>2.1%</u>	<u>202,492</u>	<u>2.4%</u>
Totals	<u>\$ 9,584,486</u>	<u>100%</u>	<u>\$ 8,344,223</u>	<u>100%</u>

The largest program expense is Security of Persons at 50.3% primarily represents the operation of the police and fire departments. These expenses were partially funded by \$429,294 in direct charges to users of service.

	Total Cost of Services <u>2006</u>	Net Expense <u>2006</u>	Total Cost of Services <u>2005</u>	Net Expense (Revenue) <u>2005</u>
Program Expenses:				
General Government	\$ 1,774,745	\$ 1,670,401	\$ 1,411,832	\$ 1,300,135
Security of Persons	4,823,199	4,299,320	4,327,185	3,925,743
Leisure Time Activities	769,860	705,296	1,052,513	985,801
Community Environment	1,253,972	1,122,902	710,964	605,148
Transportation	768,209	53,612	639,237	(158,629)
Interest and Fiscal Charges	<u>194,501</u>	<u>194,501</u>	<u>202,492</u>	<u>202,492</u>
Total	<u>\$ 9,584,486</u>	<u>\$ 8,046,032</u>	<u>\$ 8,344,223</u>	<u>\$ 6,860,690</u>

As noted in the above table, the programs are 84% and 82% dependent on general revenues in 2006 and 2005 respectively.

Business-Type Activities

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

NET ASSETS

	<u>2006</u>	<u>2005</u> Restated
Assets:		
Current and Other Assets	\$2,593,831	\$ 2,860,525
Capital Assets	<u>6,780,677</u>	<u>6,975,210</u>
Total Assets	<u>9,374,508</u>	<u>9,835,735</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2006**

Liabilities:

Long-Term Liabilities	4,202,547	4,387,642
Current and Other Liabilities	<u>405,927</u>	<u>260,341</u>
Total Liabilities	<u>4,608,474</u>	<u>4,647,983</u>

Net Assets:

Invested in Capital Assets, Net of Debt	2,700,585	2,728,021
Unrestricted	<u>2,065,449</u>	<u>2,459,731</u>
Total Net Assets	<u>\$ 4,766,034</u>	<u>\$ 5,187,752</u>

In 2006 the Business-Type Activities' net assets decreased 8.1%.

CHANGE IN NET ASSETS

	<u>2006</u>	<u>2005</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 2,918,800	\$ 2,720,340
Capital Grants and Contributions	<u>294,855</u>	<u>0</u>
Total Program Revenues	<u>3,213,655</u>	<u>2,720,340</u>
General Revenues:		
Investment Earnings	35,817	21,914
Other	<u>33,995</u>	<u>28,045</u>
Total General Revenue	<u>69,812</u>	<u>49,959</u>
Total Revenues	<u>3,283,467</u>	<u>2,770,299</u>
Program Expenses:		
Water	1,369,710	1,171,803
Sewer	1,400,821	1,309,958
Refuse	625,052	604,057
Nonmajor – Pool	225,989	212,284
Interest and Fiscal Charges	<u>153,156</u>	<u>158,854</u>
Total Expenses	<u>3,774,728</u>	<u>3,456,956</u>
Transfers-In	<u>\$69,543</u>	<u>\$10,000</u>
Net Decrease in Net Assets	<u>(\$ 421,718)</u>	<u>(\$ 676,657)</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2006**

Business-Type operations had \$3,213,655 program revenues, \$69,812 in general revenues, \$69,543 of transfers in and \$3,774,728 of total expense in 2006. Most of the 18.5% increase in revenues was generated from the water rate increase and the additional capital grants received in 2006. The majority of the 9.2% expense increase came from the new water softening plant's first full year of operation.

Financial Analysis of the Government 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, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds reported a combined fund balance of \$5,051,157 and \$6,191,483 in 2006 and 2005 respectively. The Street Fund qualified as a major fund in 2005 but not in 2006. Conversely the Other Capital Fund qualified for a major fund in 2006 but not 2005. The schedule below shows the fund balances and the total change in fund balances as of December 31, 2006 for all major and nonmajor governmental funds.

	<u>2006</u>	<u>2005</u>
Major Funds:		
General	\$2,224,724	\$2,573,337
Street Improvement	15,726	64,923
Other Capital Expenditures	508,458	34,054
Half % Fund	1,135,067	2,453,718
Other Nonmajor Governmental Funds	<u>1,167,182</u>	<u>1,065,451</u>
Total	<u>\$ 5,051,157</u>	<u>\$ 6,191,483</u>

General Fund

The City's general fund balance decreased \$348,613 mainly due to increased staffing in general government and security of persons expenditures.

	<u>2006</u>	<u>2005</u>
Revenues		
Local Taxes	\$5,218,805	\$5,234,492
Intergovernmental	560,685	616,867
Charges for Services	263,853	255,056
Investment Earnings	43,541	32,686
Fines and Forfeitures	204,637	216,747
License and Permits	49,303	61,740
Other	<u>206,979</u>	<u>143,326</u>
Total Revenue	<u>\$ 6,547,803</u>	<u>\$ 6,560,914</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2006**

	<u>2006</u>	<u>2005</u>
Expenditures		
General Government	\$1,457,867	\$1,271,926
Security of Persons	4,137,148	3,843,296
Leisure Time Activities	611,644	690,636
Community Environment	<u>420,778</u>	<u>384,550</u>
Total Expenses	<u>\$ 6,627,437</u>	<u>\$ 6,190,408</u>

As previously noted, the expenditures increased 7.1% due to increased staffing.

Other Major Funds

The Street Improvement Fund expenditures of \$504,678 exceeded transfers-in and revenue of \$455,481 by \$49,197 bringing the fund balance down to \$15,726.

The Other Capital Expenditure Fund revenues and transfers-in of \$1,768,442 exceeded expenditures of \$1,294,038 by \$474,404. The ending fund balance improved to \$508,458. The Other Capital Expenditure Fund qualified as a major fund in 2006 but not in 2005.

The Half Percent Fund transfers-out of \$2,947,661 exceeded revenue of \$1,629,010 by \$1,318,651. This decreased the 2006 fund balance to \$1,135,067 due in large part to the police department renovation.

Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations, which are restricted by the amounts of anticipated revenues certified by the Montgomery County Budget Commission in accordance with the ORC. If the budgeted revenues are adjusted due to actual activity, then the appropriations can be adjusted accordingly.

The budgetary information is presented for only the general fund. In the general fund, the actual revenues of \$6,749,428 exceeded the final budget of \$6,328,257 by \$421,171. The general fund final expenditures budget did not have any changes for the general fund. Overall actual expenditures of \$6,596,818 were less than the final budget of \$7,136,699 by \$539,881. The overall net positive variance, including transfers totaled \$1,032,573.

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 revenue of \$1,688,803 exceeded expenses of \$1,522,866 by \$165,937. Correspondingly Net Assets increased from \$1,879,095 in 2005 to \$2,045,032 in 2006. 2006 was the first full year of operation for the water softening plant.

The Sewer Fund Net Assets declined \$624,350 from \$2,602,956 to \$1,978,606. Even though this fund has a healthy fund balance and been relatively stable, user fees are not keeping pace with inflationary expenditure increases and are under review. The sewer rates have not been changed since 1994.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2006**

The Refuse Fund revenues of \$646,684 exceeded expenses of \$625,052 by \$21,632. This increased Net Assets to \$256,019 in 2006 from \$234,387 in 2005.

CAPITAL ASSETS

The City restated the 2005 Net Assets to include infrastructure (streets, curbs, bridges and culverts) to comply with GASB 34. See note 2. A two-year comparison of capital asset balances, net of accumulated depreciation, for 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u> Restated
<u>Governmental Activities</u>		
Land	\$ 2,329,133	\$ 2,328,133
Building and Improvements	6,919,487	7,453,274
Machinery and Equipment	1,024,227	844,301
Infrastructure	5,339,863	5,544,554
Construction in Progress	1,011,553	0
Total	<u>\$ 16,624,263</u>	<u>\$ 16,170,262</u>
	<u>2006</u>	<u>2005</u> Restated
<u>Business-Type Activities</u>		
Land	\$ 53,500	\$ 53,500
Building and Improvements	5,315,302	5,976,204
Machinery and Equipment	304,210	248,600
Infrastructure	1,107,665	696,906
Total	<u>\$ 6,780,677</u>	<u>\$ 6,975,210</u>
	<u>2006</u>	<u>2005</u>
City as a Whole	<u>\$ 23,404,940</u>	<u>\$ 23,145,472</u>

A detailed summary of capital asset activity for the year ended December 31, 2006 is disclosed in note 9.

Debt Administration

	<u>2006</u>	<u>2005</u>
Governmental Activities	\$ 5,220,105	\$ 5,486,523
Business-Type Activities	<u>4,202,547</u>	<u>4,387,642</u>
Total	<u>\$ 9,422,652</u>	<u>\$ 9,874,165</u>
Due Within One Year	<u>\$ 832,033</u>	<u>\$ 805,948</u>

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
DECEMBER 31, 2006**

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 ASSETS

AS OF DECEMBER 31, 2006

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Equity in Pooled Cash & Investments	\$4,744,684	\$1,618,859	\$6,363,543
Receivables (Net)			
Taxes	1,942,375	0	1,942,375
Accounts	100,263	620,904	721,167
Intergovernmental	1,904,754	125,859	2,030,613
Special Assessments	483,705	0	483,705
Loan	68,737	170,100	238,837
Accrued Interest	18,351	9,509	27,860
Prepaid Items	1,691	0	1,691
Inventory	0	48,600	48,600
Nondepreciable Capital Assets	3,340,686	53,500	3,394,186
Depreciable Capital Assets, Net	13,283,577	6,727,177	20,010,754
Total Assets	25,888,823	9,374,508	35,263,331
LIABILITIES:			
Accounts Payable	280,429	44,431	324,860
Accrued Wages and Benefits	200,319	31,826	232,145
Accrued Pensions	221,699	33,711	255,410
Accrued Interest	15,504	0	15,504
Retainage Payable	84,401	0	84,401
Deferred Revenue	2,100,428	295,959	2,396,387
Long-term Liabilities:			
Due Within One Year	653,203	178,830	832,033
Due In More Than One Year	4,566,902	4,023,717	8,590,619
Total Liabilities	8,122,885	4,608,474	12,731,359
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	12,324,263	2,700,585	15,024,848
Restricted for:			
Debt Service	75,750	0	75,750
Special Revenue	390,760	0	390,760
Capital Project	1,980,300	0	1,980,300
Unrestricted	2,994,865	2,065,449	5,060,314
Total Net Assets	\$17,765,938	\$4,766,034	\$22,531,972

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2006

	Program Revenues				Net Revenue (Expense) and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Government Activities							
General Government	\$1,774,745	\$47,617	\$56,727	\$0	(1,670,401)	\$0	(1,670,401)
Security of Persons	4,823,199	429,294	7,030	87,555	(4,299,320)	0	(4,299,320)
Leisure Time Activities	769,860	46,490	18,074	0	(705,296)	0	(705,296)
Community Environment	1,253,972	79,285	0	51,785	(1,122,902)	0	(1,122,902)
Transportation	768,209	653,322	0	61,275	(53,612)	0	(53,612)
Interest and Fiscal Charges	194,501	0	0	0	(194,501)	0	(194,501)
Total Government Activities	9,584,486	1,256,008	81,831	200,615	(8,046,032)	0	(8,046,032)
Business-Type Activities							
Water	1,369,710	1,372,516	0	294,855	0	297,661	297,661
Sewer	1,400,821	738,705	0	0	0	(662,116)	(662,116)
Refuse	625,052	638,713	0	0	0	13,661	13,661
Pool	225,989	168,866	0	0	0	(57,123)	(57,123)
Interest and Fiscal Charges	153,156	0	0	0	0	(153,156)	(153,156)
Total Business-Type Activities	3,774,728	2,918,800	0	294,855	0	(561,073)	(561,073)
General Revenues:							
Income Taxes					6,747,536	0	6,747,536
Property Taxes Levied for:							
General Purposes					569,498	0	569,498
Special Revenue Purposes					80,789	0	80,789
Grants and Entitlements not Restricted					494,612	0	494,612
Investment Earnings					101,393	35,817	137,210
Refunds and Reimbursements					349,455	0	349,455
Other					0	33,995	33,995
Total General Revenues					8,343,283	69,812	8,413,095
Transfers:							
Transfer-In					0	69,543	69,543
Transfers-Out					(69,543)	0	(69,543)
Total Transfers					(69,543)	69,543	0
Change in Net Assets					227,708	(421,718)	(194,010)
Net Assets Beginning of the Year - Restated					17,538,230	5,187,752	22,725,982
Net Assets End of Year					\$17,765,938	\$4,766,034	\$22,531,972

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS**

AS OF DECEMBER 31, 2006

	GENERAL	STREET IMPROVEMENT	OTHER CAPITAL EXPENDITURES	HALF PERCENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:						
Pooled Cash & Investments	\$2,042,255	\$15,726	\$671,266	\$975,566	\$1,039,871	\$4,744,684
Receivables (Net)						
Taxes	1,512,321	0	0	328,003	102,051	1,942,375
Accounts	100,263	0	0	0	0	100,263
Intergovernmental	350,091	1,033,939	87,555	0	433,169	1,904,754
Special Assessments	0	0	0	0	483,705	483,705
Loans	0	0	0	0	68,737	68,737
Accrued Interest	11,146	0	0	4,605	2,600	18,351
Due from Other Funds	0	0	0	32,881	0	32,881
Prepaid Items	1,691	0	0	0	0	1,691
Advance to Other Funds	0	0	0	193,976	0	193,976
Total Assets	<u>\$4,017,767</u>	<u>\$1,049,665</u>	<u>\$758,821</u>	<u>\$1,535,031</u>	<u>\$2,130,133</u>	<u>\$9,491,417</u>
LIABILITIES:						
Accounts Payable	\$49,196	\$0	\$165,962	\$0	\$65,271	\$280,429
Accrued Wages and Benefits	189,532	0	0	0	10,787	200,319
Accrued Pensions	210,343	0	0	0	11,356	221,699
Compensated Absences	72,900	0	0	0	11,192	84,092
Due to Other Funds	0	0	0	0	32,881	32,881
Retainage Payable	0	0	84,401	0	0	84,401
Advance from Other Funds	0	0	0	0	193,976	193,976
Deferred Revenue	1,271,072	1,033,939	0	399,964	637,488	3,342,463
Total Liabilities	<u>1,793,043</u>	<u>1,033,939</u>	<u>250,363</u>	<u>399,964</u>	<u>962,951</u>	<u>4,440,260</u>
FUND BALANCES:						
Fund Balance:						
Reserved for Encumbrances	16,922	15,726	670,323	0	446,907	1,149,878
Reserved for Prepaids	1,691	0	0	0	0	1,691
Reserved for Advances	0	0	0	193,976	0	193,976
Reserved for Loans	0	0	0	0	68,737	68,737
Reserved for Debt Service	0	0	0	0	75,750	75,750
Unreserved Reported in:						
General Fund	2,206,111	0	0	0	0	2,206,111
Special Revenue Funds	0	0	0	0	575,788	575,788
Capital Project Funds	0	0	(161,865)	941,091	0	779,226
Total Fund Balances	<u>2,224,724</u>	<u>15,726</u>	<u>508,458</u>	<u>1,135,067</u>	<u>1,167,182</u>	<u>5,051,157</u>
Total Liabilities and Fund Balances	<u>\$4,017,767</u>	<u>\$1,049,665</u>	<u>\$758,821</u>	<u>\$1,535,031</u>	<u>\$2,130,133</u>	<u>\$9,491,417</u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

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

AS OF DECEMBER 31, 2006

Total Governmental Fund Balance	\$5,051,157
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	16,624,263
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	1,242,035
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In the statement of net assets, interest is accrued, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.	(15,504)
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Some liabilities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.	(624,013)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(4,512,000)</u>
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Net Assets of Governmental Activities	<u><u>\$17,765,938</u></u>
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See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

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

FOR THE YEAR ENDED DECEMBER 31, 2006

	GENERAL	STREET IMPROVEMENT	OTHER CAPITAL EXPENDITURES	HALF PERCENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
Local Taxes	\$5,218,805	\$0	\$0	\$1,561,427	\$94,187	\$6,874,419
Special Assessments	0	0	0	17,835	84,355	102,190
Charges for Services	263,853	0	103,397	0	64,564	431,814
Intergovernmental	560,685	15,562	0	0	629,138	1,205,385
Investment Earnings	43,541	0	0	49,748	8,104	101,393
Fines & Forfeitures	204,637	0	0	0	15,270	219,907
License & Permits	49,303	0	0	0	0	49,303
Other Revenue	206,979	0	0	0	15,984	222,963
Total Revenues	6,547,803	15,562	103,397	1,629,010	911,602	9,207,374
EXPENDITURES:						
General Government	1,457,867	0	0	0	0	1,457,867
Security of Persons	4,137,148	0	0	0	318,384	4,455,532
Leisure Time Activities	611,644	0	0	0	106,193	717,837
Community Environment	420,778	504,678	0	0	322,532	1,247,988
Capital Outlay	0	0	1,294,038	0	76,440	1,370,478
Transportation	0	0	0	0	572,192	572,192
Debt Service:						
Principal	0	0	0	0	283,000	283,000
Interest & Fiscal Charges	0	0	0	0	193,779	193,779
Total Expenditures	6,627,437	504,678	1,294,038	0	1,872,520	10,298,673
Excess (Deficiency) of Revenue Over/(Under) Expenditures	(79,634)	(489,116)	(1,190,641)	1,629,010	(960,918)	(1,091,299)
Other Financing Sources (Uses):						
Loan Proceeds	0	0	0	0	20,516	20,516
Transfers-In	0	439,919	1,665,045	0	1,042,133	3,147,097
Transfers-Out	(268,979)	0	0	(2,947,661)	0	(3,216,640)
Total Other Financing Sources (Uses)	(268,979)	439,919	1,665,045	(2,947,661)	1,062,649	(49,027)
Net Change in Fund Balance(Deficit)	(348,613)	(49,197)	474,404	(1,318,651)	101,731	(1,140,326)
Fund Balance - Beginning of Year	2,573,337	64,923	34,054	2,453,718	1,065,451	6,191,483
Fund Balance - End of Year	\$2,224,724	\$15,726	\$508,458	\$1,135,067	\$1,167,182	\$5,051,157

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 BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2006

Net Change in Fund Balance - Total Governmental Funds **(\$1,140,326)**

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. 454,001

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 653,847

In the statement of activities, interest is accrued, In governmental funds interest expenditures are reported when due. **(722)**

Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net assets. 283,000

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. **(22,092)**

Change in Net Assets of Governmental Activities **\$227,708**

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL BUDGET</u>
REVENUES:				
Local Taxes	\$5,154,957	\$5,154,957	\$5,445,409	\$290,452
Charges for Services	200,000	200,000	241,816	41,816
Intergovernmental	600,500	600,500	560,400	(40,100)
Investment Earnings	40,000	40,000	40,884	884
Fines & Forfeitures	165,000	165,000	204,637	39,637
Licenses & Permits	35,700	35,700	49,303	13,603
Other Revenue	132,100	132,100	206,979	74,879
Total Revenues	<u>6,328,257</u>	<u>6,328,257</u>	<u>6,749,428</u>	<u>421,171</u>
EXPENDITURES:				
General Government	1,753,359	1,753,359	1,404,756	348,603
Security of Persons	4,232,240	4,232,240	4,101,351	130,889
Leisure Time Activities	693,850	693,850	675,741	18,109
Community Environment	457,250	457,250	414,970	42,280
Total Expenditures	<u>7,136,699</u>	<u>7,136,699</u>	<u>6,596,818</u>	<u>539,881</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(808,442)</u>	<u>(808,442)</u>	<u>152,610</u>	<u>961,052</u>
Other Financing Sources (Uses): Transfers-Out	<u>(340,500)</u>	<u>(340,500)</u>	<u>(268,979)</u>	<u>71,521</u>
Total Other Financing Sources (Uses)	<u>(340,500)</u>	<u>(340,500)</u>	<u>(268,979)</u>	<u>71,521</u>
Net Change in Fund Balance	<u>(1,148,942)</u>	<u>(1,148,942)</u>	<u>(116,369)</u>	<u>1,032,573</u>
Fund Balance - Beginning of the Year	<u>2,141,702</u>	<u>2,141,702</u>	<u>2,141,702</u>	<u>0</u>
Fund Balance - End of the Year	<u><u>\$992,760</u></u>	<u><u>\$992,760</u></u>	<u><u>\$2,025,333</u></u>	<u><u>\$1,032,573</u></u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

AS OF DECEMBER 31, 2006

	Business-Type Activities - Proprietary Funds				
	WATER FUND	SEWER FUND	REFUSE FUND	NONMAJOR POOL FUND	TOTAL PROPRIETARY FUNDS
ASSETS:					
Equity in Pooled Cash & Investments	\$308,602	\$1,238,956	\$68,347	\$2,954	\$1,618,859
Receivables (Net)					
Accounts	317,100	178,206	125,598	0	620,904
Intergovernmental	125,859	0	0	0	125,859
Loan	170,100	0	0	0	170,100
Accrued Interest	2,593	6,905	0	11	9,509
Inventory	33,700	14,900	0	0	48,600
Total Current Assets	957,954	1,438,967	193,945	2,965	2,593,831
Nondepreciable Capital Assets	29,500	24,000	0	0	53,500
Depreciable Capital Assets, Net	5,492,491	638,723	111,211	484,752	6,727,177
Total Assets	6,479,945	2,101,690	305,156	487,717	9,374,508
LIABILITIES:					
Accounts Payable	8,390	12,507	22,194	1,340	44,431
Accrued Wages and Benefits	13,132	13,680	5,014	0	31,826
Accrued Pensions	12,916	15,896	4,899	0	33,711
Deferred Revenue	295,959	0	0	0	295,959
Compensated Absences	1,261	3,472	1,101	0	5,834
Loan Payable Due Within One Year	172,996	0	0	0	172,996
Total Current Liabilities	504,654	45,555	33,208	1,340	584,757
Long-term Liabilities					
Compensated Absences	23,162	77,529	15,929	0	116,620
Loans Payable	3,907,097	0	0	0	3,907,097
Total Liabilities	4,434,913	123,084	49,137	1,340	4,608,474
NET ASSETS:					
Invested in Capital Assets, Net of Debt	1,441,898	662,723	111,211	484,752	2,700,584
Unrestricted	603,134	1,315,883	144,808	1,625	2,065,450
Total Net Assets	\$2,045,032	\$1,978,606	\$256,019	\$486,377	\$4,766,034

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

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

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Business-Type Activities - Proprietary Funds</u>				
	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>REFUSE FUND</u>	<u>NONMAJOR POOL FUND</u>	<u>TOTAL PROPRIETARY FUNDS</u>
Operating Revenues:					
Charges for Services	\$1,372,516	\$738,705	\$638,713	\$168,866	\$2,918,800
Intergovernmental	\$294,855	\$0	\$0	\$0	\$294,855
Other	12,594	11,953	6,956	2,492	33,995
Total Operating Revenues	<u>1,679,965</u>	<u>750,658</u>	<u>645,669</u>	<u>171,358</u>	<u>3,247,650</u>
Operating Expenses:					
Personal Services	638,808	651,837	264,081	94,013	1,648,739
Contractual Services	15,463	151,971	286,673	1,092	455,199
Material and Supplies	121,970	79,255	42,902	49,274	293,401
Utilities	166,544	101,606	0	27,933	296,083
Depreciation	422,837	415,191	31,396	48,363	917,787
Other	4,088	961	0	5,314	10,363
Total Operating Expenses	<u>1,369,710</u>	<u>1,400,821</u>	<u>625,052</u>	<u>225,989</u>	<u>3,621,572</u>
Operating Income (Loss)	<u>310,255</u>	<u>(650,163)</u>	<u>20,617</u>	<u>(54,631)</u>	<u>(373,922)</u>
Non-Operating Revenues(Expense):					
Transfer-In	0	0	0	69,543	69,543
Investment Earnings	8,838	25,813	1,015	151	35,817
Interest Expense	(153,156)	0	0	0	(153,156)
Total Non-Operating Revenues(Expense)	<u>(144,318)</u>	<u>25,813</u>	<u>1,015</u>	<u>69,694</u>	<u>(47,796)</u>
Change in Net Assets	165,937	(624,350)	21,632	15,063	(421,718)
Net Assets Beginning of the Year (Restated)	<u>1,879,095</u>	<u>2,602,956</u>	<u>234,387</u>	<u>471,314</u>	<u>5,187,752</u>
Net Assets End of the Year	<u>\$2,045,032</u>	<u>\$1,978,606</u>	<u>\$256,019</u>	<u>\$486,377</u>	<u>\$4,766,034</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, 2006

	<u>Business-Type Activities - Enterprise Funds</u>				TOTAL PROPRIETARY FUNDS
	WATER FUND	SEWER FUND	REFUSE FUND	NONMAJOR POOL FUND	
Increase (Decrease) in Cash and Cash Equivalents					
Cash Flows from Operating Activities:					
Cash Received from Charges for Services	\$1,369,349	\$746,550	\$638,478	\$168,866	\$2,923,243
Cash Received from Grants	294,855	0	0	0	294,855
Cash Received from Other Operating Services	12,594	11,953	6,956	2,492	33,995
Cash Payments for Personal Services	(663,818)	(643,920)	(260,519)	(94,013)	(1,662,270)
Cash Payments for Contractual Services	(16,422)	(151,460)	(289,899)	(1,025)	(458,806)
Cash Payments for Material and Supplies	(117,748)	(68,057)	(40,232)	(49,274)	(275,311)
Cash Payments for Utilities	(166,544)	(101,606)	0	(27,933)	(296,083)
Cash Payments for Other Expenses	(4,088)	(961)	(223)	(5,314)	(10,586)
Net Cash Provided by (Used in) Operating Activities	<u>708,178</u>	<u>(207,501)</u>	<u>54,561</u>	<u>(6,201)</u>	<u>549,037</u>
Cash Flows from Noncapital Financing Activities:					
Transfers from Other Funds	0	0	0	69,543	69,543
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>69,543</u>	<u>69,543</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition of Capital Assets	(514,491)	(31,720)	(112,500)	(64,543)	(723,254)
Debt Principal Payments	(167,096)	0	0	0	(167,096)
Debt Interest Payments	(153,157)	0	0	0	(153,157)
Net Cash Used for Capital and Related Financing Activities	<u>(834,744)</u>	<u>(31,720)</u>	<u>(112,500)</u>	<u>(64,543)</u>	<u>(1,043,507)</u>
Cash Flows from Investing Activities:					
Interest Earnings	8,124	24,509	1,015	145	33,793
Net Cash Provided by Investing Activities	<u>8,124</u>	<u>24,509</u>	<u>1,015</u>	<u>145</u>	<u>33,793</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(118,442)	(214,712)	(56,924)	(1,056)	(391,134)
Cash and Cash Equivalents at Beginning of the Year	<u>427,044</u>	<u>1,453,668</u>	<u>125,271</u>	<u>4,010</u>	<u>2,009,993</u>
Cash and Cash Equivalents at End of the Year	<u><u>\$308,602</u></u>	<u><u>\$1,238,956</u></u>	<u><u>\$68,347</u></u>	<u><u>\$2,954</u></u>	<u><u>\$1,618,859</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating Income (Loss)	\$310,255	(\$650,163)	\$20,617	(\$54,631)	(\$373,922)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:					
Depreciation	422,837	415,191	31,396	48,363	917,787
(Increase) Decrease in Accounts Receivable	(129,026)	7,845	(235)	0	(121,416)
(Increase) Decrease in Inventory	(700)	(300)	0	0	(1,000)
Increase (Decrease) in Accounts Payable	(3,686)	12,507	(2,346)	67	6,542
Increase (Decrease) in Accrued Wages and Benefits	(1,951)	932	540	0	(479)
Increase (Decrease) in Accrued Pensions	4,351	6,683	2,629	0	13,663
Increase (Decrease) in Deferred Revenue	125,860	0	0	0	125,860
Increase (Decrease) in Compensated Absences	(19,762)	(196)	1,960	0	(17,998)
Total Adjustments	<u>397,923</u>	<u>442,662</u>	<u>33,944</u>	<u>48,430</u>	<u>922,959</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$708,178</u></u>	<u><u>(\$207,501)</u></u>	<u><u>\$54,561</u></u>	<u><u>(\$6,201)</u></u>	<u><u>\$549,037</u></u>

See accompanying notes to the basic financial statements.

CITY OF WEST CARROLLTON
MONTGOMERY COUNTY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

AS OF DECEMBER 31, 2006

	<u>AGENCY FUNDS</u>
ASSETS:	
Segregated Cash & Investments	\$ 32,684
Receivables (Net) Taxes	<u>1,312,013</u>
Total Assets	<u><u>\$ 1,344,697</u></u>
LIABILITIES:	
Deferred Revenue	\$ 692,426
Undistributed Monies	<u>652,271</u>
Total Liabilities	<u><u>\$ 1,344,697</u></u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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 Note 14.

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

B. BASIS OF PRESENTATION

The financial reporting practices of the City conform to accounting principles generally accepted in the United States of America (GAAP) for 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 City has the option to apply FASB Statements and Interpretations issued after November 30, 1989 to its business type and enterprise funds provided they do not contradict GASB pronouncements and has elected not to apply them. The following is a summary of its significant accounting policies:

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Governmental Funds

The City reports the following major governmental funds:

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

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

Other Capital Expenditures Fund – This capital project fund accounts the financial resources to be used for the acquisition or construction of major capital projects.

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

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

Proprietary Funds

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

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

**CITY OF WEST CARROLLTON
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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Water Fund – The water fund accounts for the water treatment and distribution to its residential and commercial users.

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

Refuse Fund – This fund reports the waste collection operation.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City 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, inspection fund, and income tax holding account.

C. BASIS OF ACCOUNTING

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

Government-wide, proprietary and fiduciary fund financial statements measure and report all assets (both financial and capital), liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (see Note 5). Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 4). 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

**CITY OF WEST CARROLLTON
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

can be recognized.

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

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

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

D. BUDGETARY PROCESS

1. Budget

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

2. Estimated Resources

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

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

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

**CITY OF WEST CARROLLTON
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year, as new information becomes available. Appropriations may not exceed estimated resources. Unencumbered appropriations lapse at the end of the fiscal year. The amounts reported in the General Fund appropriations represent the final appropriations approved by City Council. As a matter of legal level of budgetary control, the appropriations ordinance generally controls expenditures at the department level for the general fund and the fund level for all other funds.

4. Encumbrances

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

5. Budgetary Basis of Accounting

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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The following table summarizes the adjustment necessary to reconcile the GAAP basis statement (as reported in the fund financial statements) to the budgetary basis statements for the general fund.

Net Change in Fund Balances

	<u>General Fund</u>
Budget Basis	\$ (116,369)
Net Adjustment for revenue	(201,625)
Net Adjustment for expenditure	(30,619)
Net Adjustment for other financing source	<u>0</u>
GAAP Basis	<u>\$ (348,613)</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 assets, investments with original maturities of three months or less are considered to be cash and cash equivalents.

F. INVENTORY

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

G. CAPITAL ASSETS

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

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

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

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

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

H. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgements, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

I. COMPENSATED ABSENCES

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

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

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

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

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

K. FUND BALANCE RESERVES

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

L. NET ASSETS

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

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

M. ESTIMATES

The preparation of the financial statements in conformity with 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.

**CITY OF WEST CARROLLTON
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

N. PREPAID ITEMS

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

O. EXTRAORDINARY AND SPECIAL ITEMS

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the current year.

2. ACCOUNTABILITY AND COMPLIANCE

Restating December 31, 2005 Net Assets

The December 31, 2005 Net Assets were restated to capitalize prior year infrastructure in compliance with GASB 34 which had the following impact:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Total Net Assets Previously Reported	\$ 13,325,653	\$ 5,029,580
Capitalization of Infrastructure	<u>4,212,577</u>	<u>158,172</u>
Restated Net Assets	<u>\$ 17,538,230</u>	<u>\$ 5,187,752</u>

3. POOLED CASH AND INVESTMENTS

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

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

**CITY OF WEST CARROLLTON
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The Director of Finance may invest on behalf of and in the name of the City in the following instruments:

A. Government Securities

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

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

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

C. Repurchase Agreements and Reverse Purchase Agreements

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

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

D. Money Market Funds

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

E. Now Accounts

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

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

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository with which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in an amount equal to at least 110% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. STAR Ohio is a collateralized investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006.

Deposits: At year-end, the carrying amount of the City's cash and deposits was \$770,678. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure", as of December 31, 2006 \$1,163,436 of the City's \$1,363,436 bank balance was exposed to custodial risk as discussed below. The \$200,000 difference was covered by Federal Deposit Insurance. The remaining balance was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by third party trustees pursuant to Section 135.81, Ohio Revised Code, in single institution collateral pools securing all public funds on deposit with specific depository institutions.

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned.

As of December 31, 2006 the City had the following investments and maturities.

<u>Investment Type</u>	<u>Carrying/ Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>1 to 3</u>
Money Market Funds	\$ 128,021	\$ 128,021	
Star Ohio	322,431	322,431	
Certificates of Deposit	3,250,000	3,250,000	
Government Obligations	<u>1,905,415</u>	<u>768,728</u>	<u>\$ 1,136,687</u>
Total	<u>\$ 5,605,867</u>	<u>\$ 4,469,180</u>	<u>\$ 1,136,687</u>

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

**CITY OF WEST CARROLLTON
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Credit Risk: At year-end, all of the rated investments were listed as "A" or better. The cash and investments carrying value total \$6,396,227, including agency funds, as of December 31, 2006.

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

4. PROPERTY TAX

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the City. Property taxes are levied each December 31 on the assessed value listed as of the prior December 31. Assessed values are established at 35% of true value for real property, 100% of true value for public utility property, and 18.75% of true value for tangible property (excluding the first \$10,000 of value). Per House Bill 66 tangible personal property tax is being phased out reducing the assessment percentage for property, excluding inventory, to 12.5% for 2007 and 6.25% for the final year in 2008. Property market values are required to be updated every three years and revalued every six years. A revaluation was completed in 2003.

The tax rate applied to all real property for the fiscal year ended December 31, 2006 was \$2.74 per \$1,000 of assessed valuation. Real property owners' tax bills are reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback deductions is reimbursed to the City by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 2006 was \$2.74 per \$1,000 of assessed valuation.

The assessed values per category are as follows:

Real Estate	\$203,257,440
Public Utilities	20,290
Public Utilities Personal Property	5,645,570
Tangible Personal Property	<u>27,613,954</u>
Total Valuation	<u>\$236,537,254</u>

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

5. LOCAL INCOME TAX

This locally levied tax of 2.0 percent applied to gross salaries, wages and other personal service compensation earned by residents both in and out of the City and to earnings of nonresidents (except certain transients) earned in the City. It also applied to net income of business organizations conducted within the City. In 2006, tax receipts net of refunds amounted to \$6,457,779 of which \$4,843,334 was recorded in the General Fund and \$1,614,445 was recorded in the One Half Percent Tax Fund for use in various capital improvements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

6. RECEIVABLES

Receivables at year end, consisted primarily of income and property taxes, special assessments, accounts (billings for user charged services), intergovernmental receivables arising from grants, entitlements, and shared revenue. Receivables have been reported to the extent that they are both measurable and available at December 31, 2006 as well as intended to finance fiscal 2006 operations.

A summary of the receivables is as follows:

<u>Governmental Funds</u>	<u>General</u>	<u>Street Improvement</u>	<u>Other Capital Expenditures</u>	<u>Half % Tax</u>	<u>Nonmajor</u>
Taxes	\$ 1,512,321	\$ 0	\$ 0	\$ 328,003	\$102,051
Accounts	100,263	0	0	0	0
Intergovernmental	350,091	1,033,939	87,555	0	433,169
Special Assessments	0	0	0	0	483,705
Loans	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>68,737</u>
Total	<u>\$ 1,962,675</u>	<u>\$ 1,033,939</u>	<u>\$ 87,555</u>	<u>\$ 328,003</u>	<u>\$ 1,087,662</u>

<u>Proprietary Funds</u>	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>
Accounts	\$ 317,100	\$ 178,206	\$ 125,598
Intergovernmental	125,859	0	0
Loan	<u>170,100</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 613,059</u>	<u>\$ 178,206</u>	<u>\$ 125,363</u>

7. LOANS RECEIVABLE

The City established a fund to provide low-interest loans for housing rehabilitation. The loans are payable in installments for up to 15 years. The program is administered by County Corp based on a criteria set by City Council.

8. INTERFUND TRANSACTIONS

Interfund Transfers

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

Transfers to Nonmajor Governmental Funds from:

General Fund \$ 199,436

Transfers to the Nonmajor Pool Fund from:

General Fund \$ 69,543

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

Transfer to the Other Capital Fund from:

Half Percent Tax Fund	\$ 1,665,045
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Transfer to the Street Improvement Fund from:

Half Percent Tax Fund	\$ 439,919
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Transfer to the Nonmajor Funds from:

Half Percent Tax Fund	\$ 842,697
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All transfers were legal and in compliance with the Ohio Revised Code. The two most significant transfers during the year were from the Half Percent Tax Fund. The top three were to the Other Capital Fund (\$166,204) for capital projects, Street Improvement Fund (\$439,919) for street projects, and the Debt Service Fund (\$427,386) for the YMCA loan payment.

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Half Percent Tax Fund	Nonmajor – Special Assessment Fund	\$ 32,881

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 2007. The amount due after 2007 is reported in advances to/from noted below.

Advances To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Half Percent Tax Fund	Nonmajor – Special Assessment Fund	\$ 193,973

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 2007. The amount due in 2007 is reported in due to/from noted above.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

9. CAPITAL ASSETS

A summary of capital asset activity for the year ended December 31, 2006, was as follows:

Governmental Activities

Category	Cost Balance As of 1/1/06	Additions	Deletions	Accumulated Depreciation	Net Balance As of 12/31/06
Land	\$2,328,133	\$ 1,000	\$ 0	\$ 0	\$2,329,133
Building and Improvements	11,853,689	4,645	0	(4,938,847)	6,919,487
Machinery and Equipment	4,369,159	516,533	(227,433)	(3,634,032)	1,024,227
Infrastructure	12,350,286	426,580	0	(7,437,003)	5,339,863
Construction In Progress		1,011,553			1,011,553
Total	\$30,901,267	\$ 1,960,311	(\$227,433)	(\$16,009,738)	\$16,624,263

Governmental Activities

Category	Accumulated Depreciation Balance As of 1/1/06	Depreciation	Disposals	Accumulated Depreciation Balance As of 12/31/06
Building and Improvements	\$ 4,400,415	\$ 538,432	\$ 0	\$ 4,938,847
Machinery and Equipment	3,524,858	336,607	(227,433)	3,634,032
Infrastructure	6,805,732	631,271	0	7,437,003
Total	\$ 14,731,005	\$1,506,310	(\$227,433)	\$16,009,882

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

Governmental Activities depreciation expense was charged as follows:

General Government	\$ 355,160
Public Safety	403,895
Leisure Time Activities	57,291
Community Development	6,517
Transportation	<u>683,447</u>
 Total	 <u>\$ 1,506,310</u>

Business-Type Activities

Category	Cost Balance As of 1/1/06	Additions	Deletions	Accumulated Depreciation	Net Balance As of 12/31/06
Land	\$ 53,500	\$ 0	\$ 0	\$ 0	\$ 53,500
Building and Improvements	13,227,848	63,193	(70,711)	(7,975,739)	5,315,302
Machinery and Equipment	1,698,768	168,353	0	(1,492,200)	304,210
Infrastructure	8,567,160	491,708	0	(7,951,203)	1,107,665
 Total	 <u>\$23,547,276</u>	 <u>\$723,254</u>	 <u>(\$70,711)</u>	 <u>(\$17,419,142)</u>	 <u>\$6,780,677</u>

Category	Accumulated Depreciation Balance As of 1/1/06	Depreciation	Disposals	Accumulated Depreciation Balance As of 12/31/06
Building and Improvements	\$ 7,251,644	\$ 724,095	\$ 0	\$ 7,975,739
Machinery and Equipment	1,450,168	112,743	(70,711)	1,492,200
Infrastructure	7,870,254	44,561	0	7,951,203
 Total	 <u>\$ 16,572,066</u>	 <u>\$ 917,787</u>	 <u>\$ (70,711)</u>	 <u>\$ 17,419,142</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

Business-Type depreciation expense was charged as follows:

Water	\$ 422,837
Sewer	415,191
Pool	48,363
Refuse	<u>31,396</u>
Total	<u>\$ 917,787</u>

10. INSURANCE

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. In 1989, the City joined the Miami Valley Risk Management Association, Inc. (MVRMA, Inc.), a joint insurance pool. The pool consists of twenty municipalities who pool risk for property, liability (third party, general, police professional and automobile), boiler and machinery, and public official liability. The City now pays an annual premium to MVRMA, Inc. for this coverage. The agreement provides that the MVRMA, Inc. will be self-sustaining through member premiums and will purchase excess and stop-loss insurance. The deductible per occurrence for all types of claims is \$2,500.

Property	\$ 350,000,000 per occurrence
General Liability	\$ 10,000,000 per occurrence
Crime	\$ 1,000,000 per occurrence
Boiler and Machinery	\$ 100,000,000 per occurrence
Public Officials Liability	\$ 10,000,000 per occurrence

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

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

11. EMPLOYEES RETIREMENT SYSTEM

A. Ohio Public Employees' Retirement System (OPERS)

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides basic retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to established and amended benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to the Ohio Public Employees' Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800)222-7377.

Plan members, other than those engaged in law enforcement, are required to contribute 9 percent of their annual-covered salary to fund pension obligations and the City is required to contribute 13.70 percent. Contributions are authorized by state statute and determined actuarially. The City's payments to OPERS for the years ended December 31, 2006, 2005 and 2004, were \$398,784, \$384,157, and \$363,110, respectively. 100% has been contributed for all three years.

B. Police and Firemen's Disability and Pension Fund

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

Police and firefighters are required to contribute 10 percent of their annual-covered salary, while the City is required to contribute 19.5 percent for the police and 24 percent for the firefighters. Contributions are authorized by state statute. An actuary, however, is used to determine the actuarial implications of the statutory requirements. The City's required contributions to the Fund for police and firefighters for the year ended December 31, 2006, 2005, and 2004 were \$455,268, \$425,457 and \$416,216, respectively. 79% of the required contribution for 2006 was made with the balance being paid timely in 2007 reported as a liability.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

12. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. Ohio Public Employees' Retirement System (OPERS)

The Ohio Public Employees' Retirement System provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional and combined plans is set aside for the funding of post-retirement health care based on authority granted by State statute. Of the 13.70 percent employer contribution, 4.5 percent is used to fund health care, which amounted to \$130,987.

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5%, an annual increase in active employee total payroll of 4% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4%) plus an additional factor ranging from .5% to 6% for the next nine years. In subsequent years, (10 and beyond) health care costs were assumed to increase at 4%.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of the unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

The significant assumption and calculations described below were as of December 31, 2005 based on OPERS latest information after an actuarial review. There were 358,804 active contributing participants. OPERS actuarially determined as of December 31, 2005 net assets available for OPEB's of \$11.1 billion and an accrued liability of \$31.3 billion. This generates an unfunded liability of \$20.2 billion. Benefits are financed through employer contributions and investment earnings there on.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2007, which will allow additional funding to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
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The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage stating that health care cost paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total employer contribution rates are 19.5 percent and 24 percent for police and fire respectively, of which 7.75 percent of covered payroll is applied to the post-employment health care program during 2005 and 2006. The portion of the current year City contribution that was used to fund post-employment benefits totaled \$168,016. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

As of December 31, 2005, the number of participants eligible to receive health care benefits was 13,922 for police and 10,537 for fire. Funding and accounting are on a pay-as-you-go basis. The OPFPF does not provide separate data on the funded status and funding progress of post-employment health care benefits. The Fund's total health care expenses for the year ended December 31, 2005 (latest available information) were \$108,039,449, which was net of member contributions of \$55,271,881.

13. GENERAL LONG-TERM DEBT OBLIGATIONS

Governmental Activities:	Interest <u>Rate</u>	Issue <u>Date</u>	Maturity <u>Date</u>	Balance <u>12/31/05</u>	Increase <u>(Decrease)</u>	Balance <u>12/31/06</u>	Due Within <u>One Year</u>
Marina Drive	7.375%	5-1-90	12-1-10	50,000	(8,000)	42,000	9,000
Gargrave Road	6.875%	6-1-91	12-1-11	110,000	(15,000)	95,000	15,000
Infirmary Road	6.050%	9-1-92	12-1-12	85,000	(10,000)	75,000	10,000
YMCA Bonds	4.175%	7-1-04	12-1-19	4,550,000	(250,000)	4,300,000	265,000
Comp Absences additions					280,161		
Compensated Absences				<u>691,523</u>	<u>(263,579)</u>	<u>708,105</u>	<u>354,203</u>
Total Governmental Activities Long-Term Debt				<u>5,486,523</u>	<u>(266,418)</u>	<u>5,220,105</u>	<u>653,203</u>
Business-Type Activities:							
Water Plant Loan	3.50%	12-31-04	7-1-24	4,247,189	(167,096)	4,080,093	172,996
Comp Absences additions					32,208		
Compensated Absences				<u>140,453</u>	<u>(50,207)</u>	<u>122,454</u>	<u>5,834</u>
Total Business-Type Activities				<u>4,387,642</u>	<u>(185,095)</u>	<u>4,202,547</u>	<u>178,830</u>
Grand Total				<u>\$9,874,165</u>	<u>(\$451,513)</u>	<u>\$9,422,652</u>	<u>\$ 832,033</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
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Special assessment bonds consist of street improvement projects which are payable from the proceeds of tax assessments against individual property owners. These special assessments are obligations of the City payable from proceeds of special assessments.

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

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

The City records accumulated unpaid vacation and vested sick leave benefits as accrued payroll when earned by employees. For governmental funds, the portion of the liability which is not currently due and payable is recorded in the governmental activities within the statement of net assets; while this liability is recorded within the respective proprietary funds. Employees earn vacation time at varying rates depending upon length of service. The City recognizes as a liability, all of the accumulated sick leave benefits payable upon retirement, earned by vested employees, which exceed certain levels as determined by city policy or union contract for employees with fifteen years of service or more. For governmental fund, compensated absences increased \$280,161 and decreased \$263,579 for a net increase of \$16,582. For business type activities, compensated absences increased \$32,208 and decreased by \$50,207 for a net decrease of \$17,999.

The annual requirements of general governmental revenues to pay principal and interest on the long-term debt at December 31, 2006 are as follows:

<u>Year Ending December 31</u>	<u>Special Assessment Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2007	34,000	14,167
2008	40,000	11,866
2009	41,000	8,360
2010	47,000	6,358
2011	35,000	3,190
2012	<u>15,000</u>	<u>907</u>
Total	<u>\$ 212,000</u>	<u>\$ 44,848</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2007	265,000	171,886
2008	275,000	163,936
2009	280,000	154,999
2010	290,000	145,199
2011	300,000	134,324
2012	310,000	122,324
2013	325,000	109,924
2014	340,000	96,111
2015	350,000	81,661
2016	365,000	67,224
2017	385,000	51,711
2018	400,000	35,156
2019	<u>415,000</u>	<u>18,156</u>
Total	<u>\$ 4,300,000</u>	<u>\$ 1,352,611</u>
<u>Year Ending December 31</u>	<u>Water Softening Plant Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2007	172,996	147,256
2008	179,104	141,148
2009	185,428	134,825
2010	191,975	128,278
2011	198,752	121,500
2012	205,770	114,483
2013	213,035	107,218
2014	220,556	99,697
2015	228,343	91,910
2016	236,405	83,848
2017	244,752	75,501
2018	253,393	66,860
2019	262,339	57,913
2020	271,602	48,651
2021	281,191	39,062
2022	291,118	29,134
2023	301,397	18,856
2024	<u>141,937</u>	<u>8,215</u>
Total	<u>\$ 4,080,093</u>	<u>\$ 1,352,611</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

14. JOINTLY-GOVERNED ORGANIZATION

The City is a member of the Miami Valley Risk Management Association (MVRMA) which is a jointly governed organization established as a joint insurance pool. As of December 31, 2006, the pool had twenty members. This organization covers all property, crime, liability, boiler and machinery and public liability insurance. It is intended to provide broad based coverage up to the limits stated in note 10, with increased emphasis on safety and loss prevention and to create an opportunity for other local governments to participate.

MVRMA is a corporation governed by a seventeen-member board of trustees, consisting of a representative appointed by each of the member cities. The board of trustees elects the officers of the corporation, with each trustee having a single vote. The board is responsible for its own financial matters, and the corporation maintains its own book of account. Budgeting and financing of MVRMA is subject to the approval of the board. As of December 31, 2006, 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, 2005 (latest available):

Assets	<u>\$ 10,526,113</u>
Liabilities	<u>6,050,268</u>
Net Assets	<u>4,475,845</u>
Revenues	4,307,934
Expenses	<u>2,278,005</u>
Change in Net Assets	2,029,929
Net Assets – Beginning of Year	<u>2,445,916</u>
Net Assets – End of Year	<u>\$ 4,475,845</u>

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

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

The legislative and advisory body is the assembly that is comprised of one delegate from each participating public subdivision. The degree of control exercised by any participating public subdivision is limited to its representation on the assembly, which elects the board of directors. The board of directors' exercises total control over the operation of the Alliance including budgeting, appropriating, contracting, and designating management and significant management control over CareNOW, a billing agent organized to manage health care costs. The five member board of directors consists of: one full-time and one volunteer fire department representative; two representatives from combined fire departments; and one representative from the City of Dayton fire department. Revenues are generated from Federal and State funding and an annual fee of \$ 0.24 per capita charged to participating subdivisions. The City paid \$3,409 to the Miami Valley Fire/EMS Alliance during 2006.

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

15. CONSTRUCTION AND COMMITMENTS

At December 31, 2006, the City had the following contractual commitment:

	<u>Remaining Commitment</u>
Police Department Renovation	\$ 469,450

This project will be completed in 2007.

16. CONTINGENCIES

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



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

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

We have audited the financial statements of the City of West Carrollton as of and for the year ended December 31, 2006, and have issued our report thereon dated May 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of West Carrollton's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of West Carrollton's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of West Carrollton's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of West Carrollton's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of West Carrollton's financial statements that is more than inconsequential will not be prevented or detected by the City of West Carrollton's internal control.

Members of Council and Mayor
City of West Carrollton

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of West Carrollton's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of West Carrollton in a separate letter dated May 31, 2007.

This report is intended solely for the information and use of management, the Council of the City of West Carrollton, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.
May 31, 2007



Mary Taylor, CPA
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
JULY 31, 2007**