



Dave Yost • Auditor of State

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Mayor and City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Carrollton, Montgomery County, Ohio (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Carrollton, Montgomery County, Ohio, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and Special Assessment Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, during the year ended December, 31, 2013, the City adopted the provisions of Governmental Accounting Standard No. 65, *Items Previously Reported as Assets and Liabilities*. Additionally, as discussed in Note 17 to the financial statements, the January 1, 2013 net position and fund balances were restated. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

September 16, 2014

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section provides an overview of the City's financial activities for the year ended December 31, 2013.

FINANCIAL HIGHLIGHTS

The City's total net position increased \$733,290 in 2013.

The general fund reported a net decrease in fund balance of \$423,018.

USING THIS ANNUAL FINANCIAL REPORT

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

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

REPORTING THE CITY AS A WHOLE

Statement of Net Position and the Statement of Activities

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

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

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

- ◆ **Governmental Activities** – Most of the City's services are reported here including police, fire, street maintenance, parks and recreation, and general administration. Income tax, property tax, and 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
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)
(Continued)**

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial statements provide detailed information about the City's major funds, not the City as a whole. An analysis of the City's major funds is presented later in the Management's Discussion and Analysis. Some funds are required by State law and bond covenants. Other funds may be established by the Finance Director, with approval of council, to help control, manage and report money received for a particular purpose. The City's major funds in 2013 are General, Special Assessments, Street Improvement, 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 Mayor's Court, Bonds Returnable and Inspection Funds. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY AS A WHOLE

As previously stated, the Statement of Net Position looks at the City as a whole. The following tables provides a summary of the City's net position and changes in net position first as a whole and then broken down between governmental and business-type activities for 2013 and 2012.

Net Position		
	2013	2012 Restated
Assets:		
Current and Other Assets	\$10,732,156	\$10,525,935
Capital Assets	25,196,793	24,128,840
Total Assets	35,928,949	34,654,775
Deferred Outflows of Revenues:		
Total Deferred Outflows of Resources	180,000	

(Continued)

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)
(Continued)**

**Net Position
(Continued)**

	2013	2012 Restated
Liabilities:		
Current and Other Liabilities	2,448,164	3,044,169
Long-Term Liabilities	8,263,725	6,844,933
Total Liabilities	<u>10,711,889</u>	<u>9,889,102</u>
Deferred Inflows of Resources:		
Total Deferred Inflows of Resources	<u>998,652</u>	<u>1,100,555</u>
Net Position:		
Net Investments in Capital Assets	16,592,552	15,904,247
Restricted	2,475,922	2,254,287
Unrestricted	5,329,934	5,506,584
Total Net Position	<u>\$24,398,408</u>	<u>\$23,665,118</u>

In 2013 the City's net position increased 3.1%.

Change in Net Position

	2013	2012 Restated
Revenues:		
Program Revenues:		
Charges for Services	\$5,012,332	\$6,124,663
Capital Grants and Contributions	1,114,192	264,894
Operating Grants and Contributions	455,212	235,866
Total Program Revenues	<u>6,581,736</u>	<u>6,625,423</u>
General Revenues:		
Income Taxes	5,814,501	5,192,306
Property Taxes	1,212,597	944,792
Other Local Taxes	215,585	
Grants and Entitlements Not Restricted	416,810	236,555
Investment Earnings	46,996	25,846
Other Revenue	316,372	283,701
Total General Revenues	<u>8,022,861</u>	<u>6,683,200</u>
Total Revenues	<u>14,604,597</u>	<u>13,308,623</u>
Program Expenses:		
General Government	981,830	856,611
Public Safety	5,577,158	5,244,758
Leisure Time Activities	735,825	697,911
Community Environment	1,153,146	2,557,853
Transportation	1,567,422	608,244
Interest and Fiscal Charges	56,730	150,971
Water	1,605,845	1,705,842
Sewer	1,215,690	1,249,427
Refuse	746,424	724,441
Pool	231,237	232,304
Total Expenses	<u>13,871,307</u>	<u>14,028,362</u>
Net Increase (Decrease) in Net Position	<u>\$733,290</u>	<u>(\$719,739)</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)
(Continued)**

Revenues increased 9.7% mainly due to income tax, property tax, other local taxes and grants. Expenses decreased slightly by 1.1%.

Governmental Activities

Net Position		
	2013	2012 Restated
Assets:		
Current and Other Assets	\$7,277,709	\$6,869,776
Capital Assets	19,371,653	19,488,033
Total Assets	26,649,361	26,357,809
Deferred Outflows of Resources:		
Total Deferred Outflows of Resources	180,000	
Liabilities:		
Current and Other Liabilities	3,160,381	2,649,237
Long-Term Liabilities	3,151,096	3,604,480
Total Liabilities	6,311,477	6,253,717
Deferred Inflows of Resources:		
Total Deferred Inflows of Resources	998,652	1,100,555
Net Position:		
Net Investment in Capital Assets	14,984,980	14,680,988
Restricted	2,475,922	2,254,287
Unrestricted	2,058,330	2,068,262
Total Net Position	\$19,519,232	\$19,003,537

Governmental Activities' net position increased 2.7% in 2013.

Change in Net Position		
	2013	2012 Restated
Revenues:		
Program Revenues:		
Charges for Services and Sales	\$1,059,627	\$1,993,661
Capital Grants and Contributions	1,114,192	264,894
Operating Grants and Contributions	455,212	235,866
Total Program Revenues	2,629,031	2,494,421
General Revenues:		
Income Taxes	5,814,501	5,192,306
Property Taxes	1,212,597	944,792
Other Local Taxes	215,585	
Grants and Entitlements Not Restricted	416,810	236,555
Investment Earnings	22,927	13,936
Other Revenue	316,372	283,701
Transfers – Internal Activities	(40,017)	(10,000)
Total General Revenues and Transfers	7,958,775	6,661,290
Total Revenues	10,587,806	9,155,711

(Continued)

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)
(Continued)**

**Change in Net Position
(Continued)**

	2013	2012 Restated
Program Expenses:		
General Government	981,830	856,611
Public Safety	5,577,158	5,244,758
Leisure Time Activities	735,825	697,911
Community Environment	1,153,146	2,557,853
Transportation	1,567,422	608,244
Interest and Fiscal Charges	56,730	150,971
Total Expenses	<u>10,072,111</u>	<u>10,116,348</u>
Change in Net Position	515,695	(960,637)
Beginning Net Position (Restated)	<u>19,003,537</u>	<u>19,964,174</u>
Ending Net Position	<u>\$19,519,232</u>	<u>\$19,003,537</u>

Total revenues increased 15.64% for the most part due to grants, income tax, property tax and other local taxes. The largest revenue stream, income tax, improved in part due to corporate tax component increasing. Income tax was \$5,814,501 representing 54.9% of total revenue compared to 56.7% in 2012. Total expenses decreased .4%. The transfer-out in 2013 came from the general fund to provide resources for the pool operation in the business-type activities.

Program Expenses Percentage breakdown:

	2013		2012 Restated	
General Government	\$981,830	9.7%	\$856,611	8.5%
Public Safety	5,577,158	55.4%	5,244,758	51.8%
Leisure Time Activities	735,824	7.3%	697,911	6.9%
Community Environment	1,153,146	11.4%	2,557,853	25.3%
Transportation	1,567,422	15.6%	608,244	6.0%
Interest and Fiscal Charges	56,730	.6%	150,971	1.5%
Totals	<u>\$10,072,111</u>	<u>100%</u>	<u>\$10,116,348</u>	<u>100%</u>

The largest program expense is Public Safety at 55.4% which primarily represents the operation of the police and fire departments. These expenses were partially funded by \$290,087 in direct charges to users of service.

	Total Cost of Services 2013	Net Expense 2013	Total Cost of Services 2012 Restated	Net Expense (Revenue) 2012 Restated
Program Expenses:				
General Government	\$981,830	\$644,753	\$856,611	\$805,624
Public Safety	5,577,158	5,284,719	5,244,758	4,700,479
Leisure Time Activities	735,824	648,979	697,911	639,291
Community Environment	1,153,146	479,501	2,557,853	1,584,953
Transportation	1,567,422	328,398	608,244	(259,392)
Interest and Fiscal Charges	56,730	56,730	150,971	150,971
Total	<u>\$10,072,111</u>	<u>\$7,443,080</u>	<u>\$10,116,348</u>	<u>\$7,621,927</u>

As detailed in the above table, the programs are 74% and 75% dependent on general revenues for 2013 and 2012 respectively.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)
(Continued)**

Business-Type Activities

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

Net Position		
	2013	2012 Restated
Assets:		
Current and Other Assets	\$3,454,447	\$3,656,159
Capital Assets	5,825,141	4,640,807
Total Assets	9,279,588	8,296,966
Liabilities:		
Current and Other Liabilities	284,620	394,932
Long-Term Liabilities	4,115,792	3,240,453
Total Liabilities	4,440,412	3,635,385
Net Position:		
Net Investment in Capital Assets	1,607,572	1,223,259
Unrestricted	3,271,604	3,438,322
Total Net Position	\$4,879,176	\$4,661,581

In 2013 the Business-Type Activities' net position increased \$217,595 (4.7%).

Change in Net Position		
	2013	2012 Restated
Revenues:		
Program Revenues:		
Charges for Services	\$3,952,705	\$4,131,002
Total Program Revenues	3,952,705	4,131,002
General Revenues:		
Investment Earnings	24,069	11,910
Transfers – Internal Activities	40,017	10,000
Total General Revenues and Transfers	64,086	21,910
Total Revenues	4,016,791	4,152,912
Program Expenses:		
Water	1,605,845	1,705,842
Sewer	1,215,690	1,249,427
Refuse	746,424	724,441
Non-major – Pool	231,237	232,304
Total Expenses	3,799,196	3,912,014
Changes in Net Position	\$217,595	\$240,898

Business-Type operations had \$4,016,791 total revenues against \$3,799,196 of total expense in 2013. Most of the 3.3% decrease in revenues was created from a decrease utility usage. Expenses also decreased 2.9%.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)
(Continued)**

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

The City's governmental funds reported a combined fund balance of \$2,173,992 and \$2,451,329 in 2013 and 2012 respectively. The schedule below shows the fund balances and the total change in fund balances as of December 31, 2013 for all major and non-major governmental funds.

	2013	2012 Restated
Major Funds:		
General	\$771,254	\$1,194,272
Special Assessment Fund	(286,414)	(351,171)
Street Improvement Fund	64,027	61,940
Half % Fund	448,486	710,399
Other Non-major Governmental Funds	1,176,639	835,889
Total	\$2,173,992	\$2,451,329

General Fund

The City's general fund balance decreased \$423,018.

	2013	2012 Restated
Revenues:		
Local Taxes	\$5,269,116	\$4,917,784
Intergovernmental	369,314	385,460
Charges for Services	301,644	343,365
Special Assessments	46,764	186,004
Investment Earnings	18,228	11,344
Fines and Forfeitures	337,077	286,398
License and Permits	48,619	58,426
Other	283,039	272,808
Total Revenue	6,673,801	6,461,589
Expenditures:		
General Government	871,785	870,550
Public Safety	4,526,472	4,659,734
Leisure Time Activities	624,569	685,046
Community Environment	519,191	502,973
Total Expenses	\$6,542,017	\$6,718,303

The expenditures decreased 2.6% versus a 3.3% increase in revenue. The increase in revenues was mainly from local taxes. Corporate income tax was up sharply in 2013.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)
(Continued)**

Other Major Funds

The Special Assessment Fund revenue totaled \$130,904 exceeded expenditures of \$66,147 by \$64,757. The 2013 fund balance is now at a deficit of (\$286,414). The deficit represents the amount advanced from the Half Percent Fund to complete curb, gutter, and sidewalk projects.

The Street Improvement Fund's fund balance increase \$2,087 with revenues and transfers-in totaling \$1,447,479 exceeded \$1,445,392 of expenditures. The ending fund balance is now \$64,027.

The Half Percent Fund revenue of \$1,572,428 was out paced by net transfers-out of \$1,834,341 by \$261,913. This decreased the 2013 fund balance to \$448,486.

Budgeting Highlights

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

In the general fund, the actual revenues of \$6,687,428 were less than the final budget of \$7,762,551 by \$1,075,123. The general fund final expenditures and transfers-out budget increased \$275,000 over the original budget. Overall actual expenditures of \$7,017,270 were less than the final budget of \$9,012,867 by \$1,995,597. The overall net positive variance, including transfers totaled \$957,299.

Proprietary Funds

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

The Water Fund operating revenue of \$1,702,188 exceeded operating expenses of \$1,466,719 producing operating income of \$235,469. After factoring in non-operating activity, net position increased \$104,896 from \$1,956,464 in 2012 to \$2,061,360 in 2013.

The Sewer Fund Net Position rose \$97,883 from \$1,966,273 to \$2,064,156. Operating income totaled \$85,142 and investment earnings were \$12,741.

The Refuse Fund operating revenues of \$824,963 outpaced expenses of \$746,424 generating an operating income of \$78,539. After including investment earnings totaling \$2,671, net position increased \$81,210 to \$586,416 in 2013 from \$505,206 in 2012.

CAPITAL ASSETS

A two-year comparison of capital asset balances, net of accumulated depreciation, for 2013 and 2012 are as follows:

	2013	2012
Governmental Activities:		
Land	\$4,823,484	\$4,695,276
Building and Improvements	5,579,473	5,951,798
Machinery and Equipment	1,516,023	1,866,226
Infrastructure	7,452,672	6,974,733
Total	19,371,652	19,488,033

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**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)
(Continued)**

	2013	2012
Business-Type Activities:		
Land	53,500	53,500
Building and Improvements	2,854,460	3,186,676
Machinery and Equipment	595,322	131,149
Infrastructure	2,321,859	1,269,482
Total	\$5,825,141	\$4,640,807
	2013	2012
City as a Whole	\$25,196,793	\$24,128,840

A detailed summary of capital asset activity for the year ended December 31, 2013 is disclosed in note 8.

Debt Administration

	2013	2012
Short-Term	\$1,380,000	\$1,394,000
Long-Term:		
Governmental Activities	3,972,883	4,248,839
Business-Type Activities	4,290,842	3,491,949
Total	8,263,725	7,740,788
Due Within One Year	\$996,837	\$895,855

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

Contacting the City's Financial Management

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

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**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2013**

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Equity in Pooled Cash & Investments	\$3,168,875	\$2,743,504	\$5,912,379
Receivables (Net):			
Taxes	2,273,390		2,273,390
Accounts	40,769	670,332	711,101
Intergovernmental	1,115,840		1,115,840
Special Assessments	637,486		637,486
Loan	33,413		33,413
Accrued Interest	4,178	4,851	9,029
Prepaid Items	3,758		3,758
Inventory		35,760	35,760
Non-depreciable Capital Assets	4,823,484	53,500	4,876,984
Depreciable Capital Assets, Net	14,548,168	5,771,641	20,319,809
Total Assets	<u>26,649,361</u>	<u>9,279,588</u>	<u>35,928,949</u>
Deferred Outflows of Resources:			
Loss on Refunding	<u>180,000</u>		<u>180,000</u>
Liabilities:			
Accounts Payable	475,749	18,739	494,488
Accrued Wages and Benefits	378,533	68,898	447,431
Accrued Pensions	101,331	21,933	123,264
Accrued Interest	2,981		2,981
Note Payable	1,380,000		1,380,000
Long-term Liabilities:			
Due Within One Year	821,787	175,050	996,837
Due In More Than One Year	<u>3,151,096</u>	<u>4,115,792</u>	<u>7,266,888</u>
Total Liabilities	<u>6,311,477</u>	<u>4,400,412</u>	<u>10,711,889</u>
Deferred Inflows of Resources:			
Property Taxes	<u>998,652</u>		<u>998,652</u>
Net Position:			
Net Investment in Capital Assets	14,984,980	1,607,572	16,592,552
Restricted for:			
Capital Projects	704,399		704,399
Public Safety	67,364		67,364
Community Development	696,477		696,477
Transportation	1,007,682		1,007,682
Unrestricted	2,058,330	3,271,604	5,329,934
Total Net Position	<u>\$19,519,232</u>	<u>\$4,879,176</u>	<u>\$24,398,408</u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Program Revenues			Net Revenue (Expense) and Changes in Net Position			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Government Activities:							
General Government	\$981,830	\$337,077			(\$644,753)		(\$644,753)
Public Safety	5,577,158	290,087		\$2,352	(5,284,719)		(5,284,719)
Leisure Time Activities	735,825	28,939	18,429	39,478	(648,979)		(648,979)
Community Environment	1,153,146	375,024	63,217	235,404	(479,501)		(479,501)
Transportation	1,567,422	28,500	373,566	836,958	(328,398)		(328,398)
Interest and Fiscal Charges	56,730				(56,730)		(56,730)
Total Government Activities	<u>10,072,111</u>	<u>1,059,627</u>	<u>455,212</u>	<u>1,114,192</u>	<u>(7,443,080)</u>		<u>(7,443,080)</u>
Business-Type Activities							
Water	1,605,845	1,702,188				\$96,343	96,343
Sewer	1,215,690	1,300,832				85,142	85,142
Refuse	746,424	824,963				78,539	78,539
Pool	231,237	124,722				(106,515)	(106,515)
Total Business-Type Activities	<u>\$3,799,196</u>	<u>\$3,952,705</u>				<u>153,509</u>	<u>153,509</u>
Totals	<u>\$13,871,307</u>	<u>\$5,012,332</u>	<u>\$455,212</u>	<u>\$1,114,192</u>	<u>(7,443,080)</u>	<u>153,509</u>	<u>(7,289,571)</u>
General Revenues:							
Income Taxes					5,814,501		5,814,501
Property Taxes Levied for:							
General Purposes					1,101,676		1,101,676
Special Revenue Purposes					110,921		110,921
Other Local Taxes					215,585		215,585
Grants and Entitlements not Restricted					416,810		416,810
Investment Earnings					22,927	24,069	46,996
Other Revenue					316,372		316,372
Transfers - Internal Activities					(40,017)	40,017	
Total General Revenues and Transfers					<u>7,958,775</u>	<u>64,086</u>	<u>8,022,861</u>
Change in Net Position					515,695	217,595	733,290
Net Position Beginning of the Year (Restated)					19,003,537	4,661,581	23,665,118
Net Position End of Year					<u>\$19,519,232</u>	<u>\$4,879,176</u>	<u>\$24,398,408</u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2013**

	<u>General</u>	<u>Special Assessments</u>	<u>Street Improvement</u>	<u>Half Percent</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:						
Equity in Pooled Cash & Investments	\$2,100,619		\$72,162	\$33,357	\$962,737	\$3,168,875
Receivables (Net):						
Taxes	1,905,107			289,573	78,710	2,273,390
Accounts	40,769					40,769
Intergovernmental	221,901		569,732		324,207	1,115,840
Special Assessments	192,765	\$286,414			158,316	637,495
Loans					33,413	33,413
Accrued Interest	3,205			158	815	4,178
Due from Other Funds				60,918		60,918
Prepaid Items	3,758					3,758
Advance to Other Funds				225,496		225,496
Total Assets	<u>4,468,124</u>	<u>286,414</u>	<u>641,894</u>	<u>609,502</u>	<u>1,558,198</u>	<u>7,564,132</u>
Liabilities:						
Accounts Payable	44,002		345,103		86,644	475,749
Accrued Wages and Benefits	353,701				24,832	378,533
Accrued Pensions	93,299				8,032	101,331
Compensated Absences	90,280				3,396	93,676
Due to Other Funds		60,918				60,918
Advance from Other Funds		225,496				225,496
Note Payable	1,380,000					1,380,000
Total Liabilities	<u>1,961,282</u>	<u>286,414</u>	<u>345,103</u>		<u>122,904</u>	<u>2,715,703</u>
Deferred Inflows of Resources:						
Property Taxes	1,023,642				51,076	1,074,718
Unavailable Revenue	711,946	286,414	232,764	161,016	207,579	1,599,719
Total Deferred Inflow of Resources	<u>1,735,588</u>	<u>286,414</u>	<u>232,764</u>	<u>161,016</u>	<u>258,655</u>	<u>2,674,437</u>
Fund Balances:						
Fund Balance:						
Nonspendable	3,758					3,758
Restricted			64,027	448,486	1,176,639	1,689,152
Assigned	767,496					767,496
Unassigned		(286,414)				(286,414)
Total Fund Balances	<u>771,254</u>	<u>(286,414)</u>	<u>64,027</u>	<u>448,486</u>	<u>1,176,639</u>	<u>2,173,992</u>
Total Liabilities and Fund Balances	<u>\$4,468,124</u>	<u>\$286,414</u>	<u>\$641,894</u>	<u>\$609,502</u>	<u>\$1,558,198</u>	<u>\$7,564,132</u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
AS OF DECEMBER 31, 2013**

Total Governmental Fund Balance \$2,173,992

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 19,371,652

Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds. 1,675,785

Loss on refunding is expensed in the funds and amortized over the life of bonds in governmental statements 180,000

In the statement of net position, interest is accrued, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources. (2,981)

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. (692,744)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (3,186,472)

Net Position of Governmental Activities \$19,519,232

See accompanying notes to the basic financial statements.

CITY OF WEST CARROLLTON
MONTGOMERY COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2013

	General	Special Assessment	Street Improvement	Half Percent	Other Governmental Funds	Total Governmental Funds
Revenues:						
Local Taxes	\$5,269,116			\$1,347,905	\$326,641	\$6,943,662
Special Assessments	46,764	\$130,904			243,297	420,965
Charges for Services	301,644				11,210	312,854
Intergovernmental	369,314		\$604,194	223,374	605,721	1,802,603
Investment Earnings	18,228			1,149	3,550	22,927
Fines & Forfeitures	337,077				35,812	372,889
License & Permits	48,619					48,619
Other Revenue	283,039				23,934	306,973
Total Revenues	6,673,801	130,904	604,194	1,572,428	1,250,165	10,231,492
Expenditures:						
General Government	871,785					871,785
Public Safety	4,526,472				614,951	5,141,423
Leisure Time Activities	624,569				113,960	738,529
Community Environment	519,191	66,147			699,039	1,284,377
Transportation			1,445,392		548,502	1,993,894
Debt Service:						
Principal					375,000	375,000
Interest & Fiscal Charges					99,503	99,503
Total Expenditures	6,542,017	66,147	1,445,392		2,450,955	10,504,511
Excess (Deficiency) of Revenue Over/(Under) Expenditures	131,784	64,757	(841,198)	1,572,428	(1,200,790)	(273,019)
Other Financing Sources (Uses):						
Payments Made to Escrow					(2,399,301)	(2,399,301)
Bond Proceeds					2,435,000	2,435,000
Transfers-In			843,285	150,000	1,505,841	2,499,126
Transfers-Out	(554,802)			(1,984,341)		(2,539,143)
Total Other Financing Sources (Uses)	(554,802)		843,285	(1,834,341)	1,541,540	(4,318)
Net Change in Fund Balance(Deficit)	(423,018)	64,757	2,087	(261,913)	340,750	(277,337)
Fund Balance - Beginning of Year (Restated)	1,194,272	(351,171)	61,940	710,399	835,889	2,451,329
Fund Balance - End of Year	\$771,254	(\$286,414)	\$64,027	\$448,486	\$1,176,639	\$2,173,992

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

Net Change in Fund Balance - Total Governmental Funds	(\$277,337)
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.	
	(116,381)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	396,331
In the statement of activities, interest is accrued, In governmental funds interest expenditures are reported when due.	7,074
Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net position.	2,661,572
Issuance of long-term debt is a revenue in the governmental funds but increases long-term liabilities in the statement of net position	(2,435,000)
Issuance of long-term debt is a revenue in the governmental funds but increases long-term liabilities in the statement of net position	180,000
Some expenses, such as compensated absences, do not require the use of current financial resources and therefore are not reported as an expenditure in governmental funds.	<u>99,436</u>
Change in Net Position of Governmental Activities	<u><u>\$515,695</u></u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget</u>
Revenues:				
Local Taxes	\$5,432,000	\$6,427,951	\$5,305,205	(\$1,122,746)
Charges for Services	260,000	260,000	282,387	22,387
Intergovernmental	364,700	364,700	368,409	3,709
Investment Earnings	25,000	25,000	15,928	(9,072)
Fines & Forfeitures	354,700	354,700	337,077	(17,623)
Licenses & Permits	60,100	60,100	48,619	(11,481)
Special Assessments	32,000	32,000	46,764	14,764
Other Revenue	238,100	238,100	283,039	44,939
Total Revenues	<u>6,766,600</u>	<u>7,762,551</u>	<u>6,687,428</u>	<u>(1,075,123)</u>
Expenditures:				
Council - Personnel Services	28,000	28,000	24,493	3,507
Council - Other	12,000	12,000	3,324	8,676
Mayor - Personnel Services	130,000	130,000	119,691	10,309
Mayor - Other	18,284	18,284	6,554	11,730
Law - Personnel Services	53,000	53,000	44,599	8,401
Law - Other	50,000	125,000	104,304	20,696
City Manager - Personnel Services	280,000	280,000	262,993	17,007
City Manager - Other	20,000	20,000	7,815	12,185
Finance - Personnel Services	200,000	200,000	188,208	11,792
Finance - Other	20,125	20,125	6,518	13,607
Income Tax - Personnel Services	220,000	220,000	195,863	24,137
Income Tax - Other	30,000	30,000	13,563	16,437
Police - Personnel Services	2,956,372	2,906,372	2,507,958	398,414
Police - Other	654,720	654,720	286,967	367,753
Fire - Personnel Services	1,650,000	1,650,000	1,343,115	306,885
Fire - Other	300,654	300,654	166,080	134,574
Building Inspection - Personnel Services	250,000	250,000	172,339	77,661
Building Inspection - Other	107,408	107,408	63,567	43,841
Economic Development - Personnel Services	130,000	130,000	123,826	6,174
Economic Development - Other	44,309	44,309	11,828	32,481
Parks and Recreation - Personnel Services	575,000	575,000	483,840	91,160
Parks and Recreation - Other	175,530	175,530	102,871	72,659
Planning - Personnel Services	190,000	190,000	153,174	36,826
Planning - Other	31,766	31,766	8,109	23,657
Building Maintenance - Personnel Services	130,000	130,000	81,550	48,450
Building Maintenance - Other	261,115	261,115	223,848	37,267
Other Services - Other	434,584	469,584	310,273	159,311
Total Expenditures	<u>8,952,867</u>	<u>9,012,867</u>	<u>7,017,270</u>	<u>1,995,597</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,186,267)</u>	<u>(1,250,316)</u>	<u>(329,842)</u>	<u>920,474</u>
Other Financing Sources (Uses):				
Transfers-In	459,600	451,800	463,427	11,627
Transfers-Out	(365,000)	(580,000)	(554,802)	25,198
Total Other Financing Sources (Uses)	<u>94,600</u>	<u>(128,200)</u>	<u>(91,375)</u>	<u>36,825</u>
Net Change in Fund Balance	(2,091,667)	(1,378,516)	(421,217)	957,299
Fund Balance - Beginning of the Year (includes prior year appropriated encumbrances)	<u>2,445,952</u>	<u>2,445,952</u>	<u>2,445,952</u>	
Fund Balance - End of the Year	<u>\$354,285</u>	<u>\$1,067,436</u>	<u>\$2,024,735</u>	<u>\$957,299</u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
SPECIAL ASSESSMENT FUND
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Special Assessments	\$100,000	\$100,000	\$66,091	(\$33,909)
Total Revenues	100,000	100,000	66,091	(33,909)
 Expenditures:				
Special Assessments - Other	100,000	100,000	66,148	33,852
Total Expenditures	100,000	100,000	66,148	33,852
 Net Change in Fund Balance	 	 	 (57)	 (57)
Fund Balance - Beginning of the Year	57	57	57	
Fund Balance - End of the Year	\$57	\$57	\$0	(\$57)

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2013**

Business-Type Activities - Proprietary Funds

	Water Fund	Sewer Fund	Refuse Fund	Non-Major Pool Fund	Total Proprietary Funds
ASSETS:					
Equity in Pooled Cash & Investments	\$939,229	\$1,502,188	\$299,153	\$2,934	\$2,743,504
Receivables (Net):					
Accounts	278,580	212,590	179,162		670,332
Accrued Interest	1,785	2,468	592	6	4,851
Inventory	25,100	10,660			35,760
Total Current Assets	<u>1,244,694</u>	<u>1,727,906</u>	<u>478,907</u>	<u>2,940</u>	<u>3,454,447</u>
Non depreciable Capital Assets	29,500	24,000			53,500
Depreciable Capital Assets, Net	4,890,037	560,257	156,279	165,068	5,771,641
Total Assets	<u>6,164,231</u>	<u>2,312,163</u>	<u>635,186</u>	<u>168,008</u>	<u>9,279,588</u>
Liabilities:					
Accounts Payable	4,973	12,947	55	764	18,739
Accrued Wages and Benefits	27,653	26,562	14,683		68,898
Accrued Pensions	7,958	9,408	4,567		21,933
Compensated Absences	16,693	2,482	167		19,342
Loan Payable Due Within One Year	144,956	10,752			155,708
Total Current Liabilities	<u>202,233</u>	<u>62,151</u>	<u>19,472</u>	<u>764</u>	<u>284,620</u>
Long-term Liabilities:					
Compensated Absences	16,178	8,455	29,298		53,931
Loans Payable	3,884,460	177,401			4,061,861
Total Liabilities	<u>4,102,871</u>	<u>248,007</u>	<u>48,770</u>	<u>764</u>	<u>4,400,412</u>
Net Position:					
Net Investment in Capital Assets	890,121	396,104	156,279	165,068	1,607,572
Unrestricted	1,171,239	1,668,052	430,137	2,176	3,271,604
Total Net Position	<u>\$2,061,360</u>	<u>\$2,064,156</u>	<u>\$586,416</u>	<u>\$167,244</u>	<u>\$4,879,176</u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Business-Type Activities - Proprietary Funds				
	Water Fund	Sewer Fund	Refuse Fund	Non-Major Pool Fund	Total Proprietary Funds
Operating Revenues:					
Charges for Services	\$1,702,188	\$1,300,832	\$824,963	\$124,722	\$3,952,705
Total Operating Revenues	1,702,188	1,300,832	824,963	124,722	3,952,705
Operating Expenses:					
Personal Services	613,628	731,916	356,002	104,217	1,805,763
Contractual Services	75,214	163,720	280,680	347	519,961
Material and Supplies	259,379	162,957	64,878	58,289	545,503
Utilities	121,784	102,794		16,959	241,537
Depreciation	396,714	54,303	44,864	51,425	547,306
Total Operating Expenses	1,466,719	1,215,690	746,424	231,237	3,660,070
Operating Income (Loss)	235,469	85,142	78,539	(106,515)	292,635
Non-Operating Revenues(Expense):					
Transfer In				40,017	40,017
Investment Earnings	8,553	12,741	2,671	104	24,069
Interest Expense	(139,126)				(139,126)
Total Non-Operating Revenues(Expense)	(130,573)	12,741	2,671	40,121	(75,040)
Change in Net Position	104,896	97,883	81,210	(66,394)	217,595
Net Position Beginning of the Year - Restated	1,956,464	1,966,273	505,206	233,638	4,661,581
Net Position End of the Year	\$2,061,360	\$2,064,156	\$586,416	\$167,244	\$4,879,176

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, 2013**

	Business-Type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Refuse Fund	Non-Major Pool Fund	Total Proprietary Funds
Increase (Decrease) in Cash and Cash Equivalents:					
Cash Flows from Operating Activities:					
Cash Received from Charges for Services	\$1,767,334	\$1,378,493	\$861,848	\$124,722	\$4,132,397
Cash Payments for Personal Services	(621,845)	(749,554)	(348,671)	(104,217)	(1,824,287)
Cash Payments for Contractual Services	(73,965)	(163,552)	(280,680)	(347)	(518,544)
Cash Payments for Material and Supplies	(264,583)	(151,918)	(65,899)	(58,426)	(540,826)
Cash Payments for Utilities	(121,784)	(102,794)		(16,959)	(241,537)
Net Cash Provided by (Used in) Operating Activities	<u>685,157</u>	<u>210,675</u>	<u>166,598</u>	<u>(55,227)</u>	<u>1,007,203</u>
Cash Flows from Noncapital Financing Activities:					
Transfers from Other Funds				40,017	40,017
Net Cash Provided by Noncapital Financing Activities				<u>40,017</u>	<u>40,017</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition of Capital Assets	(1,381,838)	(195,802)	(154,000)		(1,731,640)
Debt Proceeds	1,179,572				1,179,572
Debt Principal Payments	(369,010)	(10,752)			(379,762)
Debt Interest Payments	(191,633)				(191,633)
Net Cash Used for Capital and Related Financing Activities	<u>(762,909)</u>	<u>(206,554)</u>	<u>(154,000)</u>		<u>(1,123,463)</u>
Cash Flows from Investing Activities:					
Interest Earnings	7,163	10,843	2,225	104	20,335
Net Cash Provided by Investing Activities	<u>7,163</u>	<u>10,843</u>	<u>2,225</u>	<u>104</u>	<u>20,335</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(70,589)	14,964	14,823	(15,106)	(55,908)
Cash and Cash Equivalents at Beginning of the Year	<u>1,009,818</u>	<u>1,487,224</u>	<u>284,330</u>	<u>18,040</u>	<u>2,799,412</u>
Cash and Cash Equivalents at End of the Year	<u><u>939,229</u></u>	<u><u>1,502,188</u></u>	<u><u>299,153</u></u>	<u><u>2,934</u></u>	<u><u>2,743,504</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating Income (Loss)	235,469	85,142	78,539	(106,515)	292,635
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:					
Depreciation	396,714	54,303	44,864	51,425	547,306
(Increase) Decrease in Accounts Receivable	53,260	65,564	36,885		155,709
(Increase) Decrease in Inventory	(4,720)	(1,240)			(5,960)
Increase (Decrease) in Accounts Payable	554	11,283	(1,021)	(137)	10,679
Increase (Decrease) in Accrued Wages and Benefits	3,589	1,279	1,755		6,623
Increase (Decrease) in Accrued Pensions	257	431	651		1,339
Increase (Decrease) in Compensated Absences	34	(6,087)	4,925		(1,128)
Total Adjustments	<u>449,688</u>	<u>125,533</u>	<u>88,059</u>	<u>51,288</u>	<u>714,568</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$685,157</u></u>	<u><u>\$210,675</u></u>	<u><u>\$166,598</u></u>	<u><u>(\$55,227)</u></u>	<u><u>\$1,007,203</u></u>

See accompanying notes to the basic financial statements.

CITY OF WEST CARROLLTON
MONTGOMERY COUNTY

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AS OF DECEMBER 31, 2013

	AGENCY FUNDS
Assets:	
Segregated Cash & Investments	\$12,747
Total Assets	<u>12,747</u>
Liabilities:	
Accounts Payable	112
Undistributed Monies	12,635
Total Liabilities	<u>\$12,747</u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description Of The Entity And Reporting Entity

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

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

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

The Miami Valley Risk Management Association (MVRMA) is a jointly governed organization established as a joint self-insurance pool for the purpose of enabling the subscribing political subdivisions to obtain liability insurance and providing a formalized, jointly administered self-insurance fund for its members. Also, the Miami Valley Fire/EMS Alliance is a jointly governed organization among thirty townships, cities, and other public entities that was formed on April 1, 1995. See Notes 9 and 13.

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

B. Basis Of Presentation

The financial reporting practices of the City conform to accounting principles generally accepted in the United States of America (GAAP) for the local governments as prescribed by the Governmental Accounting Standards Board (GASB). Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial principles. The following is a summary of its significant accounting policies:

1. Government-wide Financial Statements

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

C. 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 non-major funds.

1. 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.

Special Assessment Fund – This special revenue fund reports the financial activity for projects such as curb, gutter, and sidewalks that are assessed to property owners.

Street Improvement Fund – This capital project fund accounts for the acquisition or construction of major street 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.

2. Proprietary Funds

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

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 – The refuse fund reports the waste collection operation.

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

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

D. 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.

Proprietary fund-type operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in total net position. Proprietary funds distinguish operating revenues from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses.

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred outflows/Inflows of resources will sometimes be reported in the statements of financial position. In addition to assets, deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue represents receivables which will not be collected within the available period. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax, 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 thirty-one 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 un-matured general long-term debt, and on special assessment indebtedness collateralized by special assessment levies, which are recognized when due.

E. 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.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

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

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

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

3. Appropriations

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

4. Encumbrances

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

5. Budgetary Basis of Accounting

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) reported for the General and Special Assessment Funds are 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).

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 3) Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).
- 4) Advances-in and advances-out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
- 5) Some funds are reported as part of the general fund (GAAP basis as opposed to the general fund being reported alone(budget basis).

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 and special assessment funds.

Net Change in Fund Balance		
	General Fund	Special Assessment Fund
Budget Basis	(\$421,217)	(\$57)
Net Adjustment for revenue	(524,423)	64,814
Net Adjustment for expenditure	526,410	
Funds Budgeted Elsewhere	(3,788)	
GAAP Basis	<u>(\$423,018)</u>	<u>\$64,757</u>

F. Pooled Cash And Investments

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

The fair value of investments was determined through the use of published market values. For purposes of the combined statement of cash flows and for presentation on the statement of net position, investments with original maturities of three months or less are considered to be cash and cash equivalents. The general fund investment earnings totaled \$18,228.

G. 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. On governmental fund financial statements, reported material and supplies inventory is equally offset by a fund balance non-spendable in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

H. Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The estimated useful lives of the various classes of capital assets range as follows:

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

I. Accrued Liabilities And Long-Term Obligations

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

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

J. Compensated Absences

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

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

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

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

K. 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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund, and as reductions of expenditures/expenses in the fund that is reimbursed. All other inter-fund transactions are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as equity transfers. All other inter-fund transfers are reported as operating transfers.

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

L. Net Position

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

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. The City did not have net position restricted by enabling legislation.

M. Estimates

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

N. Prepaid Items

Payments made to vendors for services that will benefit beyond year-end are recorded as prepaid expenditures. Prepayments are accounted for using the consumption method.

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.

P. Fund Balances

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

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

Assigned – resources that are intended to be used for specific purposes, but are neither restricted nor committed.

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

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

2. POOLED CASH AND INVESTMENTS

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

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.

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

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

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

2. POOLED CASH AND INVESTMENTS (Continued)

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

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

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

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

2. POOLED CASH AND INVESTMENTS (Continued)

Deposits: At year-end, the carrying amount of the City's cash and deposits was \$5,904,358. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure", as of December 31, 2013 \$1,596,463 of the City's \$6,001,727 bank balance was exposed to custodial risk as discussed below. The \$4,405,264 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.

Cash on Hand: At year-end, the City had \$875 cash on hand which is included in the financial statements of the City as part of Equity in "Pooled Cash & Investments".

As of December 31, 2013 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>	<u>% of Total</u>
Money Market Funds	\$19,893	\$19,893		100.0
Total	\$19,893	\$19,893	\$0	100.0

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the City's name. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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

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

Cash and Investments per Footnote	
Carrying Amount of Deposits	\$5,904,358
Investments	19,893
Cash on Hand	875
Total	<u>\$5,925,126</u>

Cash and Investments per Statement of Net Position	
Government Activities	\$3,168,875
Business-Type Activities	<u>2,743,504</u>
Subtotal	5,912,379
Fiduciary Funds	<u>12,747</u>
Total	<u>\$5,925,126</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

3. PROPERTY TAX

Property taxes include amounts levied against all real and public utility property located in the City. Property taxes are levied each 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 and 100% of true value for public utility property. Property market values are required to be updated every three years and revalued every six years. A revaluation was completed in 2011.

The tax rate applied to all real property for the fiscal year ended December 31, 2013 was \$6.25 per \$1,000 of assessed valuation. Real property owners' tax bills are reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback deductions is reimbursed to the City by the State of Ohio.

The assessed 12-31-13 values per category are as follows:

Real Estate	\$184,070,100
Public Utilities	31,950
Public Utilities Personal Property	<u>5,728,030</u>
Total Valuation	<u>\$189,830,080</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.

4. 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 2013 on a cash basis, tax receipts net of refunds amounted to \$5,616,264 of which \$4,268,361 was recorded in the General Fund and \$1,347,903 was recorded in the One Half Percent Tax Fund for use in various capital improvements. Effective January 1, 2014 the income tax rate will increase a quarter of a percent to 2.25%.

5. RECEIVABLES

Receivables at year end, consisted primarily of income and property taxes, special assessments, accounts (billings for user charged services), intergovernmental receivables arising from grants, entitlements, and shared revenue and loans. Receivables have been reported to the extent that they are both measurable and available at December 31, 2013.

A summary of the receivables is as follows:

<u>Governmental Funds</u>	<u>General</u>	<u>Special Assessment</u>	<u>Street Improvement</u>	<u>Half % Tax</u>	<u>Non-major</u>
Taxes	\$1,905,107			\$289,573	\$78,710
Accounts	40,769				
Intergovernmental	221,901		\$569,732		324,207
Special Assessments	192,765	\$286,414			158,316
Loans					33,413
Total	<u>\$2,360,542</u>	<u>\$286,414</u>	<u>\$569,732</u>	<u>\$289,573</u>	<u>\$594,646</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

5. RECEIVABLES (Continued)

Proprietary Funds	Water	Sewer	Refuse
Accounts	\$278,580	\$212,590	\$179,162

6. LOANS RECEIVABLE

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

7. INTERFUND TRANSACTIONS

Interfund Transfers

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

Transfers to Non-major Proprietary Funds from:	
General Fund	\$40,017
Transfers to Non-major Governmental Funds from:	
General Fund	364,785
Half Percent Tax Fund	1,141,056
Transfers to Street Improvement Fund from:	
Half Percent Tax Fund	843,285
Transfers to Half Percent Fund from:	
General Fund	150,000
Total Transfers	\$2,539,143

All transfers were legal and in compliance with the Ohio Revised Code.

Due To/From Other Funds:

Receivable Fund	Payable Fund	Amount
Half Percent Tax Fund	Special Assessment Fund	\$60,918

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 2013. The amount due after 2013 is reported in advances to/from noted below.

Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Half Percent Tax Fund	Special Assessment Fund	\$225,496

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 2013. The amount due in 2013 is reported in due to/from noted above.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

8. CAPITAL ASSETS

A summary of capital asset activity for the year ended December 31, 2013, was as follows:

Governmental Activities					
Category	Cost Balance			Accumulated Depreciation	Net Balance As of 12/31/2013
	As of January 1, 2013	Additions	Deletions		
Land	\$4,695,276	\$128,208			\$4,823,484
Building and Improvements	13,928,012	131,458		(\$8,479,997)	5,579,473
Machinery and Equipment	7,014,130	172,524	(\$149,371)	(5,521,260)	1,516,023
Infrastructure	18,999,774	1,324,080		(12,871,182)	7,452,672
Total	<u>\$44,637,192</u>	<u>\$1,756,270</u>	<u>(\$149,371)</u>	<u>(\$26,872,439)</u>	<u>\$19,371,652</u>

Governmental Activities				
Category	Accumulated Depreciation Balance		Disposals	Accumulated Depreciation Balance As of 12/31/2013
	As of 1/1/2013	Depreciation		
Building and Improvements	\$7,976,214	\$503,783		\$8,479,997
Machinery and Equipment	5,147,904	522,727	(\$149,371)	5,521,260
Infrastructure	12,025,041	846,141		12,871,182
Total	<u>\$25,149,159</u>	<u>\$1,872,651</u>	<u>(\$149,371)</u>	<u>\$26,872,439</u>

Governmental Activities depreciation expense was charged as follows:

General Government	\$219,775
Public Safety	640,127
Leisure Time Activities	76,087
Community Environment	22,626
Transportation	914,036
Total	<u>\$1,872,651</u>

Business-Type Activities					
Category	Cost Balance			Accumulated Depreciation	Net Balance As of 12/31/2013
	As of January 1, 2013	Additions	Deletions		
Land	\$53,500				\$53,500
Building and Improvements	13,373,194			(\$10,518,734)	2,854,460
Machinery and Equipment	2,013,467	\$552,068	(\$192,667)	(1,777,546)	595,322
Infrastructure	9,821,275	1,179,572		(8,678,988)	2,321,859
Total	<u>\$25,261,436</u>	<u>\$1,731,640</u>	<u>(\$192,667)</u>	<u>(\$20,975,268)</u>	<u>\$5,825,141</u>

Business-type Activities				
Category	Accumulated Depreciation Balance		Disposals	Accumulated Depreciation Balance As of 12/31/2013
	As of 1/1/2013	Depreciation		
Building and Improvements	\$10,186,518	\$332,216		\$10,518,734
Machinery and Equipment	1,882,318	87,895	(\$192,667)	1,777,546
Infrastructure	8,551,793	127,195		8,678,988
Total	<u>\$20,620,629</u>	<u>\$547,306</u>	<u>(\$192,667)</u>	<u>\$20,975,268</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

8. CAPITAL ASSETS (Continued)

Business-Type depreciation expense was charged as follows:

Water	\$396,714
Sewer	54,303
Pool	51,425
Refuse	44,864
Total	\$547,306

9. INSURANCE

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. In 1989, the City joined the Miami Valley Risk Management Association, Inc. (MVRMA, Inc.), a joint insurance pool. The pool consists of twenty municipalities who pool risk for property, liability (third party, general, police professional and automobile), boiler and machinery, and public official liability. The City 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	\$1,000,000,000 per occurrence
General Liability	10,000,000 per occurrence
Crime	10,000,000 per occurrence
Boiler and Machinery	100,000,000 per occurrence
Public Officials Liability	500,000 per occurrence

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

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

10. EMPLOYEES RETIREMENT SYSTEM

A Ohio Public Employees' Retirement System (OPERS)

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

10. EMPLOYEES RETIREMENT SYSTEM (Continued)

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

The Ohio Revised Code provides statutory authority for member and employer contributions. Plan members and employer contributions rates were consistent across all three plans. Plan members are required to contribute 10% of their annual covered salary to fund pension obligations. The employer pension contribution rate for the City is 14% of covered payroll. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2013, 2012 and 2011 were \$428,786, \$431,647 and \$449,301, respectively. The full amount has been contributed for all three years.

B. Police and Firemen's Disability and Pension Fund

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

Plan members are required to contribute 10.0% from January 1, 2013 thru July 1, 2013 and 10.75% from July 2, 2013 thru December 31, 2013 of their annual covered salary, while employers (the City) are required to contribute 19.5% for police officers and 24.0% for firefighters. The City's obligation to OP&F for the years ending December 31, 2013, 2012 and 2011 were \$534,535, \$474,046, and \$490,646, respectively. 76%, 100%, and 100% of the obligations were contributed for 2013, 2012 and 2011 respectively.

11. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. Ohio Public Employees' Retirement System (OPERS)

Plan Description

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

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

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

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

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

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

Funding Policy

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, the City contributed at 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determined the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contribution allocated to the health care plan was 1% during calendar year 2013. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Information from City's Records

The City's required contributions for the current year, which were used to fund postemployment benefits, were \$122,504 for 2013, \$123,322 for 2012, and \$128,365 for 2011. The full amount (actual) has been contributed for all three years.

OPERS Retirement Board Implements its Health Care Preservation Plan

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year 2006 to 2008, which allowed additional funds to be allocated to the health care plan.

OPERS Board of Trustees Adopt Changes to the Health Care Plan

Changes to the Health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contribution toward the health care fund after the end of the transition period.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

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

B. Ohio Police and Fire Pension Fund

Plan Description

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

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

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

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

Funding Policy

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and Section 401(h) account as the employer contribution for retiree healthcare benefits. The portion of employer contributions allocated to health care was 4.69% of covered payroll from January 1, 2013 thru May 31, 2013 and 2.85% of covered payroll from June 1, 2013 thru December 31, 2013. The amount of employer contributions allocated to the healthcare plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

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

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

Information from City's Records

The City's required contributions to OP&F were \$75,747 for police and \$22,304 for fire for the year ending December 31, 2013; \$110,519 for police and \$31,536 for fire for the year ending December 31, 2012; and \$118,835 for police and \$41,361 for fire for the year ending December 31, 2011, respectively, was allocated to the healthcare plan. 100% of the obligations were paid for 2013, 2012 and 2011.

12. GENERAL SHORT AND LONG-TERM DEBT OBLIGATIONS

Short-Term	Interest Rate	Issue Date	Maturity Date	Balance 12/31/12	Increase (Decrease)	Balance 12/31/13	Due Within One Year
Development Property	1.375%	12-28-12	12-27-13	\$1,394,000	(\$1,394,000)		
Development Property	1.375%	12-28-13	12-28-14		1,380,000	\$1,380,000	\$1,380,000
Total Short-Term Debt				\$1,394,000	(\$14,000)	\$1,380,000	\$1,380,000

Governmental Activities

Long-Term	Interest Rate	Issue Date	Maturity Date	Balance 12/31/12	Increase (Decrease)	Balance 12/31/13	Due Within One Year
YMCA Bonds	4.175%	7-1-04	12-1-19	\$2,580,000	(\$2,580,000)		
YMCA Refunding	1.5%	1-23-13	12-1-19		2,435,000 (50,000)	\$2,385,000	\$385,000
Farmersville Road	0%	12-31-12	1-1-33	488,337	(12,408)	475,929	24,417
Mayrose Bridge	0%	12-31-10	1-1-31	263,624	(14,250)	249,374	14,250
Gibbons	0%	12-31-08	1-1-29	81,083	(4,914)	76,169	4,914
Comp Absences additions					434,543		
Compensated Absences				835,795	(483,927)	786,411	393,206
Total Governmental Activities Long-Term Debt				\$4,248,839	(\$275,956)	\$3,972,883	\$821,787

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

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

Long-Term	Business-Type Activities						
	Interest Rate	Issue Date	Maturity Date	Balance 12/31/12	Increase (Decrease)	Balance 12/31/13	Due Within One Year
Water Plant	3.50%	12-31-04	7-01-24	\$3,000,401	(\$310,381)	\$2,690,020	\$107,102
Clearwell Payments					(42,193)		
Clearwell	0%	7-01-13	7-01-33		1,179,572	1,137,379	21,629
Sewer Improvements	0%	12-31-10	1-01-29	198,905	(10,752)	188,153	10,752
Skyview Reservoir	0%	12-31-11	1-01-29	184,398	(9,456)	174,942	9,457
Bit Road Water Main	0%	1-01-08	7-01-17	33,844	(6,769)	27,075	6,768
Comp Absences additions					141,342		
Compensated Absences				74,401	(142,470)	73,273	19,342
Total Business-Type Activities							
Long-Term Debt				<u>3,491,949</u>	<u>798,893</u>	<u>4,290,842</u>	<u>175,050</u>
Long-Term Debt Grant Total				<u><u>\$7,740,788</u></u>	<u><u>\$522,937</u></u>	<u><u>\$8,263,725</u></u>	<u><u>\$996,837</u></u>

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

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

The YMCA Bonds are an un-voted general obligation bond issued for the purpose of acquiring real estate for, and constructing, equipping and furnishing the YMCA recreational facility in the City. In January 2013, the City issued refunding bonds, in the amount of \$2,435,000, to refund YMCA bonds previously issued in 2004. These bonds were issued with an 1.5% interest rate. The bonds were issued for a six year period with final maturity during 2019. 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.

2004 YMCA Bonds	
Outstanding at December 31, 2012	\$2,580,000
Amount Refunded	(2,255,000)
Principal Payment on Non-Refunded Portion	(325,000)
Outstanding at December 31, 2013	<u><u>\$0</u></u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

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

Proceeds of \$2,435,000 (including \$35,699 of bond issuance cost and \$1,955 of additional proceeds) were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 2004 YMCA bonds. As a result, \$2,255,000 of the bonds was considered defeased and the liability for the bonds has been removed from the City's financial statements. Accordingly, the trust account assets and liabilities of the defeased bonds are not included in the City's financial statements. At December 31, 2013, \$2,255,000 of the refunded bonds were outstanding.

2004 YMCA Bonds	
Total 2004 YMCA Bonds	\$2,255,000
Payment to Refunded Bond Escrow Agent	2,435,000
2013 YMCA Refunding Accounting Loss	<u>(\$180,000)</u>

Although the refunding will result in the recognition of an accounting loss of \$180,000, the City in effect obtained an economic gain (difference between the present values of the old debt and new debt service payments) of \$105,086.

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 clearwell loan through the Ohio Water Development Authority was obtained for constructing the clearwell. It will be paid through water rate increases.

The Bit and Bridle Street water main project received a ten-year, zero-interest loan from the Ohio Public Works Commission. It will be paid through the Water Fund.

The City records accumulated unpaid vacation and vested sick leave benefits as accrued payroll when earned by employees. For governmental funds, the portion of the liability which is not currently due and payable is recorded in the governmental activities within the statement of net position; 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 activities, compensated absences additions totaled \$434,543 and uses were \$483,927 for a net decrease of \$49,384. For business type activities, compensated absences additions \$141,342 and uses were \$142,470 for a net decrease of \$1,128.

The annual requirements of general governmental revenues to pay principal and interest on the long-term debt at December 31, 2013 are as follows:

Year Ending December 31,	YMCA General Obligation Bonds	
	Principal	Interest
2014	\$385,000	\$33,775
2015	385,000	30,000
2016	395,000	24,225
2017	405,000	18,300
2018	405,000	12,225
2019	410,000	6,150
Total	<u>\$2,385,000</u>	<u>\$126,675</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

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

<u>Year Ending December 31,</u>	<u>Farmersville Road Loan Principal</u>
2014	\$24,417
2015	24,417
2016	24,417
2017	24,417
2018	24,417
2019 – 2023	122,084
2024 – 2028	122,084
2029 – 2033	109,676
Total	<u>\$475,929</u>

<u>Year Ending December 31,</u>	<u>Mayrose Bridge Loan Principal</u>
2014	\$14,250
2015	14,250
2016	14,250
2017	14,250
2018	14,250
2019 – 2023	71,250
2024 – 2028	71,250
2029 – 2031	35,624
Total	<u>\$249,374</u>

<u>Year Ending December 31,</u>	<u>Gibbons Road Loan Principal</u>
2014	\$4,914
2015	4,914
2016	4,914
2017	4,914
2018	4,914
2019 – 2023	24,571
2024 – 2028	24,571
2029	2,457
Total	<u>\$76,169</u>

<u>Year Ending December 31,</u>	<u>Water Softening Plant Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$107,102	\$47,075
2015	219,860	88,495
2016	227,623	80,733
2017	235,659	72,696
2018	243,979	64,376
2019 – 2023	1,355,351	186,424
2024	300,446	7,909
Total	<u>\$2,690,020</u>	<u>\$547,708</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

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

Year Ending December 31,	Clearwell Loan	
	Principal	Interest
2014	\$21,629	\$19,108
2015	44,355	37,120
2016	45,858	35,617
2017	47,411	34,063
2018	49,018	32,457
2019 – 2023	271,153	136,216
2024 – 2028	320,311	87,061
2029 – 2033	337,644	28,990
Total	<u>\$1,137,379</u>	<u>\$410,632</u>

Year Ending December 31,	Sewer Improvements Loan
	Principal
2014	\$10,752
2015	10,751
2016	10,752
2017	10,751
2018	10,752
2019 – 2023	53,758
2024 – 2028	53,758
2029	26,879
Total	<u>\$188,153</u>

Year Ending December 31,	Skyview Reservoir Loan
	Principal
2014	\$9,457
2015	9,456
2016	9,456
2017	9,457
2018	9,456
2019 – 2023	47,282
2024 – 2028	47,281
2029	33,097
Total	<u>\$174,942</u>

Year Ending December 31,	Bit and Bridle Water Main Loan
	Principal
2014	\$6,768
2015	6,769
2016	6,769
2017	6,769
Total	<u>\$27,075</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

13. JOINTLY-GOVERNED ORGANIZATION

The City is a member of the Miami Valley Risk Management Association (MVRMA) which is a jointly governed organization established as a joint insurance pool. As of December 31, 2013, the pool had twenty members. This organization covers all property, crime, liability, boiler and machinery and public liability insurance. It is intended to provide broad based coverage up to the limits with increased emphasis on safety and loss prevention and to create an opportunity for other local governments to participate.

MVRMA is a corporation governed by a twenty-member board of trustees, consisting of a representative appointed by each of the member cities. The board of trustees elects the officers of the corporation, with each trustee having a single vote. The board is responsible for its own financial matters, and the corporation maintains its own book of account. Budgeting and financing of MVRMA is subject to the approval of the board. As of December 31, 2013, the participant cities were: Beavercreek, Bellbrook, Blue Ash, Centerville, Englewood, Indian Hill, Kettering, Maderia, Mason, Miamisburg, Montgomery, Piqua, Sidney, Springdale, Tipp City, Troy, Vandalia, West Carrollton, Wilmington, and Wyoming.

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

The City has no explicit and measurable equity interest in MVRMA and no ongoing financial responsibility for MVRMA. The following is a summary of the MVRMA audited financial statements presented in conformity with generally accepted principles as of and for the year ended December 31, 2013:

Assets	\$19,039,885
Liabilities	<u>7,806,613</u>
Net Assets	<u>\$11,233,272</u>

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

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

The legislative and advisory body is the assembly that is comprised of one delegate from each participating public subdivision. The degree of control exercised by any participating public subdivision is limited to its representation on the assembly, which elects the board of directors. The board of directors' exercises total control over the operation of the Alliance including budgeting, appropriating, contracting, and designating management. The five member board of directors consists of: one full-time and one volunteer fire department representative; two representatives from combined fire departments; and one representative from the City of Dayton fire department. Revenues are generated from Federal and State funding and an annual fee of \$ 0.24 per capita charged to participating subdivisions. The City paid \$3,409 to the Miami Valley Fire/EMS Alliance during 2013.

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

14. FUND BALANCES

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

Fund Balances	General	Special Assessment	Street Improvement	Half % Tax	Non-Major	Total
Non-spendable:						
Prepaid Items	\$3,758					\$3,758
Restricted:						
Law Enforcement & Ed					\$4,082	4,082
Law Enforcement Trust					36,724	36,724
Police Pension					22,516	22,516
Street Light					218,110	218,110
Miami Conservancy					10,508	10,508
Parks					39,442	39,442
Economic Development					(1,570)	(1,570)
Tax Increment Financing					118,055	118,055
Neighborhood Improvement					100,254	100,254
Street					460,450	460,450
Motor Vehicle License					106,668	106,668
Federal Grants					951	951
Vehicle Replacement					2,276	2,276
Other Capital					58,173	58,173
Capital Projects			64,027	448,486		512,513
Total Restricted			64,027	448,486	1,176,639	1,689,152
Assigned:						
Encumbrance	\$37,985					37,985
Budgetary Resource	729,511					729,511
Total Assigned	767,796					767,496
Unassigned (Deficit)		(\$286,414)				(286,414)
Total Fund Balance	\$771,254	(\$286,414)	\$64,027	\$448,486	\$1,176,639	\$2,173,992

15. GASB 65

The City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, Items Previously Reported as Assets and Liabilities. GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the City's 2013 financial statements; however, there was no effect on the beginning net position/fund balance.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

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.

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2013.

17. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was required to restate governmental funds at December 31, 2012 to correctly match deferred inflows with receivables. The effect on governmental funds at December 31, 2012 was as follows:

<u>Fund Balance</u>	<u>General</u>	<u>Other Governmental</u>	<u>Refuse</u>
Ending Fund Balances December 31, 2012	\$1,043,188	\$667,557	\$450,120
Restatement - Special Assessments Receivable	192,765	158,316	
Restatement - Accounts Receivable			31,466
Restatement - Charges for Service			23,620
Restatement - Deferred Inflows	(41,681)	10,016	
	<u>\$1,194,272</u>	<u>\$835,889</u>	<u>\$505,206</u>

<u>Fund Balance</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Ending Fund Balances December 31, 2012	\$18,113,268	\$4,606,495
Restatement - Special Assessments Receivable	319,416	
Restatement - Accounts Receivable		31,466
Restatement - Charges for Service		23,620
Restatement - Deferred Inflows	570,853	
	<u>\$19,003,537</u>	<u>\$4,661,581</u>

18. ACCOUNTABILITY

The following individual fund had a deficit fund balance at year end:

Special Assessment	\$286,414
Economic Development	\$ 1,570



Dave Yost • Auditor of State

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

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

To the Mayor and City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Carrollton, Montgomery County, (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 16, 2014 wherein we noted that the City implemented provisions of Government Accounting Standards Board Statement Number 65 and the January 1, 2013 net position and fund balances were restated.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-003 and 2013-004 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 and 2013-002.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

September 16, 2014

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013**

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

FINDING NUMBER 2013-001

NONCOMPLIANCE/ FINDING FOR RECOVERY REPAID DURING THE AUDIT

The agreement between the City of West Carrollton and Fraternal Order of Policy, Ohio Labor Council, Inc. provides guidance for the accumulation, use and conversion of various leave types including sick and vacation leave. Regarding payment of leave at separation of employment, section 24.7 of the agreement states that any employee who quits, is terminated, or retires and has unused vacation time shall receive payment for any unused vacation time. In addition, Section 25.5 A. states for employees employed prior to January 1, 1990, any accumulated and unused sick leave benefits existing at the time of an employee's retirement may be converted to cash payment at the rate of one (1) sick leave day equal to one (1) cash payment day up to a maximum of one hundred-twenty (120) days. However, accumulated and unused sick leave benefits in excess of one hundred-twenty (120) days up to a maximum of one hundred-fifty (150) days may be converted to cash upon retirement at the rate of three (3) days sick leave for one (1) day's pay.

Larry Apple, a police officer for the City of West Carrollton was hired in 1979 and retired from service during 2013. Mr. Apple was paid for unused vacation and sick leave (gross amount) in the amount of \$38,853 on August 15, 2013. However, based on the bargaining contract and calculation below, he should have only been paid \$38,220.

Severance Pay Calculation	
Vacation Hours	317.897
x Hourly Rate (\$29.66)	29.66
Total Vacation Payout	\$9,429
Sick Hours	992.066
1 for 1 max 120 days (960 hours)	960
Excess	32.066
3 for 1 excess max 120 days	10.69
Total Sick hours for payout	970.69
x Hourly Rate (\$29.66)	\$28,791
Total Severance	\$38,220

In accordance with the forgoing facts, and pursuant to **Ohio Revised Code § 117.28**, a finding for recovery for public money illegally expended in the amount of \$633 is hereby issued against Larry Apple and in favor of City of West Carrollton's General Fund.

On August 1, 2014 Larry Apple repaid the finding amount via check number 2341.

The City should review severance compensation for employees and verify that payments are made in accordance with applicable bargaining agreements or the City ordinance. Failure to do so could result in more overpayments in future years.

FINDING NUMBER 2013-002

NONCOMPLIANCE

Ohio Rev. Code § 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the City can authorize the drawing of a warrant for the payment of the amount due. The City has thirty days from the receipt of the "then and now" certificate to approve payment by resolution. Amounts of less than \$3,000, may be paid by the fiscal officer without a resolution upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City.
2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution adopted by the legislative authority, against any specific line item account over a period not running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

During 2013, the city utilized "blanket certificates" for varying amounts. However, as prescribed by the Revised Code, City Council had not established a limit to these certificates.

Additionally, the City did not properly certify the availability of funds prior to purchase commitment for 20 out of 27 (74.1%) of the expenditures tested and two out of four (50%) of individually significant items and there was no evidence that the City followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in misappropriation of monies and negative cash fund balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility that City funds will exceed budgetary spending limitations, we recommend that the City's Fiscal Officer should certify that the funds are or will be available prior to the obligation by the City. When prior certification is not possible, "then and now" certification should be used. We recommend the City certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the City incurs a commitment, and only when the requirements of 5705.41(D) are satisfied.

FINDING NUMBER 2013-003

MATERIAL WEAKNESS

The City presented its financial statements in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for the State and Local Governments*. The City's 2013 annual financial report contained errors which resulted in following reclassifications and adjustments to correctly report the City's financial activity:

Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance:

General Fund:

- Local tax revenue was overstated by \$352,146 and deferred inflows - tax revenue were understated by the same amount. See finding number 2013-004 for more detail.
- The City did not report special assessments receivable related to weed mowing and nuisance abatement at December 31, 2013 and 2012. This resulted in the special assessments receivable being understated by \$192,765, deferred inflows – unavailable revenue was understated by \$41,681, and fund balance - beginning of year was understated by \$151,084.
- Paragraph 16 of GASB Statement No. 54 states that an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. As discussed in paragraph 15, assignments should not cause a deficit in unassigned fund balance to occur. The City adopted appropriations for 2014 in November 2013 and appropriations exceeded estimated receipts by \$1,220,154. However, the City only had \$930,573 (prior to audit adjustments) in unassigned fund balance, the full amount of which should have been classified as assigned in accordance with paragraphs 15 and 16 of GASB Statement No. 54.

Special Assessments Fund:

- GASB Statement No. 34 places the focus of governmental and proprietary fund financial statements on major funds. Fund statements should present the financial information of each major fund in a separate column. Non-major funds should be aggregated and displayed in a single column. Major funds are based on the following criteria:
 - total assets + deferred outflow of resources, liabilities + deferred inflow of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total (assets, liabilities, and so forth) for all funds of that category or type (that is total governmental or total enterprise funds) and
 - Total assets + deferred outflows, liabilities + deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined

The Special Assessment fund met the criteria of a major fund as its liabilities exceeded 10 percent of total governmental fund liabilities + deferred inflow of resources and 5 percent of combined governmental and enterprise fund liabilities and deferred inflows. However, the City reported this fund under other governmental funds.

- GASB statement No. 54 paragraph 19 in part states that in a governmental fund other than the general fund, expenditures incurred for a specific purpose might exceed the amounts in the fund that are restricted, committed, and assigned to that purpose and a negative residual balance for that purpose may result. If that occurs, amounts assigned to other purposes in that fund should be reduced to eliminate the deficit. If the remaining deficit eliminates all other assigned amounts in the fund, or if there are no amounts assigned to other purposes, the negative residual amount should be classified as unassigned fund balance. The Special Assessments fund had a negative fund balance of \$286,414 at December 31, 2013. This deficit was reported as restricted fund balance instead of unrestricted on the governmental funds balance sheet.

FINDING NUMBER 2013-003
(Continued)

Street Improvement Fund:

- During 2013, the City was involved in construction projects with ODOT and OPWC. Both agencies made contract payments on-behalf of the City directly to the contractor. During 2013, these on-behalf payments totaled \$239,490. Also, in 2014, \$336,968 in on-behalf payments were made for work performed during 2013. These transactions were not reported on the City's financial statements. Therefore, expenditures and intergovernmental revenue were understated by \$576,458, and intergovernmental receivable and accounts payable were understated by \$336,968. Additionally, these adjustments resulted in the street improvement fund meeting the requirements to be reported as a major fund on the financial statements. The fund was originally included with other governmental funds.
- The City reported expenditures in the Street Improvement fund under community environment instead of transportation.

Other Governmental Funds:

- As noted above, other governmental funds initially included special assessments fund and street improvements fund that qualified as major governmental funds and were presented as such on the accompanying financial statements.
- Receivable related to street lighting assessments were not recorded as receivable at December 31, 2013 and 2012. This resulted in the special assessments receivable being understated by \$158,316, deferred inflows – unavailable revenue was overstated by \$10,016, and fund balance - beginning of year was understated by \$168,332.
- In January 2013, the City partially refunded the 2004 YMCA bonds and this activity was not properly presented on the financial statements. Therefore, payments made to escrow were understated by \$2,399,301, bond proceeds were understated by \$2,435,000 and interest & fiscal charges were understated by \$35,699.

Governmental Funds - Statement of Net Position and Statement of Activities:

- Property taxes levied for general purpose were overstated by \$287,344 and deferred inflows - tax revenue were understated by the same amount. See finding number 2013-004 for more detail.
- During 2013, the City was involved in construction projects with ODOT and OPWC. Both agencies made contract payments on-behalf of the City directly to the contractor. During 2013, these on-behalf payments totaled \$239,490. Also, in 2014, \$336,968 in on-behalf payments were made for work performed during 2013. These transactions were not reported on the City's financial statements. Therefore, expenditures and intergovernmental revenue were understated by \$576,458, and intergovernmental receivable and accounts payable were understated by \$336,968.
- In accordance with GASB 33, when all revenue recognition criteria has been met, certain revenues that are reported as deferred inflows - on the fund statements are presented as revenues on the full accrual statements. The City did not properly report grants and special assessments as revenues on the statement of activities for the years ended December 31, 2012 and December 31, 2013. Therefore, net position at the beginning of the year was understated by \$570,853, deferred inflows - unavailable was overstated by \$552,778 and the 2013 revenues were overstated by \$18,075 amount.
- As noted above, the City did not book all special assessments receivable. This resulted in the special assessments receivable being understated by \$351,072, opening net position was understated by \$319,416 and charges for services revenue was understated by \$31,656
- The loss on refunding of the 2004 YMCA bonds of \$180,000 was not reported on the statement of net position.

**FINDING NUMBER 2013-003
(Continued)**

- In addition to the above noted revenue and expense adjustments, there were numerous misclassifications between general revenues and program revenues including allocation of program revenues to appropriate expense accounts, and errors with the conversion of expenses from the modified accrual basis of accounting to the full accrual basis. These errors resulted in the accompanying statement of activities to be significantly different from the original version.
- Deferred inflows – unavailable revenue was overstated by \$644,064 and deferred inflows - property taxes was understated by the same amount.
- Net Investment in Capital Assets was not reduced by the Notes Payable balance of \$1,380,200 at December 31, 2013. Additionally, net position restricted for capital projects, community development and unrestricted net position were understated by \$161,016; \$277,515 and \$941,669 respectively.

Business Type Activities - Statement of Net Position, Statement of Revenue, Expenses and Changes in Fund Net Position:

- Refuse Fund: Special assessments were not recorded as receivable at December 31, 2013 and 2012. Therefore, accounts receivable was understated by \$31,466, charges for service was overstated by \$23,620, and net position - beginning of year was understated by \$55,086. This error had the same impact on entity wide business type activity statements.

In addition to the above noted adjustments, there were other errors that resulted in forty-one adjusting and reclassification entries that were not deemed material and the financial statements have not been adjusted. These entries were summarized on the Summary of Unadjusted Differences form and provided to management.

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

FINDING NUMBER 2013-004

MATERIAL WEAKNESS

For imposed non-exchange revenues transactions like property taxes, GASB Statement No. 33 requires government to book assets when the government has an enforceable legal claim to the resources or resources are received, whichever is first. Revenues are required to be booked in the period when use of the resources is required or first permitted by time requirements (for example, for property taxes, the period for which they are levied), or at the same time as the assets if the government has not established time requirements. Resources received or recognized as receivable before the time requirements are met should be reported as deferred inflows.

Taxes receivable reported on the statement of net position and balance sheet were levied to finance 2014 operations and should be reported as deferred inflows on the accompanying statements. However, tax receipts received during the 60 day period of availability were reported as revenues on the statement of activities and statement of revenues expenses and changes in fund balances. As discussed in finding number 2013-003, audit adjustments were made to properly report City's deferred inflows and revenues.

FINDING NUMBER 2013-004
(Continued)

The District did not have a Council approved GAAP policy that could be used during the financial statement preparation.

The City should establish, adopt and implement GAAP policies in accordance with applicable GASB reporting requirements. This would allow for consistency the financial statements and provide guidance for financial statement preparer. Failure to do so could result in inconsistencies from one year to other and material misstatements.

Official's Response:

We did not receive a response from officials.

CITY OF WEST CARROLLTON
MONTGOMERY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-1	Material Weakness - Financial Statement Errors	No	Repeated as Finding Numbers 2013-003 and 2013-004

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Dave Yost • Auditor of State

CITY OF WEST CARROLLTON

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 7, 2014**