



WEST CARROLLTON

CITY OF WEST CARROLLTON

DAYTON REGION, MONTGOMERY COUNTY

REGULAR AUDIT

JANUARY 1, 2012 – DECEMBER 31, 2012



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of West Carrollton, Montgomery County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 25, 2013

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CITY OF WEST CARROLLTON
MONTGOMERY COUNTY

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CITY OF WEST CARROLLTON
MONTGOMERY COUNTY

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

ELECTED OFFICIALS AND ADMINISTRATIVE PERSONNEL
AS OF DECEMBER 31, 2012

Council Member

<u>NAME</u>	<u>TITLE</u>	<u>TERM OF OFFICE</u>
Jeffery W. Sanner	Mayor	1/1/08 – 12/31/15
James R. Bowers	Deputy Mayor	1/1/10 – 12/31/13
Angie Fryman	Council Member	1/1/08 – 12/31/15
James Folker	Council Member	1/1/10 – 12/31/13
Erica Shade	Council Member	1/1/08 – 12/31/15
Linda M. Lotspaih	Council Member	1/1/10 – 12/31/13
Harold L. Robinson	Council Member	1/1/10 – 12/31/13

ADMINISTRATIVE PERSONNEL

<u>NAME</u>	<u>TITLE</u>
Brad Townsend	City Manager
Thomas E. Reilly	Finance Director/Clerk of Council

CITY OF WEST CARROLLTON
MONTGOMERY COUNTY
INDEX OF FUNDS

GOVERNMENTAL FUND TYPES

General Fund Class

General Fund

Special Revenue Fund Class

Street Construction, Maintenance and Repair Fund

Law Enforcement and Education Fund

Miami Conservancy District Fund

Recreation Fund

Parks Fund

Law Enforcement Fund

Motor Vehicle License Fund

Economic Development

Neighborhood Improvement

Special Assessments Fund

Police Pension Fund

Debt Service Fund Class

Bond Retirement Fund

Capital Project Fund Class

One Half Percent Tax Fund

Street Improvement Fund

Parks and Playgrounds Improvement Fund

Vehicle Replacement Fund

Other Capital Expenditures Fund

Federal Grants Fund

PROPRIETARY FUND TYPES

Enterprise Fund Class

Water Fund

Sanitary Sewer Fund

Municipal Swimming Pool Fund

Refuse Fund

FIDUCIARY FUND TYPES

Agency Funds

Bonds Returnable Fund

Income Tax Fund

Inspection Fund

Mayor's Court Appearance Bond

Mayor's Court Fund

Unclaimed Money Fund

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INDEPENDENT AUDITORS' REPORT

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

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, Ohio (the City) as of and for the year ended December 31, 2012, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, as of December 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Special Assessment Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 15 to the financial statements, in 2012, the City adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2013, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Plattenburg & Associates, Inc.

Dayton, Ohio
May 31, 2013

CITY OF WEST CARROLLTON MONTGOMERY COUNTY

Management's Discussion and Analysis For the Year Ended December 31, 2012 (UNAUDITED)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section provides an overview of the City's financial activities for the year ended December 31, 2012.

FINANCIAL HIGHLIGHTS

The City's total net position declined \$1,496,762 in 2012.

The general fund reported a net decrease in fund balance of \$735,596.

USING THIS ANNUAL FINANCIAL REPORT

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

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

REPORTING THE CITY AS A WHOLE

Statement of Net Position and the Statement of Activities

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

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

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

- ◆ Governmental Activities – Most of the City's services are reported here including police, fire, street maintenance, parks and recreation, and general administration. Income tax, property tax, and 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, 2012
(UNAUDITED)**

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 2012 are General, Special Assessment, Half Percent, Water, Sewer, and Refuse.

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

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

Fiduciary Funds – The City is the fiscal agent for the Bonds Returnable and Inspection Funds. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net 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 2012 and 2011.

NET POSITION

City as a Whole

	<u>2012</u>	<u>2011</u>
Assets:		
Current and Other Assets	\$ 10,151,433	\$10,246,044
Capital Assets	<u>24,128,840</u>	<u>24,824,113</u>
Total Assets	<u>34,280,273</u>	<u>35,070,157</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2012
(UNAUDITED)**

Liabilities:

Current and Other Liabilities	3,819,722	2,989,416
Long-Term Liabilities	<u>7,740,788</u>	<u>7,864,216</u>
Total Liabilities	<u>11,560,510</u>	<u>10,853,632</u>

Net Position:

Net Investments in Capital Assets	15,904,247	16,523,320
Restricted	1,364,018	1,504,420
Unrestricted	<u>5,451,498</u>	<u>6,188,785</u>
Total Net Position	<u>\$ 22,719,763</u>	<u>\$ 24,216,525</u>

In 2012 the City's net position decreased 6.2%.

CHANGE IN NET POSITION

	<u>2012</u>	<u>2011</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 5,567,265	\$ 5,564,625
Capital Grants and Contributions	264,894	418,368
Operating Grants and Contributions	<u>16,241</u>	<u>17,720</u>
Total Program Revenues	<u>5,848,400</u>	<u>6,000,713</u>
General Revenues:		
Income Taxes	5,192,306	5,869,951
Property Taxes	944,792	1,397,211
Unrestricted Grants and Entitlements	236,555	387,021
Investment Earnings	25,846	33,887
Refunds and Reimbursements	283,701	358,780
Other	<u>0</u>	<u>28,249</u>
Total General Revenue	<u>6,683,200</u>	<u>8,075,099</u>
Total Revenues	<u>\$ 12,531,600</u>	<u>\$ 14,075,912</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2012
(UNAUDITED)**

	<u>2012</u>	<u>2011</u>
Program Expenses:		
General Government	\$ 856,611	\$ 896,692
Public Safety	5,244,758	5,233,384
Leisure Time Activities	608,244	782,492
Community Environment	2,557,853	2,600,305
Transportation	697,911	1,032,508
Interest and Fiscal Charges	150,971	178,375
Water	1,705,842	1,517,313
Sewer	1,249,427	1,229,685
Refuse	724,441	745,452
Pool	<u>232,304</u>	<u>226,080</u>
Total Expenses	<u>14,028,362</u>	<u>14,437,286</u>
Other:		
Transfers-In	10,000	0
Transfers-Out	<u>(10,000)</u>	<u>0</u>
Total Transfers	<u>0</u>	<u>0</u>
Net Increase (Decrease) in Net Position	<u>(\$ 1,496,762)</u>	<u>(\$ 361,474)</u>

Revenues decreased 11% mainly due to declines in income tax. Expenses decreased 2.8%.

Governmental Activities

	<u>NET POSITION</u>	
	<u>2012</u>	<u>2011</u>
Assets:		
Current and Other Assets	\$ 6,550,360	\$ 7,077,926
Capital Assets	<u>19,488,033</u>	<u>19,714,405</u>
Total Assets	<u>26,038,393</u>	<u>26,792,331</u>
Liabilities:		
Current and Other Liabilities	3,676,286	2,842,336
Long-Term Liabilities	<u>4,248,839</u>	<u>4,154,153</u>
Total Liabilities	<u>7,925,125</u>	<u>6,996,489</u>
Net Position:		
Net Investment in Capital Assets	14,680,988	15,051,533
Restricted	1,364,018	1,504,420
Unrestricted	<u>2,068,262</u>	<u>3,239,889</u>
Total Net Position	<u>\$18,313,268</u>	<u>\$19,795,842</u>

Governmental Activities' net position decreased 8.5% in 2012.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2012
(UNAUDITED)**

CHANGE IN NET POSITION

Revenues	<u>2012</u>	<u>2011</u>
Program Revenues:		
Charges for Services and Sales	\$ 1,491,349	\$ 1,533,616
Capital Grants and Contributions	264,894	349,306
Operating Grants and Contributions	<u>16,241</u>	<u>17,720</u>
Total Program Revenues	<u>1,772,484</u>	<u>1,900,642</u>
General Revenues:		
Income Taxes	5,192,306	5,869,951
Property Taxes	944,792	1,397,211
Unrestricted Grants and Entitlements	236,555	387,021
Investment Earnings	13,936	16,450
Refunds and Reimbursements	283,701	358,780
Transfers – Internal Activities	<u>(10,000)</u>	<u>0</u>
Total General Revenue	<u>6,661,290</u>	<u>8,029,413</u>
Total Revenues	<u>8,433,774</u>	<u>9,930,055</u>
Program Expenses:		
General Government	856,611	896,692
Public Safety	5,244,758	5,233,384
Leisure Time Activities	697,911	782,492
Community Environment	2,557,853	2,600,305
Transportation	608,244	1,032,508
Interest and Fiscal Charges	<u>150,971</u>	<u>178,375</u>
Total Expenses	<u>10,116,348</u>	<u>10,723,756</u>
Change in Net Position	(1,682,574)	(793,701)
Beginning Net Position	<u>19,795,842</u>	<u>20,589,543</u>
Ending Net Position	<u>\$ 18,113,268</u>	<u>\$ 19,795,842</u>

Total revenues decreased 15% for the most part due to lower income tax. The largest revenue stream, income tax, declined due to the economy and loss of businesses. Income tax was \$5,192,306 representing 61.6% of total revenue compared to 59.1% in 2011. Total expenditures decreased 5.7% due to fewer transportation projects. The transfer-out in 2012 came from the general fund to provide resources for the pool operation in the business-type activities.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2012
(UNAUDITED)**

Program Expenses Percentage breakdown:

	<u>2012</u>		<u>2011</u>	
General Government	\$ 856,611	8.5%	\$ 896,692	8.4%
Public Safety	5,244,758	51.8%	5,233,384	48.8%
Leisure Time Activities	697,911	6.9%	782,492	7.3%
Community Environment	2,557,853	25.3%	2,600,305	24.2%
Transportation	608,244	6.0%	1,032,508	9.6%
Interest and Fiscal Charges	<u>150,971</u>	<u>1.5%</u>	<u>178,375</u>	<u>1.7%</u>
Totals	<u>\$ 10,116,348</u>	<u>100%</u>	<u>\$ 10,723,756</u>	<u>100%</u>

The largest program expense is Public Safety at 51.8% which primarily represents the operation of the police and fire departments. These expenses were partially funded by \$540,529 in direct charges to users of service.

	<u>Total Cost of Services 2012</u>	<u>Net Expense (Revenue) 2012</u>	<u>Total Cost of Services 2011</u>	<u>Net Expense (Revenue) 2011</u>
Program Expenses:				
General Government	\$ 856,611	\$ 805,625	\$ 896,692	\$ 863,717
Public Safety	5,244,758	4,703,979	5,233,384	4,534,784
Leisure Time Activities	697,911	639,291	782,492	705,693
Community Environment	2,557,853	2,088,865	2,600,305	2,174,384
Transportation	608,244	(44,867)	1,032,508	366,161
Interest and Fiscal Charges	<u>150,971</u>	<u>150,971</u>	<u>178,375</u>	<u>178,375</u>
Total	<u>\$ 10,116,348</u>	<u>\$ 8,343,864</u>	<u>\$10,723,756</u>	<u>\$ 8,823,114</u>

As detailed in the above table, the programs are both 82% dependent on general revenues for 2012 and 2011 respectively.

Business-Type Activities

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

NET POSITION

	<u>2012</u>	<u>2011</u>
Assets:		
Current and Other Assets	\$ 3,601,073	\$ 3,168,118
Capital Assets	<u>4,640,807</u>	<u>5,109,708</u>
Total Assets	<u>8,241,880</u>	<u>8,277,826</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2012
(UNAUDITED)**

Liabilities:

Current and Other Liabilities	143,436	147,080
Long-Term Liabilities	<u>3,491,949</u>	<u>3,710,063</u>
Total Liabilities	<u>3,635,385</u>	<u>3,857,143</u>

Net Position:

Net Investment in Capital Assets	1,223,259	1,471,787
Unrestricted	<u>3,383,236</u>	<u>2,948,896</u>
Total Net Position	<u>\$ 4,606,495</u>	<u>\$ 4,420,683</u>

In 2012 the Business-Type Activities' net position increased \$185,812 (4.2%).

CHANGE IN NET POSITION

	<u>2012</u>	<u>2011</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 4,075,916	\$ 4,031,009
Operating Grants and Contributions	<u>0</u>	<u>69,062</u>
Total Program Revenues	<u>4,075,916</u>	<u>4,100,071</u>
General Revenues:		
Investment Earnings	11,910	17,437
Transfers – Internal Activities	10,000	0
Other	<u>0</u>	<u>28,249</u>
Total General Revenue	<u>21,910</u>	<u>45,686</u>
Total Revenues	<u>4,097,826</u>	<u>4,145,757</u>
Program Expenses:		
Water	1,705,842	1,517,313
Sewer	1,249,427	1,229,685
Refuse	724,441	745,452
Nonmajor – Pool	<u>232,304</u>	<u>221,080</u>
Total Expenses	<u>3,912,014</u>	<u>3,713,530</u>
Changes in Net Position	<u>\$ 185,812</u>	<u>\$ 432,227</u>

Business-Type operations had \$4,097,826 total revenues against \$3,912,014 of total expense in 2012. Most

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2012
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of the 1.1% decrease in revenues was created from a decrease in grants. Expenses increased 5.3% mainly from inflationary increases.

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 \$2,131,913 and \$2,833,065 in 2012 and 2011 respectively. The schedule below shows the fund balances and the total change in fund balances as of December 31, 2012 for all major and nonmajor governmental funds.

	<u>2012</u>	<u>2011 Restated</u>
Major Funds:		
General	\$1,043,188	\$1,778,784
Special Assessment Fund	(351,171)	(408,382)
Half % Fund	710,399	716,086
Other Nonmajor Governmental Funds	<u>729,497</u>	<u>746,577</u>
Total	<u>\$ 2,131,913</u>	<u>\$ 2,833,065</u>

General Fund

The City's general fund balance decreased \$735,596.

	<u>2012</u>	<u>2011</u>
Revenues		
Local Taxes	\$4,917,784	\$5,831,233
Intergovernmental	385,460	474,744
Charges for Services	343,365	335,645
Special Assessments	34,920	37,842
Investment Earnings	11,344	12,736
Fines and Forfeitures	286,398	300,274
License and Permits	58,426	75,153
Other	<u>272,808</u>	<u>236,505</u>
Total Revenue	<u>\$ 6,310,505</u>	<u>\$ 7,304,132</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2012
(UNAUDITED)**

	2012	2011
Expenditures		
General Government	\$ 870,550	\$ 871,530
Public Safety	4,659,734	4,536,356
Leisure Time Activities	685,046	674,016
Community Environment	502,973	747,495
Total Expenses	\$ 6,718,303	\$ 6,829,397

The expenditures decreased 1.6% versus a 13.6% decrease in revenue. The sharp drop in revenues was mainly from local taxes. More property taxes were paid later for 2012 increasing deferred revenue combined with a decline in income tax due to loss of businesses.

Other Major Funds

The Special Assessment Fund revenue totaled \$127,773 exceeded expenditures of \$70,562 by \$57,211. The 2012 fund balance is now at a deficit of (\$351,171).

The Half Percent Fund revenue of \$1,486,056 was out paced by net transfers-out of \$1,491,743 by \$5,687. This decreased the 2012 fund balance to \$710,399.

Budgeting Highlights

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

The budgetary information is presented for only the general fund.

In the general fund, the actual revenues of \$7,028,241 were less than the final budget of \$7,769,200 by \$740,959. The general fund final expenditures and transfers-out budget increased \$150,000 over the original budget. Overall actual expenditures of \$7,134,467 were less than the final budget of \$8,857,493 by \$1,723,026. The overall net positive variance, including transfers totaled \$1,029,411.

Proprietary Funds

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

The Water Fund operating revenue of \$1,721,288 exceeded operating expenses of \$1,599,079 producing operating income of \$122,209. After factoring in non-operating activity, net position increased \$19,417 from \$1,937,047 in 2011 to \$1,956,464 in 2012.

The Sewer Fund Net Position rose \$135,723 from \$1,830,550 to \$1,966,273 after showing an operating income of \$129,305.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2012
(UNAUDITED)**

The Refuse Fund operating revenues of \$806,272 outpaced expenses of \$724,441 generating an operating income of \$81,831. After including investment earnings totaling \$1,395, net position increased to \$450,120 in 2012 from \$366,894 in 2011.

CAPITAL ASSETS

A two-year comparison of capital asset balances, net of accumulated depreciation, for 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
<u>Governmental Activities</u>		
Land	\$ 4,695,276	\$ 4,537,259
Building and Improvements	5,951,798	6,334,399
Machinery and Equipment	1,866,226	2,259,517
Infrastructure	<u>6,974,733</u>	<u>6,583,230</u>
Total	<u>\$ 19,488,033</u>	<u>\$ 19,714,405</u>

	<u>2012</u>	<u>2011</u>
<u>Business-Type Activities</u>		
Land	\$ 53,500	\$ 53,500
Building and Improvements	3,186,676	3,518,892
Machinery and Equipment	131,149	163,798
Infrastructure	<u>1,269,482</u>	<u>1,373,518</u>
Total	<u>\$ 4,640,807</u>	<u>\$ 5,109,708</u>

	<u>2012</u>	<u>2011</u>
City as a Whole	<u>\$ 24,128,840</u>	<u>\$ 24,824,113</u>

A detailed summary of capital asset activity for the year ended December 31, 2012 is disclosed in note 8.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2012
(UNAUDITED)**

Debt Administration

	<u>2012</u>	<u>2011</u>
Short-Term	\$ 1,394,000	\$ 1,394,000
 <u>Long-Term</u>		
	<u>2012</u>	<u>2011</u>
Governmental Activities	\$ 4,248,839	\$ 4,154,153
Business-Type Activities	<u>3,491,949</u>	<u>3,710,063</u>
Total	<u>\$ 7,740,788</u>	<u>\$ 7,864,216</u>
Due Within One Year	<u>\$ 895,855</u>	<u>\$ 1,024,667</u>

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

Contacting the City's Financial Management

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2012

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Equity in Pooled Cash & Investments	\$3,338,827	\$2,799,412	\$6,138,239
Receivables (Net)			
Taxes	2,085,701	0	2,085,701
Accounts	68,881	770,744	839,625
Intergovernmental	658,966	0	658,966
Special Assessments	351,228	0	351,228
Loan	41,790	0	41,790
Accrued Interest	1,209	1,117	2,326
Prepaid Items	3,758	0	3,758
Inventory	0	29,800	29,800
Nondepreciable Capital Assets	4,695,276	53,500	4,748,776
Depreciable Capital Assets, Net	14,792,757	4,587,307	19,380,064
Total Assets	<u>26,038,393</u>	<u>8,241,880</u>	<u>34,280,273</u>
LIABILITIES:			
Accounts Payable	50,791	8,060	58,851
Accrued Wages and Benefits	362,821	62,275	425,096
Accrued Pensions	187,211	20,594	207,805
Accrued Interest	10,055	52,507	62,562
Deferred Revenue	1,671,408	0	1,671,408
Note Payable	1,394,000	0	1,394,000
Long-term Liabilities:			
Due Within One Year	644,359	251,496	895,855
Due In More Than One Year	3,604,480	3,240,453	6,844,933
Total Liabilities	<u>7,925,125</u>	<u>3,635,385</u>	<u>11,560,510</u>
NET POSITION:			
Net Investment in Capital Assets	14,680,988	1,223,259	15,904,247
Restricted for:			
Debt Service	603	0	603
Capital Projects	455,534	0	455,534
Public Safety	67,658	0	67,658
Community Development	202,086	0	202,086
Transportation	638,137	0	638,137
Unrestricted	<u>2,068,262</u>	<u>3,383,236</u>	<u>5,451,498</u>
Total Net Position	<u>\$18,113,268</u>	<u>\$4,606,495</u>	<u>\$22,719,763</u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2012

	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	\$856,611	\$50,986	\$0	\$0	(\$805,625)	\$0	(\$805,625)
Public Safety	5,244,758	540,529	250	0	(4,703,979)	0	(4,703,979)
Leisure Time Activities	697,911	36,594	15,991	6,035	(639,291)	0	(639,291)
Community Environment	2,557,853	260,129	0	208,859	(2,088,865)	0	(2,088,865)
Transportation	608,244	603,111	0	50,000	44,867		44,867
Interest and Fiscal Charges	150,971	0	0	0	(150,971)	0	(150,971)
Total Government Activities	10,116,348	1,491,349	16,241	264,894	(8,343,864)	0	(8,343,864)
Business-Type Activities							
Water	1,705,842	1,721,288	0	0	0	15,446	15,446
Sewer	1,249,427	1,378,732	0	0	0	129,305	129,305
Refuse	724,441	806,272	0	0	0	81,831	81,831
Pool	232,304	169,624	0	0	0	(62,680)	(62,680)
Total Business-Type Activities	\$3,912,014	\$4,075,916	\$0	\$0	0	163,902	163,902
Totals	\$14,028,362	\$5,567,265	\$16,241	\$264,894	(\$8,343,864)	\$163,902	(\$8,179,962)

General Revenues:

Income Taxes	5,192,306	0	5,192,306
Property Taxes Levied for:			
General Purposes	582,289	0	582,289
Special Revenue Purposes	362,503	0	362,503
Grants and Entitlements not Restricted	236,555	0	236,555
Investment Earnings	13,936	11,910	25,846
Refunds and Reimbursements	283,701	0	283,701
Transfers - Internal Activities	(10,000)	10,000	0
Total General Revenues and Transfers	6,661,290	21,910	6,683,200
Change in Net Position	(1,682,574)	185,812	(1,496,762)
Net Position Beginning of the Year	19,795,842	4,420,683	24,216,525
Net Position End of Year	\$18,113,268	\$4,606,495	\$22,719,763

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS**

AS OF DECEMBER 31, 2012

	GENERAL	SPECIAL ASSESSMENT	HALF PERCENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Pooled Cash & Investments	\$2,482,631	\$57	\$218,491	\$637,648	\$3,338,827
Receivables (Net)					
Taxes	1,766,230	0	240,014	79,457	2,085,701
Accounts	68,881	0	0	0	68,881
Intergovernmental	173,500	0	0	485,466	658,966
Special Assessments	0	351,228	0	0	351,228
Loans	0	0	0	41,790	41,790
Accrued Interest	905	0	93	211	1,209
Due from Other Funds	0	0	64,814	0	64,814
Prepaid Items	3,758	0	0	0	3,758
Advance to Other Funds	0	0	286,414	0	286,414
Total Assets	<u>\$4,495,905</u>	<u>\$351,285</u>	<u>\$809,826</u>	<u>\$1,244,572</u>	<u>\$6,901,588</u>
LIABILITIES:					
Accounts Payable	\$30,886	\$0	\$0	\$19,905	\$50,791
Accrued Wages and Benefits	336,568	0	0	26,253	362,821
Accrued Pensions	178,937	0	0	8,274	187,211
Compensated Absences	40,881	0	0	2,743	43,624
Due to Other Funds	0	64,814	0	0	64,814
Advance from Other Funds	0	286,414	0	0	286,414
Note Payable	1,394,000	0	0	0	1,394,000
Deferred Revenue	1,471,445	351,228	99,427	457,900	2,380,000
Total Liabilities	<u>3,452,717</u>	<u>702,456</u>	<u>99,427</u>	<u>515,075</u>	<u>4,769,675</u>
FUND BALANCES:					
Fund Balance:					
Nonspendable	3,758	0	0	0	3,758
Restricted	0	0	710,399	729,497	1,439,896
Assigned	29,993	0	0	0	29,993
Unassigned	1,009,437	(351,171)	0	0	658,266
Total Fund Balances	<u>1,043,188</u>	<u>(351,171)</u>	<u>710,399</u>	<u>729,497</u>	<u>2,131,913</u>
Total Liabilities and Fund Balances	<u>\$4,495,905</u>	<u>\$351,285</u>	<u>\$809,826</u>	<u>\$1,244,572</u>	<u>\$6,901,588</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, 2012

Total Governmental Fund Balance \$2,131,913

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. 19,488,033

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. 708,592

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. (10,055)

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. (792,171)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (3,413,044)

Net Position of Governmental Activities \$18,113,268

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

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

FOR THE YEAR ENDED DECEMBER 31, 2012

	GENERAL	SPECIAL ASSESSMENT	HALF PERCENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Local Taxes	\$4,917,784	\$0	\$1,369,934	\$66,261	\$6,353,979
Special Assessments	34,920	127,773	0	166,374	329,067
Charges for Services	343,365	0	0	6,797	350,162
Intergovernmental	385,460	0	115,000	896,256	1,396,716
Investment Earnings	11,344	0	1,122	1,470	13,936
Fines & Forfeitures	286,398	0	0	10,306	296,704
License & Permits	58,426	0	0	0	58,426
Other Revenue	272,808	0	0	26,751	299,559
Total Revenues	6,310,505	127,773	1,486,056	1,174,215	9,098,549
EXPENDITURES:					
General Government	870,550	0	0	0	870,550
Public Safety	4,659,734	0	0	607,685	5,267,419
Leisure Time Activities	685,046	0	0	15,583	700,629
Community Environment	502,973	70,562	0	1,290,396	1,863,931
Transportation	0	0	0	1,099,474	1,099,474
Debt Service:					
Principal	0	0	0	325,000	325,000
Interest & Fiscal Charges	0	0	0	151,035	151,035
Total Expenditures	6,718,303	70,562	0	3,489,173	10,278,038
Excess (Deficiency) of Revenue Over/(Under) Expenditures	(407,798)	57,211	1,486,056	(2,314,958)	(1,179,489)
Other Financing Sources (Uses):					
Debt Proceeds	0	0	0	488,337	488,337
Transfers-In	0	0	0	1,859,541	1,859,541
Transfers-Out	(327,798)	0	(1,491,743)	(50,000)	(1,869,541)
Total Other Financing Sources (Uses)	(327,798)	0	(1,491,743)	2,297,878	478,337
Net Change in Fund Balance(Deficit)	(735,596)	57,211	(5,687)	(17,080)	(701,152)
Fund Balance - Beginning of Year - Restated	1,778,784	(408,382)	716,086	746,577	2,833,065
Fund Balance - End of Year	\$1,043,188	(\$351,171)	\$710,399	\$729,497	\$2,131,913

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES CHANGE IN NET POSITON OF GOVERNMENTAL ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2012

Net Change in Fund Balance - Total Governmental Funds **(\$701,152)**

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. (226,372)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (654,775)

In the statement of activities, interest is accrued, In governmental funds interest expenditures are reported when due. 64

Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net position. (144,172)

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. 43,833

Change in Net Position of Governmental Activities **(\$1,682,574)**

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, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FROM FINAL BUDGET
REVENUES:				
Local Taxes	\$5,640,800	\$6,507,400	\$5,682,158	(\$825,242)
Charges for Services	257,000	257,000	274,525	17,525
Intergovernmental	347,700	347,700	407,210	59,510
Investment Earnings	30,000	30,000	11,796	(18,204)
Fines & Forfeitures	319,500	319,500	286,398	(33,102)
Licenses & Permits	65,100	65,100	58,426	(6,674)
Other Revenue	242,500	242,500	307,728	65,228
Total Revenues	6,902,600	7,769,200	7,028,241	(740,959)
EXPENDITURES:				
Council - Personnel Services	28,000	28,000	24,581	3,419
Council - Other	12,000	12,000	4,417	7,583
Mayor - Personnel Services	130,000	130,000	120,606	9,394
Mayor - Other	16,772	16,772	11,925	4,847
Law - Personnel Services	53,000	53,000	44,631	8,369
Law - Other	50,000	100,000	72,939	27,061
City Manager - Personnel Services	280,000	280,000	263,856	16,144
City Manager - Other	20,050	20,050	7,953	12,097
Finance - Personnel Services	200,000	200,000	188,949	11,051
Finance - Other	20,000	20,000	5,974	14,026
Income Tax - Personnel Services	220,000	220,000	194,170	25,830
Income Tax - Other	30,000	30,000	16,843	13,157
Police - Personnel Services	2,847,392	2,847,392	2,603,706	243,686
Police - Other	452,320	452,320	301,927	150,393
Fire - Personnel Services	1,552,531	1,552,531	1,358,225	194,306
Fire - Other	301,909	301,909	149,230	152,679
Building Inspection - Personnel Services	250,000	250,000	175,024	74,976
Building Inspection - Other	109,562	109,562	86,718	22,844
Economic Development - Personnel Services	120,000	120,000	84,912	35,088
Economic Development - Other	40,000	40,000	12,596	27,404
Parks and Recreation - Personnel Services	575,000	575,000	500,026	74,974
Parks and Recreation - Other	177,050	177,050	100,116	76,934
Planning - Personnel Services	190,000	190,000	160,495	29,505
Planning - Other	32,200	32,200	8,421	23,779
Building Maintenance - Personnel Services	130,000	130,000	115,194	14,806
Building Maintenance - Other	231,349	231,349	225,294	6,055
Other Services - Other	638,358	738,358	295,739	442,619
Total Expenditures	8,707,493	8,857,493	7,134,467	1,723,026
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,804,893)	(1,088,293)	(106,226)	982,067
Other Financing Sources (Uses):				
Transfers-In	451,800	451,800	459,942	8,142
Transfers-Out	(367,000)	(367,000)	(327,798)	39,202
Total Other Financing Sources (Uses)	84,800	84,800	132,144	47,344
Net Change in Fund Balance	(1,720,093)	(1,003,493)	25,918	1,029,411
Fund Balance - Beginning of the Year (includes prior year appropriated encumbrances)	2,390,042	2,390,042	2,390,042	0
Fund Balance - End of the Year	\$669,949	\$1,386,549	\$2,415,960	\$1,029,411

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, 2012**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL BUDGET</u>
REVENUES:				
Special Assessments	<u>\$ 65,000</u>	<u>\$ 70,000</u>	<u>\$ 70,619</u>	<u>\$ 619</u>
Total Revenues	<u>65,000</u>	<u>70,000</u>	<u>70,619</u>	<u>619</u>
EXPENDITURES:				
Special Assessments - Other	<u>60,000</u>	<u>80,000</u>	<u>70,562</u>	<u>9,438</u>
Total Expenditures	<u>60,000</u>	<u>80,000</u>	<u>70,562</u>	<u>9,438</u>
Net Change in Fund Balance	<u>5,000</u>	<u>(10,000)</u>	<u>57</u>	<u>10,057</u>
Fund Balance - Beginning of the Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance - End of the Year	<u><u>\$5,000</u></u>	<u><u>(\$10,000)</u></u>	<u><u>\$57</u></u>	<u><u>\$10,057</u></u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

AS OF DECEMBER 31, 2012

	<u>Business-Type Activities - Proprietary Funds</u>				
	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>REFUSE FUND</u>	<u>NONMAJOR POOL FUND</u>	<u>TOTAL PROPRIETARY FUNDS</u>
ASSETS:					
Equity in Pooled Cash & Investments	\$1,009,818	\$1,487,224	\$284,330	\$18,040	\$2,799,412
Receivables (Net)					
Accounts	331,629	278,154	160,961	0	770,744
Accrued Interest	395	570	146	6	1,117
Inventory	20,380	9,420	0	0	29,800
Total Current Assets	<u>1,362,222</u>	<u>1,775,368</u>	<u>445,437</u>	<u>18,046</u>	<u>3,601,073</u>
Nondepreciable Capital Assets	29,500	24,000	0	0	53,500
Depreciable Capital Assets, Net	<u>3,904,913</u>	<u>418,758</u>	<u>47,143</u>	<u>216,493</u>	<u>4,587,307</u>
Total Assets	<u>5,296,635</u>	<u>2,218,126</u>	<u>492,580</u>	<u>234,539</u>	<u>8,241,880</u>
LIABILITIES:					
Accounts Payable	4,419	1,664	1,076	901	8,060
Accrued Wages and Benefits	24,064	25,283	12,928	0	62,275
Accrued Interest	52,507	0	0	0	52,507
Accrued Pensions	7,701	8,977	3,916	0	20,594
Compensated Absences	10,562	8,572	263	0	19,397
Loan Payable Due Within One Year	<u>221,347</u>	<u>10,752</u>	<u>0</u>	<u>0</u>	<u>232,099</u>
Total Current Liabilities	<u>320,600</u>	<u>55,248</u>	<u>18,183</u>	<u>901</u>	<u>394,932</u>
Long-term Liabilities					
Compensated Absences	22,275	8,452	24,277	0	55,004
Loans Payable	<u>2,997,296</u>	<u>188,153</u>	<u>0</u>	<u>0</u>	<u>3,185,449</u>
Total Liabilities	<u>3,340,171</u>	<u>251,853</u>	<u>42,460</u>	<u>901</u>	<u>3,635,385</u>
NET POSITION:					
Net Investment in Capital Assets	715,770	243,853	47,143	216,493	1,223,259
Unrestricted	<u>1,240,694</u>	<u>1,722,420</u>	<u>402,977</u>	<u>17,145</u>	<u>3,383,236</u>
Total Net Position	<u>\$1,956,464</u>	<u>\$1,966,273</u>	<u>\$450,120</u>	<u>\$233,638</u>	<u>\$4,606,495</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, 2012

	<u>Business-Type Activities - Proprietary Funds</u>				<u>TOTAL PROPRIETARY FUNDS</u>
	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>REFUSE FUND</u>	<u>NONMAJOR POOL FUND</u>	
Operating Revenues:					
Charges for Services	1,721,288	1,378,732	806,272	169,624	4,075,916
Total Operating Revenues	<u>1,721,288</u>	<u>1,378,732</u>	<u>806,272</u>	<u>169,624</u>	<u>4,075,916</u>
Operating Expenses:					
Personal Services	804,081	777,823	353,502	98,705	2,034,111
Contractual Services	26,236	170,624	281,217	267	478,344
Material and Supplies	276,336	138,990	47,825	65,858	529,009
Utilities	131,739	112,089	0	16,442	260,270
Depreciation	360,687	49,901	41,897	51,032	503,517
Other	0	0	0	0	0
Total Operating Expenses	<u>1,599,079</u>	<u>1,249,427</u>	<u>724,441</u>	<u>232,304</u>	<u>3,805,251</u>
Operating Income (Loss)	<u>122,209</u>	<u>129,305</u>	<u>81,831</u>	<u>(62,680)</u>	<u>270,665</u>
Non-Operating Revenues(Expense):					
Transfer In				10,000	10,000
Investment Earnings	3,971	6,418	1,395	126	11,910
Interest Expense	(106,763)	0	0	0	(106,763)
Total Non-Operating Revenues(Expense)	<u>(102,792)</u>	<u>6,418</u>	<u>1,395</u>	<u>10,126</u>	<u>(84,853)</u>
Change in Net Position	19,417	135,723	83,226	(52,554)	185,812
Net Position Beginning of the Year	<u>1,937,047</u>	<u>1,830,550</u>	<u>366,894</u>	<u>286,192</u>	<u>4,420,683</u>
Net Position End of the Year	<u>\$1,956,464</u>	<u>\$1,966,273</u>	<u>\$450,120</u>	<u>\$233,638</u>	<u>\$4,606,495</u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Business-Type Activities - Enterprise Funds</u>				TOTAL PROPRIETARY FUNDS
	WATER FUND	SEWER FUND	REFUSE FUND	NONMAJOR POOL FUND	
Increase (Decrease) in Cash and Cash Equivalents					
Cash Flows from Operating Activities:					
Cash Received from Charges for Services	\$1,803,292	\$1,442,987	\$828,628	\$169,624	\$4,244,531
Cash Payments for Personal Services	(800,251)	(771,299)	(348,185)	(98,705)	(2,018,440)
Cash Payments for Contractual Services	(26,236)	(175,464)	(281,217)	(267)	(483,184)
Cash Payments for Material and Supplies	(281,893)	(141,068)	(50,029)	(66,188)	(539,178)
Cash Payments for Utilities	(131,739)	(112,089)	0	(16,442)	(260,270)
Net Cash Provided by (Used in) Operating Activities	<u>563,173</u>	<u>243,067</u>	<u>149,197</u>	<u>(11,978)</u>	<u>943,459</u>
Cash Flows from Noncapital Financing Activities:					
Transfers from Other Funds	0	0	0	10,000	10,000
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,000</u>	<u>10,000</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition of Capital Assets	(18,852)	(10,862)	0	(4,902)	(34,616)
Debt Principal Payments	(209,622)	(10,751)	0	0	(220,373)
Debt Interest Payments	(110,230)	0	0	0	(110,230)
Net Cash Used for Capital and Related Financing Activities	<u>(338,704)</u>	<u>(21,613)</u>	<u>0</u>	<u>(4,902)</u>	<u>(365,219)</u>
Cash Flows from Investing Activities:					
Interest Earnings	4,079	6,636	1,406	135	12,256
Net Cash Provided by Investing Activities	<u>4,079</u>	<u>6,636</u>	<u>1,406</u>	<u>135</u>	<u>12,256</u>
Net Increase (Decrease) in Cash and Cash Equivalents	228,548	228,090	150,603	(6,745)	600,496
Cash and Cash Equivalents at Beginning of the Year	<u>781,270</u>	<u>1,259,134</u>	<u>133,727</u>	<u>24,785</u>	<u>2,198,916</u>
Cash and Cash Equivalents at End of the Year	<u><u>\$1,009,818</u></u>	<u><u>\$1,487,224</u></u>	<u><u>\$284,330</u></u>	<u><u>\$18,040</u></u>	<u><u>\$2,799,412</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating Income (Loss)	\$122,209	\$129,305	\$81,831	(\$62,680)	\$270,665
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:					
Depreciation	360,687	49,901	41,897	51,032	503,517
(Increase) Decrease in Accounts Receivable	82,004	64,255	22,356	0	168,615
(Increase) Decrease in Inventory	(970)	(450)	0	0	(1,420)
Increase (Decrease) in Accounts Payable	(4,587)	(5,154)	(2,204)	(330)	(12,275)
Increase (Decrease) in Accrued Wages and Benefits	2,600	2,001	1,329	0	5,930
Increase (Decrease) in Accrued Pensions	2,348	2,429	1,391	0	6,168
Increase (Decrease) in Compensated Absences	(1,118)	780	2,597	0	2,259
Total Adjustments	<u>440,964</u>	<u>113,762</u>	<u>67,366</u>	<u>50,702</u>	<u>672,794</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$563,173</u></u>	<u><u>\$243,067</u></u>	<u><u>\$149,197</u></u>	<u><u>(\$11,978)</u></u>	<u><u>\$943,459</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, 2012

	<u>AGENCY FUNDS</u>
ASSETS:	
Segregated Cash & Investments	\$ 12,760
Receivables (Net) Taxes	<u>960,055</u>
Total Assets	<u><u>\$ 972,815</u></u>
LIABILITIES:	
Accounts Payable	\$ 220
Deferred Revenue	397,709
Undistributed Monies	<u>574,886</u>
Total Liabilities	<u><u>\$ 972,815</u></u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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."

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:

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. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

**CITY OF WEST CARROLLTON
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

charges paid for goods or services, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements

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

Governmental Funds

The City reports the following major governmental funds:

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

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.

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

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

Proprietary Funds

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

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

Water Fund – The water fund accounts for the water treatment and distribution to 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 nonmajor pool fund as expected accounts for the City's pool operation.

**CITY OF WEST CARROLLTON
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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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, inspection fund, and income tax holding account.

C. BASIS OF ACCOUNTING

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

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

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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become measurable and available. "Measurable" means the amount of the transaction that can be determined and "available" means collectible within the current period or 60 days for City purposes. Revenues considered susceptible to accrual are community development block grants, delinquent property taxes, income tax and interest on investments. Property taxes levied before year-end are not recognized as revenue until the next calendar year. The fiscal period for which property taxes are levied at year-end in the State of Ohio is the succeeding calendar year.

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

D. BUDGETARY PROCESS

1. Budget

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

2. Estimated Resources

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

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

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

3. Appropriations

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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recorded in order to reserve the portion of the applicable appropriation. Unencumbered appropriations lapse at the end of the year. Encumbrances outstanding at year-end are reported as reservations of fund balance for subsequent year expenditures.

5. Budgetary Basis of Accounting

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balances – 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).
- 3) Encumbrances are treated as expenditures (budget) rather than as an assignment of fund balance (GAAP).
- 4) Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the budget basis operating statement.
- 5) Advances-in and advances-out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
- 6) 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	<u>General Fund</u>	<u>Special Assessment Fund</u>
Budget Basis	\$ 25,918	\$ 57
Net Adjustment for revenue	(1,177,678)	57,154
Net Adjustment for expenditure	412,875	0
Funds Budgeted Elsewhere	<u>3,289</u>	<u>0</u>
GAAP Basis	<u>\$ (735,596)</u>	<u>\$ 57,211</u>

**CITY OF WEST CARROLLTON
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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E. POOLED CASH AND INVESTMENTS

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

The fair value of investments was determined through the use of published market values. For purposes of the combined statement of cash flows and for presentation on the statement of net position, investments with original maturities of three months or less are considered to be cash and cash equivalents. The general fund investment earnings totaled \$11,344.

F. INVENTORY

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

G. CAPITAL ASSETS

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

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

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

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

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

H. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

I. COMPENSATED ABSENCES

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

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

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

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

J. INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions among funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by City management. Transactions that would be accounted for as revenues, expenditures or expenses if they involved a party external to the government, are accounted for as revenues in the receiving fund and expenditures or expenses by the paying fund. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it, that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund, and as reductions of expenditures/expenses in the fund that is reimbursed. All other inter-fund transactions are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as equity transfers. All other inter-fund transfers are reported as operating transfers.

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

K. NET POSTION

Net position represents the difference between assets and liabilities. Net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the

**CITY OF WEST CARROLLTON
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

L. ESTIMATES

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

M. PREPAID ITEMS

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

N. EXTRAORDINARY AND SPECIAL ITEMS

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

O. FUND BALANCES

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

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

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

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

**CITY OF WEST CARROLLTON
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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purposes exceeding amounts which had been restricted, committed or assigned for said purpose.

The City considers committed, assigned and unassigned fund balances to be spent when expenditures are incurred for appropriate unrestricted purposes.

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 withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim monies 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 one year 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

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

STAR Ohio

STAR Ohio is a collateralized investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2012.

Deposits: At year-end, the carrying amount of the City's cash and deposits was \$2,219,505. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure", as of December 31, 2012 \$59,178 of the City's \$2,356,621 bank balance was exposed to custodial risk as discussed below. The \$2,297,443 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

**CITY OF WEST CARROLLTON
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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, 2012 the City had the following investments and maturities.

<u>Investment Type</u>	<u>Carrying/ Fair Value</u>	<u>Investment Maturities (in Years)</u>		<u>% of Total</u>
		<u>Less than 1</u>	<u>1 to 3</u>	
Money Market Funds	\$ 1,244,345	\$ 1,244,345		31.7
Repurchase Agreement	\$ 1,813,843	\$ 1,813,843		46.1
Star Ohio	<u>872,431</u>	<u>872,431</u>	<u>\$ 0</u>	<u>22.2</u>
Total	<u>\$ 3,930,619</u>	<u>\$ 3,930,619</u>	<u>\$ 0</u>	<u>100.0</u>

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

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

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	\$ 2,219,505
Investments	3,930,619
Cash on Hand	<u>875</u>
Total	<u>\$ 6,150,999</u>

**CITY OF WEST CARROLLTON
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Cash and Investments per Statement of Net Position

Government Activities	\$ 3,338,827
Business-Type Activities	<u>2,799,412</u>
Subtotal	6,138,239
Fiduciary Funds	<u>12,760</u>
Total	<u>\$ 6,150,999</u>

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, 2012 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 12-31-12 values per category are as follows:

Real Estate	\$184,982,870
Public Utilities	29,810
Public Utilities Personal Property	<u>5,189,960</u>
Total Valuation	<u>\$190,202,640</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 2012 on a cash basis, tax receipts net of refunds amounted to \$5,821,041 of which \$4,423,991 was recorded in the General Fund and \$1,397,050 was recorded in the One Half Percent Tax Fund for use in various capital improvements.

**CITY OF WEST CARROLLTON
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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. Receivables have been reported to the extent that they are both measurable and available at December 31, 2012 as well as intended to finance fiscal 2012 operations.

A summary of the receivables is as follows:

<u>Governmental Funds</u>	<u>General</u>	<u>Special Assessment</u>	<u>Half % Tax</u>	<u>Nonmajor</u>
Taxes	\$ 1,766,230	\$ 0	\$ 240,014	\$ 79,457
Accounts	68,881	0	0	0
Intergovernmental	173,500	0	0	485,466
Special Assessments	0	351,228	0	0
Loans	<u>0</u>	<u>0</u>	<u>0</u>	<u>41,790</u>
Total	<u>\$ 2,008,611</u>	<u>\$ 351,228</u>	<u>\$ 240,014</u>	<u>\$ 606,713</u>
 <u>Proprietary Funds</u>		<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>
Accounts		\$ 331,629	\$ 278,154	\$ 160,961

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 Nonmajor Governmental Funds from:

General Fund	\$ 327,798
Half Percent Tax Fund	1,491,743

Transfers to Nonmajor Governmental Fund from:

Nonmajor Governmental Fund	<u>\$ 50,000</u>
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**CITY OF WEST CARROLLTON
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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Total Transfers	\$ <u>1,869,541</u>
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The transfer of \$50,000 between nonmajors was a transfer of grant proceeds to the fund containing the corresponding capital project. All transfers were legal and in compliance with the Ohio Revised Code.

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Half Percent Tax Fund	Special Assessment Fund	\$ 64,814

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 2012. The amount due after 2012 is reported in advances to/from noted below.

Advances To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Half Percent Tax Fund	Special Assessment Fund	\$ 286,414

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 2012. The amount due in 2012 is reported in due to/from noted above.

8. CAPITAL ASSETS

A summary of capital asset activity for the year ended December 31, 2012, was as follows:

Governmental Activities

Category	Cost Balance As of 1/1/12	Additions	Deletions	Accumulated Depreciation	Net Balance As of 12/31/12
Land	\$4,537,259	\$ 158,017	\$ 0	\$ 0	\$4,695,276
Building and Improvements	13,820,827	107,185	0	(7,976,214)	5,951,798
Machinery and Equipment	6,966,887	162,171	(114,928)	(5,147,904)	1,866,226
Infrastructure	17,788,997	1,210,777	0	(12,025,041)	6,974,733

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Total	\$43,113,970	\$ 1,638,150	(\$114,928)	(\$25,149,159)	\$19,488,033
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Governmental Activities

Category	Accumulated Depreciation Balance As of 1/1/12	Depreciation	Disposals	Accumulated Depreciation Balance As of 12/31/12
Building and Improvements	\$ 7,486,428	\$ 489,786	\$ 0	\$ 7,976,214
Machinery and Equipment	4,707,370	555,462	(114,928)	5,147,904
Infrastructure	11,205,767	819,274	0	12,025,041
Total	\$ 23,399,565	\$1,864,522	(\$114,928)	\$25,149,159

Governmental Activities depreciation expense was charged as follows:

General Government	\$ 213,650
Public Safety	667,181
Leisure Time Activities	73,644
Community Environment	16,344
Transportation	893,703
Total	\$ 1,864,522

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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Business-Type Activities

Category	Cost Balance As of 1/1/12	Additions	Deletions	Accumulated Depreciation	Net Balance As of 12/31/12
Land	\$ 53,500	\$ 0	\$ 0	\$ 0	\$ 53,500
Building and Improvements	13,373,194	0	0	(10,186,518)	3,186,676
Machinery and Equipment	1,978,851	34,616	0	(1,882,318)	131,149
Infrastructure	9,821,275	0	0	(8,551,793)	1,269,482
Total	\$25,226,820	\$ 34,616	\$ 0	(\$20,620,629)	\$4,640,807

Category	Accumulated Depreciation Balance As of 1/1/12	Depreciation	Disposals	Accumulated Depreciation Balance As of 12/31/12
Building and Improvements	\$ 9,854,302	\$ 332,216	\$ 0	\$ 10,186,518
Machinery and Equipment	1,815,053	67,265	0	1,882,318
Infrastructure	8,447,757	104,036	0	8,551,793

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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Total	\$ 20,117,112	\$ 503,517	\$ 0	\$ 20,620,629
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Business-Type depreciation expense was charged as follows:

Water	\$ 360,687
Sewer	49,901
Pool	51,032
Refuse	<u>41,897</u>
 Total	 <u>\$ 503,517</u>

9. INSURANCE

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. In 1989, the City joined the Miami Valley Risk Management Association, Inc. (MVRMA, Inc.), a joint insurance pool. The pool consists of twenty municipalities who pool risk for property, liability (third party, general, police professional and automobile), boiler and machinery, and public official liability. The City 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)

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Ohio Public Employees Retirement System (OPERS) administers three separate pension plans, a Traditional Pension Plan (TP), a Member-Directed Plan (MD) and a Combined Plan (CO). The TP

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

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

The Ohio Revised Code provides statutory authority for member and employer contributions. Plan members and employer contributions rates were consistent across all three plans. Plan members are required to contribute 10% of their annual covered salary to fund pension obligations. The employer pension contribution rate for the City is 14% of covered payroll. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2012, 2011 and 2010 were \$431,647, \$449,301 and \$451,313, 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% 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, 2012, 2011 and 2010 were \$474,016, \$490,646, and \$484,934, respectively. 76%, 100%, and 100% of the obligations were contributed for 2012, 2011 and 2010 respectively.

**CITY OF WEST CARROLLTON
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11. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. Ohio Public Employees' Retirement System (OPERS)

Plan Description

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

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

In order to qualify for post-employment health card 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 2012, 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

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employment health care benefits. The portion of employer contribution allocated to the health care plan was 4% 2012. 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 \$123,322 for 2012, \$128,365 for 2011, \$44,325 for the period of January 1 through March 31, 2010 and \$132,974 for the period of April 1 through December 31, 2010. 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.

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.

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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. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

Information from City's Records

The City's required contributions to OP&F were \$110,519 for police and \$31,536 for fire for the year ending December 31, 2012; \$118,835 for police and \$41,361 for fire for the year ending December 31, 2011; and \$110,659 for police and \$45,199 for fire for the year ending December 31, 2010, respectively, was allocated to the healthcare plan. 76%, 100%, and 100% of the obligations were paid for 2012, 2011 and 2010 respectively.

**CITY OF WEST CARROLLTON
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12. GENERAL SHORT AND LONG-TERM DEBT OBLIGATIONS

Short-Term	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 12/31/11</u>	<u>Increase (Decrease)</u>	<u>Balance 12/31/12</u>	<u>Due Within One Year</u>
Development Property	2.00%	12-28-11	12-27-12	\$1,394,000	\$(1,394,000)	\$ 0	\$ 0
Development Property	1.375%	12-27-12	12-26-13	0	1,394,000	1,394,000	1,394,000
Total Short-Term Debt				<u>\$1,394,000</u>	<u>\$ 0</u>	<u>\$1,394,000</u>	<u>\$1,394,000</u>

Long-Term Governmental Activities:	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 12/31/11</u>	<u>Increase (Decrease)</u>	<u>Balance 12/31/12</u>	<u>Due Within One Year</u>
YMCA Bonds	1.5%	7-1-04	12-1-19	2,890,000	(310,000)	2,580,000	195,000
Farmersville Road	0%	12-31-12	1-1-33	0	488,337	488,337	12,408
Mayrose Bridge	0%	12-31-10	1-1-31	277,874	(14,250)	263,624	14,250
Gibbons Road	0%	12-31-08	1-1-29	85,998	(4,915)	81,083	4,914
Infirmary Road	6.050%	9-1-92	12-1-12	15,000	(15,000)	0	0
Comp Absences additions					434,543		
Compensated Absences				885,281	(484,029)	835,795	417,787
Total Governmental Activities Long-Term Debt				<u>\$4,154,153</u>	<u>\$ 94,686</u>	<u>\$4,248,839</u>	<u>\$ 644,359</u>

Long-Term Business-Type Activities:	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 12/31/11</u>	<u>Increase (Decrease)</u>	<u>Balance 12/31/12</u>	<u>Due Within One Year</u>
Water Plant	3.50%	12-31-04	7-1-24	\$3,198,526	(\$198,125)	\$3,000,401	\$205,121
Sewer Improvements	0%	12-31-10	1-1-31	209,656	(10,751)	198,905	10,752
Skyview Reservoir	0%	12-31-11	1-1-32	189,127	(4,729)	184,398	9,457
Bit Road Water Main	0%	1-01-08	7-1-17	40,612	(6,768)	33,844	6,769
Comp Absences additions					142,626		
Compensated Absences				72,142	(140,367)	74,401	19,397
Total Business-Type Activities Long-Term Debt				<u>3,710,063</u>	<u>(218,114)</u>	<u>3,491,949</u>	<u>251,496</u>

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Long-Term Debt Grand Total	<u>\$7,864,216</u>	<u>(\$ 123,427)</u>	<u>\$7,740,789</u>	<u>\$ 895,855</u>
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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 unvoted general obligation bond issued for the purpose of acquiring real estate for, and constructing, equipping and furnishing the YMCA recreational facility in the City. It will be paid through the General Obligation Bond Retirement Debt Service Fund from City income tax revenue transferred from the Half Percent Tax Fund. They were refinance in 2013 decreasing the interest rate from 4.175% to 1.5%.

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 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 \$484,029 for a net decrease of \$49,486. For business type activities, compensated absences additions \$142,626 and uses were \$140,367 for a net increase of \$2,259.

The annual requirements of general governmental revenues to pay principal and interest on the long-term debt at December 31, 2012 are as follows:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2013	195,000	36,525
2014	385,000	35,775
2015	385,000	30,000
2016	395,000	24,225
2017	405,000	18,300
2018 - 2019	<u>815,000</u>	<u>18,375</u>
Total	<u>\$ 2,580,000</u>	<u>\$ 163,200</u>

<u>Year Ending December 31</u>	<u>Farmersville Road Loan Principal</u>
2013	12,408
2014	24,417
2015	24,417
2016	24,417
2017	24,417
2018 - 2022	122,084
2023 - 2027	122,084
2023 - 2027	122,085
2028 - 2032	12,008
2033	<u>12,008</u>
Total	<u>\$ 488,337</u>

<u>Year Ending December 31</u>	<u>Mayrose Bridge Loan Principal</u>
2013	14,250
2014	14,250
2015	14,250
2016	14,250
2017	14,250
2018 - 2022	71,250
2023 - 2027	71,250
2028 - 2031	<u>49,874</u>
Total	<u>\$ 263,624</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

<u>Year Ending December 31</u>	<u>Gibbons Road Loan Principal</u>	
2013	4,914	
2014	4,914	
2015	4,914	
2016	4,914	
2017	4,914	
2018 - 2022	24,571	
2023 - 2027	24,571	
2028 - 2029	<u>7,371</u>	
Total	<u>\$ 81,083</u>	
<u>Year Ending December 31</u>	<u>Water Softening Plant Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2013	205,121	103,235
2014	212,362	95,992
2015	219,860	88,495
2016	227,623	80,733
2017	235,659	72,696
2018 - 2022	1,309,130	232,645
2023 - 2024	<u>590,646</u>	<u>26,064</u>
Total	<u>\$ 3,000,401</u>	<u>\$ 699,860</u>
<u>Year Ending December 31</u>	<u>Sewer Improvements Loan Principal</u>	
2013	10,752	
2014	10,752	
2015	10,751	
2016	10,752	
2017	10,752	
2018 - 2022	53,758	
2023 - 2027	53,758	
2028 - 2031	<u>37,630</u>	
Total	<u>\$ 198,905</u>	

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

<u>Year Ending December 31</u>	<u>Skyview Reservoir Loan Principal</u>
2013	9,457
2014	9,456
2015	9,456
2016	9,457
2017	9,456
2018 - 2022	47,282
2023 - 2027	47,281
2028 - 2032	<u>42,553</u>
Total	<u>\$ 184,398</u>
<u>Year Ending December 31</u>	<u>Bit and Bridle Water Main Loan Principal</u>
2013	6,769
2014	6,768
2015	6,769
2016	6,769
2017	<u>6,769</u>
Total	<u>\$ 33,844</u>

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, 2012, 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, 2012, 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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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, 2011 (latest available):

Assets	<u>\$ 18,681,014</u>
Liabilities	<u>6,311,600</u>
Net Assets	<u>\$ 12,369,414</u>

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

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

The legislative and advisory body is the assembly that is comprised of one delegate from each participating public subdivision. The degree of control exercised by any participating public subdivision is limited to its representation on the assembly, which elects the board of directors. The board of directors' exercises total control over the operation of the Alliance including budgeting, appropriating, contracting, and designating management and significant management control over CareNOW, a billing agent organized to manage health care costs. The five member board of directors consists of: one full-time and one volunteer fire department representative; two representatives from combined fire departments; and one representative from the City of Dayton fire department. Revenues are generated from Federal and State funding and an annual fee of \$ 0.24 per capita charged to participating subdivisions. The City paid \$3,409 to the Miami Valley Fire/EMS Alliance during 2012.

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

14. FUND BALANCES

The fund balances are classified as nonspendable, restricted, committed, assigned and unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

resources in the government funds. Definitions can be found in Note 1.5.O. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General</u>	<u>Special Assessment</u>	<u>Half % Tax</u>	<u>Nonmajor</u>	<u>Total</u>
Nonspendable					
Prepaid Items	\$ 3,758	\$ 0	\$ 0	\$ 0	\$ 3,758
Restricted					
Law Enforcement & Education	0	0	0	2,995	2,995
Law Enforcement Trust	0	0	0	6,838	6,838
Police Pension	0	0	0	4,314	4,314
Street Light	0	0	0	35,076	35,076
Miami Conservancy	0	0	0	27,803	27,803
Parks	0	0	0	3,236	3,236
Economic Development	0	0	0	20,572	20,572
Neighborhood Improvement	0	0	0	90,442	90,442
Street	0	0	0	373,375	373,375
Motor Vehicle License	0	0	0	95,384	95,384
Street Improvement	0	0	0	61,940	61,940
Debt Service	0	0	0	603	603
Federal Grants	0	0	0	951	951
Vehicle Replacement	0	0	0	4,579	4,579
Other Capital	0	0	0	1,389	1,389
Capital Projects	<u>0</u>	<u>0</u>	<u>710,399</u>	<u>0</u>	<u>710,399</u>
Total Restricted	<u>0</u>	<u>0</u>	<u>710,399</u>	<u>729,497</u>	<u>1,439,896</u>
Assigned					
General Government	5,483	0	0	0	5,483
Public Safety	7,984	0	0	0	7,984
Leisure Time Activities	625	0	0	0	625
Community Environment	<u>15,901</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>15,901</u>
Total Assigned	<u>29,993</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>29,993</u>
Unassigned (Deficit)	<u>1,009,437</u>	<u>(351,171)</u>	<u>0</u>	<u>0</u>	<u>658,266</u>
Total Fund Balance	<u>\$ 1,043,188</u>	<u>\$(351,171)</u>	<u>\$710,399</u>	<u>\$ 729,497</u>	<u>\$ 2,131,913</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

15. GASB 62 AND GASB 63

The City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements and GASB Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB Statement No. 62 incorporates Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants' (AICPA) accounting and financial reporting guidance issued on or before November 30, 1989 into GASB authoritative literature. GASB Statement No. 63 provides financial reporting guidance for deferred outflows and inflows of resources and net position.

16. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was required to restate governmental funds at December 31, 2011 to correctly match deferred revenue with receivables in the proper fund and reclassify prior year's transfers as advances. The effect on governmental funds at December 31, 2011 was as follows:

<u>Fund Balances</u>	<u>Half % Tax</u>	<u>Other Governmental</u>	<u>Special Assessment</u>
Ending Fund Balances December 31, 2011	\$ 226,704	\$ 827,577	\$ 0
Restatement - Interfund Receivable	81,000	0	0
Restatement - Interfund Payable	0	(81,000)	0
Restatement - Deferred Revenue	<u>408,382</u>	<u>0</u>	<u>(408,382)</u>
Beginning Fund Balances January 1, 2012	<u>\$ 716,086</u>	<u>\$ 746,577</u>	<u>\$ (408,382)</u>

17. 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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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, 2012.

18. ACCOUNTABILITY

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

Special Assessment	\$ 351,171
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CITY OF WEST CARROLLTON, OHIO



Yellow Book Report

December 31, 2012

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, Ohio (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 31, 2013, wherein we noted the City adopted GASB Statement No. 63 as disclosed in Note 15.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses – 2012-1.

Compliance and Other Matters

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

City of West Carrollton's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plattenburg & Associates, Inc.

Dayton, Ohio
May 31, 2013

**CITY OF WEST CARROLLTON
Schedule of Findings and Responses
Year Ended December 31, 2012**

2012-1 – Material Weaknesses Related to the Financial Statements:

During the course of the audit, misstatements were identified related to the following:

- Unearned Revenue, Deferred Revenue, Special Assessment Revenue and Tax Revenue
- Transfers in and out that were intended to be advances in and out.

The accompanying financial statements were adjusted to reflect correction of material and certain immaterial, misstatements. The City should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

Management Response:

Procedures will be modified to assure proper recording.

Plattenburg & Associates, Inc.

Dayton, Ohio

May 31, 2013



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
JULY 9, 2013**