



WEST CARROLLTON

CITY OF WEST CARROLLTON

DAYTON REGION, MONTGOMERY COUNTY

REGULAR AUDIT

JANUARY 1, 2017 – DECEMBER 31, 2017



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of West Carrollton, Montgomery County, prepared by Julian & Grube, Inc., for the audit period January 1, 2017 through December 31, 2017. 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

August 2 2018

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CITY OF WEST CARROLLTON
MONTGOMERY COUNTY

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CITY OF WEST CARROLLTON
MONTGOMERY COUNTY

300 East Central Avenue
West Carrollton, Ohio 45449

ELECTED OFFICIALS AND ADMINISTRATIVE PERSONNEL
AS OF DECEMBER 31, 2017

Council Member

<u>NAME</u>	<u>TITLE</u>	<u>TERM OF OFFICE</u>
Jeffery W. Sanner	Mayor	1/1/16 – 12/31/19
Richard. Barnhart	Deputy Mayor	1/1/14 – 12/31/17
James R. Bowers	Council Member	1/1/14 – 12/31/17
Angie Fryman	Council Member	1/1/16 – 12/31/19
James Folker	Council Member	1/1/14 – 12/31/17
Patrick Merris	Council Member	1/1/14 – 12/31/17
Jill Tomlin	Council Member	1/1/16 – 12/31/19

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
Tax Increment Financing
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
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PROPRIETARY FUND TYPES

Enterprise Fund Class

Water Fund
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Municipal Swimming Pool Fund
Refuse Fund

FIDUCIARY FUND TYPES

Agency Funds

Bonds Returnable Fund
Income Tax Fund
Inspection Fund
Mayor's Court Appearance Bond
Mayor's Court Fund
Unclaimed Money Fund



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

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

To the Members of Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Carrollton, Montgomery County, Ohio, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of West Carrollton's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Carrollton, Montgomery County, Ohio, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparisons for the General fund and Economic Development fund (a major special revenue fund) thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018, on our consideration of the City of West Carrollton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of West Carrollton's internal control over financial reporting and compliance.



Julian & Grube, Inc.
June 29, 2018

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section provides an overview of the City of West Carrollton's (the City's) financial activities for the year ended December 31, 2017.

FINANCIAL HIGHLIGHTS

The City's total net position decreased \$260,923 in 2017.

The general fund reported a net decrease in fund balance of \$970,427. Paying off 1.4 million in debt contributed to this decrease.

USING THIS ANNUAL FINANCIAL REPORT

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

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

REPORTING THE CITY AS A WHOLE

Statement of Net Position and the Statement of Activities

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

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

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

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)
(Continued)**

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial statements provide detailed information about the City's major funds, not the City as a whole. An analysis of the City's major funds is presented later in the Management's Discussion and Analysis. Some funds are required by State law and bond covenants. Other funds may be established by the Finance Director, with approval of council, to help control, manage and report money received for a particular purpose. The City's major funds in 2017 are General, Half Percent, Water, Sewer, and Refuse.

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

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

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

THE CITY AS A WHOLE

As previously stated, the Statement of Net Position looks at the City as a whole. The following tables provides a summary of the City's net position and changes in net position first as a whole and then broken down between governmental and business-type activities for 2017 and 2016.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)
(Continued)**

Table 1, Net Position

	2017	2016
Assets:		
Current and Other Assets	\$ 12,236,797	\$ 11,274,828
Capital Assets, Net	23,893,627	23,271,438
Total Assets	36,130,424	34,546,266
Deferred Outflows of Resources:		
Loss on Refunding Pension	60,000	90,000
	3,154,317	3,206,034
Total Deferred Outflows of Resources	3,214,317	3,296,034
Liabilities:		
Current	655,819	2,148,330
Long-Term Liabilities:		
Due Within One Year	4,103,673	997,793
Net Pension Liability	11,704,926	10,845,708
Due In More than One Year	4,521,802	5,343,163
Total Liabilities	20,986,220	19,334,994
Deferred Inflows of Resources:		
Property Taxes	879,586	843,991
Pension	199,425	122,882
Total Deferred Inflows of Resources	1,079,011	966,873
Net Position:		
Net Investments in Capital Assets	15,732,412	16,023,905
Restricted	2,906,069	1,425,378
Unrestricted	(1,358,971)	91,150
Total Net Position	\$ 17,279,510	\$ 17,540,433

In 2017 the City's net position decreased 1.5%.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)
(Continued)**

Table 2, Change in Net Position

	<u>2017</u>	<u>2016</u>
Revenue:		
Program Revenues:		
Charges for Services	\$ 5,754,484	\$ 5,467,717
Capital Grants and Contributions	685,863	439,724
Operating Grants and Contributions	500	62,549
Total Program Revenues	<u>6,440,847</u>	<u>5,969,990</u>
General Revenues:		
Income Taxes	6,846,225	6,661,412
Property Taxes	970,805	937,118
Other Local Taxes	44,443	42,210
Grants and Entitlements Not Restricted	1,001,224	985,856
Investment Earnings	58,563	52,752
Refunds, Reimbursements, and Other	536,464	240,491
Total General Revenues	<u>9,457,724</u>	<u>8,919,839</u>
Total Revenues	<u>15,898,571</u>	<u>14,889,829</u>
Expenses:		
General Government	1,699,705	1,512,912
Public Safety	5,900,034	5,937,595
Leisure Time Activities	790,319	681,860
Community Environment	1,859,026	1,110,003
Transportation	1,734,985	1,529,421
Interest and Fiscal Charges	111,151	44,667
Water	1,668,859	1,603,684
Sewer	1,385,724	1,518,620
Refuse	773,477	687,584
Pool	236,214	242,629
Total Expenses	<u>16,159,494</u>	<u>14,868,975</u>
Net Increase in Net Position	(260,923)	20,854
Beginning Net Position	17,540,433	17,519,579
Ending Net Position	<u>\$ 17,279,510</u>	<u>\$ 17,540,433</u>

Revenues increased 6.67% due to increased income tax collections in 2017. Expenses increased slightly by 8.70% in a large part from economic development in community environment.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)
(Continued)**

Governmental Activities

Table 3, Net Position, Governmental Activities

	<u>2017</u>	<u>2016</u>
Assets:		
Current and Other Assets	\$ 7,416,584	\$ 7,089,356
Capital Assets, Net	18,279,245	17,088,615
Total Assets	<u>25,695,829</u>	<u>24,177,971</u>
Deferred Outflows of Resources:		
Loss on Refunding	60,000	90,000
Pension	2,478,498	2,654,513
Total Deferred Outflows of Resources	<u>2,538,498</u>	<u>2,744,513</u>
Liabilities:		
Current Liabilities	597,186	2,024,885
Long-Term Liabilities		
Due Within One Year	3,867,555	754,959
Due More than One Year:		
Net Pension Liability	9,983,549	9,436,292
Other Amounts Due More than One Year	1,267,739	1,748,725
Total Liabilities	<u>15,716,029</u>	<u>13,964,861</u>
Deferred Inflows of Resources:		
Property Taxes	879,586	843,991
Pension	127,208	80,913
Total Deferred Inflows of Resources	<u>1,006,794</u>	<u>924,904</u>
Net Position:		
Net Investment in Capital Assets	13,511,898	13,567,686
Restricted	2,038,205	1,425,378
Unrestricted	(4,038,599)	(2,960,345)
Total Net Position	<u>\$ 11,511,504</u>	<u>\$ 12,032,719</u>

Governmental Activities' net position decreased 4.33% in 2017.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)
(Continued)**

Table 4, Change in Net Position, Governmental Activities

	<u>2017</u>	<u>2016</u>
Revenue:		
Program Revenues:		
Charges for Services	\$ 1,564,015	\$ 1,387,175
Capital Grants and Contributions	685,863	35,260
Operating Grants and Contributions	500	62,549
Total Program Revenues	<u>2,250,378</u>	<u>1,484,984</u>
General Revenues:		
Income Taxes	6,846,225	6,661,412
Property Taxes	970,805	937,118
Other Local Taxes	44,443	42,210
Grants and Entitlements Not Restricted	1,001,224	985,856
Investment Earnings	28,503	22,041
Refunds, Reimbursements, and Other	512,427	207,316
Transfers - Internal Activities	(80,000)	(65,000)
Total General Revenues	<u>9,323,627</u>	<u>8,790,953</u>
Total Revenues	<u>11,574,005</u>	<u>10,275,937</u>
Expenses:		
General Government	1,699,705	1,512,912
Public Safety	5,900,034	5,937,595
Leisure Time Activities	790,319	681,860
Community Environment	1,859,026	1,110,003
Transportation	1,734,985	1,529,421
Interest and Fiscal Charges	111,151	44,667
Total Expenses	<u>12,095,220</u>	<u>10,816,458</u>
Net Increase (Decrease) in Net Position	(521,215)	(540,521)
Beginning Net Position	12,032,719	12,573,240
Ending Net Position	<u>\$ 11,511,504</u>	<u>\$ 12,032,719</u>

Total revenues increased 12.6%. The largest revenue stream, income tax, improved by 2.77%. Income tax was \$6,846,225 representing 59.15% of total revenue compared to 64.83% in 2016. Total expenses increased 11.8%. Economic development in community environment was a main contributor to the increase. The transfer-out is the general fund providing resources for the pool operation in the business-type activities in 2016 and 2017.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)
(Continued)**

Table 5, Expenses Percentage Breakdown, Governmental Activities

	<u>2017</u>		<u>2016</u>	
General Government	\$ 1,699,705	14.1%	\$ 1,512,912	14.0%
Public Safety	5,900,034	48.8%	5,937,595	54.9%
Leisure Time Activities	790,319	6.5%	681,860	6.3%
Community Environment	1,859,026	15.4%	1,110,003	10.3%
Transportation	1,734,985	14.3%	1,529,421	14.1%
Interest and Fiscal Charges	111,151	0.9%	44,667	0.4%
Totals	<u>\$ 12,095,220</u>	<u>100%</u>	<u>\$ 10,816,458</u>	<u>100%</u>

The largest program expense in 2017 is Public Safety totaling 48.8% which primarily represents the operation of the police and fire departments. The entire \$12,095,220 of expenses were partially funded by \$1,564,015 in direct charges to users of service.

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

	<u>Total Cost of Services 2017</u>	<u>Net Expense 2017</u>	<u>Total Cost of Services 2016</u>	<u>Net Expense 2016</u>
General Government	\$ 1,699,705	\$ 1,189,513	\$ 1,512,912	\$ 1,003,339
Public Safety	5,900,034	5,474,692	5,937,595	5,455,069
Leisure Time Activities	790,319	757,175	681,860	641,199
Community Environment	1,859,026	877,119	1,110,003	733,779
Transportation	1,734,985	1,435,192	1,529,421	1,453,421
Interest and Fiscal Charges	111,151	111,151	44,667	44,667
Totals	<u>\$ 12,095,220</u>	<u>\$ 9,844,842</u>	<u>\$ 10,816,458</u>	<u>\$ 9,331,474</u>

As detailed in the above table, the programs will be 81% and 86% dependent on general revenues for 2017 and 2016 respectively.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)
(Continued)**

Business-Type Activities

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

Table 7, Net Position, Business-Type Activities

	2017	2016
Assets:		
Current and Other Assets	\$ 4,820,213	\$ 4,185,472
Capital Assets	5,614,382	6,182,823
Total Assets	10,434,595	10,368,295
Deferred Outflows of Resources:		
Pension	675,819	551,521
Total Deferred Outflows of Resources	675,819	551,521
Liabilities:		
Current Liabilities	58,633	123,445
Long-Term Liabilities:		
Due Within One Year	236,118	242,834
Net Pension Liability	1,721,377	1,409,416
Due in More Than One Year	3,254,063	3,594,438
Total Liabilities	5,270,191	5,370,133
Deferred Inflows of Resources:		
Pension	72,217	41,969
Total Deferred Inflows of Resources	72,217	41,969
Net Position:		
Net Investments in Capital Assets	2,220,514	2,456,219
Unrestricted	3,547,492	3,051,495
Total Net Position	\$ 5,768,006	\$ 5,507,714

In 2017 the Business-Type Activities' net position increased \$260,292 (4.73%).

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)
(Continued)**

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

	2017	2016
Revenue:		
Program Revenues:		
Changes for Services	\$ 4,190,469	\$ 4,080,542
Capital Grants and Contributions	-	404,464
Total Program Revenues	4,190,469	4,485,006
General Revenues:		
Investment Earnings	30,060	30,711
Refunds, Reimbursements, and Other	24,037	33,175
Transfers - Internal Activities	80,000	65,000
Total General Revenues	134,097	128,886
Total Revenues	4,324,566	4,613,892
Expenses:		
Water	1,668,859	1,603,684
Sewer	1,385,724	1,518,620
Refuse	773,477	687,584
Pool	236,214	242,629
Total Expenses	4,064,274	4,052,517
Net Increase in Net Position	260,292	561,375
Beginning Net Position	5,507,714	4,946,339
Ending Net Position	\$ 5,768,006	\$ 5,507,714

Business-Type operations had \$4,190,469 total program revenues against \$4,064,274 of total expense in 2017. The 6.56% decrease in program revenues was created from an decrease in capital grants. Expenses slightly increased 0.29%.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds reported a combined fund balance of \$3,914,433 and \$2,396,014 in 2017 and 2016 respectively. The schedule below shows the fund balances and the total change in fund balances as of December 31, 2017 for all major and nonmajor governmental funds.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)
(Continued)**

Table 9, Fund Balances

	2017	2016
General Fund	\$ 994,802	\$ 1,965,229
Economic Development Fund	651,575	193,876
Half Percent Fund	843,288	(757,450)
Other Governmental Funds	1,424,768	994,359
Total	\$ 3,914,433	\$ 2,396,014

General Fund

Table 10, Changes in Fund Balance, General Fund

	2017	2016
Revenues:		
Local Taxes	\$ 6,191,514	\$ 6,042,249
Special Assessments	36,068	34,122
Charges for Services	806,993	782,908
Intergovernmental	289,057	287,955
Investment Earnings	18,898	13,567
Fines and Forfeitures	131,995	183,575
License and Permits	71,806	47,692
Other Revenue	363,561	150,918
Total Revenues	7,909,892	7,542,986
Expenditures:		
General Government	1,378,948	1,290,496
Public Safety	4,597,611	4,649,971
Leisure Time Activities	635,126	537,361
Community Environment	506,364	517,865
Interest and Fiscal Charges	5,307	0
Total Expenditures	7,123,356	6,995,693
Excess (Deficiency) of Revenue Over/(Under) Expenditure	786,536	547,293
Other Financing Uses:		
Transfers-Out	(1,756,963)	(469,270)
Net Change in Fund Balance	(970,427)	78,023
Fund Balance - Beginning of the Year	1,965,229	1,887,206
Fund Balance - End of Year	\$ 994,802	\$ 1,965,229

The City's general fund balance decreased \$970,427 mainly due to paying of the 1.4 mill property BAN. The expenditures increased 1.82% versus a 4.86% increase in revenue.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)
(Continued)**

Other Major Funds

The Economic Development Fund revenue and transfers-in of \$3,115,082 exceeded expenditures of \$2,657,383 by \$457,699.

The Half Percent Fund revenue and transfers-in of \$6,015,721 exceeded transfers-out and expenditures of \$4,414,983 by \$1,600,738 for the year.

Budgeting Highlights

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

In the General Fund, the actual revenues of \$7,171,170 were less than the final budget of \$11,889,008 by \$4,717,838. The actual expenditures of \$7,130,055 were less than the final budget of \$11,425,826 by \$4,295,771. The overall net negative variance totaled \$147,337.

The Economic Development Fund actual revenues were \$268,474. This was \$166,526 under budget. Expenditures of \$2,840,137 were under budget by \$1,148,487. The fund ended up with an overall positive variance of \$197,069.

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 \$1,776,010 exceeded operating expenses of \$1,576,816 producing operating income of \$199,194. After factoring in non-operating activity, net position increased \$120,562 from \$2,614,743 in 2016 to \$2,735,305 in 2017.

The Sewer Fund Net Position rose \$48,239 from \$1,916,731 in 2016 to \$1,964,970 in 2017. Operating income totaled \$39,261.

The Refuse Fund operating revenues of \$886,966 outpaced expenses of \$773,477 generating an operating income of \$113,489. After including investment earnings totaling \$7,663, net position increased \$121,152 to \$1,151,740 in 2017 from \$1,030,588 in 2016.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)
(Continued)**

CAPITAL ASSETS

A two-year comparison of capital asset balances, net of accumulated depreciation, for 2017 and 2016 are as follows:

Table 11, Summary of Net Capital Asset Balances

	2017	2016
Governmental Activities:		
Land	\$ 7,516,848	\$ 5,448,188
Building and Improvements	3,467,660	3,934,766
Machinery and Equipment	1,230,246	1,427,519
Infrastructure	6,064,491	6,278,142
Total Governmental Activities	\$ 18,279,245	\$ 17,088,615
Business-Type Activities:		
Land	\$ 53,500	\$ 53,500
Building and Improvements	1,825,890	2,040,301
Machinery and Equipment	1,035,224	1,149,408
Infrastructure	2,699,768	2,939,614
Total Business-Type Activities	\$ 5,614,382	\$ 6,182,823
Grand Total, City as a Whole	\$ 23,893,627	\$ 23,271,438

A detailed summary of capital asset activity for the year ended December 31, 2017 is disclosed in note 8.

DEBT ADMINISTRATION

A two-year comparison of short- and long-term debt obligations, including compensated absences and net pension liability, for 2017 and 2016 follows:

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

	2017	2016
Short-Term	\$ 240,000	\$ 1,720,000
Long-Term:		
Governmental Activities	15,118,843	11,939,976
Business-Type Activities	5,211,558	5,246,688
Total Long-Term	\$ 20,330,401	\$ 17,186,664
Due Within One Year	\$ 4,103,673	\$ 997,793

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)
(Continued)**

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, 2017

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Equity in Pooled Cash & Investments	\$3,505,613	\$3,699,683	\$7,205,296
Receivables (Net)			
Taxes	2,270,284	0	2,270,284
Accounts	2,975	1,080,229	1,083,204
Intergovernmental	873,424	0	873,424
Special Assessments	726,611	0	726,611
Loan	20,434	0	20,434
Accrued Interest	2,960	3,336	6,296
Prepaid Items	12,232	3,674	15,906
Inventory	0	32,184	32,184
Nondepreciable Capital Assets	7,516,848	53,500	7,570,348
Depreciable Capital Assets, Net	10,762,397	5,560,882	16,323,279
Net Pension Asset	2,051	1,107	3,158
	<u>25,695,829</u>	<u>10,434,595</u>	<u>36,130,424</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Loss on Refunding	60,000	0	60,000
Pension	2,478,498	675,819	3,154,317
	<u>2,538,498</u>	<u>675,819</u>	<u>3,214,317</u>
LIABILITIES:			
Accounts Payable	130,989	25,299	156,288
Accrued Wages and Benefits	118,381	21,829	140,210
Accrued Pensions	76,304	11,505	87,809
Accrued Interest	31,512	0	31,512
Note Payable	240,000	0	240,000
Long-term Liabilities:			
Due Within One Year	3,867,555	236,118	4,103,673
Due In More Than One Year:			
Net Pension Liability	9,983,549	1,721,377	11,704,926
Other Amounts Due In More Than One Year	1,267,739	3,254,063	4,521,802
	<u>15,716,029</u>	<u>5,270,191</u>	<u>20,986,220</u>
DEFERRED INFLOWS OF RESOURCES:			
Property Taxes	879,586	0	879,586
Pension	127,208	72,217	199,425
	<u>1,006,794</u>	<u>72,217</u>	<u>1,079,011</u>
NET POSITION:			
Net Investment in Capital Assets	13,511,898	2,220,514	15,732,412
Restricted for:			
Capital Projects	949,560	0	949,560
Public Safety	120,796	0	120,796
Community Development	1,041,812	0	1,041,812
Transportation	793,901	0	793,901
Unrestricted	<u>(4,906,463)</u>	<u>3,547,492</u>	<u>(1,358,971)</u>
Total Net Position	<u>\$11,511,504</u>	<u>\$5,768,006</u>	<u>\$17,279,510</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Revenues				Net Revenue (Expense) and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Government Activities							
General Government	\$1,699,705	\$510,192	\$0	\$0	(\$1,189,513)	\$0	(\$1,189,513)
Public Safety	5,900,034	423,703	300	1,339	(\$5,474,692)	0	(\$5,474,692)
Leisure Time Activities	790,319	17,603	200	15,341	(\$757,175)	0	(\$757,175)
Community Environment	1,859,026	536,517	0	445,390	(\$877,119)	0	(\$877,119)
Transportation	1,734,985	76,000	0	223,793	(\$1,435,192)	0	(\$1,435,192)
Interest and Fiscal Charges	111,151	0	0	0	(111,151)	0	(111,151)
Total Government Activities	12,095,220	1,564,015	500	685,863	(9,844,842)	0	(9,844,842)
Business-Type Activities							
Water	1,668,859	1,765,999	0	0	0	97,140	\$97,140
Sewer	1,385,724	1,413,595	0	0	0	27,871	\$27,871
Refuse	773,477	884,330	0	0	0	110,853	\$110,853
Pool	236,214	126,545	0	0	0	(109,669)	(109,669)
Total Business-Type Activities	4,064,274	4,190,469	0	0	0	126,195	126,195
Totals	\$16,159,494	\$5,754,484	\$500	\$685,863	(\$9,844,842)	\$126,195	(\$9,718,647)

General Revenues:

Income Taxes	6,846,225	0	6,846,225
Property Taxes Levied for:			
General Purposes	902,240	0	902,240
Special Revenue Purposes	68,565	0	68,565
Other Local Taxes	44,443	0	44,443
Grants and Entitlements not Restricted	1,001,224	0	1,001,224
Investment Earnings	28,503	30,060	58,563
Refunds, Reimbursements, and Other	512,427	24,037	536,464
Transfers - Internal Activities	(80,000)	80,000	0
Total General Revenues and Transfers	9,323,627	134,097	9,457,724
Change in Net Position	(521,215)	260,292	(260,923)
Net Position Beginning of the Year	12,032,719	5,507,714	17,540,433
Net Position End of Year	\$11,511,504	\$5,768,006	\$17,279,510

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS**

AS OF DECEMBER 31, 2017

	GENERAL	ECONOMIC DEVELOPMENT	HALF PERCENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Equity in Pooled Cash & Investments	\$842,785	\$662,128	\$673,263	\$1,327,437	\$3,505,613
Receivables (Net)					
Taxes	1,910,519	0	293,562	66,203	\$2,270,284
Accounts	2,975	0	0	0	\$2,975
Intergovernmental	172,265	66,500	0	634,659	\$873,424
Special Assessments	307,552	0	0	419,059	\$726,611
Loans	0	0	0	20,434	\$20,434
Accrued Interest	1,664	0	637	659	\$2,960
Prepaid Items	7,963	0	0	4,269	\$12,232
Total Assets	\$3,245,723	\$728,628	\$967,462	\$2,472,720	\$7,414,533
LIABILITIES:					
Accounts Payable	\$28,452	\$77,053	\$0	\$25,484	\$130,989
Accrued Wages and Benefits	108,859	0	0	9,522	\$118,381
Accrued Pensions	71,959	0	0	4,345	\$76,304
Compensated Absences	37,805	0	0	1,038	\$38,843
Note Payable	240,000	0	0	0	\$240,000
Total Liabilities	487,075	77,053	0	40,389	604,517
DEFERRED INFLOWS OF RESOURCES:					
Property Taxes	817,350	0	0	62,236	\$879,586
Unavailable Revenue	946,496	0	124,174	945,327	\$2,015,997
Total Deferred Inflow of Resources	1,763,846	0	124,174	1,007,563	2,895,583
FUND BALANCES:					
Nonspendable	7,963	0	0	4,269	\$12,232
Restricted	0	651,575	843,288	1,420,499	\$2,915,362
Assigned	236,667	0	0	0	\$236,667
Unassigned	750,172	0	0	0	\$750,172
Total Fund Balances	994,802	651,575	843,288	1,424,768	3,914,433
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$3,245,723	\$728,628	\$967,462	\$2,472,720	\$7,414,533

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES**

AS OF DECEMBER 31, 2017

Total Governmental Fund Balance	\$3,914,433
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	18,279,245
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	2,015,997
Loss on refunding is expensed in the funds and amortized over the life of bonds in governmental activities	60,000
In the statement of net position, interest is accrued, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.	(31,512)
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.	(509,104)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(4,587,347)
The net pension liability/asset is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:	
Net Pension Asset	2,051
Deferred Outflows - Pension	2,478,498
Net Pension Liability	(9,983,549)
Deferred Inflows - Pension	<u>(127,208)</u>
Net Position of Governmental Activities	<u><u>\$11,511,504</u></u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

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

FOR THE YEAR ENDED DECEMBER 31, 2017

	GENERAL	ECONOMIC DEVELOPMENT	HALF PERCENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Local Taxes	\$6,191,514	\$0	\$1,492,975	\$213,535	\$7,898,024
Special Assessments	36,068	0	0	221,304	\$257,372
Charges for Services	806,993	77,204	0	76,599	\$960,796
Intergovernmental	289,057	257,770	19,450	1,008,668	\$1,574,945
Investment Earnings	18,898	0	3,950	5,655	\$28,503
Fines & Forfeitures	131,995	0	0	57,915	\$189,910
License & Permits	71,806	0	0	0	\$71,806
Payment in Lieu of Taxes	0	0	0	44,443	\$44,443
Other Revenue	363,561	0	19,450	10,167	393,178
Total Revenues	7,909,892	334,974	1,535,825	1,638,286	11,418,977
EXPENDITURES:					
General Government	1,378,948	0	0	0	1,378,948
Public Safety	4,597,611	0	0	500,322	5,097,933
Leisure Time Activities	635,126	0	0	19,828	654,954
Community Environment	506,364	2,657,383	34,802	642,905	3,841,454
Transportation	0	0	0	1,461,000	1,461,000
Debt Service:					
Principal	0	0	0	448,582	448,582
Interest & Fiscal Charges	5,307	0	57,590	19,790	82,687
Total Expenditures	7,123,356	2,657,383	92,392	3,092,427	12,965,558
Excess (Deficiency) of Revenue Over/(Under) Expenditures	786,536	(2,322,409)	1,443,433	(1,454,141)	(1,546,581)
Other Financing Sources (Uses):					
Note Issuance	0	0	3,145,000	0	3,145,000
Transfers-In	0	2,780,108	1,334,896	1,884,550	5,999,554
Transfers-Out	(1,756,963)	0	(4,322,591)	0	(6,079,554)
Total Other Financing Sources (Uses)	(1,756,963)	2,780,108	157,305	1,884,550	3,065,000
Net Change in Fund Balance(Deficit)	(970,427)	457,699	1,600,738	430,409	1,518,419
Fund Balance - Beginning of Year	1,965,229	193,876	(757,450)	994,359	2,396,014
Fund Balance - End of Year	\$994,802	\$651,575	\$843,288	\$1,424,768	\$3,914,433

See accompanying notes to the basic financial statements.

CITY OF WEST CARROLLTON
MONTGOMERY COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

Net Change in Fund Balance - Total Governmental Funds	\$1,518,419
Amounts reported for governmental activities in the statement of activities are different because:	
The difference between governmental funds reporting capital outlays as expenditures while in the statement of activities, those costs are allocated over the capital assets' estimated useful lives as depreciation expense.	1,190,630
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	235,028
In the statement of activities, interest is accrued, In governmental funds interest expenditures are reported when due.	(29,987)
Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net position.	448,582
Issuance of long-term debt, and loss on refunding are a revenue in the governmental funds but increases long-term liabilities in the statement of net position	(3,175,000)
Some expenses, such as compensated absences, do not require the use of current financial resources and therefore are not reported as an expenditure in governmental funds.	58,629
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental fund:	
Net Pension Asset	2,051
Deferred Outflows - Pension	(176,015)
Net Pension Liability	(547,257)
Deferred Inflows - Pension	<u>(46,295)</u>
Change in Net Position of Governmental Activities	<u>(\$521,215)</u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FROM FINAL BUDGET
REVENUES:				
Local Taxes	\$7,250,708	\$10,525,708	\$5,931,337	(\$4,594,371)
Charges for Services	330,000	330,000	326,256	(3,744)
Intergovernmental	280,850	280,850	291,414	10,564
Investment Earnings	16,000	16,000	18,733	2,733
Fines & Forfeitures	175,300	175,300	131,995	(43,305)
Licenses & Permits	52,000	52,000	71,806	19,806
Special Assessments	350,000	350,000	36,068	(313,932)
Other Revenue	159,150	159,150	363,561	204,411
Total Revenues	8,614,008	11,889,008	7,171,170	(4,717,838)
EXPENDITURES:				
Council - Personnel Services	28,140	28,140	19,941	8,199
Council - Other	12,344	12,344	5,592	6,752
Mayor - Personnel Services	151,051	151,051	133,640	17,411
Mayor - Other	16,611	16,611	10,211	6,400
Law - Personnel Services	70,458	70,458	52,726	17,732
Law - Other	127,700	127,700	106,348	21,352
City Manager - Personnel Services	312,396	312,396	298,470	13,926
City Manager - Other	23,431	23,431	9,090	14,341
Finance - Personnel Services	241,685	241,685	212,839	28,846
Finance - Other	20,251	20,251	9,348	10,903
Income Tax - Personnel Services	242,256	242,256	192,834	49,422
Income Tax - Other	30,269	30,269	19,392	10,877
Police - Personnel Services	3,002,961	3,002,961	2,353,369	649,592
Police - Other	1,022,839	922,839	504,439	418,400
Fire - Personnel Services	1,611,615	1,611,615	1,421,709	189,906
Fire - Other	401,585	401,585	178,369	223,216
Building Inspection - Personnel Services	211,234	211,234	153,418	57,816
Building Inspection - Other	203,905	203,905	118,713	85,192
Economic Development - Personnel Services	150,873	150,873	101,124	49,749
Economic Development - Other	40,254	40,254	6,359	33,895
Parks and Recreation - Personnel Services	552,466	552,466	404,461	148,005
Parks and Recreation - Other	190,325	190,325	78,949	111,376
Planning - Personnel Services	226,530	226,530	186,664	39,866
Planning - Other	40,000	40,000	14,268	25,732
Human Resources - Personnel Services	100,000	100,000	-	100,000
Human Resources - Other	20,000	20,000	-	20,000
Building Maintenance - Personnel Services	110,590	110,590	83,526	27,064
Building Maintenance - Other	301,166	301,166	174,395	126,771
Other Services - Other	662,891	2,062,891	279,861	1,783,030
Total Expenditures	10,125,826	11,425,826	7,130,055	4,295,771
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,511,818)</u>	<u>463,182</u>	<u>41,115</u>	<u>(422,067)</u>
Other Financing Sources (Uses):				
Debt Proceeds	240,000	240,000	240,000	0
Transfers-In	480,000	480,000	547,000	67,000
Transfers-Out	(550,000)	(2,050,000)	(1,842,270)	207,730
Total Other Financing Sources (Uses)	170,000	(1,330,000)	(1,055,270)	274,730
Net Change in Fund Balance	(1,341,818)	(866,818)	(1,014,155)	(147,337)
Fund Balance - Beginning of the Year (includes prior year appropriated encumbrances)	<u>1,786,621</u>	<u>1,786,621</u>	<u>1,786,621</u>	<u>0</u>
Fund Balance - End of the Year	\$444,803	\$919,803	\$772,466	(\$147,337)

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ECONOMIC DEVELOPMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL BUDGET</u>
REVENUES:				
Intergovernmental	<u>435,000</u>	<u>435,000</u>	<u>268,474</u>	<u>\$ (166,526)</u>
Total Revenues	<u>435,000</u>	<u>435,000</u>	<u>268,474</u>	<u>(166,526)</u>
EXPENDITURES:				
Community Environment	<u>788,624</u>	<u>3,988,624</u>	<u>2,840,137</u>	<u>1,148,487</u>
Total Expenditures	<u>788,624</u>	<u>3,988,624</u>	<u>2,840,137</u>	<u>1,148,487</u>
OTHER FINANCING SOURCES (USES):				
Transfers-In	<u>175,000</u>	<u>3,565,000</u>	<u>2,780,108</u>	<u>\$ (784,892)</u>
Total Other Financing Sources (Uses)	<u>175,000</u>	<u>3,565,000</u>	<u>2,780,108</u>	<u>(784,892)</u>
Net Change in Fund Balance	<u>(353,624)</u>	<u>11,376</u>	<u>208,445</u>	<u>197,069</u>
Fund Balance - Beginning of the Year	<u>220,366</u>	<u>220,366</u>	<u>220,366</u>	<u>0</u>
Fund Balance - End of the Year	<u>(\$133,258)</u>	<u>\$231,742</u>	<u>\$428,811</u>	<u>\$197,069</u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

AS OF DECEMBER 31, 2017

	Business-Type Activities - Proprietary Funds				
	WATER FUND	SEWER FUND	REFUSE FUND	NONMAJOR POOL FUND	TOTAL PROPRIETARY FUNDS
ASSETS:					
Equity in Pooled Cash & Investments	\$1,612,512	\$1,145,180	\$926,836	\$15,155	\$3,699,683
Receivables (Net)					
Accounts	492,761	362,542	224,926	0	1,080,229
Accrued Interest	1,471	996	861	8	3,336
Prepaid Items	1,410	1,410	854		3,674
Inventory	21,150	11,034	0	0	32,184
Total Current Assets	<u>2,129,304</u>	<u>1,521,162</u>	<u>1,153,477</u>	<u>15,163</u>	<u>4,819,106</u>
Nondepreciable Capital Assets	29,500	24,000	0	0	53,500
Depreciable Capital Assets, Net	4,096,501	1,281,519	176,810	6,052	5,560,882
Net Pension Asset	375	470	145	117	1,107
Total Long-Term Assets	<u>4,126,376</u>	<u>1,305,989</u>	<u>176,955</u>	<u>6,169</u>	<u>5,615,489</u>
Total Assets	<u>6,255,680</u>	<u>2,827,151</u>	<u>1,330,432</u>	<u>21,332</u>	<u>10,434,595</u>
DEFERRED OUTFLOWS OF RESOURCES:					
Pension	225,833	283,391	87,119	79,476	675,819
LIABILITIES:					
Accounts Payable	1,191	12,210	11,283	615	25,299
Accrued Wages and Benefits	10,885	6,428	4,516	0	21,829
Accrued Pensions	4,672	4,819	2,014	0	11,505
Compensated Absences	50,624	27,387	18,302	0	96,313
Loan Payable Due Within One Year	167,923	20,038	0	0	187,961
Total Current Liabilities	<u>235,295</u>	<u>70,882</u>	<u>36,115</u>	<u>615</u>	<u>342,907</u>
Loans Payable	2,904,361	301,546	0	0	3,205,907
Net Pension Liability	582,834	731,301	224,868	182,374	1,721,377
Total Long-Term Liabilities	<u>3,487,195</u>	<u>1,032,847</u>	<u>224,868</u>	<u>182,374</u>	<u>4,927,284</u>
Total Liabilities	<u>3,722,490</u>	<u>1,103,729</u>	<u>260,983</u>	<u>182,989</u>	<u>5,270,191</u>
DEFERRED INFLOWS OF RESOURCES:					
Pension	23,718	41,843	4,828	1,828	72,217
NET POSITION:					
Net Investment in Capital Assets	1,053,717	983,935	176,810	6,052	2,220,514
Unrestricted	1,681,588	981,035	974,930	(90,061)	3,547,492
Total Net Position	<u>\$2,735,305</u>	<u>\$1,964,970</u>	<u>\$1,151,740</u>	<u>(\$84,009)</u>	<u>\$5,768,006</u>

See accompanying notes to the basic financial statements.

CITY OF WEST CARROLLTON
MONTGOMERY COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Business-Type Activities - Proprietary Funds</u>				TOTAL PROPRIETARY FUNDS
	WATER FUND	SEWER FUND	REFUSE FUND	NONMAJOR POOL FUND	
Operating Revenues:					
Charges for Services	\$1,765,999	\$1,413,595	\$884,330	\$126,545	\$4,190,469
Other Revenue	10,011	11,390	2,636	0	24,037
Total Operating Revenues	<u>1,776,010</u>	<u>1,424,985</u>	<u>886,966</u>	<u>126,545</u>	<u>4,214,506</u>
Operating Expenses:					
Personal Services	739,529	873,910	359,787	143,902	\$2,117,128
Contractual Services	57,228	150,212	312,991	809	521,240
Material and Supplies	241,936	129,388	51,630	57,915	480,869
Utilities	139,794	90,362	0	17,983	248,139
Depreciation	398,329	141,852	49,069	15,605	604,855
Total Operating Expenses	<u>1,576,816</u>	<u>1,385,724</u>	<u>773,477</u>	<u>236,214</u>	<u>3,972,231</u>
Operating Income (Loss)	<u>199,194</u>	<u>39,261</u>	<u>113,489</u>	<u>(109,669)</u>	<u>242,275</u>
Non-Operating Revenues(Expense):					
Transfer In	0	0	0	80,000	80,000
Investment Earnings	13,411	8,978	7,663	8	30,060
Interest Expense	(92,043)	0	0	0	(92,043)
Total Non-Operating Revenues(Expense)	<u>(78,632)</u>	<u>8,978</u>	<u>7,663</u>	<u>80,008</u>	<u>18,017</u>
Change in Net Position	120,562	48,239	121,152	(29,661)	260,292
Net Position Beginning of the Year	<u>2,614,743</u>	<u>1,916,731</u>	<u>1,030,588</u>	<u>(54,348)</u>	<u>5,507,714</u>
Net Position End of the Year	<u>\$2,735,305</u>	<u>\$1,964,970</u>	<u>\$1,151,740</u>	<u>(\$84,009)</u>	<u>\$5,768,006</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, 2017

	<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	\$1,690,780	\$1,369,160	\$858,605	\$126,545	\$4,045,090
Cash Received from Other Revenue	10,011	11,390	2,636	0	\$24,037
Cash Payments for Personal Services	(666,130)	(800,932)	(397,048)	(116,915)	(\$1,981,025)
Cash Payments for Contractual Services	(59,640)	(154,172)	(301,897)	(809)	(\$516,518)
Cash Payments for Material and Supplies	(239,700)	(133,401)	(51,630)	(58,053)	(\$482,784)
Cash Payments for Utilities	(139,794)	(89,484)	0	(17,983)	(247,261)
Net Cash Provided by (Used in) Operating Activities	<u>595,527</u>	<u>202,561</u>	<u>110,666</u>	<u>(67,215)</u>	<u>841,539</u>
Cash Flows from Noncapital Financing Activities:					
Transfers from Other Funds	0	0	0	80,000	80,000
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>80,000</u>	<u>80,000</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition of Capital Assets	(18,207)	(18,207)	0	0	(\$36,414)
Debt Principal Payments	(312,699)	(20,037)	0	0	(\$332,736)
Debt Interest Payments	(92,043)	0	0	0	(92,043)
Net Cash Used for Capital and Related Financing Activities	<u>(422,949)</u>	<u>(38,244)</u>	<u>0</u>	<u>0</u>	<u>(461,193)</u>
Cash Flows from Investing Activities:					
Interest Earnings	13,200	8,798	7,496	0	29,494
Net Cash Provided by Investing Activities	<u>13,200</u>	<u>8,798</u>	<u>7,496</u>	<u>0</u>	<u>29,494</u>
Net Increase (Decrease) in Cash and Cash Equivalents	185,778	173,115	118,162	12,785	\$489,840
Cash and Cash Equivalents at Beginning of the Year	<u>1,426,734</u>	<u>972,065</u>	<u>808,674</u>	<u>2,370</u>	<u>3,209,843</u>
Cash and Cash Equivalents at End of the Year	<u>\$1,612,512</u>	<u>\$1,145,180</u>	<u>\$926,836</u>	<u>\$15,155</u>	<u>\$3,699,683</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating Income (Loss)	\$199,194	\$39,261	\$113,489	(\$109,669)	\$242,275
Adjustments to Reconcile Operating Income (loss) to Net Cash Provided by (Used in) Operating Activities:					
Depreciation	398,329	141,852	49,069	15,605	\$604,855
(Increase) Decrease in Accounts Receivable	(75,219)	(44,435)	(25,725)	0	(\$145,379)
(Increase) Decrease in Prepaid Items	(257)	(379)	(189)	0	(\$825)
(Increase) Decrease in Inventory	2,365	611	0	0	\$2,976
(Increase) Decrease in Net Pension	(368)	(461)	(143)	(115)	(\$1,087)
(Increase) Decrease in Deferred Outflows - Pension	(37,323)	(37,288)	(17,804)	(31,903)	(\$124,318)
Increase (Decrease) in Accounts Payable	(2,284)	(7,295)	(55,717)	(138)	(\$65,434)
Increase (Decrease) in Accrued Wages and Benefits	2,039	(1,230)	103	0	\$912
Increase (Decrease) in Accrued Pensions	(261)	257	(286)	0	(\$290)
Increase (Decrease) in Compensated Absences	(1,138)	(13,807)	590	0	(\$14,355)
Increase (Decrease) in Net Pension Liability	101,078	102,360	47,726	60,797	\$311,961
Increase (Decrease) in Deferred Inflows - Pension	9,372	23,115	(447)	(1,792)	30,248
Total Adjustments	<u>396,333</u>	<u>163,300</u>	<u>(2,823)</u>	<u>42,454</u>	<u>599,264</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$595,527</u>	<u>\$202,561</u>	<u>\$110,666</u>	<u>(\$67,215)</u>	<u>\$841,539</u>

See accompanying notes to the basic financial statements.

CITY OF WEST CARROLLTON
MONTGOMERY COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS

AS OF DECEMBER 31, 2017

	<u>AGENCY FUNDS</u>
ASSETS:	
Segregated Cash & Investments	\$ <u>12,378</u>
Total Assets	<u>\$ 12,378</u>
LIABILITIES:	
Undistributed Monies	<u>12,378</u>
Total Liabilities	<u>\$ 12,378</u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY AND REPORTING ENTITY

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

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

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

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

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

B. BASIS OF PRESENTATION

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

Government-wide Financial Statements

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements

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

Governmental Funds

The City reports the following major governmental funds:

General Fund – This fund is the general operating fund of the City covering services such as police, fire, emergency medical services, parks and recreation, and economic development. It is used to account for and report all financial resources except those required to be accounted for in another fund. The fund balance is available to the City for any purpose provided it is expended or transferred according to the City Charter and/or the general laws of the State of Ohio.

Economic Development Fund – This special revenue fund is generally restricted for economic development activity. It is supported by the Half Percent Fund.

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

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

Proprietary Funds

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

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

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

C. BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

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

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary Fund Financial Statements

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

Revenues – Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (see Note 4). Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 3). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for loss on refunding and for pension. A loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained further in Note 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and are further explained in Note 10.

Pensions

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

D. BUDGETARY PROCESS

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

1. Budget

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

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

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

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

3. Appropriations

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

4. Encumbrances

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

5. Budgetary Basis of Accounting

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) reported for the General Fund and Economic Development Fund (a major special revenue fund) 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 are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Net Change in Fund Balance

	General Fund	Economic Development Fund
Budget Basis	\$ (1,014,155)	\$ 208,445
Net Adjustment for Revenue	(48,278)	66,500
Net Adjustment for Expenditure	91,899	182,754
Funds Budgeted Elsewhere	107	-
GAAP Basis	\$ (970,427)	\$ 457,699

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 \$18,898.

F. INVENTORY

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

G. CAPITAL ASSETS

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Class	Estimated Useful Life
Machinery & Equipment	3 to 15 Years
Buildings and Improvements	7 to 30 Years
Infrastructure	7 to 40 Years

H. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

I. COMPENSATED ABSENCES

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

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

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

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. INTERFUND TRANSACTIONS

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

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

The City complied with applicable requirements of Ohio Revised Code Section 5705.14 as it relates to transfers.

K. NET POSITION

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

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

L. ESTIMATES

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

M. PREPAID ITEMS

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. EXTRAORDINARY AND SPECIAL ITEMS

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

O. FUND BALANCES

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

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

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

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

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

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

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

P. FAIR VALUE MEASUREMENTS

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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 ordinance No. 2973, dated April 11 1995, which was superseded by Ordinance 3555, dated January 13, 2015, approving policies and procedures for selecting depositories and making investments.

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

2. POOLED CASH AND INVESTMENTS (Continued)

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 Finance Director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

Deposits: At year-end, the carrying amount of the City's cash and deposits was \$4,021,923. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure", as of December 31, 2017 \$2,753,974 of the City's \$4,139,894 bank balance was exposed to custodial risk as discussed below. The \$1,385,920 difference was covered by Federal Deposit Insurance. The balance exposed to custodial credit risk was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by third party trustees pursuant to Section 135.81, Ohio Revised Code, in single institution collateral pools securing all public funds on deposit with specific depository institutions.

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

2. POOLED CASH AND INVESTMENTS (Continued)

As of December 31, 2017 the City had the following investments and maturities:

<u>Investment Type</u>	<u>Total By Type</u>	<u>Percent Allocation</u>	<u>Maturity Dates</u>			
			<u>Less Than 3 Months</u>	<u>3 Months to 1 Year</u>	<u>1-3 Years</u>	<u>3-5 Years</u>
Certificates of Deposit	\$ 2,998,827	93.84%	\$ -	\$ 169,250	\$ 1,299,882	\$ 1,529,695
FHLB	109,909	3.44%	49,909	-	60,000	-
FNMA	50,165	1.57%	-	-	50,165	-
FHLMC	24,926	0.78%	-	-	24,926	-
Money Market	11,924	0.37%	11,924	-	-	-
Total	\$ 3,195,751	100.00%	\$ 61,833	\$ 169,250	\$ 1,434,973	\$ 1,529,695

The City's investments in U.S. government money markets are valued using quoted market prices in active markets (Level 1 inputs). The City's investments in federal agency securities (FHLB, FNMA, FHLMC) and certificates of deposits are valued using quoted prices in markets that are not considered to be active dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

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

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

Credit Risk: Standard & Poor's has assigned the U.S. government money market an AAAM money market rating. The City's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The City's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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

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

<u>Cash and Investments per Footnote</u>	
Carrying Amount of Deposits	\$ 4,021,923
Investments	3,195,751
Total	\$ 7,217,674

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

2. POOLED CASH AND INVESTMENTS (Continued)

<u>Cash and Investments per Statement of Net Position</u>	
Governmental Activities	\$ 3,505,613
Business-Type Activities	3,699,683
Sub-Total	<u>7,205,296</u>
Fiduciary Funds	12,378
Total	<u>\$ 7,217,674</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 October 31 on the assessed value listed as of the prior January 1. Assessed values are established at 35% of appraised market value for real property and at varying percentages, generally 25%, for public utility property. Property market values are required to be statistically updated every three years and revalued every six years. A revaluation was completed in 2017.

The tax rate applied to all real property for the fiscal year ended December 31, 2017 was \$6.25 per \$1,000 of assessed valuation. Real property owners' tax bills are reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback deductions is reimbursed to the City by the State of Ohio.

The assessed December 31, 2017 values per category are as follows:

Real Estate	\$ 174,149,600
Public Utilities	27,210
Public Utilities Personal Property	6,626,560
Total Valuation	<u>\$ 180,803,370</u>

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

4. LOCAL INCOME TAX

This locally levied tax of 2.25 percent applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the City and to earnings of nonresidents (except certain transients) earned in the City. It also applies to net income of business organizations conducted within the City. In 2017 on a cash basis, tax receipts net of refunds amounted to \$6,760,385 of which \$5,273,100 was recorded in the General Fund and \$1,487,285 was recorded in the One Half Percent Tax Fund for use in various capital improvements.

5. RECEIVABLES

Receivables at year end consisted primarily of income and property taxes, special assessments, accounts (billings for user charged services), intergovernmental receivables arising from grants, entitlements, and shared revenue and loans. Receivables have been reported to the extent that they are both measurable and available at December 31, 2017.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

5. RECEIVABLES (Continued)

A summary of the receivables is as follows:

Governmental Funds

	General	Economic Development	Half Percent	Other Governmental
Taxes	\$ 1,910,519	\$ -	\$ 293,562	\$ 66,203
Accounts	2,975	-	-	-
Intergovernmental	172,265	66,500	-	634,659
Special Assessments	307,552	-	-	419,059
Loans	-	-	-	20,434
Total	\$ 2,393,311	\$ 66,500	\$ 293,562	\$ 1,140,355

Proprietary Funds

	Water	Sewer	Refuse
Accounts	\$ 492,761	\$ 362,542	\$ 224,926

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 the Half Percent Fund from:
 General Fund \$ 1,334,896

Transfers to the Economic Development Fund from:
 Half Percent Fund \$ 2,780,108

Transfers to Nonmajor Proprietary Funds from:
 General Fund \$ 80,000

Transfers to Other Governmental Funds from:
 General Fund 342,067
 Half Percent Fund 1,542,483

Total Transfers \$ 6,079,554

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

8. CAPITAL ASSETS

A summary of capital asset activity for the year ended December 31, 2017, was as follows:

Governmental Activities

Category	Cost Balance As of 1/1/17	Additions	Deletions	Accumulated Depreciation	Net Balance as of 12/31/17
Land	\$ 5,448,188	\$ 2,171,452	\$ (102,792)	\$ -	\$ 7,516,848
Buildings and Improvements	14,123,669	19,828	-	(10,675,837)	3,467,660
Machinery and Equipment	7,493,003	200,247	(144,668)	(6,318,336)	1,230,246
Infrastructure	20,130,085	682,331	(487,445)	(14,260,480)	6,064,491
Total	\$ 47,194,945	\$ 3,073,858	\$ (734,905)	\$ (31,254,653)	\$ 18,279,245

Category	Accumulated Depreciation Balance As of 1/1/17	Depreciation	Disposals	Accumulated Depreciation Balance As of 12/31/17
Buildings and Improvements	\$ 10,188,903	\$ 486,934	\$ -	\$ 10,675,837
Machinery and Equipment	6,065,484	397,520	(144,668)	6,318,336
Infrastructure	13,851,943	895,982	(487,445)	14,260,480
Total	\$ 30,106,330	\$ 1,780,436	\$ (632,113)	\$ 31,254,653

Governmental Activities depreciation expense was charged as follows:

General Government	\$ 190,954
Public Safety	567,948
Leisure Time Activities	57,876
Community Environment	22,798
Transportation	940,860
Total	<u><u>\$1,780,436</u></u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

8. CAPITAL ASSETS (Continued)

Business-Type Activities

Category	Cost Balance As of 1/1/17	Additions	Deletions	Accumulated Depreciation	Net Balance as of 12/31/17
Land	\$ 53,500	\$ -	\$ -	\$ -	\$ 53,500
Buildings and Improvements	13,379,510	-	-	(11,553,620)	1,825,890
Machinery and Equipment	2,378,126	36,414	(45,566)	(1,333,750)	1,035,224
Infrastructure	12,737,779	-	-	(10,038,011)	2,699,768
Total	\$ 28,548,915	\$ 36,414	\$ (45,566)	\$ (22,925,381)	\$ 5,614,382

Category	Accumulated Depreciation Balance As of 1/1/17	Depreciation	Disposals	Accumulated Depreciation Balance As of 12/31/17
Buildings and Improvements	\$ 11,339,209	\$ 214,411	\$ -	\$ 11,553,620
Machinery and Equipment	1,228,718	150,598	(45,566)	1,333,750
Infrastructure	9,798,165	239,846	-	10,038,011
Total	\$ 22,366,092	\$ 604,855	\$ (45,566)	\$ 22,925,381

Business-Type depreciation expense was charged as follows:

Water	\$ 398,329
Sewer	141,852
Pool	15,605
Refuse	49,069
Total	\$ 604,855

9. INSURANCE

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

9. INSURANCE (Continued)

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

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

The City also pays for eighty-eight percent of the health insurance premium and a term life insurance premium for its full-time employees. The City pays to a private insurance company and retains no risk.

There have been no significant reductions in insurance coverage and no insurance settlement has exceeded insurance coverage in the past three years.

10. DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

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

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

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

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

The proportionate share of each plan's unfunded benefits or overfunded benefits is presented as a long-term *net pension liability* or *net pension asset*, respectively, on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *due to other governments* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

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

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

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

Members who retire before meeting the age and years of service credit requirement for unreduced

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 2.25%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 2.25% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections.

Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

	State and Local
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0 %
Total Employer	14.0 %
 Employee	 10.0 %

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

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$382,874 for 2017. Of this amount, \$39,388 is reported as accrued pensions.

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

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

	Police	Firefighters
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
 Total Employer	 19.50 %	 24.00 %
 Employee	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$489,075 for 2017. Of this amount \$48,421 is reported as accrued pensions.

**CITY OF WEST CARROLLTON
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The net pension liability and net pension asset for the OPERS Traditional Pension Plan, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2016, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Proportion of the net pension liability/asset prior measurement date	0.02344600%	0.00000000%	0.01500600%	0.10546300%	
Proportion of the net pension liability/asset current measurement date	<u>0.02187200%</u>	<u>0.00563700%</u>	<u>0.01403200%</u>	<u>0.10638200%</u>	
Change in proportionate share	<u>(0.00157400)%</u>	<u>0.00563700%</u>	<u>(0.00097400)%</u>	<u>0.00091900%</u>	
Proportionate share of the net pension liability	\$ 4,966,759	\$ -	\$ -	\$ 6,738,130	\$ 11,704,889
Proportionate share of the net pension asset	-	3,137	58	-	3,195
Pension expense	1,006,771	2,267	72	847,159	1,856,269

**CITY OF WEST CARROLLTON
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Deferred outflows of resources					
Differences between expected and actual experience	\$ 6,732	\$ -	\$ 595	\$ 1,906	\$ 9,233
Net difference between projected and actual earnings on pension plan investments	739,665	767	51	655,254	1,395,737
Changes of assumptions	787,788	765	65	-	788,618
Changes in employer's proportionate percentage/difference between employer contributions and proportionate share of contributions	13,980	-	-	74,801	88,781
City contributions subsequent to the measurement date	371,007	3,353	8,514	489,075	871,949
Total deferred outflows of resources	<u>\$ 1,919,172</u>	<u>\$ 4,885</u>	<u>\$ 9,225</u>	<u>\$ 1,221,036</u>	<u>\$ 3,154,318</u>
Deferred inflows of resources					
Differences between expected and actual experience	\$ 29,558	\$ 1,603	\$ -	\$ 15,513	\$ 46,674
Changes in employer's proportionate percentage/difference between employer contributions and proportionate share of contributions	157,695	-	-	12,156	169,851
Total deferred inflows of resources	<u>\$ 187,253</u>	<u>\$ 1,603</u>	<u>\$ -</u>	<u>\$ 27,669</u>	<u>\$ 216,525</u>

\$871,949 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Year Ending December 31:	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
2018	\$ 545,769	\$ 147	\$ 105	\$ 264,127	\$ 810,148
2019	579,063	147	105	264,127	843,442
2020	257,762	115	103	204,747	462,727
2021	(21,680)	(154)	83	(29,187)	(50,938)
2022	(2)	(128)	85	678	633
Thereafter	-	(198)	230	(200)	(168)
Total	\$ 1,360,912	\$ (71)	\$ 711	\$ 704,292	\$ 2,065,844

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board's actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, for the defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Wage inflation	3.25%
Future salary increases, including inflation COLA or ad hoc COLA	3.25% to 10.75% including wage inflation Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2018, then 2.15% simple
Investment rate of return	7.50%
Actuarial cost method	Individual entry age

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

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

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.75 %
Domestic equities	20.70	6.34
Real estate	10.00	4.75
Private equity	10.00	8.97
International equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	5.66 %

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.50%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. A discount rate of 8.00% was used in the previous measurement period. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability/Asset to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.50%, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.50%) or one-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 7,587,834	\$ 4,966,759	\$ 2,782,556
Combined Plan	225	(3,137)	(5,750)
Member-Directed Plan	140	(58)	(140)

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

Valuation date	January 1, 2016
Actuarial cost method	Entry age normal
Investment rate of return	8.25%
Projected salary increases	4.25% - 11.00%
Payroll increases	3.75%
Inflation assumptions	3.25%
Cost of living adjustments	2.60% and 3.00% simple

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

The most recent experience study was completed for the five-year period ended December 31, 2016. The recommended assumption changes based on this experience study were adopted by OPF's Board and were effective beginning with the January 1, 2017 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2016 are summarized below:

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FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Asset Class	Target Allocation	10 Year Expected Real Rate of Return **	30 Year Expected Real Rate of Return **
Cash and Cash Equivalents	- %		
Domestic Equity	16.00	4.46 %	5.21 %
Non-US Equity	16.00	4.66	5.40
Core Fixed Income *	20.00	1.67	2.37
Global Inflation			
Protected Securities *	20.00	0.49	2.33
High Yield	15.00	3.33	4.48
Real Estate	12.00	4.71	5.65
Private Markets	8.00	7.31	7.99
Timber	5.00	6.87	6.87
Master Limited Partnerships	8.00	6.92	7.36
Total	120.00 %		

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

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

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

**CITY OF WEST CARROLLTON
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 8,974,390	\$ 6,738,130	\$ 4,842,868

Changes Between Measurement Date and Report Date - In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25% to 8.00%. Although the exact amount of these changes is not known, it has the potential to impact to the City's net pension liability.

11. POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - 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 health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 11 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2017, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2017 was 1.00%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2017, 2016, and 2015 were \$32,202, \$61,975, and \$59,922, respectively; 90.51% has been contributed for 2017 and 100% has been contributed for 2015 and 2016. The remaining 2017 post-employment health care benefits liability has been reported as accrued wages and benefits on the basic financial statements.

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 State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions 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 OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care 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-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. The health care 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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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 11 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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 health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the 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, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% 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 account is for health care benefits under an Internal Revenue Code Section 115 trust and the other account is for Medicare Part B reimbursements administered as an Internal Revenue Code Section 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 into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2017 thru December 31, 2017. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the 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 health care 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.

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$9,158 and \$3,002 for the year ended December 31, 2017, \$8,118 and \$2,545 for the year ended December 31, 2016, and \$8,870 and \$2,545, for the year ended December 31, 2015. 100% has been contributed for 2016 and 2015. 90.26% has been contributed for police and 90.54% has been contributed for firefighters for 2017. The remaining 2017 post-employment health care benefits liability has been reported as accrued wages and benefits on the basic financial statements.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

12. GENERAL SHORT AND LONG-TERM DEBT OBLIGATIONS

Short-Term

	Interest Rate	Issue Date	Maturity Date	Balance 12/31/16	Increase (Decrease)	Balance 12/31/17	Due Within One Year
Development Property Series 2017 BAN	4.125%	12/16/2016	12/15/2017	1,400,000	(1,400,000)	\$ -	\$ -
Equipment Acquisition Series 2016 BAN	1.640%	10/14/2016	10/13/2017	320,000	(320,000)	\$ -	\$ -
Equipment Acquisition Series 2017 BAN	2.280%	10/13/2017	10/12/2018	-	240,000	240,000	240,000
Total Short-Term Debt				\$ 1,720,000	\$ (1,480,000)	\$ 240,000	\$ 240,000

Long-Term Governmental Activities

	Interest Rate	Issue Date	Maturity Date	Balance 12/31/16	Increase (Decrease)	Balance 12/31/17	Due Within One Year
YMCA Refunding Bonds	1.5%	1/23/2013	12/1/2019	\$ 1,220,000	\$ (405,000)	\$ 815,000	\$ 405,000
Farmersville Road	0%	12/31/2012	1/1/2033	402,878	(24,417)	378,461	24,417
Mayrose Bridge	0%	12/31/2010	1/1/2031	206,624	(14,250)	192,374	14,250
Gibbons Road	0%	12/31/2008	1/1/2029	61,427	(4,915)	56,512	4,914
				1,890,929	(448,582)	1,442,347	448,581
Carrollton Plaza Property Series 2017 BAN	1.600%	5/2/2017	5/1/2018	-	3,145,000	\$ 3,145,000	\$ 3,145,000
Net Pension Liability							
OPERS				2,651,727	593,655	3,245,382	-
OP&F				6,784,565	(46,398)	6,738,167	-
				9,436,292	547,257	9,983,549	-
Compensated Absences				612,755	273,784 (338,592)	547,947	273,974
Total Governmental Activities Long-Term Debt				\$ 11,939,976	\$ 3,178,867	\$ 15,118,843	\$ 3,867,555

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

Long-Term Business-Type Activities

	Interest Rate	Issue Date	Maturity Date	Balance 12/31/16	Increase (Decrease)	Balance 12/31/17	Due Within One Year
Water Plant	3.50%	12/31/2004	7/1/2024	\$ 2,018,628	\$ (239,783)	\$ 1,778,845	\$ 123,048
Clearwell	3.36%	7/1/2013	1/1/2033	1,002,030	(48,208)	953,822	24,713
Cedar St Lift Station	0%	1/1/2016	12/31/2036	185,723	(9,286)	176,437	9,286
Sewer Improvements	0%	12/31/2010	1/1/2031	155,898	(10,751)	145,147	10,752
Skyview Reservoir	0%	12/31/2011	1/1/2032	146,573	(9,456)	137,117	9,457
Dixie Water Main - I	0%	7/1/2015	7/1/2036	122,053	(6,259)	115,794	6,259
Dixie Water Main - II	0%	7/1/2016	7/1/2037	88,930	(2,224)	86,706	4,446
Bit Road Water Main	0%	1/1/2008	7/1/2017	6,769	(6,769)	-	-
				3,726,604	(332,736)	3,393,868	187,961
Net Pension Liability - OPERS				1,409,416	311,961	1,721,377	-
Compensated Absences				110,668	63,297 (77,652)	96,313	48,157
Total Business-Type Activities Long-Term Debt				\$ 5,246,688	\$ (35,130)	\$ 5,211,558	\$ 236,118

The property debt, listed as a short-term notes payable, are one-year property acquisition revenue bond anticipation notes with The Bank of New York Mellon. They will be paid through the Half Percent Tax Fund. Prior to the issuance of the financial statements, the Series 2017 Various Purpose Real Estate Acquisition Bond Anticipation Note issue was refinanced and replaced by debt with a maturity that extends at least one year beyond the date of the balance sheet (see Note 20); therefore, the notes are reported in the government-wide statements as a long-term liability.

The equipment debt, also listed as a short-term notes payable, are one-year equipment acquisition revenue bond anticipation notes with PNC Bank. They will be paid through the General Fund.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

The Gibbons Road, Mayrose Bridge, Skyview Reservoir Rehabilitation, Dixie Drive Water Main, Farmersville Road Reconstruction, Cedar St. Lift Station, and Sewer Improvements projects all received twenty-year, zero-interest loans from the Ohio Public Works Commission. The Gibbons Road, Farmersville Road Reconstruction, and Mayrose Bridge projects will be paid through the Street Improvement Fund (a nonmajor governmental fund) while the Skyview Reservoir Rehabilitation and Dixie Drive Water Main projects will be paid with water fees and the Sewer Improvements and Cedar St. Lift Station projects will be paid with sewer fees detailed in the Water and Sewer Funds respectively.

In 2013 the City refunded \$2,255,000 of the 2004 YMCA Bonds with the YMCA Refunding Bonds. Refunding bond proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 2004 YMCA bonds. As a result, the refunded bonds were considered defeased resulting in the liability being removed from the City's financial statements. The YMCA Refunding Bonds will be paid from the Bond Retirement Fund.

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

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

The Bit Road Water Main project received a ten-year, zero-interest loan from the Ohio Public Works Commission. It will be paid through the Water and Street Improvement Fund (a nonmajor governmental fund).

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

The City records accumulated unpaid vacation and vested sick leave benefits as accrued payroll when earned by employees. For governmental funds, the portion of the liability which is not currently due and payable is recorded in the governmental activities within the statement of net position; while the liability in its entirety is recorded within the respective proprietary funds. Employees earn vacation time at varying rates depending upon length of service. The City recognizes as a liability all of the accumulated sick leave benefits payable upon retirement, earned by vested employees, which exceed certain levels as determined by city policy or union contract for employees with fifteen years of service or more. For governmental activities, compensated absences additions totaled \$273,784 while uses were \$338,592 generating a net decrease of \$64,808. For business type activities, compensated absences additions \$63,297 and uses were \$77,652. This resulted in a net decrease of \$14,355.

The annual requirements of general governmental revenues to pay principal and interest on the long-term debt at December 31, 2017 are as follows:

Year Ending December 31	YMCA Refunding General Obligation Bonds	
	Principal	Interest
2018	405,000	12,225
2019	410,000	6,150
Total	\$ 815,000	\$ 18,375

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

Year Ending December 31	Farmersville Road Loan Principal
2018	24,417
2019	24,417
2020	24,416
2021	24,417
2022	24,417
2023 - 2027	122,084
2028 - 2032	122,085
2033	12,208
Total	\$ 378,461

Year Ending December 31	Mayrose Bridge Loan Principal
2018	14,250
2019	14,250
2020	14,250
2021	14,250
2022	14,250
2023 - 2027	71,250
2028 - 2031	49,874
Total	\$ 192,374

Year Ending December 31	Gibbons Road Loan Principal
2018	4,914
2019	4,914
2020	4,914
2021	4,914
2022	4,915
2023 - 2027	24,570
2028 - 2029	7,371
Total	\$ 56,512

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

Year Ending December 31	Water Plant Loan	
	Principal	Interest
2018	123,048	31,130
2019	252,593	55,762
2020	261,511	46,844
2021	270,744	37,611
2022	280,303	28,052
2023 - 2024	590,646	26,064
Total	\$ 1,778,845	\$ 225,463

Year Ending December 31	Clearwell Loan	
	Principal	Interest
2018	24,713	16,024
2019	50,676	30,796
2020	52,396	29,079
2021	54,171	27,303
2022	56,006	25,468
2023 - 2027	309,814	97,557
2028 - 2032	365,981	41,391
2033	40,065	673
Total	\$ 953,822	\$ 268,291

Year Ending December 31	Cedar St Lift Station
	Principal
2018	9,286
2019	9,286
2020	9,287
2021	9,286
2022	9,286
2023 - 2027	46,431
2028 - 2032	46,431
2033 - 2036	37,144
Total	\$ 176,437

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

<u>Year Ending December 31</u>	<u>Sewer Improvements Loan Principal</u>
2018	10,752
2019	10,751
2020	10,752
2021	10,751
2022	10,752
2023 - 2027	53,758
2028 - 2031	37,631
Total	<u>\$ 145,147</u>

<u>Year Ending December 31</u>	<u>Skyview Reservoir Loan Principal</u>
2018	9,457
2019	9,456
2020	9,457
2021	9,456
2022	9,456
2023 - 2027	47,282
2028 - 2032	42,553
Total	<u>\$ 137,117</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

<u>Year Ending December 31</u>	<u>Dixie Drive Water Main Loan I Principal</u>
2018	6,259
2019	6,259
2020	6,259
2021	6,259
2022	6,259
2023 - 2027	31,296
2028 - 2032	31,296
2033 - 2036	21,907
Total	<u>\$ 115,794</u>

<u>Year Ending December 31</u>	<u>Dixie Drive Water Main Loan II Principal</u>
2018	4,446
2019	4,446
2020	4,447
2021	4,446
2022	4,447
2023 - 2027	22,232
2028 - 2032	22,233
2033 - 2037	20,009
Total	<u>\$ 86,706</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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, 2017, 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, 2017, the participant cities were: Beaver Creek, Bellbrook, Blue Ash, Centerville, Englewood, Indian Hill, Kettering, Maderia, Mason, Miamisburg, Montgomery, Piqua, Sidney, Springdale, Tipp City, Troy, Vandalia, West Carrollton, Wilmington, and Wyoming.

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

The City has no explicit and measurable equity interest in MVRMA and no ongoing financial responsibility for MVRMA. The following is a summary of the MVRMA audited financial statements presented in conformity with generally accepted principles as of and for the year ended December 31, 2016 (latest available):

Assets and Deferred Outflows	\$ 18,912,051
Liabilities and Deferred Inflows	<u>7,717,720</u>
Net Position	<u>\$ 11,194,331</u>

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

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

The legislative and advisory body is the assembly that is comprised of one delegate from each participating public subdivision. The degree of control exercised by any participating public subdivision is limited to its representation on the assembly, which elects the board of directors. The board of directors' exercises total control over the operation of the Alliance including budgeting, appropriating, contracting, and designating management. The five member board of directors consists of: one full-time and one volunteer fire department representative; two representatives from combined fire departments; and one representative from the City of Dayton fire department. Revenues are generated from Federal and State funding and an annual fee of \$ 0.24 per capita charged to participating subdivisions. The City paid \$3,409 to the Miami Valley Fire/EMS Alliance during 2017.

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

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

14. FUND BALANCES

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

	<u>General</u>	<u>Economic Development</u>	<u>Half Percent</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable					
Prepaid Items	\$ 7,963	\$ -	\$ -	\$ 4,269	\$ 12,232
Restricted					
Law Enforcement and Education	-	-	-	21,614	21,614
Law Enforcement Trust	-	-	-	98,976	98,976
Street Light	-	-	-	13,512	13,512
Parks	-	-	-	41,653	41,653
Tax Increment Financing	-	-	-	184,643	184,643
Economic Development	-	651,575	-	-	651,575
Neighborhood Improvement	-	-	-	68,011	68,011
Street	-	-	-	651,864	651,864
Street Improvement	-	-	-	1,154	1,154
Motor Vehicle License	-	-	-	198,844	198,844
Debt Service	-	-	-	90,000	90,000
Special Assessments	-	-	-	48,907	48,907
Federal Grants	-	-	-	951	951
Other Capital	-	-	-	58	58
Capital Improvement Programs	-	-	843,288	-	843,288
Vehicle Replacement	-	-	-	312	312
Total Restricted	<u>-</u>	<u>651,575</u>	<u>843,288</u>	<u>1,420,499</u>	<u>2,915,362</u>
Assigned					
Appropriations in Excess of Estimated Receipts	150,076	-	-	-	150,076
Encumbrances	82,715	-	-	-	82,715
Recreation	3,876	-	-	-	3,876
Total Assigned	<u>236,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>236,667</u>
Unassigned (Deficit)	<u>750,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>750,172</u>
Total Fund Balance	<u>\$ 994,802</u>	<u>\$ 651,575</u>	<u>\$ 843,288</u>	<u>\$ 1,424,768</u>	<u>\$ 3,914,433</u>

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

15. TAX ABATEMENTS

Real Estate Tax Abatements

The City has property tax abatements under The Ohio Community Reinvestment Area ("CRA") program. The CRA program is an incentive tax exemption program benefiting property owners who renovate or construct new buildings.

2017 Real Estate Tax Abatements

Commercial	37,844
Industrial	81,577
Residential	7,363
Total	<u>\$ 126,784</u>

Income Tax Abatement Programs

The City has an Economic Development Job Creation and Retention Program to remain competitive as a site for new businesses as well as retaining and expanding existing businesses. The City can provide incentives based on gross annual payroll, the number of jobs created or retained, or income tax generated. The abatement is administered as a refund based on performance.

2017 Income Tax Abatements

Manufacturing	58,187
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16. ACCOUNTABILITY

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

Pool	\$ (84,009)
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17. CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2017.

**CITY OF WEST CARROLLTON
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

17. CONTINGENCIES (Continued)

B. Litigation

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.

18. COMPLIANCE

The City did not properly certify fifty-three percent of the disbursement transactions tested during 2017 and is in a state of noncompliance with Ohio Revised Code Section 5705.41(D).

19. OTHER COMMITMENTS

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 82,715
Economic development fund	\$ 233,318
Nonmajor governmental funds	<u>51,488</u>
Total	<u><u>\$ 367,521</u></u>

20. SUBSEQUENT EVENTS

On May 1, 2018, the City refinanced the Series 2017 Various Purpose Real Estate Acquisition Bond Anticipation Note with the issuance of the Series 2018 Various Purpose Real Estate Acquisition Bond Anticipation Note in the amount of \$4,380,000 for the purpose of acquiring real estate for economic development purposes. The note matures May 1, 2019 with interest at 2.65%.

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY/NET PENSION ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST FOUR YEARS (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>				
City's proportion of the net pension liability	0.021872%	0.023446%	0.024488%	0.024488%
City's proportionate share of the net pension liability	\$ 4,966,759	\$ 4,061,143	\$ 2,953,526	\$ 2,886,816
City's covered payroll	\$ 2,912,867	\$ 2,910,933	\$ 3,002,167	\$ 2,974,475
City's proportionate share of the net pension liability as a percentage of its covered payroll	170.51%	139.51%	98.38%	97.05%
Plan fiduciary net position as a percentage of the total pension liability	77.25%	81.08%	86.45%	86.36%
<i>Combined Plan:</i>				
City's proportion of the net pension asset	0.005637%			
City's proportionate share of the net pension asset	\$ 3,137			
City's covered payroll	\$ 21,942			
City's proportionate share of the net pension asset as a percentage of its covered payroll	14.30%			
Plan fiduciary net position as a percentage of the total pension asset	116.55%			
<i>Member Directed Plan:</i>				
City's proportion of the net pension liability	0.014032%	0.015006%		
City's proportionate share of the net pension asset	\$ 58	\$ 57		
City's covered payroll	\$ 57,667	\$ 12,208		
City's proportionate share of the net pension asset as a percentage of its covered payroll	0.10%	0.47%		
Plan fiduciary net position as a percentage of the total pension asset	103.40%	103.91%		

(1) Information for the Traditional Plan prior to 2014 was unavailable.
Information for the Combined Plan prior to 2017 was unavailable.
Information for the Member Directed Plan prior to 2016 was unavailable.
Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each year were determined as of the City's measurement date which is the prior year-end.
SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST FOUR YEARS (1)

	<u>2016</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.10638200%	0.10546300%	0.10299600%	0.10299600%
City's proportionate share of the net pension liability	\$ 6,738,130	\$ 6,784,528	\$ 5,335,602	\$ 5,016,208
City's covered payroll	\$ 2,089,903	\$ 2,177,566	\$ 2,117,043	\$ 2,961,856
City's proportionate share of the net pension liability as a percentage of its covered payroll	322.41%	311.56%	252.03%	169.36%
Plan fiduciary net position as a percentage of the total pension liability	68.36%	66.77%	72.20%	73.00%

(1) Information for prior to 2014 was unavailable.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST FIVE YEARS (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Traditional Plan:</i>					
Contractually required contribution	\$ 371,007	\$ 349,544	\$ 349,312	\$ 360,260	\$ 356,937
Contributions in relation to the contractually required contribution	<u>(371,007)</u>	<u>(349,544)</u>	<u>(349,312)</u>	<u>(360,260)</u>	<u>(356,937)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,853,900	\$ 2,912,867	\$ 2,910,933	\$ 3,002,167	\$ 2,974,475
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%	12.00%
<i>Combined Plan:</i>					
Contractually required contribution	\$ 3,353	\$ 2,633			
Contributions in relation to the contractually required contribution	<u>(3,353)</u>	<u>(2,633)</u>			
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>			
City's covered payroll	\$ 25,792	\$ 21,942			
Contributions as a percentage of covered payroll	13.00%	12.00%			
<i>Member Directed Plan:</i>					
Contractually required contribution	\$ 8,514	\$ 6,920	\$ 1,465		
Contributions in relation to the contractually required contribution	<u>(8,514)</u>	<u>(6,920)</u>	<u>(1,465)</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
City's covered payroll	\$ 85,140	\$ 57,667	\$ 12,208		
Contributions as a percentage of covered payroll	10.00%	12.00%	12.00%		

(1) Information for the Traditional Plan prior to 2013 was unavailable.
Information for the Combined Plan prior to 2016 was unavailable.
Information for the Member Directed Plan prior to 2015 was unavailable.
Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST FIVE YEARS (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 489,075	\$ 419,987	\$ 437,473	\$ 431,030	\$ 505,885
Contributions in relation to the contractually required contribution	<u>(489,075)</u>	<u>(419,987)</u>	<u>(437,473)</u>	<u>(431,030)</u>	<u>(505,885)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,431,894	\$ 2,089,903	\$ 2,177,566	\$ 2,117,043	\$ 2,961,856
Contributions as a percentage of covered payroll	20.11%	20.10%	20.09%	20.36%	17.08%

(1) Information prior to 2013 was unavailable.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2017.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2017.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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

To the Members of Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Carrollton, Montgomery County, Ohio, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of West Carrollton's basic financial statements and have issued our report thereon dated June 29, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider a significant deficiency. We consider finding 2017-001 to be a significant deficiency.

Members of Council and Mayor
City of West Carrollton

Compliance and Other Matters

As part of reasonably assuring whether the City of West Carrollton's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is disclosed in the accompanying schedule of findings and responses as item 2017-002.

City of West Carrollton's Response to Finding

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

Purpose of this Report

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



Julian & Grube, Inc.
June 29, 2018

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

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2017**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2017-001

Significant Deficiency – Financial Statement Presentation

Accurate financial reporting is required in order to provide management and other stakeholders with objective and timely information to enable well-informed decisions.

Audit adjustments were posted to the financial statements for the year ended December 31, 2017, to properly state financial statement amounts. For the government-wide financial statements, the amount recorded as “Notes Payable” in Governmental Activities was reduced from \$3,385,000 to \$240,000 and the amount recorded as “Due Within One Year” was increased from \$722,555 to \$3,867,555 as a result of the issuance of the Series 2018 Various Purpose Real Estate Acquisition Bond Anticipation Note on May, 1 2018 which refinanced the 2017 issuance. For the fund financial statements, the amount recorded as “Notes Payable” in the Half Percent Fund was reduced from \$3,145,000 to \$0 and the amount recorded as “Note Issuances” was increased from \$0 to \$3,145,000 as a result of this refinancing. These adjustments therefore increased the Fund Balance of the Half Percent Fund from \$(2,301,712) to \$843,288.

The audited financial statements, note disclosures, and City records have been adjusted for the misstatements identified during the audit.

Presentation of materially correct financial statements and the related footnotes is the responsibility of management. This responsibility remains intact even if management decides to outsource this function for efficiency purposes or any other reason. In either case, it is important that control procedures are developed related to the financial statements that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes. In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made.

We recommend the City of West Carrollton implement additional control procedures that enable management to more timely prevent or detect and correct potential misstatements in the basic financial statements prior to presenting them to the auditors.

Client Response: The City will work to provide a sound fiscal environment and has implemented additional policies and procedures to help with financial statement presentation.

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

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2017**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2017-002

Material Noncompliance

Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the disbursement of monies are to be made unless there is certificate of the finance director that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The City had 53% of disbursements tested with an invoice that was dated prior to the purchase order, thus causing those disbursements not to be certified in a timely manner.

Without proper certification, the City may expend more funds than available in the treasury or in the process of collection, or than funds appropriated. It may also result in unnecessary or undesirable purchases.

We recommend that all orders or contracts involving the disbursement of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The City should consider using “Then” and “Now” certificates where applicable.

Client Response: It is in the intent of the City to improve compliance by more closely following as described in the finding to ensure prior certification for exceptions to ORC 5704.41 (D) and, when necessary, to have Council approved payments by resolution.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2016-001	2016	<u>Material Noncompliance</u> - Ohio Revised Code Section 5705.41(D) requires in part that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The City had 42% of expenditures that were not timely certified at December 31, 2017.	Not Corrected	Finding repeated as 2017-002 as expenditures were not timely certified.

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Dave Yost • Auditor of State

CITY OF WEST CARROLLTON

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 16, 2018**