

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

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

For The Year Ended  
December 31, 2005

**MR. TOM REILLY, FINANCE DIRECTOR**





**Auditor of State  
Betty Montgomery**

Members of Council and Mayor  
City of West Carrollton  
300 E. 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 and Grube, Inc., for the audit period January 1, 2005 through December 31, 2005. 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 "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

July 17, 2006

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**CITY OF WEST CARROLLTON, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the remaining fund information of the City of West Carrollton, Montgomery County, (the "City"), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of West Carrollton, Montgomery County, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable thereof and the respective budgetary comparison for the general fund and special revenue street fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Members of Council and Mayor  
City of West Carrollton  
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2006 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Julian & Grube, Inc.  
May 26, 2006

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**Management's Discussion and Analysis  
DECEMBER 31, 2005**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section provides an overview of the City's financial activities for the year ended December 31, 2005.

**FINANCIAL HIGHLIGHTS**

The City's total net assets increased \$384,679 in 2005.

The general fund reported a net increase in fund balance of \$89,448

**USING THIS ANNUAL FINANCIAL REPORT**

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

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

**REPORTING THE CITY AS A WHOLE**

*Statement of Net Assets and the Statement of Activities*

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

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

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

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



**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**Management's Discussion and Analysis  
DECEMBER 31, 2005**

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**REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

*Fund Financial Statements*

Fund financial statements provide detailed information about the City's major funds, not the City as a whole. An analysis of the City's major funds is presented later in the Management's Discussion and Analysis. Some funds are required by State law and bond covenants. Other funds may be established by the Finance Director, with approval of council, to help control, manage and report money received for a particular purpose. The City's major funds in 2005 are General, Street, Street Improvement, Half Percent, Water, Sewer, and Refuse.

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

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

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

**THE CITY AS A WHOLE**

As previously stated, the Statement of Net Assets looks at the City as a whole. The following tables provides a summary of the City's net assets and changes in net assets first as a whole and then broken down between governmental and business-type activities for 2005 and 2004.

	<b><u>NET ASSETS</u></b>	
<b><u>City as a Whole</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
Assets:		
Current and Other Assets	\$12,420,555	\$11,958,349
Capital Assets	<u>18,774,723</u>	<u>19,483,709</u>
Total Assets	<u>31,195,278</u>	<u>31,442,058</u>

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**Management's Discussion and Analysis  
DECEMBER 31, 2005**

Liabilities:

Long-Term Liabilities	9,874,165	10,302,892
Current and Other Liabilities	<u>2,965,880</u>	<u>3,168,612</u>
Total Liabilities	<u>12,840,045</u>	<u>13,471,504</u>

Net Assets:

Invested in Capital Assets, Net of Debt	9,977,534	10,275,121
Restricted	2,788,357	1,848,676
Unrestricted	<u>5,589,342</u>	<u>5,846,757</u>
Total Net Assets	<u>\$18,355,233</u>	<u>\$17,970,554</u>

In 2005 the City's net assets increased 2.1%. The main reason for a net increase was the five-year ¼% income tax increase effective January 1, 2005.

**CHANGE IN NET ASSETS**

	<u>2005</u>	<u>2004</u>
Revenues		
Program Revenues:		
Charges for Services	\$4,004,962	\$3,370,121
Operating Grants and Contributions	<u>198,911</u>	<u>127,894</u>
Total Program Revenues	<u>4,203,873</u>	<u>3,498,015</u>
General Revenues:		
Income Taxes	6,362,927	5,612,398
Property Taxes	702,797	682,695
Unrestricted Grants and Entitlements	540,113	329,394
Investment Earnings	71,041	236,347
Refunds and Reimbursements	277,062	108,391
Other	<u>28,045</u>	<u>24,018</u>
Total General Revenue	<u>7,981,985</u>	<u>6,993,243</u>
Total Revenues	<u>12,185,858</u>	<u>10,491,258</u>

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**Management's Discussion and Analysis  
DECEMBER 31, 2005**

	<u>2005</u>	<u>2004</u>
Program Expenses:		
General Government	\$1,411,832	\$1,192,329
Security of Persons	4,327,185	3,995,726
Leisure Time Activities	1,052,513	656,561
Community Environment	710,964	1,392,732
Transportation	639,237	457,963
Interest and Fiscal Charges	361,346	89,329
Water	1,171,803	1,247,552
Sewer	1,309,958	1,305,135
Refuse	604,057	697,095
Pool	<u>212,284</u>	<u>208,676</u>
Total Expenses	<u>11,801,179</u>	<u>11,243,098</u>
Transfers:		
Transfers-In	10,000	0
Transfers-Out	<u>(10,000)</u>	<u>0</u>
Total Transfers	<u>0</u>	<u>0</u>
Net Increase (Decrease) in Net Assets	<u>\$ 384,679</u>	<u>\$ (751,840)</u>

Revenues increased 16.2% mainly due the previously mentioned ¼% income tax increase and increase water user fees. Expenses increased 4.9% largely due to normal inflationary increases.

**Governmental Activities**

**NET ASSETS**

	<u>2005</u>	<u>2004</u>
Assets:		
Current and Other Assets	\$9,560,030	\$8,269,726
Capital Assets	<u>11,957,685</u>	<u>12,386,539</u>
Total Assets	<u>21,517,715</u>	<u>20,656,265</u>
Liabilities:		
Long-Term Liabilities	5,486,523	5,788,660
Current and Other Liabilities	<u>2,705,539</u>	<u>2,603,288</u>
Total Liabilities	<u>8,192,062</u>	<u>8,391,948</u>
Net Assets:		
Invested in Capital Assets, Net of Debt	7,407,685	7,586,539
Restricted	2,788,357	1,848,676
Unrestricted	<u>3,129,611</u>	<u>2,829,102</u>
Total Net Assets	<u>\$13,325,653</u>	<u>\$12,264,317</u>

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**Management's Discussion and Analysis  
DECEMBER 31, 2005**

Governmental Activities' net assets increased 8.7% in 2005.

**CHANGE IN NET ASSETS**

Revenues	<u>2005</u>	<u>2004</u>
Program Revenues:		
Charges for Services	\$1,284,622	\$1,048,650
Operating Grants and Contributions	<u>198,911</u>	<u>127,894</u>
Total Program Revenues	<u>1,483,533</u>	<u>1,176,544</u>
General Revenues:		
Income Taxes	6,362,927	5,612,398
Property Taxes	702,797	682,695
Unrestricted Grants and Entitlements	540,113	329,394
Investment Earnings	49,127	77,128
Refunds and Reimbursements	<u>277,062</u>	<u>108,391</u>
Total General Revenue	<u>7,932,026</u>	<u>6,810,006</u>
Total Revenues	<u>9,415,559</u>	<u>7,986,550</u>
Program Expenses:		
General Government	1,411,832	1,192,329
Security of Persons	4,327,185	3,995,726
Leisure Time Activities	1,052,513	656,561
Community Environment	710,964	1,392,732
Transportation	639,237	457,963
Interest and Fiscal Charges	<u>202,492</u>	<u>89,329</u>
Total Expenses	<u>8,344,223</u>	<u>7,784,640</u>
Transfers:		
Transfers-Out	<u>(10,000)</u>	<u>0</u>
Net Increase in Net Assets	<u>\$ 1,061,336</u>	<u>\$ 201,910</u>

Total revenues increased 17.9% with the largest revenue stream, income tax, improving by 13.4%. Income tax was \$6,362,927 and represents 67.6% of total revenue compared to 70.2% in 2004. Total expenditures increased 7.2% due to enhanced activities and inflationary expansion. Leisure Time expenses had the highest percentage increase due to the first year of the YMCA debt payment being due in 2005. The transfer-out came from the general fund to provide resources for the pool operation in the business-type activities.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**Management's Discussion and Analysis  
DECEMBER 31, 2005**

Program Expenses Percentage breakdown:

	<u>2005</u>		<u>2004</u>	
General Government	\$ 1,411,832	16.9%	\$ 1,192,329	15.3%
Security of Persons	4,327,185	51.9%	3,995,726	51.4%
Leisure Time Activities	1,052,513	12.6%	656,561	8.4%
Community Environment	710,964	8.5%	1,392,732	17.9%
Transportation	639,237	7.7%	457,963	5.9%
Interest and Fiscal Charges	<u>202,492</u>	<u>2.4%</u>	<u>89,329</u>	<u>1.1%</u>
Totals	<u>\$ 8,344,223</u>	<u>100%</u>	<u>\$ 7,784,640</u>	<u>100%</u>

The largest program expense is Security of Persons at 51.9% primarily represents the operation of the police and fire departments. These expenses were partially funded by \$397,659 in direct charges to users of service.

	<u>Total Cost of Services 2005</u>	<u>Net Expense (Revenue) 2005</u>	<u>Total Cost of Services 2004</u>	<u>Net Expense (Revenue) 2004</u>
Program Expenses:				
General Government	\$ 1,411,832	\$ 1,300,135	\$ 1,192,329	\$ 1,143,302
Security of Persons	4,327,185	3,925,743	3,995,726	3,666,585
Leisure Time Activities	1,052,513	985,801	656,561	587,676
Community Environment	710,964	605,148	1,392,732	1,328,700
Transportation	639,237	(158,629)	457,963	(207,496)
Interest and Fiscal Charges	<u>202,492</u>	<u>202,492</u>	<u>89,329</u>	<u>89,329</u>
Total	<u>\$ 8,344,223</u>	<u>\$ 6,860,690</u>	<u>\$ 7,784,640</u>	<u>\$ 6,608,096</u>

As noted in the above table, the programs are 82% and 85% dependent on general revenues in 2005 and 2004 respectively.

**Business-Type Activities**

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

**NET ASSETS**

	<u>2005</u>	<u>2004</u>
Assets:		
Current and Other Assets	\$2,860,525	\$ 3,688,623
Capital Assets	<u>6,817,038</u>	<u>7,097,170</u>
Total Assets	<u>9,677,563</u>	<u>10,785,793</u>

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**Management's Discussion and Analysis  
DECEMBER 31, 2005**

	<u>2005</u>	<u>2004</u>
Liabilities:		
Long-Term Liabilities	4,387,642	4,514,232
Current and Other Liabilities	<u>260,341</u>	<u>565,324</u>
Total Liabilities	<u>4,647,983</u>	<u>5,079,556</u>
Net Assets:		
Invested in Capital Assets, Net of Debt	2,569,849	2,688,582
Unrestricted	<u>2,459,731</u>	<u>3,017,655</u>
Total Net Assets	<u>\$ 5,029,580</u>	<u>\$ 5,706,237</u>

In 2005 the Business-Type Activities' net assets decreased 11.9%.

**CHANGE IN NET ASSETS**

	<u>2005</u>	<u>2004</u>
Revenues		
Program Revenues:		
Charges for Services	<u>\$ 2,720,340</u>	<u>\$ 2,321,471</u>
Total Program Revenues	<u>2,720,340</u>	<u>2,321,471</u>
General Revenues:		
Investment Earnings	21,914	159,219
Other	<u>38,045</u>	<u>24,018</u>
Total General Revenue	<u>59,959</u>	<u>183,237</u>
Total Revenues	<u>2,780,299</u>	<u>2,504,708</u>
Program Expenses:		
Water	1,171,803	1,247,552
Sewer	1,309,958	1,305,135
Refuse	604,057	697,095
Nonmajor – Pool	212,284	208,676
Interest and Fiscal Charges	<u>158,854</u>	<u>0</u>
Total Expenses	<u>3,456,956</u>	<u>3,458,458</u>
Net Decrease in Net Assets	<u>(\$ 676,657)</u>	<u>(\$ 953,750)</u>

Business-Type operations had \$2,720,340 program revenues, \$59,959 in general revenues, and \$3,456,956 of total expense in 2005. The interest and fiscal charges appear in 2005 for the first payment on the new water softening plant debt.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**Management's Discussion and Analysis  
DECEMBER 31, 2005**

**Financial Analysis of the Government Funds**

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

**Governmental Funds**

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

The City's governmental funds reported a combined fund balance of \$6,191,483 and \$5,072,167 in 2005 and 2004 respectively. The Street Fund qualified as a major fund in 2005 but not in 2004. Conversely the Other Capital Fund qualified for a major fund in 2004 but not 2005. The schedule below shows the fund balances and the total change in fund balances as of December 31, 2005 for all major and nonmajor governmental funds.

	<u>2005</u>	<u>2004</u>
Major Funds:		
General	\$2,573,337	\$ 2,483,889
Street	345,309	185,692
Street Improvement	64,923	134,554
Half % Fund	2,453,718	1,583,022
Other Nonmajor Governmental Funds	<u>754,196</u>	<u>685,010</u>
Total	<u>\$ 6,191,483</u>	<u>\$ 5,072,167</u>

**General Fund**

The City's general fund balance grew \$89,448 mainly due to the ¼% income tax increase.

	<u>2005</u>	<u>2004</u>
Revenues		
Local Taxes	\$5,234,492	\$ 4,574,025
Intergovernmental	616,867	593,658
Charges for Services	255,056	168,241
Investment Earnings	32,686	53,975
Fines and Forfeitures	216,747	179,476
License and Permits	61,740	31,948
Other	<u>143,326</u>	<u>118,076</u>
Total Revenue	<u>\$ 6,560,914</u>	<u>\$ 5,719,399</u>

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**Management's Discussion and Analysis  
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	<u>2005</u>	<u>2004</u>
Expenditures		
General Government	\$1,271,926	\$ 1,152,512
Security of Persons	3,843,296	3,655,534
Leisure Time Activities	690,636	560,333
Community Environment	<u>384,550</u>	<u>337,391</u>
Total Expenses	<u>\$ 6,190,408</u>	<u>\$ 5,705,770</u>

As previously noted, the expenditures increased 8.5% due to enhanced activities and inflationary expansion.

**Other Major Funds**

The Street Fund revenues of \$587,784 exceeded expenditures of \$428,167 by \$159,617. The ending fund balance improved to \$345,309. The Street Fund qualified as a major fund in 2005 but not in 2004.

The Street Improvement Fund expenditures of \$329,198 exceeded transfers-in and revenue of \$259,567 by \$69,631 bring fund balance down to \$64,923.

The Half Percent Fund revenue of \$1,635,606 exceeded transfers-out of \$764,910 by \$870,696. This increased the 2005 fund balance to \$2,453,718 in preparation for the police department renovation in 2006.

**Budgeting Highlights**

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

The budgetary information is presented for the general fund and street fund. In the general fund, the actual revenues of \$6,483,338 exceeded the final budget of \$6,064,326 by \$419,012. The general fund final expenditures budget only increased \$9,350 from the original for an adjustment in community environment. Overall actual expenditures of \$6,152,160 were less than the final budget of \$6,695,750 by \$543,470. The overall net positive variance, including transfers totaled \$991,743.

In the street fund revenues and expenditures both had positive variances. The overall net positive variance, including transfers totaled \$43,827.

**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 expenses of \$1,330,657 exceed revenue of \$1,146,206 by \$184,451. Correspondingly Net Assets declined from \$2,009,600 in 2004 to \$1,825,149 in 2005. The water softening plant was completed and fully operational by the spring of 2005. Increased user fees used to fund the additional operational costs of the new water softening plant did not go into affect until the third quarter of 2005.

The Sewer Fund Net Assets declined \$502,634 from \$3,001,364 to \$2,498,730. Even though this fund has a healthy fund balance and been relatively stable, user fees are not keeping pace with inflationary expenditure



**CITY OF WEST CARROLLTON  
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**Management's Discussion and Analysis  
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increases and are under review. The sewer rates have not been changed since 1994. The Refuse Fund revenues of \$661,357 exceeded expenses of \$604,057 by \$57,300. This increased Net Assets to \$234,387 in 2005 from \$177,087 in 2004.

**CAPITAL ASSETS**

The City is applying the transition provision for Governmental Activities Infrastructure Assets (streets, curbs, bridges and culverts) for the current year-end. This means that infrastructure only includes 2003 and current year additions. A two-year comparison of capital asset balances, net of accumulated depreciation, for 2005 and 2004 are as follows:

<u>Governmental Activities</u>	<u>2005</u>	<u>2004</u>
Land	\$ 2,328,133	\$ 2,328,133
Building and Improvements	7,453,274	7,903,919
Machinery and Equipment	844,301	998,215
Infrastructure	<u>1,331,977</u>	<u>1,156,272</u>
Total	<u>\$ 11,957,685</u>	<u>\$ 12,386,539</u>

<u>Business-Type Activities</u>	<u>2005</u>	<u>2004</u>
Land	\$ 53,500	\$ 53,500
Building and Improvements	5,976,204	1,814,157
Machinery and Equipment	248,600	347,677
Infrastructure	538,734	583,295
Construction in Progress	<u>0</u>	<u>4,298,541</u>
Total	<u>\$ 6,817,038</u>	<u>\$ 7,097,170</u>

The most significant change in business-type capital assets is the completion of the water softening plant and the corresponding transfer from construction in progress.

	<u>2005</u>	<u>2004</u>
City as a Whole	<u>\$ 18,774,723</u>	<u>\$ 19,483,709</u>

A detailed summary of capital asset activity for the year ended December 31, 2005 is disclosed in note 9.

**Debt Administration**

	<u>2005</u>	<u>2004</u>
Governmental Activities	\$ 5,486,523	\$ 5,788,660
Business-Type Activities	<u>4,387,642</u>	<u>4,514,232</u>
Total	<u>\$ 9,874,165</u>	<u>\$ 10,302,892</u>
Due Within One Year	<u>\$ 805,948</u>	<u>\$ 814,180</u>

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

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**Management's Discussion and Analysis  
DECEMBER 31, 2005**

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**Contacting the City's Financial Management**

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

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS**

FOR THE YEAR ENDED DECEMBER 31, 2005

	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>ASSETS:</b>			
Equity in Pooled Cash & Investments	\$5,243,302	\$2,009,993	\$7,253,295
Receivables (Net)			
Taxes	1,869,630	0	1,869,630
Accounts	78,226	625,347	703,573
Intergovernmental	1,763,596	0	1,763,596
Special Assessments	502,209	0	502,209
Loan	85,827	170,100	255,927
Accrued Interest	15,630	7,485	23,115
Prepaid Items	1,610	0	1,610
Inventory	0	47,600	47,600
Nondepreciable Capital Assets	2,328,133	53,500	2,381,633
Depreciable Capital Assets, Net	9,629,552	6,763,538	16,393,090
 Total Assets	 21,517,715	 9,677,563	 31,195,278
<b>LIABILITIES:</b>			
Accounts Payable	26,764	37,889	64,653
Accrued Wages and Benefits	231,344	32,305	263,649
Accrued Pensions	184,736	20,047	204,783
Accrued Interest	14,782	0	14,782
Deferred Revenue	2,247,913	170,100	2,418,013
Long-term Liabilities:			
Due Within One Year	628,762	177,186	805,948
Due In More Than One Year	4,857,761	4,210,456	9,068,217
 Total Liabilities	 8,192,062	 4,647,983	 12,840,045
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt	7,407,685	2,569,849	9,977,534
Restricted for:			
Debt Service Funds	70,452	0	70,452
Capital Project Funds	2,717,905	0	2,717,905
Unrestricted	3,129,611	2,459,731	5,589,342
 Total Net Assets	 \$13,325,653	 \$5,029,580	 \$18,355,233

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Program Revenues			Net Revenue (Expense) and Changes in Net Assets		
	Charges for Services and Sales		Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
	Expenses					
<b>Government Activities</b>						
General Government	\$1,411,832	\$81,961	\$29,736	(1,300,135)	\$0	(1,300,135)
Security of Persons	4,327,185	397,659	3,783	(3,925,743)	0	(3,925,743)
Leisure Time Activities	1,052,513	63,087	3,625	(985,801)	0	(985,801)
Community Environment	710,964	105,816	0	(605,148)	0	(605,148)
Transportation	639,237	636,099	161,767	158,629	0	158,629
Interest and Fiscal Charges	202,492	0	0	(202,492)	0	(202,492)
<b>Total Government Activities</b>	<b>8,344,223</b>	<b>1,284,622</b>	<b>198,911</b>	<b>(6,860,690)</b>	<b>0</b>	<b>(6,860,690)</b>
<b>Business-Type Activities</b>						
Water	1,171,803	1,130,365	0	0	(41,438)	(41,438)
Sewer	1,309,958	784,158	0	0	(525,800)	(525,800)
Refuse	604,057	651,808	0	0	47,751	47,751
Pool	212,284	154,009	0	0	(58,275)	(58,275)
Interest and Fiscal Charges	158,854	0	0	0	(158,854)	(158,854)
<b>Total Business-Type Activities</b>	<b>3,456,956</b>	<b>2,720,340</b>	<b>0</b>	<b>0</b>	<b>(736,616)</b>	<b>(736,616)</b>
General Revenues:						
Income Taxes				6,362,927	0	6,362,927
Property Taxes Levied for:						
General Purposes				589,118	0	589,118
Special Revenue Purposes				113,679	0	113,679
Grants and Entitlements not Restricted				540,113	0	540,113
Investment Earnings				49,127	21,914	71,041
Refunds and Reimbursements				277,062	0	277,062
Other				0	28,045	28,045
<b>Total General Revenues</b>				<b>7,932,026</b>	<b>49,959</b>	<b>7,981,985</b>
Transfers:						
Transfer-In				0	10,000	10,000
Transfers-Out				(10,000)	0	(10,000)
<b>Total Transfers</b>				<b>(10,000)</b>	<b>10,000</b>	<b>0</b>
Change in Net Assets				1,061,336	(676,657)	384,679
Net Assets Beginning of the Year				12,264,317	5,706,237	17,970,554
Net Assets End of Year				<u>\$13,325,653</u>	<u>\$5,029,580</u>	<u>\$18,355,233</u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>GENERAL</u>	<u>STREET</u>	<u>STREET IMPROVEMENT</u>	<u>HALF % FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS:</b>						
Pooled Cash & Investments	\$2,158,624	\$264,355	\$3,648	\$2,240,288	\$576,387	\$5,243,302
Receivables (Net)						
Taxes	1,413,263	0	0	350,068	106,299	1,869,630
Accounts	78,226	0	0	0	0	78,226
Intergovernmental	347,931	281,431	1,078,807	0	55,427	1,763,596
Special Assessments	0	0	0	0	502,209	502,209
Loans	0	0	0	0	85,827	85,827
Accrued Interest	8,489	606	0	5,517	1,018	15,630
Due from Other Funds	0	0	0	27,314	0	27,314
Prepaid Items	1,610	0	0	0	0	1,610
Advance to Other Funds	0	0	0	168,654	0	168,654
Total Assets	<u>\$4,008,143</u>	<u>\$546,392</u>	<u>\$1,082,455</u>	<u>\$2,791,841</u>	<u>\$1,327,167</u>	<u>\$9,755,998</u>
<b>LIABILITIES:</b>						
Accounts Payable	\$11,585	\$3,135	\$0	\$0	\$12,044	\$26,764
Accrued Wages and Benefits	216,001	10,343	0	0	5,000	231,344
Accrued Pensions	177,195	7,342	0	0	199	184,736
Compensated Absences	86,490	3,112	0	0	0	89,602
Due to Other Funds	0	0	0	0	27,314	27,314
Advance from Other Funds	0	0	0	0	168,654	168,654
Deferred Revenue	943,535	177,151	1,017,532	338,123	359,760	2,836,101
Total Liabilities	<u>1,434,806</u>	<u>201,083</u>	<u>1,017,532</u>	<u>338,123</u>	<u>572,971</u>	<u>3,564,515</u>
<b>FUND BALANCES:</b>						
Fund Balance:						
Reserved for Encumbrances	58,188	11,320	125	0	118,492	188,125
Reserved for Prepays	1,610	0	0	0	0	1,610
Reserved for Advances	0	0	0	168,654	0	168,654
Reserved for Loans	0	0	0	0	85,827	85,827
Reserved for Debt Service	0	0	0	0	70,452	70,452
Unreserved Reported in:						
General Fund	2,513,539	0	0	0	0	2,513,539
Special Revenue Funds	0	0	0	0	445,371	445,371
Capital Project Funds	0	333,989	64,798	2,285,064	34,054	2,717,905
Total Fund Balances	<u>2,573,337</u>	<u>345,309</u>	<u>64,923</u>	<u>2,453,718</u>	<u>754,196</u>	<u>6,191,483</u>
Total Liabilities and Fund Balances	<u>\$4,008,143</u>	<u>\$546,392</u>	<u>\$1,082,455</u>	<u>\$2,791,841</u>	<u>\$1,327,167</u>	<u>\$9,755,998</u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

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

**FOR THE YEAR ENDED DECEMBER 31, 2005**

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<b>Total Governmental Fund Balance</b>	<b>\$6,191,483</b>
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	11,957,685
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	588,188
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In the statement of net assets, interest is accrued, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.	(14,782)
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Some liabilities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.	(601,921)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(4,795,000)</u>
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<b>Net Assets of Governmental Activities</b>	<b><u><u>\$13,325,653</u></u></b>
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See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

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

**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>GENERAL</u>	<u>STREET</u>	<u>STREET IMPROVEMENT</u>	<u>HALF % FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES:</b>						
Local Taxes	\$5,234,492	\$0	\$0	\$1,604,070	\$113,791	\$6,952,353
Special Assessments	0	0	0	13,933	67,153	81,086
Charges for Services	255,056	0	0	0	66,711	321,767
Intergovernmental	616,867	578,768	168,237	0	109,488	1,473,360
Investment Earnings	32,686	1,211	0	13,580	1,650	49,127
Fines & Forfeitures	216,747	0	0	0	10,724	227,471
License & Permits	61,740	0	0	0	0	61,740
Other Revenue	143,326	7,805	280	4,023	0	155,434
<b>Total Revenues</b>	<u>6,560,914</u>	<u>587,784</u>	<u>168,517</u>	<u>1,635,606</u>	<u>369,517</u>	<u>9,322,338</u>
<b>EXPENDITURES:</b>						
General Government	1,271,926	0	0	0	0	1,271,926
Security of Persons	3,843,296	0	0	0	317,248	4,160,544
Leisure Time Activities	690,636	0	0	0	88,955	779,591
Community Environment	384,550	0	329,198	0	143,023	856,771
Capital Outlay	0	0	0	0	102,632	102,632
Transportation	0	428,167	0	0	128,953	557,120
Debt Service:						
Principal	0	0	0	0	293,000	293,000
Interest & Fiscal Charges	0	0	0	0	202,492	202,492
<b>Total Expenditures</b>	<u>6,190,408</u>	<u>428,167</u>	<u>329,198</u>	<u>0</u>	<u>1,276,303</u>	<u>8,224,076</u>
Excess (Deficiency) of Revenue Over/(Under) Expenditures	<u>370,506</u>	<u>159,617</u>	<u>(160,681)</u>	<u>1,635,606</u>	<u>(906,786)</u>	<u>1,098,262</u>
<b>Other Financing Sources (Uses):</b>						
Loan Proceeds	0	0	0	0	31,054	31,054
Transfers-In	0	0	91,050	0	944,918	1,035,968
Transfers-Out	(281,058)	0	0	(764,910)	0	(1,045,968)
<b>Total Other Financing Sources (Uses)</b>	<u>(281,058)</u>	<u>0</u>	<u>91,050</u>	<u>(764,910)</u>	<u>975,972</u>	<u>21,054</u>
<b>Net Change in Fund Balance(Deficit)</b>	<u>89,448</u>	<u>159,617</u>	<u>(69,631)</u>	<u>870,696</u>	<u>69,186</u>	<u>1,119,316</u>
<b>Fund Balance - Beginning of Year</b>	<u>2,483,889</u>	<u>185,692</u>	<u>134,554</u>	<u>1,583,022</u>	<u>685,010</u>	<u>5,072,167</u>
<b>Fund Balance - End of Year</b>	<u>\$2,573,337</u>	<u>\$345,309</u>	<u>\$64,923</u>	<u>\$2,453,718</u>	<u>\$754,196</u>	<u>\$6,191,483</u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

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

**FOR THE YEAR ENDED DECEMBER 31, 2005**

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**Net Change in Fund Balance - Total Governmental Funds** \$1,119,316

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

Governmental funds report capital outlays as expenditures while the in the statement of activities, those costs are allocated over the capital assets' estimated useful lives as depreciation expense. (428,854)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 62,167

In the statement of activities, interest is accrued, In governmental funds interest expenditures are reported when due. 469

Repayment of long-term debt is an expenditure in the governmental funds, but reduces a long-term liabilities in the statement of net assets. 293,000

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. 15,238

**Change in Net Assets of Governmental Activities** \$1,061,336

See accompanying notes to the basic financial statements.



**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL BUDGET</u>
<b>REVENUES:</b>				
Local Taxes	\$4,911,026	\$4,911,026	\$5,160,398	\$249,372
Charges for Services	210,000	210,000	226,053	16,053
Intergovernmental	605,000	605,000	618,660	13,660
Investment Earnings	35,000	35,000	56,414	21,414
Fines & Forfeitures	148,500	148,500	216,747	68,247
Licenses & Permits	37,700	37,700	61,740	24,040
Other Revenue	117,100	117,100	143,326	26,226
Total Revenues	<u>6,064,326</u>	<u>6,064,326</u>	<u>6,483,338</u>	<u>419,012</u>
<b>EXPENDITURES:</b>				
General Government	1,505,403	1,505,403	1,279,165	226,238
Security of Persons	4,110,272	4,110,272	3,870,517	239,755
Leisure Time Activities	661,425	661,425	623,932	37,493
Community Environment	409,300	418,650	379,146	39,504
Total Expenditures	<u>6,686,400</u>	<u>6,695,750</u>	<u>6,152,760</u>	<u>542,990</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(622,074)</u>	<u>(631,424)</u>	<u>330,578</u>	<u>962,002</u>
Other Financing Sources (Uses): Transfers-Out	<u>(310,800)</u>	<u>(310,800)</u>	<u>(281,059)</u>	<u>29,741</u>
Total Other Financing Sources (Uses)	<u>(310,800)</u>	<u>(310,800)</u>	<u>(281,059)</u>	<u>29,741</u>
Net Change in Fund Balance	<u>(932,874)</u>	<u>(942,224)</u>	<u>49,519</u>	<u>991,743</u>
Fund Balance - Beginning of the Year	<u>2,050,917</u>	<u>2,050,917</u>	<u>2,050,917</u>	<u>0</u>
Fund Balance - End of the Year	<u><u>\$1,118,043</u></u>	<u><u>\$1,108,693</u></u>	<u><u>\$2,100,436</u></u>	<u><u>\$991,743</u></u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
STREET FUND  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL BUDGET</u>
<b>REVENUES:</b>				
Intergovernmental	503,000	503,000	510,843	7,843
Investment Earnings	500	500	25,479	24,979
Other Revenue	500	500	7,805	7,305
Total Revenues	<u>504,000</u>	<u>504,000</u>	<u>544,127</u>	<u>40,127</u>
<b>EXPENDITURES:</b>				
Transportation	<u>635,900</u>	<u>635,900</u>	<u>622,099</u>	<u>13,801</u>
Total Expenditures	<u>635,900</u>	<u>635,900</u>	<u>622,099</u>	<u>13,801</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(131,900)</u>	<u>(131,900)</u>	<u>(77,972)</u>	<u>53,928</u>
Other Financing Sources:				
Transfers-In	<u>196,000</u>	<u>196,000</u>	<u>177,000</u>	<u>(19,000)</u>
Total Other Financing Sources	<u>196,000</u>	<u>196,000</u>	<u>177,000</u>	<u>(19,000)</u>
Net Change in Fund Balance	64,100	64,100	99,028	34,928
Fund Balance - Beginning of the Year	<u>145,108</u>	<u>145,108</u>	<u>154,007</u>	<u>8,899</u>
Fund Balance - End of the Year	<u>\$209,208</u>	<u>\$209,208</u>	<u>\$253,035</u>	<u>\$43,827</u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS**

**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Business-Type Activities - Proprietary Funds</b>				
	<b>WATER FUND</b>	<b>SEWER FUND</b>	<b>REFUSE FUND</b>	<b>NONMAJOR POOL FUND</b>	<b>TOTAL PROPRIETARY FUNDS</b>
<b>ASSETS:</b>					
Equity in Pooled Cash & Investments	\$427,044	\$1,453,668	\$125,271	\$4,010	\$2,009,993
Receivables (Net)					
Accounts	313,933	186,051	125,363	0	625,347
Loans	170,100	0	0	0	170,100
Accrued Interest	1,879	5,601	0	5	7,485
Inventory	33,000	14,600	0	0	47,600
<b>Total Current Assets</b>	<b>945,956</b>	<b>1,659,920</b>	<b>250,634</b>	<b>4,015</b>	<b>2,860,525</b>
Nondepreciable Capital Assets	29,500	24,000	0	0	53,500
Depreciable Capital Assets, Net	5,346,891	917,968	30,107	468,572	6,763,538
<b>Total Assets</b>	<b>6,322,347</b>	<b>2,601,888</b>	<b>280,741</b>	<b>472,587</b>	<b>9,677,563</b>
<b>LIABILITIES:</b>					
Accounts Payable	12,076	0	24,540	1,273	37,889
Accrued Wages and Benefits	15,083	12,748	4,474	0	32,305
Accrued Pensions	8,564	9,213	2,270	0	20,047
Deferred Revenue	170,100	0	0	0	170,100
Compensated Absences	6,210	3,424	455	0	10,089
Loan Payable Due Within One Year	167,097	0	0	0	167,097
<b>Total Current Liabilities</b>	<b>379,130</b>	<b>25,385</b>	<b>31,739</b>	<b>1,273</b>	<b>437,527</b>
Long-term Liabilities					
Compensated Absences	37,976	77,773	14,615	0	130,364
Loans Payable	4,080,092	0	0	0	4,080,092
<b>Total Liabilities</b>	<b>4,497,198</b>	<b>103,158</b>	<b>46,354</b>	<b>1,273</b>	<b>4,647,983</b>
<b>NET ASSETS:</b>					
Invested in Capital Assets, Net of Debt	1,129,202	941,968	30,107	468,572	2,569,849
Unrestricted	695,947	1,556,762	204,280	2,742	2,459,731
<b>Total Net Assets</b>	<b>\$1,825,149</b>	<b>\$2,498,730</b>	<b>\$234,387</b>	<b>\$471,314</b>	<b>\$5,029,580</b>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

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

**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Business-Type Activities - Proprietary Funds</u>				<u>TOTAL PROPRIETARY FUNDS</u>
	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>REFUSE FUND</u>	<u>NONMAJOR POOL FUND</u>	
<b>Operating Revenues:</b>					
Charges for Services	\$1,130,365	\$784,158	\$651,808	\$154,009	\$2,720,340
Other	9,969	9,724	7,147	1,205	28,045
Total Operating Revenues	<u>1,140,334</u>	<u>793,882</u>	<u>658,955</u>	<u>155,214</u>	<u>2,748,385</u>
<b>Operating Expenses:</b>					
Personal Services	652,149	626,154	262,390	90,631	1,631,324
Contractual Services	16,144	101,279	273,467	2,890	393,780
Material and Supplies	60,758	91,236	33,924	44,174	230,092
Utilities	156,402	91,255	0	24,598	272,255
Depreciation	286,301	399,944	33,231	46,320	765,796
Other	49	90	1,045	3,671	4,855
Total Operating Expenses	<u>1,171,803</u>	<u>1,309,958</u>	<u>604,057</u>	<u>212,284</u>	<u>3,298,102</u>
Operating Income (Loss)	<u>(31,469)</u>	<u>(516,076)</u>	<u>54,898</u>	<u>(57,070)</u>	<u>(549,717)</u>
<b>Non-Operating Revenues(Expense):</b>					
Transfer-In	0	0	0	10,000	10,000
Investment Earnings	5,872	13,442	2,402	198	21,914
Interest Expense	<u>(158,854)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(158,854)</u>
Total Non-Operating Revenues	<u>(152,982)</u>	<u>13,442</u>	<u>2,402</u>	<u>10,198</u>	<u>(126,940)</u>
<b>Change in Net Assets</b>	<b>(184,451)</b>	<b>(502,634)</b>	<b>57,300</b>	<b>(46,872)</b>	<b>(676,657)</b>
<b>Net Assets Beginning of the Year</b>	<u>2,009,600</u>	<u>3,001,364</u>	<u>177,087</u>	<u>518,186</u>	<u>5,706,237</u>
<b>Net Assets End of the Year</b>	<u>\$1,825,149</u>	<u>\$2,498,730</u>	<u>\$234,387</u>	<u>\$471,314</u>	<u>\$5,029,580</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, 2005**

	<u>Business-Type Activities - Enterprise Funds</u>				TOTAL PROPRIETARY FUNDS
	WATER FUND	SEWER FUND	REFUSE FUND	NONMAJOR POOL FUND	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>					
Cash Flows from Operating Activities:					
Cash Received from Charges for Services	\$1,024,594	\$794,807	\$652,142	\$154,009	\$2,625,552
Cash Received from Other Operating Services	9,969	9,724	7,147	1,205	28,045
Cash Payments for Personal Services	(629,681)	(615,998)	(267,104)	(90,631)	(1,603,414)
Cash Payments for Contractual Services	(15,185)	(101,279)	(273,467)	(2,843)	(392,774)
Cash Payments for Material and Supplies	(352,922)	(99,215)	(33,980)	(44,174)	(530,291)
Cash Payments for Utilities	(156,402)	(91,255)	0	(24,598)	(272,255)
Cash Payments for Other Expenses	(49)	(90)	(86)	(3,671)	(3,896)
Net Cash Provided by (Used in) Operating Activities	<u>(119,676)</u>	<u>(103,306)</u>	<u>84,652</u>	<u>(10,703)</u>	<u>(149,033)</u>
Cash Flows from Noncapital Financing Activities:					
Transfers from Other Funds	0	0	0	10,000	10,000
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,000</u>	<u>10,000</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition of Capital Assets	(473,970)	(11,694)	0	0	(485,664)
Debt Principal Payments	(161,399)	0	0	0	(161,399)
Debt Interest Payments	(158,854)	0	0	0	(158,854)
Net Cash Used for Capital and Related Financing Activities	<u>(794,223)</u>	<u>(11,694)</u>	<u>0</u>	<u>0</u>	<u>(805,917)</u>
Cash Flows from Investing Activities:					
Interest Earnings	4,597	8,835	1,402	196	15,030
Net Cash Provided by Investing Activities	<u>4,597</u>	<u>8,835</u>	<u>1,402</u>	<u>196</u>	<u>15,030</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(909,302)	(106,165)	86,054	(507)	(929,920)
Cash and Cash Equivalents at Beginning of the Year	<u>1,336,346</u>	<u>1,559,833</u>	<u>39,217</u>	<u>4,517</u>	<u>2,939,913</u>
<b>Cash and Cash Equivalents at End of the Year</b>	<u><u>\$427,044</u></u>	<u><u>\$1,453,668</u></u>	<u><u>\$125,271</u></u>	<u><u>\$4,010</u></u>	<u><u>\$2,009,993</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>					
Operating Income (Loss)	(\$31,469)	(\$516,076)	\$54,898	(\$57,070)	(\$549,717)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:					
Depreciation	286,301	399,944	33,231	46,320	765,796
(Increase) Decrease in Accounts Receivable	(105,771)	10,649	334	0	(94,788)
Increase in Inventory	(800)	(400)	0	0	(1,200)
Increase (Decrease) in Accounts Payable	(4,700)	(3,629)	1,903	47	(6,379)
Decrease in Contracts/Retainage Payable	(289,705)	0	0	0	(289,705)
Decrease in Accrued Wages and Benefits	3,099	2,454	621	0	6,174
Decrease in Accrued Pensions	(5,652)	(5,499)	(2,922)	0	(14,073)
Increase (Decrease) in Compensated Absences	29,021	9,251	(3,413)	0	34,859
Total Adjustments	<u>(88,207)</u>	<u>412,770</u>	<u>29,754</u>	<u>46,367</u>	<u>400,684</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u><u>(\$119,676)</u></u>	<u><u>(\$103,306)</u></u>	<u><u>\$84,652</u></u>	<u><u>(\$10,703)</u></u>	<u><u>(\$149,033)</u></u>

See accompanying notes to the basic financial statements.

CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2005

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	<u>AGENCY FUNDS</u>
<b>ASSETS:</b>	
Segregated Cash & Investments	\$ 34,199
Receivables (Net) Taxes	<u>1,225,298</u>
Total Assets	<u><u>\$ 1,259,497</u></u>
<b>LIABILITIES:</b>	
Deferred Revenue	\$ 497,568
Undistributed Monies	<u>761,929</u>
Total Liabilities	<u><u>\$ 1,259,497</u></u>

See accompanying notes to the basic financial statements.

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY AND REPORTING ENTITY**

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

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

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

The Miami Valley Risk Management Association (MVRMA) is a jointly governed organization established as a joint self-insurance pool for the purpose of enabling the subscribing political subdivisions to obtain liability insurance and providing a formalized, jointly administered self-insurance fund for its members. Also, the Miami Valley Fire/EMS Alliance is a jointly governed organization among thirty townships, cities, and other public entities that was formed on April 1, 1995. See Note 10.

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

**B. BASIS OF PRESENTATION**

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

**Government-wide Financial Statements**

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

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

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

**Fund Financial Statements**

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

**Governmental Funds**

The City reports the following major governmental funds:

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

Street Fund – This special revenue fund accounts for the operational budget of the street department. The main revenue sources are the gasoline tax and the motor vehicle registration fees.

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

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

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

**Proprietary Funds**

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

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



**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

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

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

Refuse Fund – This fund reports the waste collection operation.

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

**C. BASIS OF ACCOUNTING**

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

Government-wide, proprietary and fiduciary fund financial statements measure and report all assets (both financial and capital), liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned.

Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (see Note 5). Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 4). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

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can be recognized.

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

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

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

**D. BUDGETARY PROCESS**

**1. Budget**

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

**2. Estimated Resources**

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

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

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

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

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**3. Appropriations**

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

**4. Encumbrances**

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

**5. Budgetary Basis of Accounting**

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

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

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

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

**Net Change in Fund Balances**

	<u>General Fund</u>	<u>Street Fund</u>
Budget Basis	\$ 49,519	\$ 99,028
Net Adjustment for revenue	77,576	43,657
Net Adjustment for expenditure	142,672	193,932
Net Adjustment for other financing source	<u>(180,319)</u>	<u>(177,000)</u>
GAAP Basis	<u>\$ 89,448</u>	<u>\$ 159,617</u>

**E. POOLED CASH AND INVESTMENTS**

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

The fair value of investments was determined through the use of published market values. For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments with original maturities of three months or less are considered to be cash and cash equivalents.

**F. INVENTORY**

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

**G. CAPITAL ASSETS**

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

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

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

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

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

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

The City is applying the transition provision for General Infrastructure Assets (streets, curbs, bridges and culverts) for the current year-end. This means that infrastructure only includes current year additions.

**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 propriety funds are reported on the proprietary fund financial statements.

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

**I. COMPENSATED ABSENCES**

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

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

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

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

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

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**J. INTERFUND TRANSACTIONS**

During the course of normal operations, the City has numerous transactions among funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by City management. Quasi-external transactions, 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 residual equity transfers. All other inter-fund transfers are reported as operating transfers.

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

**K. FUND BALANCE RESERVES**

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

**L. NET ASSETS**

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

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

**M. ESTIMATES**

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

**CITY OF WEST CARROLLTON  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

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**N. PREPAID ITEMS**

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

**O. EXTRAORDINARY AND SPECIAL ITEMS**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2005.

**2. ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2005, the City has implemented GASB Statement No. 40 "Deposit and Investment Risk Disclosures", and GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries".

GASB Statement No. 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits.

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

The implementation of GASB Statement No. 40 and GASB Statement No. 42 did not have an effect on the financial statements of the City, however additional note disclosure can be found in Note 3.

**3. POOLED CASH AND INVESTMENTS**

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

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

**CITY OF WEST CARROLLTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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The Director of Finance may invest on behalf of and in the name of the City in the following instruments:

**A. Government Securities**

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

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

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

**C. Repurchase Agreements and Reverse Purchase Agreements**

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

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

**D. Money Market Funds**

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

**E. Now Accounts**

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



**CITY OF WEST CARROLLTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**F. STAR Ohio**

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository with which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in an amount equal to at least 110% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. STAR Ohio is a collateralized investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

**Deposits:** At year-end, the carrying amount of the City's cash and deposits was \$1,847,159. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure", as of December 31, 2005 \$1,698,404 of the City's \$1,898,404 bank balance was exposed to custodial risk as discussed below. The \$200,000 difference was covered by Federal Deposit Insurance. The remaining balance was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by third party trustees pursuant to Section 135.81, Ohio Revised Code, in single institution collateral pools securing all public funds on deposit with specific depository institutions.

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

As of December 31, 2005 the City had the following investments and maturities.

<u>Investment Type</u>	<u>Carrying/ Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>1 to 3</u>
Money Market Funds	\$ 24,316	\$ 24,316	
Star Ohio	22,473	22,473	
Certificates of Deposit	2,000,000	2,000,000	
Government Obligations	<u>3,359,347</u>	<u>1,002,581</u>	<u>\$ 2,356,766</u>
Total	<u>\$ 5,406,136</u>	<u>\$ 3,049,370</u>	<u>\$ 2,356,766</u>

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

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*Credit Risk:* At year-end, all of the rated investments were listed as “A” or better. The cash and investments carrying value total \$7,287,494, including agency funds, as of December 31, 2005.

*Concentration of Credit Risk:* The City’s investment policy places a 50% limit on the amount that may be invested in any on issuer.

**4. PROPERTY TAX**

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the City. Property taxes are levied each December 31 on the assessed value listed as of the prior December 31. Assessed values are established at 35% of true value for real property, 100% of true value for public utility property, and 25% of true value for tangible property (excluding the first \$10,000 of value). Property market values are required to be updated every three years and revalued every six years. A revaluation was completed in 2003.

The tax rate applied to all real property for the fiscal year ended December 31, 2005 was \$2.74 per \$1,000 of assessed valuation. Real property owners’ tax bills are reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback deductions is reimbursed to the City by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 2005 was \$2.74 per \$1,000 of assessed valuation. The assessed values per category are as follows:

Real Estate	\$204,398,930
Public Utilities	14,340
Public Utilities Personal Property	5,974,430
Tangible Personal Property	<u>51,497,754</u>
Total Valuation	<u>\$261,885,454</u>

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

**5. LOCAL INCOME TAX**

This locally levied tax of 2.0 percent applied to gross salaries, wages and other personal service compensation earned by residents both in and out of the City and to earnings of nonresidents (except certain transients) earned in the City. It also applied to net income of business organizations conducted within the City. In 2005, tax receipts net of refunds amounted to \$6,228,099 of which \$4,644,098 was recorded in the General Fund and \$1,584,001 was recorded in the One Half Percent Tax Fund for use in various capital improvements.

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**6. RECEIVABLES**

Receivables at year end, consisted primarily of income and property taxes, special assessments, accounts (billings for user charged services), intergovernmental receivables arising from grants, entitlements, and shared revenue. Receivables have been reported to the extent that they are both measurable and available at December 31, 2005 as well as intended to finance fiscal 2005 operations.

A summary of the receivables is as follows:

<u>Governmental Funds</u>	<u>General</u>	<u>Street</u>	<u>Street Improvement</u>	<u>Half % Tax</u>	<u>Nonmajor</u>
Taxes	\$ 1,413,263	\$ 0	\$ 0	\$ 350,068	\$106,299
Accounts	78,226	0	0	0	0
Intergovernmental	347,931	281,431	1,078,807	0	55,427
Special Assessments	0	0	0	0	502,209
Loans	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>85,827</u>
Total	<u>\$ 1,839,420</u>	<u>\$ 281,431</u>	<u>\$ 1,078,807</u>	<u>\$ 350,068</u>	<u>\$ 749,762</u>
 <u>Proprietary Funds</u>		<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	
Accounts		<u>\$ 313,933</u>	<u>\$ 186,051</u>	<u>\$ 125,363</u>	

**7. LOANS RECEIVABLE**

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

Additionally \$170,100 of loan receivable remains for the water softening plant in the water fund from OWDA.

**8. INTERFUND TRANSACTIONS**

**Interfund Transfers**

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

Transfers to Nonmajor Governmental Funds from:

General Fund \$ 271,058

Transfers to the Nonmajor Pool Fund from:

General Fund \$ 10,000

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Transfer to the Debt Service Funds from:

Half Percent Tax Fund	\$ 433,011
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Transfer to the Street Improvement Fund from:

Half Percent Tax Fund	\$ 91,050
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Transfer to the Vehicle Replacement Fund from:

Half Percent Tax Fund	\$74,645
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Transfer to the Other Capital Fund from:

Half Percent Tax Fund	\$ 166,204
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All transfers were legal and in compliance with the Ohio Revised Code. The two most significant transfers during the year were both from the Half Percent Tax Fund to the YMCA Debt Service Fund (\$433,011) and Other Capital Fund (\$166,204) for capital projects.

**Due To/From Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Half Percent Tax Fund	Nonmajor – Special Assessment Fund	\$ 27,314

The balance resulted from the time lag between the annual curb, gutter, and sidewalk project expenditures and the property owner reimbursement made through special assessments payable in 2005. The amount due after 2005 is reported in advances to/from noted below.

**Advances To/From Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Half Percent Tax Fund	Nonmajor – Special Assessment Fund	\$ 168,654

The balance resulted from the time lag between the annual curb, gutter, and sidewalk project expenditures and the property owner reimbursement made through special assessments payable after 2005. The amount due in 2005 is reported in due to/from noted above.

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**9. CAPITAL ASSETS**

The City is applying the transition provision for Governmental Activities Infrastructure Assets (streets, curbs, bridges and culverts) for the current year-end. This means that infrastructure only includes 2003 and current year additions. A summary of capital asset activity for the year ended December 31, 2005, was as follows:

Governmental Activities

Category	Cost Balance As of 1/1/05	Additions	Deletions	Accumulated Depreciation	Net Balance As of 12/31/05
Land	\$2,328,133	\$ 0	\$ 0	\$ 0	\$2,328,133
Building and Improvements	11,765,682	88,007	0	(4,400,415)	7,453,274
Machinery and Equipment	4,243,709	167,995	(42,545)	(3,524,858)	844,301
Infrastructure	1,238,357	315,085	0	(221,465)	1,331,977
<b>Total</b>	<b>\$19,575,881</b>	<b>\$571,087</b>	<b>(\$42,545)</b>	<b>(\$8,146,738)</b>	<b>\$11,957,685</b>

Governmental Activities

Category	Accumulated Depreciation Balance As of 1/1/05	Depreciation	Disposals	Accumulated Depreciation Balance As of 12/31/05
Building and Improvements	\$ 3,861,763	\$ 538,652	\$ 0	\$ 4,400,415
Machinery and Equipment	3,245,494	321,909	(42,545)	3,524,858
Infrastructure	82,085	139,380	0	221,465
<b>Total</b>	<b>\$ 7,189,342</b>	<b>\$999,941</b>	<b>(\$42,545)</b>	<b>\$8,146,738</b>

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Governmental Activities depreciation expense was charged as follows:

General Government	\$ 361,743
Public Safety	388,549
Leisure Time Activities	53,446
Community Development	4,734
Transportation	<u>191,469</u>
 Total	 <u>\$ 999,941</u>

Business-Type Activities

Category	Cost Balance As of 1/1/05	Additions	Deletions	Accumulated Depreciation	Net Balance As of 12/31/05
Land	\$ 53,500	\$ 0	\$ 0	\$ 0	\$ 53,500
Building and Improvements	8,463,101	4,764,747	0	(7,251,644)	5,976,204
Machinery and Equipment	1,679,310	19,458	0	(1,450,168)	248,600
Infrastructure	8,080,280	0	0	(7,541,546)	538,734
Construction in Progress	4,298,541	466,206	(4,764,747)	0	0
 Total	 <u>\$22,574,732</u>	 <u>\$5,250,411</u>	 <u>(\$4,764,747)</u>	 <u>(\$16,243,358)</u>	 <u>\$6,817,038</u>

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Category	Accumulated Depreciation Balance As of 1/1/05	Depreciation	Disposals	Accumulated Depreciation Balance As of 12/31/05
Building and Improvements	\$6,648,944	\$602,700	\$ 0	\$7,251,644
Machinery and Equipment	1,331,633	118,535	0	1,450,168
Infrastructure	7,496,985	44,561	0	7,541,546
<b>Total</b>	<b>\$15,477,562</b>	<b>\$765,796</b>	<b>\$0</b>	<b>\$ 16,243,358</b>

Business-Type depreciation expense was charged as follows:

Water	\$ 286,301
Sewer	399,944
Pool	46,320
Refuse	<u>33,231</u>
Total	<u>\$ 765,796</u>

**10. INSURANCE**

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

Property	\$ 1,000,000,000 per occurrence
General Liability	\$ 7,000,000 per occurrence
Crime	\$ 1,000,000 per occurrence
Boiler and Machinery	\$ 100,000,000 per occurrence
Public Officials Liability	\$ 7,000,000 per occurrence

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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.

**11. EMPLOYEES RETIREMENT SYSTEM**

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

The employees of the City are covered by either the Ohio Public Employees Retirement System or the Police and Fireman's Disability Pension Fund which are both cost-sharing, multi-employer defined benefit pension plans. OPERS provides basic retirement, disability, and survivor benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. The amounts of these funds are not reflected in the accompanying financial statements.

OPERS issues a financial report available to the public that includes financial statements and required supplementary information. That report may be obtained by writing to the Ohio Public Employees' Retirement System, 277 East Town Street, Columbus, Ohio 43215 or by calling (614) 466-2085.

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual-covered salary to fund pension obligations and the City is required to contribute 13.55 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2005, 2004 and 2003, were \$414,157, \$363,110, and \$363,819, respectively, equal to the required contribution for each year.

**B. Police and Firemen's Disability and Pension Fund**

The City also contributes to the Police and Firemen's Disability and Pension Fund of Ohio, a cost sharing, multiple-employer, defined benefit public employee retirement system. This Fund provides retirement and disability benefits to qualified participants. Additionally qualified spouses, children, and dependent parents can receive survivor and death benefits. Benefits are based on eligible service credit and are established by Ohio Revised Code, Chapter 742. A financial report for this report may be obtained by writing to the Police and Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215-5164.



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Police and firefighters are required to contribute 10 percent of their annual-covered salary to fund pension obligations and the City is required to contribute 19.5 percent for the police and 24 percent for the firefighters. Contributions are authorized by state statute. An actuary, however, is used to determine the actuarial implications of the statutory requirements. The City's required contributions to the Fund for police and firefighters for the year ended December 31, 2005, 2004, and 2003 were \$425,457, \$416,216 and \$412,190, respectively.

When the Police and Firemen's Pension and Disability System was established in 1967, each participating entity was assessed for prior pension costs. The City of West Carrollton previously extinguished the balance of this obligation.

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

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

The Ohio Public Employees' Retirement System provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability and primary survivor recipients is available. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care based on authority granted by State Statute. Of the 13.55 percent employer contribution, 4 percent is used to fund health care, which amounted to \$122,260

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. OPEB's are advance funded on an actuarially determined basis.

The Ohio public employee benefits are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

The significant assumption and calculations described below were as of December 31, 2005 based on OPERS latest information after an actuarial review. There were 376,109 active contributing participants. Estimated net assets available for future benefits payments were \$10.8 billion. Estimated accrued liability and the unfunded actuarial liability based on the actuarial cost method used, were \$29.5 billion and 18.7 billion, respectively. Benefits are financed through employer contributions and investment earnings there on.

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**B. Police and Firemen's Disability and Pension Fund**

The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and Pension Fund's board of trustees to provide health care coverage stating that health care cost paid from the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total employer contribution rates are 19.5 percent and 24 percent for police and fire respectively, of which 7.75 percent of covered payroll is applied to the post-employment health care program. The portion of the current year City contribution that was used to fund post-employment benefits totaled \$157,014. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

As of December 31, 2004, the number of participants eligible to receive health care benefits was 13,812 for police and 10,528 for fire. Funding and accounting are on a pay-as-you-go basis. The PFDPF System of Ohio does not provide separate data on the funded status and funding progress of post-employment health care benefits. The Fund's total health care expenses for the year ended December 31, 2004 (latest available information) were \$102,173,796, which was net of member contributions of \$55,665,341.

**13. GENERAL LONG-TERM DEBT OBLIGATIONS**

Governmental Activities:	Interest <u>Rate</u>	Issue <u>Date</u>	Maturity <u>Date</u>	Balance <u>12/31/04</u>	Increase <u>(Decrease)</u>	Balance <u>12/31/05</u>	Due Within <u>One Year</u>
Water Tower Lane	8.625%	12-1-85	12-1-05	\$ 10,000	\$ (10,000)	\$ 0	\$ 0
Marina Drive	7.375%	5-1-90	12-1-10	58,000	(8,000)	50,000	8,000
Gargrave Road	6.875%	6-1-91	12-1-11	125,000	(15,000)	110,000	15,000
Infirmary Road	6.050%	9-1-92	12-1-12	95,000	(10,000)	85,000	10,000
YMCA Bonds	4.175%	7-1-04	12-1-19	4,800,000	(250,000)	4,550,000	250,000
Comp Ab addition							
Compensated Absences				<u>700,660</u>	<u>(9,137)</u>	<u>691,523</u>	<u>345,762</u>
Total Governmental Activities Long-Term Debt				<u>5,788,660</u>	<u>(302,137)</u>	<u>5,486,523</u>	<u>628,762</u>
Business-Type Activities:							
Water Plant Loan	3.50%	1-1-05	7-1-24	4,408,588	(161,399)	4,247,189	167,097
Compensated Absences				<u>105,644</u>	<u>34,809</u>	<u>140,453</u>	<u>10,089</u>
Total Business-Type Activities				<u>4,514,232</u>	<u>(126,590)</u>	<u>4,387,642</u>	<u>177,186</u>
Grand Total				<u>\$10,302,892</u>	<u>(\$428,727)</u>	<u>\$9,874,165</u>	<u>\$ 805,948</u>

Special assessment bonds consist of street improvement projects which are payable from the proceeds of tax assessments against individual property owners. These special assessments are obligations of the City

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payable from proceeds of special assessments.

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

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

The City records accumulated unpaid vacation and vested sick leave benefits as accrued payroll when earned by employees. For governmental funds, the portion of the liability which is not currently due and payable is recorded in the governmental activities within the statement of net assets; while this liability is recorded within the respective proprietary funds. Employees earn vacation time at varying rates depending upon length of service. The City recognizes as a liability, all of the accumulated sick leave benefits payable upon retirement, earned by vested employees, which exceed certain levels as determined by city policy or union contract for employees with fifteen years of service or more. For governmental fund, compensated absences increased \$253,642 and decreased \$262,779 for a net decrease of \$9,137. For business type activities, compensated absences increased \$78,123 and decreased by \$43,314 for a net increase of \$34,809.

The annual requirements of general governmental revenues to pay principal and interest on the long-term debt at December 31, 2005 are as follows:

<u>Year Ending December 31</u>	<u>Special Assessment Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 33,000	\$ 16,393
2007	34,000	14,167
2008	40,000	11,866
2009	41,000	8,360
2010	47,000	6,358
2011	35,000	3,190
2012	<u>15,000</u>	<u>907</u>
Total	<u>\$ 245,000</u>	<u>\$ 61,241</u>

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<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 250,000	\$ 177,386
2007	265,000	171,886
2008	275,000	163,936
2009	280,000	154,999
2010	290,000	145,199
2011	300,000	134,324
2012	310,000	122,324
2013	325,000	109,924
2014	340,000	96,111
2015	350,000	81,661
2016	365,000	67,224
2017	385,000	51,711
2018	400,000	35,156
2019	<u>415,000</u>	<u>18,156</u>
Total	<u>\$ 4,550,000</u>	<u>\$ 1,529,997</u>

<u>Year Ending December 31</u>	<u>Water Softening Plant Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 167,097	\$ 153,156
2007	172,996	147,256
2008	179,104	141,148
2009	185,428	134,825
2010	191,975	128,278
2011	198,752	121,500
2012	205,770	114,483
2013	213,035	107,218
2014	220,556	99,697
2015	228,343	91,910
2016	236,405	83,848
2017	244,752	75,501
2018	253,393	66,860
2019	262,339	57,913
2020	271,602	48,651
2021	281,191	39,062
2022	291,118	29,134
2023	301,397	18,856
2024	<u>141,936</u>	<u>8,215</u>
Total	<u>\$ 4,247,189</u>	<u>\$ 1,667,511</u>

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**14. JOINTLY-GOVERNED ORGANIZATION**

The City is a member of the Miami Valley Risk Management Association (MVRMA) which is a jointly governed organization established as a joint insurance pool. As of December 31, 2005, the pool had twenty members. This organization covers all property, crime, liability, boiler and machinery and public liability insurance. It is intended to provide broad based coverage up to the limits stated in note 4, with increased emphasis on safety and loss prevention and to create an opportunity for other local governments to participate.

MVRMA is a corporation governed by a seventeen-member board of trustees, consisting of a representative appointed by each of the member cities. The board of trustees elects the officers of the corporation, with each trustee having a single vote. The board is responsible for its own financial matters, and the corporation maintains its own book of account. Budgeting and financing of MVRMA is subject to the approval of the board. As of December 31, 2005, the participant cities were: Beavercreek, Bellbrook, Blue Ash, Centerville, Englewood, Indian Hill, Kettering, Maderia, Mason, Miamisburg, Montgomery, Piqua, Sidney, Springdale, Tipp City, Troy, Vandalia, West Carrollton, Wilmington, and Wyoming.

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

The City has no explicit and measurable equity interest in MVRMA and no ongoing financial responsibility for MVRMA. The following is a summary of the MVRMA audited financial statements presented in conformity with generally accepted principles as of and for the year ended December 31, 2004 (latest available):

Assets	<u>\$ 8,818,805</u>
Liabilities	<u>6,372,889</u>
Net Assets	<u>2,445,916</u>
Revenues	3,891,770
Expenses	<u>3,893,425</u>
Change in Net Assets	(1,655)
Net Assets – Beginning of Year	<u>2,447,571</u>
Net Assets – End of Year	<u>\$ 2,445,916</u>

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

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

The legislative and advisory body is the assembly that is comprised of one delegate from each participating public subdivision. The degree of control exercised by any participating public subdivision is limited to its representation on the assembly, which elects the board of directors.

The board of directors' exercises total control over the operation of the Alliance including budgeting, appropriating, contracting, and designating management and significant management control over CareNOW, a billing agent organized to manage health care costs. The five member board of directors consists of: one full-time and one volunteer fire department representative; two representatives from combined fire departments; and one representative from the City of Dayton fire department. Revenues are generated from Federal and State funding and an annual fee of \$ 0.24 per capita charged to participating subdivisions. The City paid \$3,409 to the Miami Valley Fire/EMS Alliance during 2005.

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

**15. CONSTRUCTION AND COMMITMENTS**

At December 31, 2005, the City did not have any material outstanding contractual commitments.

**16. CONTINGENCIES**

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



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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

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

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of West Carrollton, Montgomery County (the "City") as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 26, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the management of the City in a separate letter dated May 26, 2006.

Members of Council and Mayor  
City of West Carrollton

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a matter which we have reported to the management of the City in a separate letter dated May 26, 2006.

This report is intended solely for the information and use of management and the City and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
May 26, 2006





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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 1, 2006**