

August 3, 2017

To: Ken Suer, Chairman
Financial Planning Committee of City Council

From: Wayne S. Davis, City Manager *WSD*

Subject: Financial Planning Committee Meeting August 7, 2017

As a reminder, the Financial Planning Committee is scheduled to meet on Monday, August 7 at 4:30 p.m. in City Hall. The agenda for this meeting is as follows:

1. 2016 Post Audit Meeting and Review – As previously mentioned, representatives of the Auditor of State's Office will be in attendance at the meeting to review the City's 2016 financial audit and management report. The Management Letter and the Independent Auditor's Report are attached.
2. July 2017 Income Tax Reports – The Income Tax Report for July will be presented at the meeting for the Committee's review and discussion. Staff will be prepared to answer any questions on this report at Monday's meeting.
3. Update on the 2018 Budget Preparation – Staff will provide an update to the Committee on the status of the 2018-2022 Operating and Capital Budget.
4. Other Business–The purpose of this agenda item is to provide an opportunity to discuss any issue or ask questions that may be on your mind.

Also attached are the minutes from the June 5, 2017 meeting of the Financial Planning Committee for review and approval at Monday's meeting.

Should you have questions or concerns regarding the above agenda items, or have additional items to be discussed at the meeting, please do not hesitate to contact me.

c: Financial Planning Committee Members (2)
Mayor and City Council Members (4)
Katie Smiddy, Finance Director
Connie Gaylor, Administrative Coordinator
File



AGENDA

**August 7, 2017
Montgomery City Hall
10101 Montgomery Road**

4:30 P.M.

- 1. Call to Order**
- 2. Guests and Residents**
- 3. Communications**
- 4. New Business**
 - a. 2016 Post Audit Meeting and Review
 - b. July 2017 Income Tax Reports
 - c. Update on 2018 Budget Preparation
- 5. Approval of Minutes: June 5, 2017**
- 6. Other Business**
- 7. Adjournment**

August 1, 2017

To: Wayne Davis, City Manager
From: Katie Smiddy, Finance Director
Subject: 2017 July Income Tax Variance Report

Year to Date

For the month of July, 2017, the City's total income tax receipts were \$632,335, which is a decrease of \$45,633 or (6.7%) compared to the actual amount collected in July, 2016 of \$677,968. Year-to-date business revenue remains up for the year. Resident revenue is down slightly; however, withholding revenue showed a slight increase in July.

	2017	2016	% Change
July Actual	632,335	677,968	(6.73%)

	YTD Actual	YTD Estimate	% Change
2017	5,696,254	5,349,864	6.47%

A breakdown by category for July, 2017 is as follows:

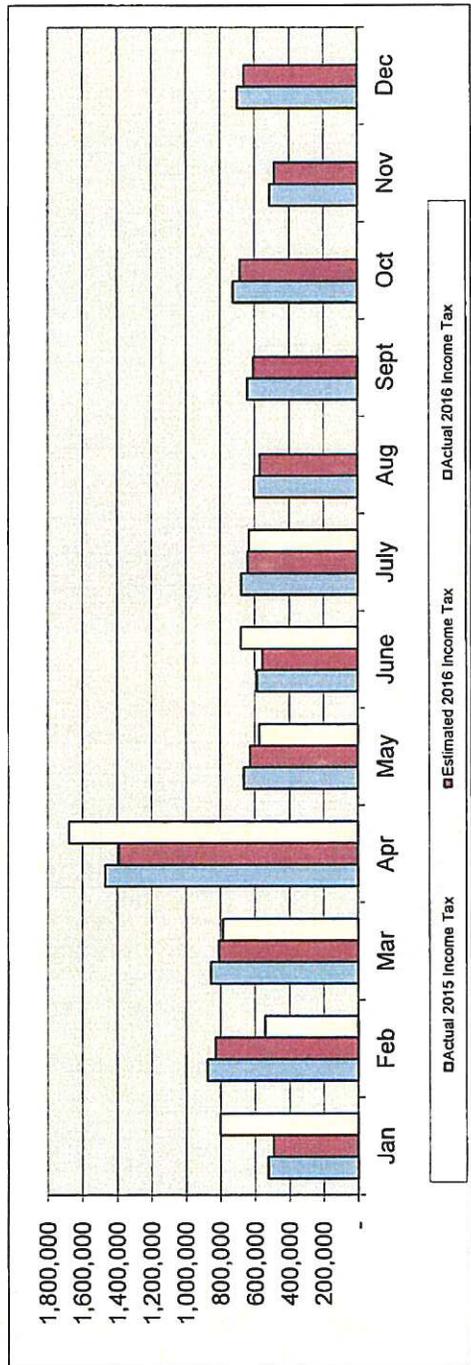
Withholding- July, 2017 withholding collections were \$591,148; an increase of \$13,860 or 2.4% when compared to July, 2016 collections of \$577,288. Year-to-date collections are less than 1% above 2016 revenue.

Business- In July, 2017, net profits from businesses located within or doing business within Montgomery were \$10,153. This is a decrease of \$8,566 or (45.7%) compared to July, 2016 collections of \$18,719. Business revenue remains 11.8% above the year-to-date 2016 collections.

Resident- Revenues of \$31,035 were collected in July, 2017 from residents living in Montgomery, which is a decrease of \$50,926 or (62.1%) compared to July, 2016 collections of \$81,961. This variance was likely due to the earlier due date for second quarter estimated payments.

The following schedule breaks down collections by source and provides a graph comparing actual and estimated income tax revenues for 2016 and 2017. There is also an End of Month report attached showing the comparison between month-to-date and year-to-date.

	Actual 2016			Actual 2017			Total	2017		Estimate		Actual	
	Business	Resident	Withholding	Business	Resident	Withholding		Estimate	Variance	%	Variance	%	
Jan	17,542	93,584	413,319	12,454	68,351	722,537	803,342	495,896	307,446	62.00%	278,897	53.18%	
Feb	19,898	62,306	794,997	22,606	40,535	479,397	542,538	829,449	(286,911)	-34.59%	(334,663)	-38.15%	
Mar	34,852	113,308	707,260	99,154	80,713	607,041	786,908	808,854	(21,946)	-2.71%	(68,512)	-8.01%	
Apr	191,046	728,655	551,253	176,316	862,645	637,505	1,676,466	1,390,880	285,586	20.53%	205,512	13.97%	
May	25,740	119,339	519,159	12,875	46,351	513,777	573,003	628,079	(55,076)	-8.77%	(91,235)	-13.74%	
June	42,164	122,100	423,369	57,882	186,385	437,395	681,662	555,644	126,018	22.68%	94,029	16.00%	
July	18,719	81,961	577,288	10,153	31,035	591,148	632,336	641,062	(8,726)	-1.36%	(45,632)	-6.73%	
Aug	19,709	47,089	536,103	602,901	-	-	-	570,081	(570,081)	-100.00%	(602,901)	-100.00%	
Sept	93,373	115,684	433,327	642,384	-	-	-	607,415	(607,415)	-100.00%	(642,384)	-100.00%	
Oct	40,579	139,009	545,884	725,472	-	-	-	685,980	(685,980)	-100.00%	(725,472)	-100.00%	
Nov	7,529	39,979	465,732	513,240	-	-	-	485,301	(485,301)	-100.00%	(513,240)	-100.00%	
Dec	60,138	195,268	445,200	700,606	-	-	-	662,467	(662,467)	-100.00%	(700,606)	-100.00%	
Totals	571,289	1,858,282	6,412,891	8,842,462	1,316,015	3,988,800	5,696,255	8,361,108	(2,664,853)	-415.7%	(3,146,207)	-464.1%	



CITY OF MONTGOMERY
 END OF MONTH REPORT
 31 JUL 2017

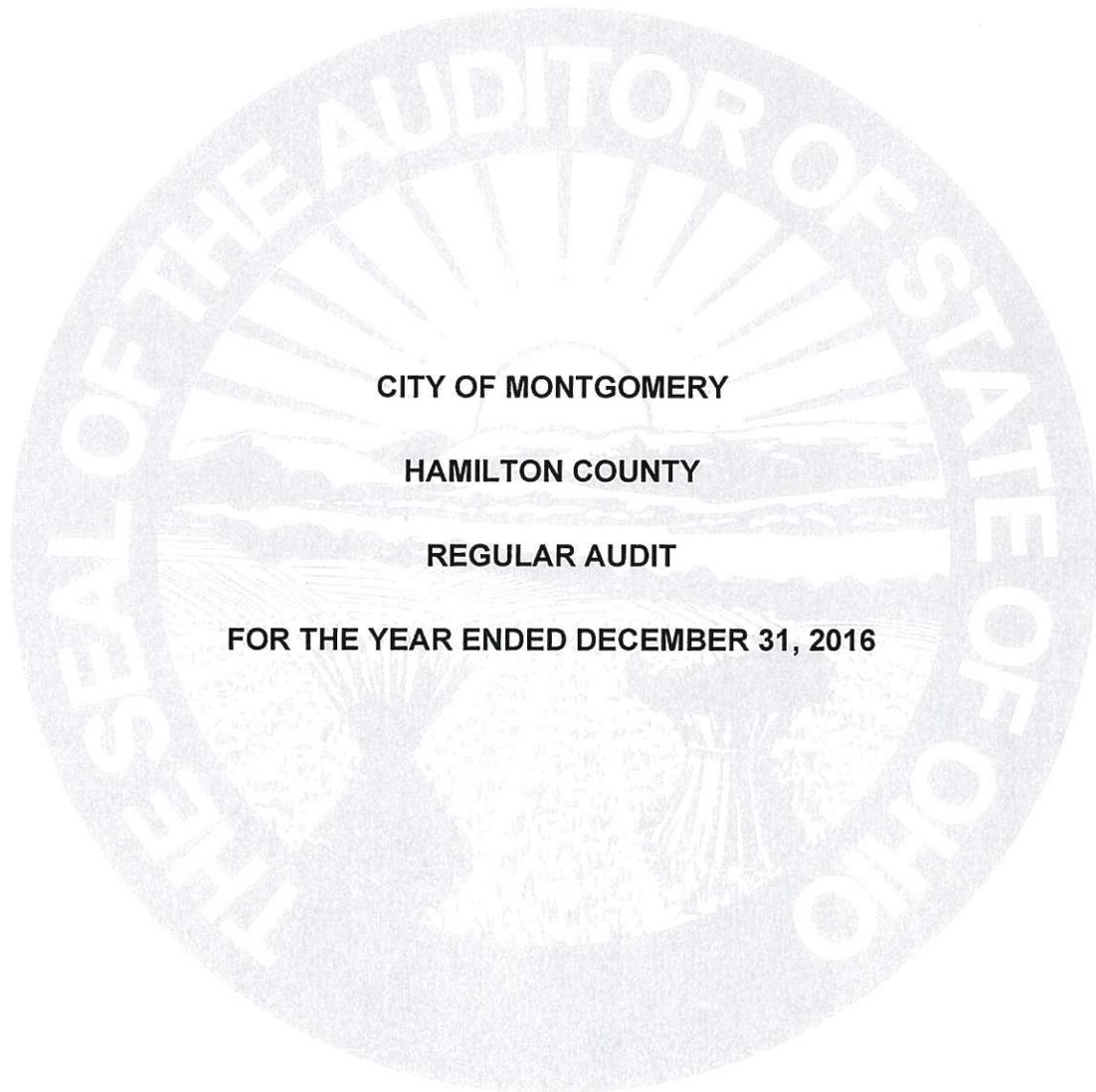
	2015	2016	2017	2017 vs 2016	2017	2016	2017 vs 2016
	Month-to-date	Month-to-date	Month-to-date	Month percent	Year-to-date	Year-to-date	Year percent
January							
Business	23,512.73	17,541.54	12,453.80	-29.0	12,453.80	17,541.54	-29.0
Resident	107,848.39	93,583.69	68,350.52	-26.9	68,350.52	93,583.69	-26.9
Withholding	697,916.73	413,319.13	722,537.48	74.8	722,537.48	413,319.13	74.8
TOTAL	829,277.85	524,444.36	803,341.80	53.1	803,341.80	524,444.36	53.1
February							
Business	23,143.93	19,898.25	22,606.46	13.6	35,060.26	37,439.79	-6.3
Resident	35,599.97	62,305.68	40,535.09	-34.9	108,885.61	155,889.37	-30.1
Withholding	554,901.24	794,997.47	479,397.09	-39.6	1,201,934.57	1,208,316.60	-0.5
TOTAL	613,645.14	877,201.40	542,538.64	-38.1	1,345,880.44	1,401,645.76	-3.9
March							
Business	32,625.34	34,852.22	99,154.44	184.4	134,214.70	72,292.01	85.6
Resident	59,799.20	113,308.35	80,712.53	-28.7	189,598.14	269,197.72	-29.5
Withholding	591,954.77	707,260.46	607,040.98	-14.1	1,808,975.55	1,915,577.06	-5.5
TOTAL	684,379.31	855,421.03	786,907.95	-8.0	2,132,788.39	2,257,066.79	-5.5
April							
Business	200,522.41	191,045.97	176,315.88	-7.7	310,530.58	263,337.98	17.9
Resident	809,884.09	728,654.75	862,644.91	18.3	1,052,243.05	997,852.47	5.4
Withholding	483,267.01	551,253.30	637,504.53	15.6	2,446,480.08	2,466,830.36	-0.8
TOTAL	1,493,673.51	1,470,954.02	1,676,465.32	13.9	3,809,253.71	3,728,020.81	2.1
May							
Business	4,704.39	25,740.19	12,874.62	-49.9	323,405.20	289,078.17	11.8
Resident	46,281.83	119,338.61	46,350.96	-61.1	1,098,594.01	1,117,191.08	-1.6
Withholding	489,079.05	519,159.44	513,777.30	-1.0	2,960,257.38	2,985,989.80	-0.8
TOTAL	540,065.27	664,238.24	573,002.88	-13.7	4,382,256.59	4,392,259.05	-0.2

CITY OF MONTGOMERY
 END OF MONTH REPORT
 31 JUL 2017

	2015	2016	2017	2017 vs 2016	2017	2016	2017 vs 2016
June	Month-to-date	Month-to-date	Month-to-date	Month percent	Year-to-date	Year-to-date	Year percent
Business	53,214.95	42,163.54	57,881.76	37.2	381,286.96	331,241.71	15.1
Resident	45,207.48	122,100.35	186,385.35	52.6	1,284,979.36	1,239,291.43	3.6
Withholding	425,372.81	423,368.53	437,395.41	3.3	3,397,652.79	3,409,358.33	-0.3
TOTAL	523,795.24	587,632.42	681,662.52	16.0	5,063,919.11	4,979,891.47	1.6
July							
Business	43,778.14	18,719.00	10,152.50	-45.7	391,439.46	349,960.71	11.8
Resident	119,709.27	81,961.10	31,034.82	-62.1	1,316,014.18	1,321,252.53	-0.3
Withholding	436,937.69	577,287.79	591,148.05	2.4	3,988,800.84	3,986,646.12	0.0
TOTAL	600,425.10	677,967.89	632,335.37	-6.7	5,696,254.48	5,657,859.36	0.6
August							
Business	11,565.02	19,709.44		-100.0	391,439.46	369,670.15	5.8
Resident	65,336.37	47,088.52		-100.0	1,316,014.18	1,368,341.05	-3.8
Withholding	597,441.74	536,103.09	58.00	-99.9	3,988,858.84	4,522,749.21	-11.8
TOTAL	674,343.13	602,901.05	58.00	-99.9	5,696,312.48	6,260,760.41	-9.0
September							
Business	72,931.34	93,373.00		-100.0	391,439.46	463,043.15	-15.4
Resident	95,946.78	115,684.48		-100.0	1,316,014.18	1,484,025.53	-11.3
Withholding	403,802.50	433,326.73		-100.0	3,988,858.84	4,956,075.94	-19.5
TOTAL	572,680.62	642,384.21	0.00	-100.0	5,696,312.48	6,903,144.62	-17.4
October							
Business	49,493.62	40,579.17		-100.0	391,439.46	503,622.32	-22.2
Resident	202,142.90	139,009.14		-100.0	1,316,014.18	1,623,034.67	-18.9
Withholding	432,863.59	545,883.76		-100.0	3,988,858.84	5,501,959.70	-27.5
TOTAL	684,500.11	725,472.07	0.00	-100.0	5,696,312.48	7,628,616.69	-25.3

CITY OF MONTGOMERY
 END OF MONTH REPORT
 31 JUL 2017

	2015	2016	2017	2017 vs 2016	2017	2016	2017 vs 2016
	Month-to-date	Month-to-date	Month-to-date	Month Percent	Year-to-date	Year-to-date	Year Percent
November							
Business	22,468.50	7,528.54	-100.0	391,439.46	511,150.86	-23.4	
Resident	67,277.38	39,979.30	-100.0	1,316,014.18	1,663,013.97	-20.8	
Withholding	571,953.31	465,732.30	-100.0	3,988,858.84	5,967,692.00	-33.1	
TOTAL	661,699.19	513,240.14	0.00	5,696,312.48	8,141,856.83	-30.0	
December							
Business	54,542.86	60,137.53	-100.0	391,439.46	571,288.39	-31.4	
Resident	109,929.28	195,267.92	-100.0	1,316,014.18	1,858,281.89	-29.1	
Withholding	425,584.20	445,200.53	-100.0	3,988,858.84	6,412,892.53	-37.7	
TOTAL	590,056.34	700,605.98	0.00	5,696,312.48	8,842,462.81	-35.5	



CITY OF MONTGOMERY

HAMILTON COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2016

This draft is restricted to Official Use. It is being provided to obtain advance review and comment from those with responsibility for the subjects it discusses. Further revision could occur prior to issuance. Recipients of this draft must not, under any circumstances, show or release its contents for purposes other than official review or comment. It must be safeguarded to prevent publication or other improper disclosure of the information it contains. This draft and all copies of it remain the property of, and must be returned on demand to, the Auditor of State.



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CITY OF MONTGOMERY
HAMILTON COUNTY
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INDEPENDENT AUDITOR'S REPORT

City of Montgomery
Hamilton County
10101 Montgomery Road
Montgomery, Ohio 45242

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Montgomery, Hamilton County, Ohio (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Montgomery, Hamilton County, Ohio, as of December 31, 2016, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Fire Protection/EMS Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The introductory section, the financial section's combining statements, individual fund statements and schedules and the statistical section information present additional analysis and are not a required part of the basic financial statements.

The statements and schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these statements and schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling statements and schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these statements and schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We did not subject the introductory section and statistical section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

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

Dave Yost
Auditor of State
Columbus, Ohio

June 21, 2017



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

City of Montgomery
Hamilton County
10101 Montgomery Road
Montgomery, Ohio 45242

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Montgomery, Hamilton County, (the City) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 21, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

Dave Yost
Auditor of State
Columbus, Ohio

June 21, 2017



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MANAGEMENT LETTER

City of Montgomery
Hamilton County
10101 Montgomery Road
Montgomery, Ohio 45242

To the City Council:

We have audited the financial statements of City of Montgomery, Hamilton County, Ohio (the City) in accordance with *Government Auditing Standards*, as of and for the year ended December 31, 2016, and have issued our report thereon dated June 21, 2017.

Government Auditing Standards require us to report significant internal control deficiencies, fraud, (including noncompliance with laws and regulations), and also abuse and noncompliance with contracts and grant agreements that could directly and materially affect the determination of financial statement amounts. We have issued the required report dated June 21, 2017 for the year ended December 31, 2016.

We are also submitting the following comments for your consideration regarding the City's compliance with applicable laws, regulations, grant agreements, contract provisions, and internal control. These comments reflect matters that do not require inclusion in the *Government Auditing Standards* report. Nevertheless, these comments represent matters for which we believe improvements in compliance or internal controls or operational efficiencies might be achieved. Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing these recommendations. However, these comments reflect our continuing desire to assist your government. If you have questions or concerns regarding these comments please contact your regional Auditor of State office.

Noncompliance Findings

1. **Ohio Revised Code § 2925.03 (F)(1)**, requires the clerk of a court to pay any mandatory fine imposed pursuant to division (D)(1) of this section and any fine other than a mandatory fine imposed for a violation of this section pursuant to division (A) or (B)(5) of section 2929.18 of the Revised Code to the county, township, municipal corporation, park district, . . . or state law enforcement agencies in this state that were primarily responsible for or involved in making the arrest of, and in prosecuting, the offender. However, the Clerk shall not pay a mandatory fine so imposed to a law enforcement agency unless the agency has adopted a written internal control policy under division (F)(2) of this section that addresses the use of the fine moneys that it receives. Each agency shall use the mandatory fines so paid to subsidize the agency's law enforcement efforts that pertain to drug offenses, in accordance with the written internal control policy adopted by the recipient agency under division (F)(2) of this section. Ohio Rev. Code §

Noncompliance Findings (Continued)

2925.03(F)(2) provides guidance on preparing an internal control policy which describes the general types of allowable expenditures from the Law Enforcement Trust Fund.

Ohio Revised Code § 2981.13, states, a law enforcement trust fund must be established by each County Sheriff, township, municipal corporation, park district to receive proceeds from the sale of forfeited property and contraband seized during law enforcement activities.

Ohio Revised Code § 2981.13(C)(2)(a), requires an internal control policy relating to proceeds and forfeited money. The policy should address the use and disposition of all the proceeds and forfeited moneys, the general type of expenditures to be made out of the proceeds and forfeited moneys received, and records to be maintained.

The City maintains a Law Enforcement Trust Fund and a Drug Law Enforcement Fund. The City does not have a Law Enforcement Trust policy. We recommend the City ensure the Law Enforcement Trust Fund is in compliance with all the requirements as noted above.

Recommendations

1. *EMS Billings

Accurate, timely accounting and reconciliation procedures are key components of an effective accounting system and internal controls required to enable the Emergency Medical Services (EMS) to properly classify transactions, maintain accountability for funds, distribute funds accurately and detect fraud and errors in a timely manner. The City contracted with Medicount to provide billing service for EMS. The City reconciled the portion received from Medicount, but did not perform a reconciliation of the EMS receipts directly deposited in the City bank account. The receipts consist of Medicaid, Medicare and Insurance Company payments.

Without complete and timely reconciliation of EMS provided information to the information entered into the system undetected errors could occur. To reduce the risk of undetected errors we recommend the City reconcile the direct deposit amounts in the city bank account to the monthly receipts received from Medicount. Any noted variances should be investigated. These procedures will help assure all EMS receipts collected from billings are recorded properly.

2. Posting Errors

Governments are required to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for related assets, document compliance with finance related legal and contractual requirements and prepare financial statements.

The City lacked controls to ensure that certain transactions were posted accurately. We identified the following posting errors:

**Recommendations
(Continued)**

2016					
<i>Transaction as Posted (incorrect)</i>			<i>Correct Transaction Posting</i>		
Fund	Account	Amount	Fund	Account	Amount
General Fund (101)	Assigned – Fund Balance	\$230,642	General Fund (101)	Committed – Fund Balance	\$230,642
The General Fund Compensated Absences Fund was classified as Assigned and should be classified as Committed, per GASB 54 requirements.					
COPS Fund (219)	Intergovernmental	\$82,429	COPS Fund (219)	Charges for Services	\$82,429
COPS Fund (219)	Intergovernmental Receivable	\$21,062	COPS Fund (219)	Accounts Receivable	\$21,062
COPS Fund (219)	Intergovernmental Revenue	\$21,062	COPS Fund (219)	Charges for Service – Public Safety	\$21,062
Revenues received from Sycamore Schools for the School Resources Officer were posted to Intergovernmental and should be Charges for Services.					
Permissive MVL Fund (266)	Intergovernmental	\$53,529	Permissive MVL Fund (266)	Taxes	\$53,529
Permissive MVL Fund (266)	Intergovernmental Receivable	\$25,804	Permissive MVL Fund (266)	Taxes Receivable	\$25,804
Permissive MVL Fund (266)	Intergovernmental Revenue	\$8,601	Permissive MVL Fund (266)	Taxes Revenue	\$8,601
The City posted Permissive Motor Vehicle correctly on the system; however, during the conversion the Permissive Motor Vehicle Tax portion was incorrectly posted 100% to Intergovernmental. Two Thirds of the Permissive Motor Vehicle Tax should be posted to Taxes.					
Vintage Club Tax Increment Fund (331)	Taxes	\$1,593,667	Vintage Club Tax Increment Fund (331)	Payment in Lieu of Taxes	\$1,593,667
Vintage Club Tax Increment Fund (331)	Taxes Receivable	\$1,569,490	Vintage Club Tax Increment Fund (331)	Payment in Lieu of Taxes – Receivable	\$1,569,490
Urban Redevelopment Fund (460)	Taxes	\$91,341	Urban Redevelopment Fund (460)	Payment in Lieu of Taxes	\$91,341
Urban Redevelopment Fund (460)	Taxes Receivable	\$91,341	Urban Redevelopment Fund (460)	Payment in Lieu of Taxes – Receivable	\$91,341

Triangle Tax Increment Fund (461)	Taxes	\$144,775	Triangle Tax Increment Fund (461)	Payment in Lieu of Taxes	\$144,775
Triangle Tax Increment Fund (461)	Taxes Receivable	\$144,775	Triangle Tax Increment Fund (461)	Payment in Lieu of Taxes – Receivable	\$144,775
Tax Increment Financing (TIF) funds were recorded as Taxes and should be recorded as Payment in Lieu of Taxes.					
Fire Protection/EMS Fund (223)	Charges for Services	\$0	Fire Protection/EMS Fund (223)	Charges for Services	\$11,988
Fire Protection/EMS Fund (223)	Public Safety	\$0	Fire Protection/EMS Fund (223)	Capital Outlay	\$11,988
The City did not record monthly fees charged by Medicount for Emergency Medical Services.					

These errors were caused by lack of timely monitoring of the posting of transactions. Failure to accurately post and report receipt and expenditure transactions could result in material errors in the City's financial statements and reduces the ability of Council to monitor financial activity and to make sound decisions which affect the overall, available cash position of the City.

We recommend that officials review the chart of accounts, contracts and on behalf payments to assure that items are being posted to the proper account codes and funds.

*We also reported these matters in our prior audit of the financial statements.

We intend this report for the information and use of the City Council and management.

Dave Yost
Auditor of State
Columbus, Ohio

June 21, 2017

These minutes are a draft of the proposed minutes from the Financial Planning Committee of the City Council meeting. They do not represent the official record of proceedings until formally adopted by the Financial Planning Committee of City Council. Formal adoption is noted by signature of the Chair within the minutes.

City of Montgomery
Financial Planning Committee Meeting
June 5, 2017

Present

Wayne Davis, City Manager
Katie Smiddy, Finance Director
Connie Gaylor, Clerk of Council

Council Committee Members Present

Ken Suer, Chair
Mike Cappel

Council Committee Members Absent

Laith Alfaqih

The Financial Planning Committee of Council meeting was called to order at 4:30 p.m. by Chairman Suer.

May 2017 Income Tax Report

Ms. Smiddy explained that for the month of May 2017, the City's total income tax receipts were \$573,003, which is a decrease of \$91,235 or 15.9% compared to the actual amount collected in May 2016 of \$664,238. Ms. Smiddy stated that in May, 2017, net profits from businesses located within or doing business within Montgomery were \$12,875. This is a decrease of \$12,865.57 or 49.9% compared to May, 2016 collections of \$25,740. This is likely attributable to a timing of the posting of extension and quarterly estimate payments. year-to-date business revenue remains up for the year.

Ms. Smiddy stated that revenues of \$46,351 were collected in May, 2017 from residents living in Montgomery, which is a decrease of \$72,987 or 61% compared to May, 2016 collections of \$119,339. The 2017 revenue is more in line with the 2015 figures. May 2016 revenue was significantly higher; however, the April 2016 revenue was down. This variance was due simply to the timing of postings.

Ms. Smiddy stated that although withholding and resident revenues are down slightly, year-to-date collections are on track to meet our income tax revenue projection for 2017.

Review of 1st Half Real Estate

Ms. Smiddy updated the Committee on the 1st Half Real Estate tax collections. She explained the total property tax collections for 2017 of \$3,297,811 are up \$309,478 or 10.36% compared to 2016 collections of \$2,988,333. She further explained that the General Fund property tax collections are up \$12,401 or 1.19%, Fire Levy collections are down \$12,142 or (1.33%) and Tax Increment Financing Districts are up \$314,006 or 33.74%.

Ms. Smiddy stated that staff is meeting to discuss a future fire levy as well as the possibility of shared services with neighboring communities, to address the loss of part-time fire fighter positions. Staff will report back to the Committee at a future meeting with their recommendations.

2018 Tax Budget

Ms. Smiddy explained that the Tax Budget requires the City to estimate revenues and expenditures for funds which derive revenues from real and personal property taxes. The City of Montgomery has two (2) funds which derive money from property taxes: the General Fund and Fire Levy Fund. Detailed schedules for these funds have been included in the 2018 Tax Budget.

It is estimated that the total assessed valuation for the year 2017, collected in 2018, for the City of Montgomery is estimated to be \$526 million. This is an estimated .19% increase property values from the assessed valuation for tax year 2017 of \$525 million.

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The General Fund collects 4.5 mills (3 mills inside, 1.5 mills outside) on real property. It is estimated that approximately \$2,050,000 million will be collected in property taxes in 2017 for the General Fund; this is an increase of 1% that is expected to be collected in 2016.

The General Fund collects 4.5 mills (3 mills inside, 1.5 mills outside) on real property. It is estimated at \$2,071,000 million will be collected in property taxes in 2018 for the General Fund; this is an increase of 1% that is expected to be collected in 2017.

Income tax collections in the General Fund are estimated to be \$6,405,176 of the total income tax collection of \$8.1 million estimated for 2018; the assumption is that total income tax revenues are estimated to increase 1% over the amount collected in 2017. The amount of income tax revenues allocated to the General Fund is 80% in 2017. It is estimated that the General Fund will have a cash balance of approximately \$12.8 million at the end of fiscal year 2018.

Other General Fund revenues are estimated to remain relatively flat due to the continued steady economy. Total revenues of the General Fund for 2018 are estimated at \$9,857,959 as compared to \$9,836,595 estimated for 2017. This is an increase of \$81,021,364 or approximately .22% which is attributed to the estimated increase in income and property tax revenues.

Expenditures of the General Fund are estimated to be \$10,853,810 in 2018, as compared to \$10,596,334 in 2017. This is an increase of \$257,476, which can be attributed to increased allocations to capital equipment.

The Fire Levy is a 5.55 mill permanent levy with no expiration date. Total revenues in the Fire Levy Fund are estimated to be \$2,187,644 in 2018 as compared to \$2,162,296 in 2017; this is an increase of \$25,348.

Total expenditures for the 2017 Fire Levy Fund are estimated at \$2,784,752, as compared to \$2,783,782 estimated for 2017. This is an increase of \$970 or .03%.

The estimated ending cash balance for the Fire Levy Fund for 2018 is \$2,668,513. This is \$597,108 less than the estimated 2017 ending cash balance. This is an operating reserve of 11.5 months, which meets the City's fund balance reserve policy of 6 to 12 months.

Capital spending is projected at \$3,125,000 being spent on permanent improvements. These projects were taken from the 2017-2021 Capital Improvement Program and are projects which were reviewed and approved by Council on an individual basis. The presentation of these projects in this Tax Budget is intended to indicate a level of spending for capital outlay.

A schedule of Outstanding Debt is presented in the 2018 Tax Budget. It is estimated that the City will have approximately \$13.2 million outstanding in debt as of January 1, 2018 for Special Obligation and Special Assessment debt. Debt service payments for this debt in 2018 will be \$999,750 for principal repayment and \$566,456 for interest expense.

Ms. Smiddy explained that part of the preparation work required for the 2018 annual operating and capital budget is the approval by Council and the submission of the City's Tax Budget. In accordance with the Ohio Revised Code it is necessary for City Council to pass a resolution approving the Tax Budget for the fiscal year beginning January 1, 2018 and submitting the said Tax Budget to the Hamilton County Auditor. Failure to pass a Tax Budget before July 15 and submit a Tax Budget to the County Auditor before July 20 of each year may

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jeopardize the City's share of Local Government and Local Government Assistance Funds. It is recommended that City Council hold a Public Hearing on the Tax Budget on June 21, 2017 to enable staff to report on the 2018 Tax Budget to City Council and members of the public and that City Council place this Resolution on the July 5, 2017, Business agenda for consideration that evening.

Miscellaneous Updates

Ms. Smiddy updated the Committee on the hiring process for the Assistant Finance Director/Tax Commissioner. She explained that the hiring team had narrowed the applicants down to two candidates and after a series of interviews, have decided against hiring either of the candidates at this time. The team has decided to meet to review the position and its job description, to see where adjustments may be needed to recruit the desired applicants.

Ms. Smiddy updated the Committee on the status of the search for financial software that would include tax, finance and budgetary modules. She explained that staff has viewed several demonstrations with various companies and that while at the Government Finance Officers Association (GFOA) conference, she met additional vendors that she would like to research. She also would like to use GFOA services in the selection of the best fit for the City.

Ms. Smiddy updated the Committee on the status of the research of the Arts and Amenities Bequests and the restrictions on the use of the funds. She stated that staff continues to research the original bequest made in 1988 and the intended use of the funds.

Ms. Smiddy stated that she and Mr. Davis are currently working on filling the vacant alternate position on the Board of Tax Review. She explained to the Committee that this position is an alternate that is appointed by the City Manager for an indefinite term.

Minutes

Mr. Cappel moved to accept the minutes of the April 3, 2017 meeting of the Financial Planning Committee as written. Mr. Suer seconded. The Committee unanimously agreed.

Adjournment

Mr. Cappel moved for adjournment. Mr. Suer seconded. The Committee unanimously agreed.

The Financial Planning Committee of Council was adjourned at 5:32 p.m.

Chair