

**CITY OF NEW CARLISLE
CLARK COUNTY**

REGULAR AUDIT

JANUARY 1, 2012 – DECEMBER 31, 2012





Dave Yost • Auditor of State

City Council
City of New Carlisle
331 South Church Street
New Carlisle, Ohio 45344

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

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

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

Dave Yost
Auditor of State

July 25, 2013

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**CITY OF NEW CARLISLE
CLARK COUNTY, OHIO**

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**CITY OF NEW CARLISLE
CLARK COUNTY, OHIO**

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City of New Carlisle
Clark County
331 South Church Street
New Carlisle, Ohio 45344

INDEPENDENT AUDITOR'S REPORT

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Carlisle, Clark County, Ohio (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for 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.

Basis for Qualified Opinions on Governmental Activities, Business-Type Activities, Major Enterprise Water and Sewer Funds, and Aggregate Remaining Fund Information

Management has not established an adequate method for recording capital assets. Accounting principles generally accepted in the United States of America require that sufficient competent evidential matter support the City's capital asset balances, and support the reported accumulated depreciation and current period depreciation expense in the Governmental Activities, Business-Type Activities, Major Enterprise Water and Sewer Funds, and Non-Major Enterprise Fund (which is a component of Aggregate Remaining Fund Information). We cannot reasonably determine the amount by which this departure would affect these assets, net position, and expenses.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
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Qualified Opinions

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions on Governmental Activities, Business-Type Activities, Major Enterprise Funds Water and Sewer Funds, and Aggregate Remaining Fund Information" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, Business-Type Activities, Major Enterprise Funds Water and Sewer Funds, and Aggregate Remaining Fund Information of the City of New Carlisle, Clark County, Ohio, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General, Street Construction, Emergency Ambulance, Emergency Fire, and Twin Creeks Infrastructure Bond funds of the City of New Carlisle, Clark County Ohio, as of December 31, 2012, and the respective budgetary comparisons for the General, Street Construction, Emergency Ambulance and Emergency Fire funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

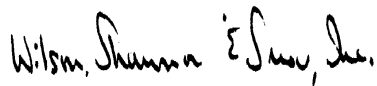
Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.



June 14, 2013

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

This discussion and analysis of the City of New Carlisle's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2012. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$5.6 million (net position), a decrease of \$107,068 from the prior year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$1.5 million, a decrease of \$26,454 from the prior year.
- At fiscal year-end, the City's general fund reported a fund balance of \$298,759, a decrease of \$64,282 in comparison with the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of New Carlisle as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. 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 what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

Reporting the City of New Carlisle as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net position and changes in this position. This change in net position is important because it tells the reader whether the financial position of the City, as a whole, has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as the condition of the City's capital assets will also need to be evaluated. In these two statements, the City is divided into the following two types of activities:

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

- **Governmental Activities** – Most of the City's programs and services are reported here including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.
- **Business-Type Activities** – The business-type activities of the City primarily consist of water distribution, sewage collection and treatment, and swimming pool.

Reporting the City of New Carlisle's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the City's major funds. Based upon restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City, our major funds are the general, street construction, emergency ambulance, emergency fire, twin creeks infrastructure bonds, water, and sewer funds.

Governmental Funds

Most of the City's activities 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 in future periods. 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 governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled as part of the financial statements.

The City maintains 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general, street construction, emergency ambulance, emergency fire, and twin creeks infrastructure bond funds, which are considered to be the City's major funds. Data from the other 15 governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for the general, street construction, emergency ambulance, and emergency fire funds to demonstrate compliance with this budget.

Proprietary Funds

When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, the proprietary fund statements will essentially match the business-type activities statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City has no fiduciary funds.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

THE CITY OF NEW CARLISLE AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2012 compared to 2011.

TABLE 1

Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 4,696,019	\$ 4,613,507	\$ 601,943	\$ 704,378	\$ 5,297,962	\$ 5,317,885
Capital assets	3,986,788	3,942,590	3,477,178	2,997,285	7,463,966	6,939,875
Total Assets	<u>8,682,807</u>	<u>8,556,097</u>	<u>4,079,121</u>	<u>3,701,663</u>	<u>12,761,928</u>	<u>12,257,760</u>
Current liabilities	99,012	83,849	43,332	37,844	142,344	121,693
Long-term liabilities	2,294,222	2,392,985	4,181,132	3,538,814	6,475,354	5,931,799
Total Liabilities	<u>2,393,234</u>	<u>2,476,834</u>	<u>4,224,464</u>	<u>3,576,658</u>	<u>6,617,698</u>	<u>6,053,492</u>
Unearned revenue	563,977	516,947	-	-	563,977	516,947
Total Deferred Inflows of Resources	<u>563,977</u>	<u>516,947</u>	<u>-</u>	<u>-</u>	<u>563,977</u>	<u>516,947</u>
Net Position:						
Net Investment in capital assets	1,780,073	1,672,130	40,804	41,053	1,820,877	1,713,183
Restricted	3,040,898	2,920,804	-	-	3,040,898	2,920,804
Unrestricted	904,625	969,382	(186,147)	83,952	718,478	1,053,334
Total Net Position	<u>\$ 5,725,596</u>	<u>\$ 5,562,316</u>	<u>\$ (145,343)</u>	<u>\$ 125,005</u>	<u>\$ 5,580,253</u>	<u>\$ 5,687,321</u>

A large portion of the City's net position (32.6%) reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (54.5%) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position amount available to meet the ongoing obligations to citizens and creditors is \$718,478.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

Table 2 shows the changes in net position for the years ended December 31, 2012 and 2011.

TABLE 2

Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Program Revenues:						
Charges for Services	\$ 763,748	\$ 792,751	\$ 1,519,450	\$ 1,522,692	\$ 2,283,198	\$ 2,315,443
Operating Grants and Contributions	388,169	369,939	-	-	388,169	369,939
Capital Grants and Contributions	77,990	192,434	100,000	3,062	177,990	195,496
General Revenues:						
Property Taxes	744,033	599,475	-	-	744,033	599,475
Income Taxes	886,838	1,054,310	-	-	886,838	1,054,310
Other Local Taxes	77,776	57,308	-	-	77,776	57,308
Unrestricted Grants	140,851	74,269	-	-	140,851	74,269
Other Unrestricted Revenues	11,752	153,680	31,280	24,906	43,032	178,586
Total Revenues	3,091,157	3,294,166	1,650,730	1,550,660	4,741,887	4,844,826
Expenses:						
General Government	770,076	714,361	-	-	770,076	714,361
Security of Persons and Property	678,844	631,390	-	-	678,844	631,390
Leisure-Time Activities	80,347	75,066	-	-	80,347	75,066
Health	879,379	805,978	-	-	879,379	805,978
Community Environment	39,765	44,409	-	-	39,765	44,409
Transportation	305,706	316,604	-	-	305,706	316,604
Interest on Long-Term Debt	120,629	129,668	-	-	120,629	129,668
Bond Issuance Costs	52,131	-	-	-	52,131	-
Water	-	-	982,103	938,356	982,103	938,356
Sewer	-	-	848,326	1,210,919	848,326	1,210,919
Swimming Pool	-	-	91,649	84,134	91,649	84,134
Total Expenses	2,926,877	2,717,476	1,922,078	2,233,409	4,848,955	4,950,885
Increase in Net Position						
before Transfers	164,280	576,690	(271,348)	(682,749)	(107,068)	(106,059)
Transfers	(1,000)	(10,000)	1,000	10,000	-	-
Increase(Decrease) in Net Position	163,280	566,690	(270,348)	(672,749)	(107,068)	(106,059)
Net Position at Beginning of Year	5,562,316	4,995,626	125,005	797,754	5,687,321	5,793,380
Net Position at End of Year	\$ 5,725,596	\$ 5,562,316	\$ (145,343)	\$ 125,005	\$ 5,580,253	\$ 5,687,321

Governmental Activities

Income taxes decreased \$167,472, or 15.9%, primarily due to a reduction in jobs in the Miami Valley. The increase in unrestricted grants is due to higher estate tax collections and other miscellaneous grants, while the decrease in capital grants and contributions is the result of projects coming to a close during the year and less projects ongoing at year end. Expenses remained relatively consistent with an increase of \$209,401, or 7.7%

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

Business-type Activities

The increase in capital grants and contributions is the result of grant funding received from the Ohio Public Works Commission for a wastewater treatment plant upgrade project. Expenses decreased by \$311,331 during the year primarily due to a decrease in depreciation expense. Many of the City's sewer-related assets are old and have been fully depreciated, which is why they are currently undergoing the wastewater treatment plant upgrade project.

Total versus Net Cost of Services

The Statement of Activities shows the cost of program services and the charges for services and grants associated with those services. Table 3 below reflects the cost of program services and the net cost of those services after taking into account the program revenues. When applicable, the net cost of program services must be supported by general revenues.

TABLE 3

Functions/Programs	Total Cost		Net Cost	
	2012	2011	2012	2011
Governmental Activities:				
General Government	\$ 770,076	\$ 714,361	\$ 725,689	\$ 669,600
Security of Persons and Property	678,844	631,390	550,373	481,974
Leisure-Time Activities	80,347	75,066	22,424	40,272
Health	879,379	805,978	220,830	132,419
Community Environment	39,765	44,409	39,765	44,409
Transportation	305,706	316,604	(34,871)	(135,990)
Interest on Long-Term Debt	120,629	129,668	120,629	129,668
Bond Issuance Costs	52,131	-	52,131	-
Total Governmental Activities	\$ 2,926,877	\$ 2,717,476	\$ 1,696,970	\$ 1,362,352
Business-Type Activities:				
Water	\$ 982,103	\$ 938,356	\$ 324,476	\$ 287,741
Sewer	848,326	1,210,919	(60,032)	429,420
Swimming Pool	91,649	84,134	38,184	(9,506)
Total Business-Type Activities	\$ 1,922,078	\$ 2,233,409	\$ 302,628	\$ 707,655

The City's reliance upon general tax revenues is demonstrated by the Table 2 above indicating approximately 55.3% of total governmental revenues from local taxes, as well as the net cost of services column for governmental activities in Table 3 above reflecting the need for approximately \$1.7 million of support.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

THE CITY'S FUNDS

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$1.5 million, remaining consistent with the previous year.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2012 and 2011.

	Fund Balance 12/31/2012	Fund Balance 12/31/2011	Increase (Decrease)
General Fund	\$ 298,759	\$ 363,041	\$ (64,282)
Street Construction fund	113,394	49,130	64,264
Emergency Ambulance fund	350,992	427,022	(76,030)
Emergency Fire fund	368,156	321,304	46,852
Twin Creeks Infrastructure Bond fund	304	448	(144)
Other governmental funds	324,548	321,662	2,886
Total	<u>\$ 1,456,153</u>	<u>\$ 1,482,607</u>	<u>\$ (26,454)</u>

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$145,123, while total fund balance was \$298,759. The \$64,282 decrease in fund balance is primarily the result of operating transfers to other funds totaling \$231,310.

The Street Construction Fund accounts for the City's street repair, maintenance and improvement activities. The increase in fund balance is primarily the result of the collecting \$34,887 from the City's new road improvement levy and transfers of \$10,000 from the General Fund.

The fund balance decrease in the Emergency Ambulance Fund represents the amount by which costs of providing services during the fiscal year exceeded property tax revenues and customer charges.

The fund balance increase in the Emergency Fire Fund represents the amount by which property tax revenues exceeded costs of providing fire services during the fiscal year.

The fund balance decrease in the Twin Creeks Infrastructure Bond Fund is the amount by which debt service expenditures exceeded special assessment revenues and transfers during the fiscal year.

The fund balance increase in the Other Government Funds is primarily the result of the transfers from the General Fund totaling \$146,310.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

Proprietary Funds

At year-end, unrestricted net position in the Water Fund amounted to negative \$422,578. Total Water Fund net position decreased \$313,617, or 288%, from the previous year. This decrease in net position is the result of an operating loss of \$241,439, and debt interest payments totaling \$72,178.

At year-end, unrestricted net position in the Sewer Fund amounted to \$234,495. Total Sewer Fund net position increased \$73,372, or 45.5%, from the previous year. This increase in net position is the result of operating income of \$3,345, intergovernmental revenue of \$100,000 net of related debt interest payments totaling \$29,973.

GENERAL FUND BUDGETARY INFORMATION

The City's final revenues estimate was approximately \$1.3 million, or 3% more than the original estimate. The amount by which the City's actual revenues exceeded final revenue estimate was \$22,632 or 1.7% of the final budget.

The City's final appropriations were \$40,000 more than original appropriations, primarily as a result of additional operating transfers to other funds needed throughout the year. Final appropriations exceeded actual budgetary expenditures by \$17,006.

CAPITAL ASSETS

At year-end, the City's investment in capital assets for governmental and business-type activities totaled approximately \$4 million and \$3.5 million (net of accumulated depreciation), respectively. This investment in capital assets includes land, land improvements, buildings, equipment, furniture, vehicles, and infrastructure.

Total acquisitions (capital outlay) for the current fiscal year was approximately \$1.5 million and depreciation expense was \$940,287.

Detailed information regarding capital asset activity is included in the Note 8 to the basic financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total long-term debt outstanding of approximately \$6.4 million. Of this amount, approximately \$2.2 million represents bonds and notes backed by the full faith and credit of the City and \$4.1 million represents OPWC and OWDA loans secured by specified revenue sources.

Detailed information regarding long-term debt is included in Note 10 to the basic financial statements.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

CONTACTING THE CITY

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it administers. If you have any questions about this report or need additional financial information, contact Richard Sexton, City Finance Director, 331 South Church Street, New Carlisle, Ohio 45344.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled Cash and Cash Equivalents	\$ 930,408	\$ 332,204	\$ 1,262,612
Investments	72,000	-	72,000
Receivables:			
Taxes	1,614,409	-	1,614,409
Accounts	281,645	250,018	531,663
Due From Other Governments	225,497	-	225,497
Prepaid Items	55,612	19,721	75,333
Special Assessments Receivable	1,516,448	-	1,516,448
NonDepreciable Capital Assets	505,616	1,480,711	1,986,327
Depreciable Capital Assets, Net	3,481,172	1,996,467	5,477,639
Total Assets	<u>8,682,807</u>	<u>4,079,121</u>	<u>12,761,928</u>
Liabilities			
Accounts Payable	22,265	6,318	28,583
Accrued Wages and Benefits	41,487	17,932	59,419
Due To Other Governments	35,260	19,082	54,342
Long-Term Liabilities			
Due Within One Year	137,506	395,673	533,179
Due in More Than One Year	2,156,716	3,785,459	5,942,175
Total Liabilities	<u>2,393,234</u>	<u>4,224,464</u>	<u>6,617,698</u>
Deferred Inflows of Resources			
Unearned Revenue	563,977	-	563,977
Total Deferred Inflow of Resources	<u>563,977</u>	<u>-</u>	<u>563,977</u>
Net Position			
Net Investment in Capital Assets	1,780,073	40,804	1,820,877
Restricted For:			
Capital Projects	2,829	-	2,829
Debt Service	1,387,433	-	1,387,433
Highways and Streets	302,528	-	302,528
Public Safety	555,977	-	555,977
Public Health	770,566	-	770,566
Community Environment	21,565	-	21,565
Unrestricted	904,625	(186,147)	718,478
Total Net Position	<u>\$ 5,725,596</u>	<u>\$ (145,343)</u>	<u>\$ 5,580,253</u>

See accompanying notes to the basic financial statements

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 770,076	\$ 42,999	\$ 1,388	\$ -
Security of Persons and Property	678,844	91,990	36,481	-
Leisure-Time Activities	80,347	-	-	57,923
Health	879,379	625,260	33,289	-
Community Environment	39,765	-	-	-
Transportation	305,706	3,499	317,011	20,067
Interest on Long-Term Debt	120,629	-	-	-
Bond Issuance Costs	52,131	-	-	-
Total Governmental Activities	2,926,877	763,748	388,169	77,990
Business-type Activities:				
Water	982,103	657,627	-	-
Sewer	848,326	808,358	-	100,000
Swimming Pool	91,649	53,465	-	-
Total Business-Type Activities	1,922,078	1,519,450	-	100,000
Total Government	\$ 4,848,955	\$ 2,283,198	\$ 388,169	\$ 177,990

General Revenues:

- Property Taxes
- Income Taxes
- Other Local Taxes
- Unrestricted Grants and Entitlements
- Other Unrestricted Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (725,689)	\$ -	\$ (725,689)
(550,373)	-	(550,373)
(22,424)	-	(22,424)
(220,830)	-	(220,830)
(39,765)	-	(39,765)
34,871	-	34,871
(120,629)	-	(120,629)
(52,131)	-	(52,131)
<u>(1,696,970)</u>	<u>-</u>	<u>(1,696,970)</u>
-	(324,476)	(324,476)
-	60,032	60,032
-	(38,184)	(38,184)
<u>-</u>	<u>(302,628)</u>	<u>(302,628)</u>
<u>(1,696,970)</u>	<u>(302,628)</u>	<u>(1,999,598)</u>
744,033	-	744,033
886,838	-	886,838
77,776	-	77,776
140,851	-	140,851
11,752	31,280	43,032
(1,000)	1,000	-
<u>1,860,250</u>	<u>32,280</u>	<u>1,892,530</u>
163,280	(270,348)	(107,068)
<u>5,562,316</u>	<u>125,005</u>	<u>5,687,321</u>
<u>\$ 5,725,596</u>	<u>\$ (145,343)</u>	<u>\$ 5,580,253</u>

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General Fund	Street Construction	Emergency Ambulance	Emergency Fire
Assets:				
Pooled Cash and Cash Equivalents	\$ 57,752	\$ 46,946	\$ 300,472	\$ 313,453
Investments	-	-	-	-
Receivables:				
Taxes	896,084	127,531	204,452	296,462
Accounts	70,639	-	193,511	-
Due From Other Governments	27,614	111,820	11,539	16,739
Prepaid Items	30,810	6,955	6,583	8,686
Special Assessments Receivable	13,450	-	-	-
Total Assets	\$ 1,096,349	\$ 293,252	\$ 716,557	\$ 635,340
Liabilities:				
Accounts Payable	\$ 10,442	\$ 1,470	\$ 5,423	\$ 3,495
Accrued Wages and Benefits	11,952	4,699	19,602	2,178
Due To Other Governments	13,583	4,123	13,185	1,465
Total Liabilities	35,977	10,292	38,210	7,138
Deferred Inflows of Resources:				
Unavailable Revenue	653,947	76,922	230,009	118,892
Unearned Revenue	107,666	92,644	97,346	141,154
Total Deferred Inflows of Resources	761,613	169,566	327,355	260,046
Fund Balances:				
Nonspendable:				
Prepaid Items	30,810	6,955	6,583	8,686
Restricted for:				
Capital Projects	-	-	-	-
Debt Service	-	-	-	-
Highways and Streets	-	106,439	-	-
Public Safety	-	-	-	359,470
Public Health	-	-	344,409	-
Community Environment	-	-	-	-
Assigned for:				
Future Appropriations	120,985	-	-	-
General Government	1,658	-	-	-
Security of Persons and Property	24	-	-	-
Leisure-Time Activities	159	-	-	-
Unassigned	145,123	-	-	-
Total Fund Balances	298,759	113,394	350,992	368,156
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,096,349	\$ 293,252	\$ 716,557	\$ 635,340

See accompanying notes to the basic financial statements

Twin Creeks Infrastructure Bonds	Other Governmental Funds	Total Governmental Funds
\$ 304	\$ 211,481	\$ 930,408
-	72,000	72,000
-	89,880	1,614,409
-	17,495	281,645
-	57,785	225,497
-	2,578	55,612
1,420,625	82,373	1,516,448
<u>\$ 1,420,929</u>	<u>\$ 533,592</u>	<u>\$ 4,696,019</u>
\$ -	\$ 1,435	\$ 22,265
-	3,056	41,487
-	2,904	35,260
<u>-</u>	<u>7,395</u>	<u>99,012</u>
1,420,625	76,482	2,576,877
-	125,167	563,977
<u>1,420,625</u>	<u>201,649</u>	<u>3,140,854</u>
-	2,578	55,612
-	2,829	2,829
304	2,163	2,467
-	87,845	194,284
-	68,929	428,399
-	138,639	483,048
-	21,565	21,565
-	-	120,985
-	-	1,658
-	-	24
-	-	159
-	-	145,123
<u>304</u>	<u>324,548</u>	<u>1,456,153</u>
<u>\$ 1,420,929</u>	<u>\$ 533,592</u>	<u>\$ 4,696,019</u>

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**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2012

Total Governmental Fund Balances	\$ 1,456,153
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,986,788
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Delinquent Property Taxes	281,487
Income Taxes	522,236
Other Local Taxes	17,775
EMS Receivables	148,022
Cemetery Receivables	16,125
Intergovernmental Receivables	157,157
Special Assessment Receivables	1,434,075
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net position.	
Unamortized Premium on Bonds	(40,915)
Long-Term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated Absences Payable	(46,592)
Capital Lease	(24,574)
General Obligation Debt	<u>(2,182,141)</u>
Net Position of Governmental Activities	<u>\$ 5,725,596</u>

See accompanying notes to the basic financial statements

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund	Street Construction	Emergency Ambulance	Emergency Fire
Revenues:				
Property Taxes	\$ 164,498	\$ 34,887	\$ 147,329	\$ 213,643
Income Taxes	925,530	-	-	-
Other Local Taxes	60,001	-	-	-
Charges for Services	-	-	555,201	-
Licenses, Permits, and Fees	25,662	-	-	-
Fines and Forfeitures	17,337	-	-	-
Intergovernmental	147,072	209,279	24,124	36,414
Special Assessments	10,959	-	-	-
Other	11,752	3,499	51	52
Total Revenues	1,362,811	247,665	726,705	250,109
Expenditures:				
Current Operations and Maintenance:				
General Government	687,243	-	-	-
Security of Persons and Property	389,583	-	-	123,169
Leisure-Time Activities	70,710	-	-	-
Health	-	-	630,027	-
Community Environment	36,690	-	-	-
Transportation	-	164,562	-	-
Capital Outlay	36,131	28,839	163,591	41,823
Debt Service:				
Principal Retirement	-	-	26,593	23,637
Interest and Fiscal Charges	-	-	1,615	14,628
Bond Issuance Costs	-	-	909	-
Total Expenditures	1,220,357	193,401	822,735	203,257
Excess (Deficiency) of Revenues Over (Under) Expenditures	142,454	54,264	(96,030)	46,852
Other Financing Sources (Uses):				
Inception of Capital Lease	24,574	-	-	-
Transfers In	-	10,000	-	-
Transfers Out	(231,310)	-	-	-
Sale of Bonds	-	-	20,000	-
Total Other Financing Sources (Uses)	(206,736)	10,000	20,000	-
Net Change in Fund Balances	(64,282)	64,264	(76,030)	46,852
Fund Balance at Beginning of Year	363,041	49,130	427,022	321,304
Fund Balance at End of Year	\$ 298,759	\$ 113,394	\$ 350,992	\$ 368,156

See accompanying notes to the basic financial statements

Twin Creeks Infrastructure Bonds	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 64,778	\$ 625,135
-	-	925,530
-	-	60,001
-	53,337	608,538
-	-	25,662
-	-	17,337
-	178,184	595,073
15,210	83,241	109,410
-	411	15,765
<u>15,210</u>	<u>379,951</u>	<u>2,982,451</u>
585	125	687,953
-	81,189	593,941
-	-	70,710
-	124,613	754,640
-	-	36,690
-	94,732	259,294
-	111,828	382,212
40,000	50,000	140,230
48,769	60,888	125,900
-	-	909
<u>89,354</u>	<u>523,375</u>	<u>3,052,479</u>
(74,144)	(143,424)	(70,028)
-	-	24,574
74,000	146,310	230,310
-	-	(231,310)
-	-	20,000
<u>74,000</u>	<u>146,310</u>	<u>43,574</u>
(144)	2,886	(26,454)
448	321,662	1,482,607
<u>\$ 304</u>	<u>\$ 324,548</u>	<u>\$ 1,456,153</u>

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**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Net Change in Fund Balances - Total Governmental Funds \$ (26,454)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Outlay	332,628
Depreciation	(288,430)

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

Delinquent Property Taxes	118,898
Income Taxes	(38,692)
Other Local Taxes	17,775
EMS Charges	16,435
Cemetery Charges	(175)
Intergovernmental Revenues	1,226
Special Assessments	(17,472)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principle of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Issuance of Long-term Debt	(20,000)
Repayment of Long-term Debt	140,230
Inception of Capital Lease	(24,574)

Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Bond Issuance Costs	(51,222)
Premium on Bonds	5,271

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(2,164)
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Change in Net Position of Governmental Activities \$ 163,280

See accompanying notes to the basic financial statements

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property Taxes	\$ 173,126	\$ 173,126	\$ 145,102	\$ (28,024)
Income tax	965,000	965,000	921,763	(43,237)
Other Local Taxes	54,000	54,000	59,985	5,985
Licenses and Permits	20,500	20,500	25,662	5,162
Fines and Forfeitures	20,000	20,000	17,337	(2,663)
Intergovernmental	31,230	71,230	142,028	70,798
Special Assessments	4,000	4,000	10,959	6,959
Other	2,599	2,600	11,752	9,152
Total Revenues	<u>1,270,455</u>	<u>1,310,456</u>	<u>1,334,588</u>	<u>24,132</u>
Expenditures				
General Government	685,595	708,371	697,746	10,625
Security of Persons and Property	381,700	389,735	388,557	1,178
Leisure-Time Activities	57,665	71,375	70,430	945
Community Environment	40,125	40,124	37,179	2,945
Capital Outlay	26,500	12,100	11,557	543
Total Expenditures	<u>1,191,585</u>	<u>1,221,705</u>	<u>1,205,469</u>	<u>16,236</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	78,870	88,751	129,119	40,368
Other Financing Sources/(Uses)				
Sale of Assets	1,500	1,500	-	(1,500)
Transfers Out	(222,200)	(232,080)	(231,310)	770
Total Other Financing Uses	<u>(220,700)</u>	<u>(230,580)</u>	<u>(231,310)</u>	<u>(730)</u>
Net Change in Fund Balance	(141,830)	(141,829)	(102,191)	39,638
Fund Balance at Beginning of Year	156,904	156,904	156,904	-
Prior Year Encumbrances Appropriated	491	491	491	-
Fund Balance at End of Year	<u>\$ 15,565</u>	<u>\$ 15,566</u>	<u>\$ 55,204</u>	<u>\$ 39,638</u>

See accompanying notes to the basic financial statements

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
STREET CONSTRUCTION FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Intergovernmental	\$ 218,000	\$ 218,000	\$ 208,999	\$ (9,001)
Other	2,000	2,000	3,499	1,499
Total Revenues	<u>220,000</u>	<u>220,000</u>	<u>212,498</u>	<u>(7,502)</u>
Expenditures				
Transportation	206,340	206,640	178,917	27,723
Capital Outlay	30,000	29,700	28,839	861
Total Expenditures	<u>236,340</u>	<u>236,340</u>	<u>207,756</u>	<u>28,584</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(16,340)	(16,340)	4,742	21,082
Other Financing Sources				
Transfers In	10,000	10,000	10,000	-
Total Other Financing Sources	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Net Change in Fund Balance	(6,340)	(6,340)	14,742	21,082
Fund Balance at Beginning of Year	14,976	14,976	14,976	-
Prior Year Encumbrances Appropriated	145	145	145	-
Fund Balance at End of Year	<u>\$ 8,781</u>	<u>\$ 8,781</u>	<u>\$ 29,863</u>	<u>\$ 21,082</u>

See accompanying notes to the basic financial statements

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
EMERGENCY AMBULANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property Taxes	\$ 155,509	\$ 155,509	\$ 129,598	\$ (25,911)
Charges for Services	505,000	525,000	548,408	23,408
Intergovernmental	4,138	4,138	24,124	19,986
Other	-	-	51	51
Total Revenues	<u>664,647</u>	<u>684,647</u>	<u>702,181</u>	<u>17,534</u>
Expenditures				
Health	661,967	659,917	631,308	28,609
Capital Outlay	35,000	177,050	163,591	13,459
Debt Service:				
Principal Retirement	26,600	26,600	26,593	7
Interest and Fiscal Charges	1,732	1,732	2,524	(792)
Total Expenditures	<u>725,299</u>	<u>865,299</u>	<u>824,016</u>	<u>41,283</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(60,652)	(180,652)	(121,835)	(58,817)
Other Financing Sources/(Uses)				
Insurance Proceeds	-	100,000	113,924	(13,924)
Sale of Bonds	-	20,000	20,000	-
Total Other Financing Sources	<u>-</u>	<u>120,000</u>	<u>133,924</u>	<u>(13,924)</u>
Net Change in Fund Balance	(60,652)	(60,652)	12,089	72,741
Fund Balance at Beginning of Year	282,799	282,799	282,799	-
Prior Year Encumbrances Appropriated	126	126	126	-
Fund Balance at End of Year	<u>\$ 222,273</u>	<u>\$ 222,273</u>	<u>\$ 295,014</u>	<u>\$ 72,741</u>

See accompanying notes to the basic financial statements

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
EMERGENCY FIRE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property Taxes	\$ 225,529	\$ 225,529	\$ 187,937	\$ (37,592)
Intergovernmental	3,875	3,875	36,414	32,539
Other	-	1,500	1,702	202
Total Revenues	<u>229,404</u>	<u>230,904</u>	<u>226,053</u>	<u>(4,851)</u>
Expenditures				
Security of Persons and Property	134,079	126,929	123,803	3,126
Capital Outlay	44,000	52,650	43,923	8,727
Debt Service:				
Principal Retirement	25,000	25,000	23,637	1,363
Interest and Fiscal Charges	15,000	15,000	14,628	372
Total Expenditures	<u>218,079</u>	<u>219,579</u>	<u>205,991</u>	<u>13,588</u>
Net Change in Fund Balance	11,325	11,325	20,062	8,737
Fund Balance at Beginning of Year	290,055	290,055	290,055	-
Prior Year Encumbrances Appropriated	126	126	126	-
Fund Balance at End of Year	<u>\$ 301,506</u>	<u>\$ 301,506</u>	<u>\$ 310,243</u>	<u>\$ 8,737</u>

See accompanying notes to the basic financial statements

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012**

	Water Fund	Sewer Fund	Nonmajor Swimming Pool	Total
Assets				
Current Assets:				
Pooled Cash and Cash Equivalents	\$ 23,779	\$ 307,955	\$ 470	\$ 332,204
Accounts Receivable	111,994	138,024	-	250,018
Prepaid Items	11,064	6,084	2,573	19,721
Total Current Assets	<u>146,837</u>	<u>452,063</u>	<u>3,043</u>	<u>601,943</u>
Noncurrent Assets:				
NonDepreciable Capital Assets	7,073	1,437,311	36,327	1,480,711
Depreciable Capital Assets, Net	1,988,190	3,800	4,477	1,996,467
Total Noncurrent Assets	<u>1,995,263</u>	<u>1,441,111</u>	<u>40,804</u>	<u>3,477,178</u>
Total Assets	<u>2,142,100</u>	<u>1,893,174</u>	<u>43,847</u>	<u>4,079,121</u>
Liabilities				
Current Liabilities				
Accounts Payable	4,010	2,265	43	6,318
Accrued Wages and Benefits	7,387	10,545	-	17,932
Due To Other Governments	7,646	10,372	1,064	19,082
Compensated Absences	3,514	6,851	-	10,365
Loans Payable	172,766	212,542	-	385,308
Total Current Liabilities	<u>195,323</u>	<u>242,575</u>	<u>1,107</u>	<u>439,005</u>
Noncurrent Liabilities				
Loans Payable	2,351,157	1,386,923	-	3,738,080
Compensated Absences	18,198	29,181	-	47,379
Total Noncurrent Liabilities	<u>2,369,355</u>	<u>1,416,104</u>	<u>-</u>	<u>3,785,459</u>
Total Liabilities	<u>2,564,678</u>	<u>1,658,679</u>	<u>1,107</u>	<u>4,224,464</u>
Net Position				
Net Investment in Capital Assets	-	-	40,804	40,804
Unrestricted Net Position	(422,578)	234,495	1,936	(186,147)
Total Net Position	<u>\$ (422,578)</u>	<u>\$ 234,495</u>	<u>\$ 42,740</u>	<u>\$ (145,343)</u>

See accompanying notes to the basic financial statements

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Water Fund	Sewer Fund	Nonmajor Swimming Pool	Total
Operating Revenues				
Charges for Services	\$ 657,627	\$ 808,358	\$ 53,465	\$ 1,519,450
Other Operating Revenues	10,859	13,340	7,081	31,280
Total Operating Revenues	<u>668,486</u>	<u>821,698</u>	<u>60,546</u>	<u>1,550,730</u>
Operating Expenses				
Personal Services	281,343	363,582	49,873	694,798
Contractual Services	136,915	201,340	20,389	358,644
Materials and Supplies	76,198	16,228	20,513	112,939
Depreciation	414,662	236,946	249	651,857
Other Operating Expenses	807	257	625	1,689
Total Operating Expenses	<u>909,925</u>	<u>818,353</u>	<u>91,649</u>	<u>1,819,927</u>
Operating Income/(Loss)	<u>(241,439)</u>	<u>3,345</u>	<u>(31,103)</u>	<u>(269,197)</u>
Nonoperating Revenues (Expenses)				
Intergovernmental Revenue	-	100,000	-	100,000
Interest and Fiscal Charges	(72,178)	(29,973)	-	(102,151)
Total Non-Operating Revenues (Expenses)	<u>(72,178)</u>	<u>70,027</u>	<u>-</u>	<u>(2,151)</u>
Income/(Loss) Before Transfers	(313,617)	73,372	(31,103)	(271,348)
Transfers In	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
Change in Net Position	(313,617)	73,372	(30,103)	(270,348)
Net Position at Beginning of Year	(108,961)	161,123	72,843	125,005
Net Position at End of Year	<u>\$ (422,578)</u>	<u>\$ 234,495</u>	<u>\$ 42,740</u>	<u>\$ (145,343)</u>

See accompanying notes to the basic financial statements

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Water Fund	Sewer Fund	Nonmajor Swimming Pool	Total
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 659,717	\$ 802,323	\$ 53,465	\$ 1,515,505
Other Operating Receipts	10,859	13,340	7,081	31,280
Cash Paid to Employees	(265,979)	(363,854)	(49,800)	(679,633)
Cash Paid to Suppliers	(212,529)	(216,801)	(41,237)	(470,567)
Cash Paid for Other Expenses	(807)	(257)	(625)	(1,689)
Net Cash Provided by (Used in) Operating Activities	<u>191,261</u>	<u>234,751</u>	<u>(31,116)</u>	<u>394,896</u>
Cash Flows from Noncapital Financing Activities				
Transfers In	-	-	1,000	1,000
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	(3,965)	(1,132,460)	-	(1,136,425)
Proceeds from Capital Grants	-	100,000	-	100,000
Proceeds from Loans	-	976,190	-	976,190
Payment of Debt Principal	(168,276)	(172,558)	-	(340,834)
Payment of Debt Interest	(72,178)	(29,973)	-	(102,151)
Net Cash Used in Capital and Related Financing Activities	<u>(244,419)</u>	<u>(258,801)</u>	<u>-</u>	<u>(503,220)</u>
Net Change in Cash and Cash Equivalents	(53,158)	(24,050)	(30,116)	(107,324)
Cash and Cash Equivalents, Beginning of Year	76,937	332,005	30,586	439,528
Cash and Cash Equivalents, End of Year	<u>\$ 23,779</u>	<u>\$ 307,955</u>	<u>\$ 470</u>	<u>\$ 332,204</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:				
Operating Income/(Loss)	\$ (241,439)	\$ 3,345	\$ (31,103)	\$ (269,197)
Depreciation Expense	414,662	236,946	249	651,857
(Increase)/Decrease in Current Assets				
Accounts Receivable	2,090	(6,035)	-	(3,945)
Prepaid Items	(392)	(230)	(322)	(944)
Increase/(Decrease) in Current Liabilities				
Accounts Payable	1,252	1,312	(13)	2,551
Accrued Wages and Benefits	957	1,656	-	2,613
Compensated Absences	11,830	(4,868)	-	6,962
Due to Other Governments	2,301	2,625	73	4,999
Net Cash Provided by (Used in) Operating Activities	<u>\$ 191,261</u>	<u>\$ 234,751</u>	<u>\$ (31,116)</u>	<u>\$ 394,896</u>

See accompanying notes to the basic financial statements

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 1 - REPORTING ENTITY

The City of New Carlisle (City) is a charter municipal corporation operating under the laws of the State of Ohio. The City was established as a statutory municipal corporation on February 13, 1971, and adopted its charter on November 4, 1980.

The City operates under a Council-Manager form of government. Legislative power is vested in a seven member council. Each member is elected to a four year term. The Mayor is elected to a two year term from among the council's own membership. The Mayor is the ceremonial and representative head of the City, but does not exercise administrative authority. The Mayor also serves as presiding officer of the council. The council appoints a City Manager for an indefinite term who acts as the chief administrative officer of the City. All department heads are appointed by the City Manager.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading.

The primary government consists of all funds and departments which comprise the City's legal entity, which provides various services including emergency ambulance service, fire protection, health services, street maintenance and repairs, parks and recreation, water and sewer services and contracted police protection with the Clark County Sheriff's Department. Council and the City Manager have direct responsibility for these activities.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the City in that the City approves the organization's budget, the issuance of its debt or the levying of its taxes. There are no component units included as part of the reporting entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-wide and fund financial statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

B. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes and certain special assessments are recognized as revenues in the year for which they are levied/assessed. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough after to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition increasing net position of the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption decreasing net position of the City that is applicable to a future reporting period.

Property taxes and special assessments for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance fiscal year 2013 operations, and grants and entitlements received before eligibility requirements are met, are recorded as unearned revenue on both the governmental fund and government-wide financial statements.

Revenues earned but not received within the City's availability period are recorded as unavailable revenue on the fund financial statements.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Street Construction Fund* accounts for street improvement and construction activities.

The *Emergency Ambulance Fund* accounts for ambulance services provided by the City.

The *Emergency Fire Fund* accounts for fire services provided by the City.

The *Twin Creek Infrastructure Bond fund* accounts for special assessment collections and debt service payments related to the Twin Creeks infrastructure improvements.

The City reports the following major proprietary funds:

The *Water Fund* accounts for the activities of the water department. The water department operates the water distribution system.

The *Sewer Fund* accounts for the activities of the sewer department. The sewer department operates the sewage treatment plant, sewage pumping stations and sewage collection systems.

The City's *Swimming Pool Fund*, which accounts for the activities of the City's swimming pool, is not a major fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, including operating-type special assessments, 2) operating grants and contributions, and 3) capital grants and contributions, including capital-type special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales or services. Operating expenses for enterprise funds include the cost of sales or services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled, except as specifically stipulated by ordinance. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. The City's pooled cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury, repurchase agreements, bonds of the State of Ohio and the State Treasury Asset Reserve of Ohio (STAR Ohio). Other than certificates of deposit which are reported at cost, investments are reported at fair value. STAR Ohio is an 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. The reported value of investments in STAR Ohio is the same as the fair value of the pool shares.

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

E. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

F. Net Position

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

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$750 and an estimated useful life exceeding one year. For 2011 and after, the threshold for capitalization increased to \$2,500. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation.

Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is not included as part of the capitalized value of the assets constructed.

Property, plant, and equipment is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20
Improvements Other Than Building	5
Machinery and Equipment	20
Furniture and Fixtures	20
Computer Equipment	5
Vehicles	10
Infrastructure	20-50

Interest is capitalized on assets acquired with tax-exempt debt. The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between interest cost associated with tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All accumulated vacation leave and vested accumulated sick leave is recorded as a liability in the government-wide and proprietary fund financial statements. In the governmental funds, accumulated vacation leave and vested accumulated sick leave that is expected to be liquidated with available financial resources are recorded as an expenditure/fund liability of the fund that will pay it.

I. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method and are reflected as an adjustment to interest expense for the period. Bonds payable are reported net of the applicable unamortized bond premium or discount.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Bond discounts or premiums are (1) shown as additions to, or deletions from, the account of the bond liability, (2) amortized using the straight-line method, and (3) reflected as an adjustment to interest expense for the period in the proprietary fund.

J. Fund Balance

GASB Statement No. 54, *Fund Balance Reporting* became effective for years beginning after June 15, 2010. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

In accordance with this guidance, the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The City may use the following categories:

Nonspendable - resources that are not in a spendable form (prepaids) or have legal or contractual requirements to maintain the balance intact.

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

Committed - resources that can be used only for specific purposes pursuant to constraints imposed by formal action (resolution) of the City's highest level of decision-making authority (City Council).

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned - resources that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. This includes the residual balance of all governmental funds other than the General Fund that were not classified elsewhere above.

Unassigned - residual fund balance within the General Fund not classified elsewhere above and all other governmental fund balances which have a negative fund balance.

The City applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted fund balance/net position are available. The City considers assigned and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

K. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

During the normal course of operations, the City has numerous transactions between funds. Transfers represent movement of resources from a fund receiving revenue to a fund through which those resources will be expended. Interfund transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the City are treated similarly when involving other funds of the City.

L. Estimates

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

M. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The City's legal level of budgetary is established at the fund level within each fund. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The 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 revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the original and final certificate of estimated resources issued during 2012.

Appropriations - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The appropriations for a fund at the legal level of control may only be modified during the year by an ordinance of Council. The amounts on the budgetary statement reflect the original and final appropriation amounts, including all amendments and modifications legally enacted by Council.

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are reappropriated as part of the subsequent year appropriations.

N. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements. There was no such activity during 2012.

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 the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2012.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES/ACCOUNTABILITY

A. Change in Accounting Principles

For fiscal year 2012, the City has implemented the following:

GASB Statement No. 57 “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans” addresses the provisions related to the frequency and timing of measurements for actuarial valuations first used to report funded status information in OPEB plan financial statements. The implementation of this statement did not have a significant effect on the financial statements of the City.

GASB Statement No. 60 “Accounting and Financial Reporting for Service Concession Arrangements” improves financial reporting by establishing recognition, measurement, and disclosure requirements for service concession arrangements (SCAs) for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. The implementation of this statement did not have a significant effect on the financial statements of the City.

GASB Statement No. 62 “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements” incorporates certain accounting and financial reporting guidance issued on or before November 30, 1989, into the GASB’s authoritative literature that do not conflict with or contradict GASB pronouncements. The implementation of this statement did not have a significant effect on the financial statements of the City.

GASB Statement No. 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position. The implementation of this statement did not have a significant effect on the financial statements of the City.

GASB Statement No. 64 “Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53” clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not have a significant effect on the financial statements of the City.

GASB Statement No. 65 “Items Previously Reported as Assets and Liabilities” clarifies the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources. The implementation of this statement did not have a significant effect on the financial statements of the City.

B. Deficit Fund Balance

The Water fund had deficit fund balances/net position of \$(422,578) at December 31, 2012. The deficit balance is primarily the result of accrued liabilities recorded with the application of generally accepted accounting principles. The general fund is responsible for fund deficits, however, transfers are recorded when cash is needed rather than when the accruals occurs.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations, and changes in fund balances on the basis of United States generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual – for the General Fund and the Street Construction, Emergency Ambulance and Emergency Fire special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance.

The adjustments necessary to convert the results of operations for the year ended December 31, 2012, on the GAAP basis to the budget basis are as follows:

	Net Change in Fund Balances			
	<u>General Fund</u>	<u>Street Construction</u>	<u>Emergency Ambulance</u>	<u>Emergency Fire</u>
GAAP Basis	\$ (64,282)	\$ 64,264	\$ (76,030)	\$ 46,852
Revenue Accruals	(47,672)	(35,167)	(24,524)	(24,056)
Expenditure Accruals	36,885	(13,487)	4,177	476
Other Financing Accruals	(24,574)	-	113,924	-
Encumbrances	(2,548)	(868)	(5,458)	(3,210)
Budget Basis	<u>\$ (102,191)</u>	<u>\$ 14,742</u>	<u>\$ 12,089</u>	<u>\$ 20,062</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 5 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the U.S. Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Deposits - At year-end, the carrying amount of the City's deposits was \$1,070,371, which includes a certificate of deposit totaling \$72,000, and the bank balance was \$1,089,256. Of the bank balance, \$701,972 was covered by federal depository insurance and the remaining amount was covered by collateral held by third party trustees pursuant to Section 135.181 Revised Code, in collateralized pools securing all public funds on deposit with the specific depository institutions.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 5 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments – At year-end, the City’s only investment was with STAR Ohio totaling \$264,241. Deposits in STAR Ohio are reported as part of Cash and Cash Equivalents. Investments reflected on the financial statements represent the \$72,000 held in the certificates of deposit at December 31, 2012. The City has no deposit policy for custodial risk beyond the requirements of State statute.

Interest Rate Risk - The City’s investment policy does not address interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation of debt of the City. The City’s policy also states that, to the extent possible and prudent, the City will attempt to match its investment maturities with anticipated cash flow requirements. At year-end, the City’s investments were not exposed to interest rate risk.

Credit Risk - Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The City’s investment policy states that credit risk will be minimized by diversifying assets and ensuring that the minimum credit quality ratings required by Ohio Law exist. STAROhio carries a rating of AAAM by Standard and Poor’s.

NOTE 6 – TAXES RECEIVABLE

Taxes receivable at year-end consisted of property and income taxes as listed below:

	Property Taxes	Income Taxes	Total
General Fund	\$ 226,126	\$ 669,958	\$ 896,084
Street Construction	127,531	-	127,531
Emergency Ambulance Fund	204,452	-	204,452
Emergency Fire Fund	296,462	-	296,462
Other Governmental Funds	89,880	-	89,880
Totals	<u>\$ 944,451</u>	<u>\$ 669,958</u>	<u>\$ 1,614,409</u>

NOTE 7 - TAXES

A. Municipal Income Tax - The City levies and collects a one percent income tax on all income earned within the City as well as on incomes of residents earned outside the City. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. During the fiscal year, income tax revenue was allocated entirely to the General Fund.

B. Property Taxes - Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2012 for real and public utility property taxes represents collections of the 2011 taxes.

The 2012 real property taxes are levied after October 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by the State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 7 – TAXES (Continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes which became a lien on December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

The assessed values of real and public utility property upon which 2012 property tax receipts were based are as follows:

	Assesed Valuation
Real Property	\$ 70,989,940
Public Utility Property	1,066,580
Total	<u>\$ 72,056,520</u>

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits earlier or later payment dates to be established.

The County Treasurer collects property tax on behalf of all taxing districts in the County, including the City of New Carlisle. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2012 and for which there is an enforceable legal claim. In the General Fund, Street Construction Fund, Emergency Ambulance Fund, Emergency Fire Fund, and Other Governmental Funds, the portion of the receivable not levied to finance 2012 operations is offset to deferred inflows of resources – unearned revenue. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

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**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 8 - CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2012, was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
<i>Non-depreciated assets:</i>				
Land	\$ 264,393	\$ -	\$ -	\$ 264,393
Construction in Process	333,809	252,367	(344,953)	241,223
Total Non-depreciable assets	<u>598,202</u>	<u>252,367</u>	<u>(344,953)</u>	<u>505,616</u>
<i>Capital assets, being depreciated:</i>				
Buildings	668,362	-	-	668,362
Improvements Other than Buildings	286,472	-	-	286,472
Machinery and Equipment	1,528,799	53,563	-	1,582,362
Furniture and Fixtures	87,291	-	-	87,291
Computer Equipment	113,693	-	-	113,693
Vehicles	1,447,298	167,373	-	1,614,671
Infrastructure	2,871,800	204,278	-	3,076,078
Total Depreciable Capital Assets	<u>7,003,715</u>	<u>425,214</u>	<u>-</u>	<u>7,428,929</u>
<i>Accumulated Depreciation:</i>				
Buildings	522,010	33,418	-	555,428
Improvements Other than Buildings	292,931	-	-	292,931
Machinery and Equipment	853,055	79,118	-	932,173
Furniture and Fixtures	65,090	4,365	-	69,455
Computer Equipment	111,999	-	-	111,999
Vehicles	1,455,169	16,737	-	1,471,906
Infrastructure	359,073	154,792	-	513,865
Total Accumulated Depreciation	<u>3,659,327</u>	<u>288,430</u>	<u>-</u>	<u>3,947,757</u>
Depreciable Capital Assets, net	<u>3,344,388</u>	<u>136,784</u>	<u>-</u>	<u>3,481,172</u>
Total Capital Assets, net	<u>\$ 3,942,590</u>	<u>\$ 389,151</u>	<u>\$ (344,953)</u>	<u>\$ 3,986,788</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 79,621
Security of Persons and Property	70,373
Leisure-Time Activities	8,367
Public Health	89,832
Community Environment	4,949
Transportation	35,288
Total Depreciation Expense	<u>\$ 288,430</u>

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 8 - CAPITAL ASSETS (CONTINUED)

Business-type capital asset activity for the year ended December 31, 2012, was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciated assets:				
Land	\$ 252,595	\$ -	\$ -	\$ 252,595
Construction in Process	104,331	1,123,785	-	1,228,116
Total Non-depreciable assets	<u>356,926</u>	<u>1,123,785</u>	<u>-</u>	<u>1,480,711</u>
Capital assets, being depreciated:				
Buildings	5,802,395	-	-	5,802,395
Improvements Other than Buildings	1,028,634	-	-	1,028,634
Machinery and Equipment	5,827,769	7,965	-	5,835,734
Furniture and Fixtures	41,150	-	-	41,150
Computer Equipment	6,544	-	-	6,544
Vehicles	302,338	-	-	302,338
Infrastructure	6,698,596	-	-	6,698,596
Total Depreciable Capital Assets	<u>19,707,426</u>	<u>7,965</u>	<u>-</u>	<u>19,715,391</u>
Less accumulated depreciation:	<u>(17,067,067)</u>	<u>(651,857)</u>	<u>-</u>	<u>(17,718,924)</u>
Total Depreciable capital assets, net	<u>2,640,359</u>	<u>(643,892)</u>	<u>-</u>	<u>1,996,467</u>
Total Capital Assets, net	<u>\$ 2,997,285</u>	<u>\$ 479,893</u>	<u>\$ -</u>	<u>\$ 3,477,178</u>

Depreciation expense was charged to business-type programs as follows:

Water	\$ 414,662
Sewer	236,946
Swimming Pool	249
Total	<u>\$ 651,857</u>

NOTE 9 – LEASE ACTIVITY

A. Operating Lease - The City leases their municipal office space at 331 South Church Street under an operating lease agreement. Total costs for this operating lease were \$22,440 (\$1,870 per month) for the fiscal year.

B. Capital Lease - The City entered into a five-year capitalized lease for the acquisition of radio equipment during 2012. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefit and risk of ownership to the lessee. This capital lease has been recorded as a capital asset at the present value of the minimum lease payments as of the inception date. The capital lease is recorded as machinery and equipment of \$24,574 (\$4,915 accumulated depreciation).

The City will make annual payments of \$5,659 over the next five fiscal years (2013-2017) to retire the lease. The payments include at total of \$3,721 in interest payments.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 10 - LONG-TERM OBLIGATIONS

The City's long-term debt activity for year ended December 31, 2012, including amounts outstanding, interest rates, and purpose for which the debt was issued, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due in One Year
Governmental Activities					
General Obligation Bonds/Notes					
2005 Medical Equipment 4.90% maturing 2012	\$ 22,593	\$ -	\$ (22,593)	\$ -	\$ -
2011 Fire Truck 5.25% maturing 2016	284,778		(23,637)	261,141	24,969
2009 Facilities and Equipment Bonds 4.50%-6.75% maturing 2022	480,000	-	(35,000)	445,000	35,000
Facilities and Equipment Bonds Premium	8,672	-	(1,253)	7,419	-
Twin Creeks Special Assessment 4.50% maturing 2026	840,000	-	(40,000)	800,000	40,000
Twin Creeks Bonds Premium	37,514	-	(4,018)	33,496	-
2010 General Obligation Bonds 3.5-5.125% maturing 2035	675,000	-	(15,000)	660,000	15,000
2012 Medical Unit Acquisiton Bonds 3.99% maturing 2014	-	20,000	(4,000)	16,000	8,000
Capital Leases	-	24,574	-	24,574	4,457
Compensated Absences	44,428	39,943	(37,779)	46,592	10,080
Total Governmental Activities	\$ 2,392,985	\$ 84,517	\$ (183,280)	\$ 2,294,222	\$ 137,506

On September 1, 2006, the City issued Infrastructure Improvement Bonds totaling \$955,000 to payoff bond anticipation notes issued to provide funds for the Twin Creeks Subdivision improvements, consisting of streets, bridge, water, gas, electric, sanitary and storm sewers, curbing, gutters, storm water detention, and other improvements. These bonds will be repaid from special assessments levied against property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent collections at the time a debt service payment is due, the government must provide resources to cover the deficiency.

In 2005, the City received loan proceeds totaling \$137,428 for Medical Equipment purchases. The loan has an interest rate of 4.90% and was repaid in full in 2012. The loan was paid from the City's Emergency Ambulance Fund.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 10 - LONG-TERM OBLIGATIONS (CONTINUED)

In 2006, the City received loan proceeds totaling \$395,000 for the purchase of a Fire Truck. The loan has an interest rate of 5.25% and will be repaid in full in 2011. The loan will be paid from the City's Emergency Fire Fund. On June 6, 2011, the City refinanced the loan in the amount of \$296,348 which will be paid in full in 2016.

On May 5, 2009, the City issued general obligation bonds totaling \$525,000 to pay off bond anticipation notes issued for facilities and equipment. The bonds have interest rates ranging from 4.5% - 6.75% and mature on December 1, 2022. The bonds were sold at a premium of \$12,070 and bond issuance costs totaled \$8,020. The general obligation bonds will be paid from the City's Bond Retirement Fund.

On June 24, 2010, the City issued general obligation bonds totaling \$725,000 to pay off bond anticipation notes issued for facilities and equipment. The bonds have interest rates ranging from 3.5% - 5.125% and mature on December 1, 2035. The general obligation bonds will be paid from the City's Bond Retirement Fund.

On February 1, 2012, the City issued general obligation bonds totaling \$20,000 to pay for a portion of acquiring and equipping a new medic unit for the fire department. The bonds have an interest rate of 3.99% and mature on November 1, 2014. The bonds will be paid from the City's Emergency Ambulance Fund.

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**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 10 - LONG-TERM OBLIGATIONS (CONTINUED)

	Beginning Balance	Additions	Deletions	Ending Balance	Due in One Year
Business-type Activities					
Water Fund Loans:					
1994 OPWC Water Main 0% maturing 2014	\$ 31,319	\$ -	\$ (15,661)	\$ 15,658	\$ 15,658
1997 OWDA Water Main 4.12% maturing 2016	2,279	-	(306)	1,973	632
2004 OPWC YMCA 0% maturing 2025	92,997	-	(7,153)	85,844	7,153
2005 OWDA WTP Improve. 2.85% maturing 2026	2,565,604	-	(145,156)	2,420,448	149,323
Total Water Fund Loans	2,692,199	-	(168,276)	2,523,923	172,766
Sewer Fund Loans:					
1997 OWDA Honey Creek 4.56% maturing 2016	595,126	-	(138,875)	456,251	145,280
1995 OWDA Sewer Line 7.38% maturing 2016	62,865	-	(14,080)	48,785	15,119
1996 OPWC Filter Building 0% maturing 2014	52,000	-	(13,000)	39,000	13,000
2004 OPWC YMCA 0% maturing 2025	85,842	-	(6,603)	79,239	6,603
2012 OPWC WWTP Improve. 0% maturing 2040	-	976,190	-	976,190	32,540
Total Sewer Fund Loans	795,833	976,190	(172,558)	1,599,465	212,542
Compensated Absences	50,782	74,162	(67,200)	57,744	10,365
Total Business-type Activities	\$ 3,538,814	\$ 1,050,352	\$ (408,034)	\$ 4,181,132	\$ 395,673

The Ohio Public Works Commission (OPWC) loans pertain to construction of a 16-inch water main from Smith Park to White Pine Street, the addition of a filter building at the wastewater treatment plant, and the water and sewer line extension to the Tecumseh YMCA. The OPWC loans will be paid from the operating revenues of the Sewer and Water enterprise funds.

The Ohio Water Development Authority (OWDA) loans pertain to construction improvements at the wastewater treatment plant, planning of the Sewer Line North project, and construction of a new water treatment plant. OWDA loans will be paid from the operating revenues of the Sewer and Water enterprise funds.

Compensated absences will be paid from the fund from which the employees' salaries are paid.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 10 - LONG-TERM OBLIGATIONS (CONTINUED)

Annual debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
Governmental Activities:		
2013	\$ 122,969	\$ 119,611
2014	129,331	114,031
2015	132,767	108,280
2016	287,074	97,357
2017	110,000	86,601
2018-2022	650,000	328,808
2023-2027	435,000	148,058
2028-2032	185,000	62,263
2033-2037	130,000	13,581
	<u>2,182,141</u>	<u>\$ 1,078,590</u>
Unamortized Bond Premium	40,915	
	<u>\$ 2,223,056</u>	
Business-Type Activities:		
2013	\$ 385,308	\$ 90,769
2014	381,777	78,641
2015	394,420	65,997
2016	208,849	54,696
2017	213,515	50,030
2018-2022	1,142,385	175,339
2023-2027	909,040	82,757
2028-2032	162,698	-
2033-2037	162,698	-
2038-2042	162,698	-
	<u>\$ 4,123,388</u>	<u>\$ 598,229</u>

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 11 - DEFINED BENEFIT PENSION PLANS

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Separate divisions for law enforcement and public safety exist only within the Traditional Plan. The 2012 member contribution rate for City employees was 10 percent of covered payroll. The 2012 employer contribution rate for the City was 14 percent of covered payroll. The City's required contributions to OPERS for the years ended December 31, 2012, 2011, and 2010 were \$141,684, \$139,356, and \$132,559 respectively. The full amount has been contributed for 2010 and 2011; 89 percent has been contributed for 2012 with the remainder being reported as a fund liability.

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS

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

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

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

In order to qualify for post-retirement health care coverage, age and service retirees must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the Retirement System is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 45.

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

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

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care was 4.0 percent for 2012. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OPERS for post-employment benefits for the years ending December 31, 2012, 2011, and 2010 were \$40,479, \$39,814, and \$48,238, respectively. The full amount has been contributed for 2010 and 2011; 89 percent has been contributed for 2012 with the remainder being reported as a fund liability.

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

NOTE 13 - EMPLOYEE BENEFITS

A. Deferred Compensation Plan

Employees of the City may elect to participate in the ING Life Insurance and Annuity Company deferred compensation plan or the Ohio Public Employees deferred compensation plan. Under these programs, employees elect to defer a portion of their pay. The deferred pay and any income earned on it is not subject to federal and state income taxation until actually received by the employee. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 13 - EMPLOYEE BENEFITS (CONTINUED)

B. Compensated Absences

Vacation leave is earned at rates which vary depending upon length of service and standard work week. Current policy credits vacation leave on the first pay of the year (or their anniversary for first year employees) and allows the unused balance to be accumulated at levels which depend upon years of service. City employees are paid for earned, unused vacation leave at the time of termination of employment.

Sick leave is earned at the rate of one and one-fourth days per month and can be accumulated without limit for each employee. Upon termination, 25 percent of accrued sick leave will be paid at the current rate of pay. In the event that an employee dies as the result of injuries sustained on the job, his or her beneficiary will receive all accrued sick leave at 50 percent of current rate of pay.

NOTE 14 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year, the City was a member of the Public Entities Pool of Ohio, a risk sharing pool. The City's contract with the pool provides that in the event a casualty claim or series of casualty claims exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event that a series of casualty claims exhausts total net position plus any reinsurance and excess risk-sharing recoveries, then payment of such claims shall be the obligation of the City.

The Pool also provides various property coverages which are common to public entities. The pool's general and administrative expenses, reinsurance expenses due and payable in current year, current year claims and claims expenses for property risks, plus all or any portion of any deficiencies which may occur in the property Cumulative Reserve Fund and the pool's obligation to satisfy the requirements of any regulatory authority are funded by member contributions to the pool.

The type of coverage and limit for each is as follows:

<u>Coverage</u>	<u>Limit</u>
Legal Liability	\$ 2,000,000
Automobile Liability	2,000,000
Wrongful Acts	2,000,000
Stop Gap	2,000,000
Public Officials Liability	1,000,000
Public Health Department	2,000,000
Real & Personal Property	22,720,124

The Public Entities Pool of Ohio insurance program includes numerous other coverages related to vehicles, miscellaneous property, electronic data processing equipment, dishonesty, earthquake damage, and flood damage. These additional coverages have coverage limits ranging from \$500 to \$250,000 and some cover actual costs.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 14 - RISK MANAGEMENT (CONTINUED)

Settlements have not exceeded coverage in any of the last three years. There has been no significant reduction in coverage from the prior year.

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.

NOTE 15 – CONTINGENT LIABILITIES

A. Litigation

The City may be a defendant in several lawsuits, the outcome of which cannot be determined. It is the opinion of the City's Law Director that any judgment against the City would not have a material adverse effect on the City's financial position.

B. Twin Creeks Subdivision

In September 2006, the City certified to the Clark County Auditor special assessments to be placed on the tax duplicate of the 50 improved lots in Phase 1 and the unimproved parcel, known as Phase 2 of the Twin Creeks Development. The assessments were levied in order to meet the City's annual debt service of the Twin Creeks Infrastructure Bonds. The special assessments were certified for a period of 20 years, the first payment being due in February of 2007.

In order to protect the City for non-payment of the assessments, Twin Creeks Subdivision, LLC (the Developer) was required to obtain an irrevocable letter of credit, in the amount of \$240,000, covering a three year period beginning January 1, 2007, naming the City of New Carlisle as beneficiary. Between January 1, 2006 and December 31, 2009, only the owners of the purchased lots in Phase 1 of the Twin Creeks Development paid their annual assessments, requiring the City to draw from the letter of credit twice annually for the three year period in order to meet the debt service payments of the Twin Creeks Infrastructure bonds.

During 2007, due to unforeseen circumstances, the development of Twin Creeks Subdivision ended and unpaid assessments on the parcels owned by the developer continue to increase annually. Additionally, even though the special assessments of the Twin Creeks Subdivision LLC owned parcels were in fact paid through the periodic draws from the Developer's irrevocable letter of credit, the Clark County Auditor is unable to remove the delinquent special assessments due to the decision and recommendations of the County's legal representative, the Clark County Prosecutor.

As of December 31, 2012, the special assessment receivable related to the Twin Creeks Subdivision amounted to \$1,420,625, of which \$591,601 was delinquent. The City continues to work with the Clark County Auditor and Treasurer, exploring viable remedies to the situation. At this point, the outcome or potential loss related to this situation cannot be determined.

C. Federal and State Grants

During the fiscal year, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 16 – INTERFUND TRANSFERS

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 231,310
Street Construction Fund	10,000	-
Twin Creeks Infrastructure Fund	74,000	-
Other Governmental Funds:		
Bond Retirement Fund	104,000	-
Cemetery Fund	12,000	-
Bikeaway Project Fund	28,480	-
St. Rt. 235 Fund	1,830	-
Swimming Pool Fund	1,000	-
	<u>\$ 231,310</u>	<u>\$ 231,310</u>

The City uses interfund transfers to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

NOTE 17 - OTHER COMMITMENTS

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General Fund	\$ 2,549
Street Construction Fund	868
Emergency Ambulance Fund	5,458
Emergency Fire Fund	3,210
Other Governmental Funds	2,321
	<u>\$ 14,406</u>



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

City of New Carlisle
Clark County
331 South Church Street
New Carlisle, Ohio 45344

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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Carlisle, Clark County, (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 14, 2013. We qualified our opinion on the governmental activities, business-type activities, major enterprise funds, and aggregate remaining fund information because the lack of sufficient competent evidential matter supporting the City's capital asset balances reported in the basic financial statements could not be obtained and we were unable to obtain assurance related to the recorded amount of accumulated depreciation and depreciation expense.

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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. We consider finding 2012-01 described in the accompanying schedule of findings and responses to be a material weakness.

A significant deficiency is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-02 described in the accompanying schedule of findings and responses to be a significant deficiency.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2012-01.

We also noted matters involving internal control over financial reporting or compliance and other matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated June 14, 2013.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City'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.

Wilson, Shuman & Snow, Inc.

June 14, 2013

**CITY OF NEW CARLISLE
CLARK COUNTY**

SCHEDULE OF FINDINGS AND RESPONSES

DECEMBER 31, 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-01

Capital Assets – Noncompliance/Material Weakness

Ohio Administrative Code Section 117-2-02 (D)(4)(c) states “Capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data. Capital assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items”.

Sound accounting practice, as well as the City’s policy and procedure manual, requires maintaining a capital asset accounting system that incorporates sufficient information to enable the City to prepare financial statements in accordance with accounting principles generally accepted in the United States of America. In order to ensure that all reporting requirements in accordance with accounting principles generally accepted in the United States of America are being met, each department that has responsibility for purchasing, maintaining and/or disposing of capital assets is required to gather data regarding each capital asset acquisition, transfer, or disposal.

Also required by the policy and procedure manual is that, once purchased, all capital assets must be assigned a unique capital asset number that identifies the asset as property of the City, and accurate records of asset cost and accumulated depreciation must be maintained. Through our review of the City’s procedures relating to the acquisition, transfer, and disposal of capital assets, we noted the following deviations from the City’s policy and procedure manual:

- City departments responsible for purchasing, maintaining and/or disposing of capital assets are not required to communicate necessary asset data to the Finance Department, including description, location, and identification code(s);
- Newly acquired capital assets were not assigned a unique capital asset number;
- Newly acquired capital assets were not recorded in a timely manner; and
- Detailed records of cost and accumulated depreciation of capital assets were not maintained

The lack of communication between departments purchasing assets with the Finance Department results in the City’s inability to accurately record necessary data in the City’s capital asset management system. The failure to assign each asset with a unique capital asset number inhibits the City’s tracking capabilities in the event of asset relocation. Most importantly, the lack of detailed records of asset cost and accumulated depreciation limits management’s assurance that amounts reported in the City’s financial statements are accurate and complete.

We recommend the City enforce already established policies and procedures that require responsible departments communicate capital asset data to the Finance Department. As it is provided with this data, the Finance Department must in turn provide purchasing departments with a unique capital asset number and must record each asset in the City’s capital asset management system in a timely manner. We also recommend the City perform a complete physical inventory, determining the historical cost or estimated historical cost and corresponding accumulated depreciation of each capital asset. The results of this physical inventory must be recorded in the City’s capital asset management system enabling the City to calculate accumulated depreciation amounts on a go-forward basis.

CITY OF NEW CARLISLE
CLARK COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

DECEMBER 31, 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-01 (Continued)

Capital Assets – Noncompliance/Material Weakness (Continued)

Official’s Response: City of New Carlisle management agrees with the finding concerning lack of capital asset documentation. The City’s capital assets and infrastructure requires a complete inventory, including capital asset tagging and computation of depreciation. During 2013, management plans to review the City’s policy and procedures concerning capital assets for needed changes and improvements, including capital asset valuation, and depreciation.

The City will also investigate the possibility of contracting with a company to perform a complete inventory of the City’s capital assets and infrastructure, to include proper tagging of assets and computation of depreciation. During 2013, providing adequate funding is available, the City will pursue the purchase of capital asset inventory monitoring application.

FINDING NUMBER 2012-02

Income Tax Internal Control Procedures – Significant Deficiency

It is management’s responsibility to ensure that an adequate internal control structure is implemented to prevent or detect misstatements in the accounting records; safeguard the City’s assets against loss; help ensure compliance with laws and regulations (including the City’s Codified Ordinances); and, provide a basis for measuring whether operations are achieving management’s objectives. An effective internal control structure requires that monitoring be performed over all City procedures and processes. Based on testing performed we recommend the City develop and adopt procedures over the following income tax processes:

- ***Penalties and Interest and Board of Review*** – City Codified Ordinance Chapter 880.10(d) states upon the recommendation of the Tax Administrator, the Board of Review may abate any penalty or interest, or both, or on an appeal from the refusal of the Tax Administrator to recommend abatement of penalty and/or interest, the Board may nevertheless abate the penalty or interest, or both. City Codified Ordinance Chapter 880.12(c) states a person dissatisfied with a ruling or decision of the Administrator which is made under the authority conferred by the City Codified Ordinances may appeal there-from to the Board within thirty days from the announcement of such ruling or decision by the Tax Administrator. The Board of Review shall, on hearing, have jurisdiction to affirm, reverse or modify any such ruling or decision or any part thereof.

Based on the City’s Codified Ordinances, the Board of Review does not have the power to abate taxes, penalties, or interest and should serve only as an advisory board to hear appeals from the respective taxpayer. Currently, the Tax Administrator provides a list of “recommended” taxpayers that may have their penalties and interest abated based upon his recommendation which is then approved by the Board of Review. We noted 3 instances in 2012 where the Board of Review approved the recommendation of the Tax Administrator to abate penalties and interest on uncollectible accounts although this is not a function or a requirement of the Board of Review in accordance with the City Codified Ordinances. *It is recommended that the City adhere to the provisions of the City Codified Ordinances and utilize the Board of Review as an appeals board only and not to formally approve the abatement of penalties and interest unless the taxpayer has filed the proper appeal in accordance with City Codified Chapter 880.12(c). Furthermore, the Tax Administrator should provide on a monthly basis a report identifying all penalties and interest abated to the Finance Director, his immediate supervisor, for review and approval.*

CITY OF NEW CARLISLE
CLARK COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

DECEMBER 31, 2012

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

FINDING NUMBER 2012-02 (Continued)

Income Tax Internal Control Procedures – Significant Deficiency (Continued)

- *Tax Revenue Reconciliation Procedures* – Procedures should be implemented to reconcile actual cash collections posted to the tax accounting system to the amounts deposited with the Finance Director at least weekly not to exceed a monthly basis. Although a reconciliation procedure was performed during 2012 we noted that it was not timely and often exceeded several months. *It is recommended that this process occur in a timelier manner further noting scrutiny by the Finance Director regarding any differences or variances identified.*
- City Codified Ordinance Chapter 880.05(b) states “The return shall be filed with the Administrator on a form furnished by or obtained upon request from such Administrator...” Upon review of reconciliations of business withholdings and income, audits performed by the Tax Department based on the information provided by the business was not always reconciled between the Business W-3 form, business W-2 forms, and the tax system to identify reported discrepancies. *We recommend the City “audit” all business income tax submissions to verify that reported income and withholdings are correct and no other computational errors are identified associated with any tax which may be due or credited to the respective account.*

Official’s Response: The City will work to develop and maintain consistent procedures governing the income tax collection, enforcement, and communication process.

**CITY OF NEW CARLISLE
CLARK COUNTY**

SCHEDULE OF PRIOR YEAR FINDINGS

DECEMBER 31, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid; Explain:
2011-01	Capital Assets	No	Reissued as Finding 2012-01.
2011-02	Recording On-Behalf Transactions	Yes	N/A.
2011-03	Expenditures Exceeding Appropriations	Yes	N/A.
2011-04	Income Tax Internal Control Procedures	No	Reissued as Finding 2012-02.



Dave Yost • Auditor of State

CITY OF NEW CARLISLE

CLARK 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 6, 2013**