



Dave Yost • Auditor of State

**CITY OF NEW CARLISLE
CLARK COUNTY
DECEMBER 31, 2015**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

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, 2015, 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.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Unmodified
Street Construction Fund	Unmodified
Emergency Ambulance Operating Fund	Unmodified
Twin Creeks Infrastructure Bonds Fund	Unmodified
Water Fund	Qualified
Sewer Fund	Qualified
Aggregate Remaining Fund Information	Qualified

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 the 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 the assets, net position, and expenses of the Governmental Activities, Business-Type Activities, Major Enterprise Water and Sewer Funds, and the Non-Major Enterprise Fund (which is a component of Aggregate Remaining Fund Information).

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 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 Water and Sewer Funds, and Aggregate Remaining Fund Information of the City of New Carlisle, Clark County, Ohio, as of December 31, 2015, 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 financial position of the General, Street Construction, Emergency Ambulance Operating, and Twin Creeks Infrastructure Bond funds of the City of New Carlisle, Clark County, Ohio as of December 31, 2015, and the respective changes in its financial position thereof and the respective budgetary comparisons for the General, Street Construction, and Emergency Ambulance Operating funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19 to the financial statements, during the year ended December 31, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2017, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

April 11, 2017

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(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, 2015. 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 and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the current year by approximately \$4.9 million (net position), a decrease of \$107,677 from the prior year.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of approximately \$1.9 million, an increase of \$345,853 from the prior year.
- At year-end, the City's general fund reported a fund balance of \$391,466, an increase of \$139,279 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 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 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, liabilities, and deferred inflows and outflows of resources 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, 2015
(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 Operating, 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 21 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 Operating, and Twin Creeks Infrastructure Bonds, which are considered to be the City's major funds. Data from the other 17 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, and Emergency Ambulance Operating 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, 2015
(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 2015 compared to 2014.

TABLE 1

Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014 (restated)	2015	2014 (restated)	2015	2014 (restated)
Current and other assets	\$ 4,758,022	\$ 4,522,159	\$ 413,950	\$ 485,460	\$ 5,171,972	\$ 5,007,619
Capital assets	5,087,820	5,334,753	1,586,192	2,050,255	6,674,012	7,385,008
Total Assets	9,845,842	9,856,912	2,000,142	2,535,715	11,845,984	12,392,627
Deferred Outflows of Resources	82,422	64,638	82,870	55,337	165,292	119,975
Current liabilities	41,903	129,867	19,596	362,369	61,499	492,236
Long-term liabilities	1,906,410	2,015,517	3,517,666	3,400,853	5,424,076	5,416,370
Net pension liability	528,164	516,235	452,162	441,950	980,326	958,185
Total Liabilities	2,476,477	2,661,619	3,989,424	4,205,172	6,465,901	6,866,791
Deferred Inflows of Resources	659,113	659,816	7,944	-	667,057	659,816
Net Position:						
Net Investment in Capital Assets	3,256,346	3,391,709	(1,894,516)	39,560	1,361,830	3,431,269
Restricted	2,997,528	2,893,576	-	-	2,997,528	2,893,576
Unrestricted	538,800	314,830	(19,840)	(1,653,680)	518,960	(1,338,850)
Total Net Position (Deficit)	\$ 6,792,674	\$ 6,600,115	\$ (1,914,356)	\$ (1,614,120)	\$ 4,878,318	\$ 4,985,995

During 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension.

**CITY OF NEW CARLISLE, OHIO
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MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension asset/liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension asset and net pension liability equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise, if applicable, is a present obligation of the City, part of a bargained-for benefit to the employee, and should accordingly be reported by the City as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribute rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by the contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension systems are responsible for the administration of the plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with the required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension asset/liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the City is reporting a net pension liability, and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from \$7,051,712 to \$6,600,115 for governmental activities and from negative \$1,227,507 to negative \$1,614,120 for business type activities.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

The largest portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, etc.), net of accumulated depreciation, 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 \$3.0 million of the City's net position represents resources that are subject to external restrictions on how they may be used.

Table 2 shows the changes in net position (deficit) for the years ended December 31, 2015 and 2014.

TABLE 2

Change in Net Position (Deficit)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program Revenues:						
Charges for Services	\$ 752,416	\$ 819,299	\$ 1,656,375	\$ 1,541,553	\$ 2,408,791	\$ 2,360,852
Operating Grants and Contributions	382,145	387,903	-	-	382,145	387,903
Capital Grants and Contributions	-	-	-	40,000	-	40,000
General Revenues:						
Property Taxes	561,435	709,262	-	-	561,435	709,262
Income Taxes	1,217,081	868,302	-	-	1,217,081	868,302
Other Local Taxes	127,075	125,621	-	-	127,075	125,621
Unrestricted Grants and Entitlements	54,591	67,750	-	-	54,591	67,750
Other Unrestricted Revenues	15,011	35,424	22,795	29,485	37,806	64,909
Total Revenues	3,109,754	3,013,561	1,679,170	1,611,038	4,788,924	4,624,599
Expenses:						
General Government	751,093	810,265	-	-	751,093	810,265
Security of Persons and Property	592,994	732,843	-	-	592,994	732,843
Leisure-Time Activities	55,844	72,081	-	-	55,844	72,081
Health	928,935	936,600	-	-	928,935	936,600
Community Environment	58,933	69,689	-	-	58,933	69,689
Transportation	414,576	366,600	-	-	414,576	366,600
Interest on Long-Term Debt	104,820	111,128	-	-	104,820	111,128
Water	-	-	1,008,600	1,005,164	1,008,600	1,005,164
Sewer	-	-	930,016	1,121,838	930,016	1,121,838
Swimming Pool	-	-	50,790	81,012	50,790	81,012
Total Expenses	2,907,195	3,099,206	1,989,406	2,208,014	4,896,601	5,307,220
Increase/(Decrease) before Transfers	202,559	(85,645)	(310,236)	(596,976)	(107,677)	(682,621)
Transfers	(10,000)	(66,849)	10,000	66,849	-	-
Increase/(Decrease) in Net Position	192,559	(152,494)	(300,236)	(530,127)	(107,677)	(682,621)
Net Position (Deficit) at Beginning of Year	6,600,115	N/A	(1,614,120)	N/A	4,985,995	N/A
Net Position (Deficit) at End of Year	\$ 6,792,674	\$ 6,600,115	\$ (1,914,356)	\$ (1,614,120)	\$ 4,878,318	\$ 4,985,995

**CITY OF NEW CARLISLE, OHIO
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MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$119,975 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$107,032. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities	Total
Total 2015 program expenses under GASB 68	\$ 2,907,195	\$ 1,989,406	\$ 4,896,601
Pension expense under GASB 68	(57,665)	(49,367)	(107,032)
2015 contractually required contribution	54,241	58,744	112,985
Adjusted 2015 program expenses	2,903,771	1,998,783	4,902,554
 Total 2014 program expenses under GASB 27	 3,099,206	 2,208,014	 5,307,220
 Decrease in program expenses not related to pension	 \$ (195,435)	 \$ (209,231)	 \$ (404,666)

Governmental Activities

The increase in Income Taxes is primarily the result of the City passing a one-half percent police levy which increased the income tax to 1.5 percent effective July 1, 2015.

The significant decrease in Security of Persons and Property is primarily the result of cost-cutting measures during 2015.

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

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

Total versus Net Cost of Services

The Statement of Activities shows the cost of program services and the charges for services and grants and contributions 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	
	2015	2014	2015	2014
Governmental Activities:				
General Government	\$ 751,093	\$ 810,265	\$ 711,748	\$ 759,256
Security of Persons and Property	592,994	732,843	457,417	602,313
Leisure-Time Activities	55,844	72,081	55,844	72,081
Health	928,935	936,600	283,004	230,362
Community Environment	58,933	69,689	58,933	69,689
Transportation	414,576	366,600	100,868	47,175
Interest on Long-Term Debt	104,820	111,128	104,820	111,128
Total Governmental Activities	\$ 2,907,195	\$ 3,099,206	\$ 1,772,634	\$ 1,892,004
Business-Type Activities:				
Water	\$ 1,008,600	\$ 1,005,164	\$ 246,186	\$ 197,481
Sewer	930,016	1,121,838	76,934	382,764
Swimming Pool	50,790	81,012	9,911	46,216
Total Business-Type Activities	\$ 1,989,406	\$ 2,208,014	\$ 333,031	\$ 626,461

The City's reliance upon general tax revenues is demonstrated by the Table 2 indicating approximately 61.3% 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 support.

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 year, the City's governmental funds reported combined ending fund balances of approximately \$1.9 million, an increase of \$345,853 over the previous year's \$1.5 million.

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

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2015 and 2014.

	<u>Fund Balance 12/31/2015</u>	<u>Fund Balance 12/31/2014</u>	<u>Increase (Decrease)</u>
General Fund	\$ 391,466	\$ 252,187	\$ 139,279
Street Construction fund	319,583	275,009	44,574
Emergency Ambulance Operating Fund	233,086	275,103	(42,017)
Twin Creeks Infrastructure Bonds fund	-	(68,371)	68,371
Other governmental funds	928,865	793,219	135,646
Total	<u>\$ 1,873,000</u>	<u>\$ 1,527,147</u>	<u>\$ 345,853</u>

The General Fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the General Fund was \$367,094, while total fund balance was \$391,466. The \$139,279 increase in the result of revenues exceeding expenses and operating subsidies to other funds during 2015.

The Street Construction Fund accounts for the City's street repair, maintenance and improvement activities. The increase in fund balance represents the amount by which property taxes, intergovernmental revenue, and loan proceeds exceeded costs of street maintenance and improvement.

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

The fund balance increase in the Twin Creeks Infrastructure Bonds Fund represents the amount by which special assessment revenues exceeded debt service expenditures during the year.

The fund balance increase in the Other Government Funds is primarily the result of the City passing a one-half percent police levy which increased the income tax to 1.5 percent effective July 1, 2015.

Proprietary Funds

At year-end, unrestricted net position in the Water Fund amounted to approximately negative \$1.2 million. Total Water Fund net position decreased \$231,584, or 24.2%, from the previous year. This decrease in net position is the result of an operating loss of \$171,653 and debt interest payments totaling \$59,931.

At year-end, unrestricted net position in the Sewer Fund amounted to negative \$745,553. Total Sewer Fund net position decreased \$73,480, or 10.9%, from the previous year. This decrease in net position is the result of an operating loss of \$52,675 and debt interest payments totaling \$20,805.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

GENERAL FUND BUDGETARY INFORMATION

The City's final revenues estimate was \$72,006, or 5.2%, less than the original estimate. Actual budgetary revenues were \$110,390, or 8.4%, more than the final revenue estimate.

The City's final appropriations were \$5,095, or 0.4%, more than original appropriations. Actual budgetary expenditures were \$55,242 less than final appropriations. This decrease is primarily the result of the City opting to transfer less funds to the debt service and swimming pool funds.

CAPITAL ASSETS

At year-end, the City's investment in capital assets for governmental and business-type activities totaled approximately \$5.1 million and \$1.6 million (net of accumulated depreciation), respectively. This investment in capital assets includes land, construction in progress, land improvements, buildings, equipment, furniture, vehicles, and infrastructure.

Total of capital asset acquisitions for the current year was \$319,935 and depreciation expense was approximately \$1.0 million.

Detailed information regarding capital asset activity is included in the Note 7 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 \$5.3 million. Of this amount, approximately \$1.9 million represents bonds and notes backed by the full faith and credit of the City and \$3.4 million represents OPWC and OWDA loans secured by specified revenue sources.

Detailed information regarding long-term debt is included in Note 9 to the basic financial statements.

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 Colleen Harris, City Finance Director, 331 South Church Street, New Carlisle, Ohio 45344.

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

STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled Cash and Cash Equivalents	\$ 1,339,939	\$ 182,827	\$ 1,522,766
Investments	72,506	-	72,506
Receivables:			
Taxes	1,706,674	-	1,706,674
Accounts	160,940	215,330	376,270
Due From Other Governments	215,730	-	215,730
Prepaid Items	50,005	15,793	65,798
Special Assessments Receivable	1,086,228	-	1,086,228
Property Held for Resale	126,000	-	126,000
NonDepreciable Capital Assets	264,393	770,809	1,035,202
Depreciable Capital Assets, Net	4,823,427	815,383	5,638,810
Total Assets	<u>9,845,842</u>	<u>2,000,142</u>	<u>11,845,984</u>
Deferred Outflows of Resources			
Pension	82,422	82,870	165,292
Total Deferred Outflow of Resources	<u>82,422</u>	<u>82,870</u>	<u>165,292</u>
Liabilities			
Accounts Payable	8,835	341	9,176
Accrued Wages and Benefits	10,938	6,737	17,675
Due To Other Governments	22,130	12,518	34,648
Long-Term Liabilities			
Due Within One Year	308,888	235,190	544,078
Due in More Than One Year	1,597,522	3,282,476	4,879,998
Net Pension Liability	528,164	452,162	980,326
Total Liabilities	<u>2,476,477</u>	<u>3,989,424</u>	<u>6,465,901</u>
Deferred Inflows of Resources			
Property Taxes	649,834	-	649,834
Pension	9,279	7,944	17,223
Total Deferred Inflow of Resources	<u>659,113</u>	<u>7,944</u>	<u>667,057</u>
Net Position			
Net Investment in Capital Assets	3,256,346	(1,894,516)	1,361,830
Restricted For:			
Debt Service	1,086,686	-	1,086,686
Highways and Streets	521,784	-	521,784
Public Safety	636,719	-	636,719
Public Health	730,774	-	730,774
Community Environment	21,565	-	21,565
Unrestricted	538,800	(19,840)	518,960
Total Net Position	<u>\$ 6,792,674</u>	<u>\$ (1,914,356)</u>	<u>\$ 4,878,318</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, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
General Government	\$ 751,093	\$ 37,960	\$ 1,385
Security of Persons and Property	592,994	101,064	34,513
Leisure-Time Activities	55,844	-	-
Health	928,935	609,968	35,963
Community Environment	58,933	-	-
Transportation	414,576	3,424	310,284
Interest on Long-Term Debt	104,820	-	-
Total Governmental Activities	<u>2,907,195</u>	<u>752,416</u>	<u>382,145</u>
Business-type Activities:			
Water	1,008,600	762,414	-
Sewer	930,016	853,082	-
Swimming Pool	50,790	40,879	-
Total Business-Type Activities	<u>1,989,406</u>	<u>1,656,375</u>	<u>-</u>
Total Government	<u><u>\$ 4,896,601</u></u>	<u><u>\$ 2,408,791</u></u>	<u><u>\$ 382,145</u></u>

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, Restated
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
\$ (711,748)	\$ -	\$ (711,748)
(457,417)	-	(457,417)
(55,844)	-	(55,844)
(283,004)	-	(283,004)
(58,933)	-	(58,933)
(100,868)	-	(100,868)
(104,820)	-	(104,820)
<u>(1,772,634)</u>	<u>-</u>	<u>(1,772,634)</u>
-	(246,186)	(246,186)
-	(76,934)	(76,934)
-	(9,911)	(9,911)
-	<u>(333,031)</u>	<u>(333,031)</u>
<u>(1,772,634)</u>	<u>(333,031)</u>	<u>(2,105,665)</u>
561,435	-	561,435
1,217,081	-	1,217,081
127,075	-	127,075
54,591	-	54,591
15,011	22,795	37,806
(10,000)	10,000	-
<u>1,965,193</u>	<u>32,795</u>	<u>1,997,988</u>
<u>192,559</u>	<u>(300,236)</u>	<u>(107,677)</u>
6,600,115	(1,614,120)	4,985,995
<u>\$ 6,792,674</u>	<u>\$ (1,914,356)</u>	<u>\$ 4,878,318</u>

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General Fund	Street Construction	Emergency Ambulance Operating
Assets:			
Pooled Cash and Cash Equivalents	\$ 169,641	\$ 264,278	\$ 180,101
Investments	-	-	-
Receivables:			
Taxes	845,801	178,591	156,268
Accounts	15,449	-	142,138
Due From Other Governments	25,408	112,967	11,570
Prepaid Items	24,352	6,830	7,496
Special Assessments Receivable	14,187	-	-
Property Held for Resale	-	-	-
Total Assets	\$ 1,094,838	\$ 562,666	\$ 497,573
Liabilities:			
Accounts Payable	\$ 302	\$ 150	\$ 1,540
Accrued Wages and Benefits	3,594	1,595	3,662
Due To Other Governments	7,538	2,710	8,881
Total Liabilities	11,434	4,455	14,083
Deferred Inflows of Resources:			
Unavailable Revenue	569,023	136,118	160,707
Property and Other Local Taxes	122,915	102,510	89,697
Total Deferred Inflows of Resources	691,938	238,628	250,404
Fund Balances:			
Nonspendable:			
Prepaid Items	24,352	6,830	7,496
Perpetual Care	-	-	-
Restricted for:			
Debt Service	-	-	-
Highways and Streets	-	312,753	-
Public Safety	-	-	-
Public Health	-	-	225,590
Community Environment	-	-	-
Assigned for:			
General Government	20	-	-
Unassigned	367,094	-	-
Total Fund Balances	391,466	319,583	233,086
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,094,838	\$ 562,666	\$ 497,573

See accompanying notes to the basic financial statements

Twin Creeks Infrastructure Bonds	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 725,919	\$ 1,339,939
-	72,506	72,506
-	526,014	1,706,674
-	3,353	160,940
-	65,785	215,730
-	11,327	50,005
982,041	90,000	1,086,228
126,000	-	126,000
<u>\$ 1,108,041</u>	<u>\$ 1,494,904</u>	<u>\$ 4,758,022</u>
\$ -	\$ 6,843	\$ 8,835
-	2,087	10,938
-	3,001	22,130
<u>-</u>	<u>11,931</u>	<u>41,903</u>
1,108,041	219,396	2,193,285
-	334,712	649,834
<u>1,108,041</u>	<u>554,108</u>	<u>2,843,119</u>
-	11,327	50,005
-	136,135	136,135
-	1,591	1,591
-	97,083	409,836
-	515,987	515,987
-	145,177	370,767
-	21,565	21,565
-	-	20
-	-	367,094
<u>-</u>	<u>928,865</u>	<u>1,873,000</u>
<u>\$ 1,108,041</u>	<u>\$ 1,494,904</u>	<u>\$ 4,758,022</u>

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015

Total Governmental Fund Balances \$ 1,873,000

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 5,087,820

Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable in the funds.

Delinquent Property Taxes	321,308
Income Taxes	486,705
EMS Receivables	97,619
Cemetery Receivables	3,280
Intergovernmental Receivables	162,069
Special Assessment Receivables	1,122,228
Accounts Receivable	76

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	(26,407)
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The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	82,422
Deferred Inflows - Pension	(9,279)
Net Pension Liability	(528,164)

Long-Term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Compensated Absences Payable	(48,529)
Capital Lease	(10,538)
General Obligation Debt	<u>(1,820,936)</u>

Net Position of Governmental Activities **\$ 6,792,674**

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, 2015

	General Fund	Street Construction	Emergency Ambulance Operating
Revenues:			
Property Taxes	\$ 136,656	\$ 113,984	\$ 100,819
Income Taxes	988,790	-	-
Other Local Taxes	127,075	-	-
Charges for Services	-	-	530,972
Licenses, Permits, and Fees	30,705	-	-
Fines and Forfeitures	7,255	-	-
Intergovernmental	54,578	225,962	18,325
Special Assessments	16,711	-	-
Other	15,011	3,424	-
Total Revenues	1,376,781	343,370	650,116
Expenditures:			
Current Operations and Maintenance:			
General Government	646,204	-	-
Security of Persons and Property	221,473	-	-
Leisure-Time Activities	46,331	-	-
Health	-	-	679,985
Community Environment	46,319	-	-
Transportation	-	290,126	-
Capital Outlay	13,544	34,367	12,148
Debt Service:			
Principal Retirement	4,904	5,578	-
Interest and Fiscal Charges	755	530	-
Total Expenditures	979,530	330,601	692,133
Excess (Deficiency) of Revenues Over (Under) Expenditures	397,251	12,769	(42,017)
Other Financing Sources (Uses):			
Loan Proceeds	-	31,805	-
Transfers In	2,828	-	-
Transfers Out	(260,800)	-	-
Total Other Financing Sources (Uses)	(257,972)	31,805	-
Net Change in Fund Balances	139,279	44,574	(42,017)
Fund Balance at Beginning of Year	252,187	275,009	275,103
Fund Balance at End of Year	\$ 391,466	\$ 319,583	\$ 233,086

See accompanying notes to the basic financial statements

Twin Creeks Infrastructure Bonds	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 271,285	\$ 622,744
-	157,885	1,146,675
-	-	127,075
-	84,193	615,165
-	-	30,705
-	-	7,255
-	136,991	435,856
15,600	84,963	117,274
-	614	19,049
<u>15,600</u>	<u>735,931</u>	<u>3,121,798</u>
1,460	109	647,773
-	247,530	469,003
-	-	46,331
-	136,209	816,194
-	-	46,319
-	74,461	364,587
-	94,671	154,730
45,000	87,893	143,375
43,369	64,784	109,438
<u>89,829</u>	<u>705,657</u>	<u>2,797,750</u>
(74,229)	30,274	324,048
-	-	31,805
142,600	108,200	253,628
-	(2,828)	(263,628)
<u>142,600</u>	<u>105,372</u>	<u>21,805</u>
68,371	135,646	345,853
(68,371)	793,219	1,527,147
<u>\$ -</u>	<u>\$ 928,865</u>	<u>\$ 1,873,000</u>

**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, 2015

Net Change in Fund Balances - Total Governmental Funds \$ 345,853

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	99,517
Depreciation	(346,450)

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

Delinquent Property Taxes	(61,309)
Income Taxes	70,406
Charges for Services	(5,730)
Intergovernmental Revenues	880
Special Assessments	(16,291)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 54,241

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (57,665)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal 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	(31,805)
Repayment of Long-term Debt	138,471
Capital Lease Payment	4,904

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.

Premium on Bonds	4,618
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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	(7,081)
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Change in Net Position of Governmental Activities **\$ 192,559**

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, 2015

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property Taxes	\$ 143,592	\$ 143,592	\$ 132,612	\$ (10,980)
Income tax	938,000	938,000	1,010,062	72,062
Other Local Taxes	131,000	131,000	157,726	26,726
Licenses and Permits	52,342	28,340	29,635	1,295
Fines and Forfeitures	44,002	20,000	6,875	(13,125)
Intergovernmental	63,904	39,902	55,008	15,106
Special Assessments	10,000	10,000	16,711	6,711
Other	2,150	2,150	15,011	12,861
Total Revenues	<u>1,384,990</u>	<u>1,312,984</u>	<u>1,423,640</u>	<u>110,656</u>
Expenditures				
General Government	701,605	706,700	711,270	(4,570)
Security of Persons and Property	237,320	237,320	221,682	15,638
Leisure-Time Activities	52,353	52,353	48,104	4,249
Community Environment	51,127	51,127	48,799	2,328
Capital Outlay	26,000	26,000	19,203	6,797
Total Expenditures	<u>1,068,405</u>	<u>1,073,500</u>	<u>1,049,058</u>	<u>24,442</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	316,585	239,484	374,582	135,098
Other Financing Sources/(Uses)				
Operating Transfers In	3,094	3,094	2,828	(266)
Transfers Out	(291,600)	(291,600)	(260,800)	30,800
Total Other Financing Sources/(Uses)	<u>(288,506)</u>	<u>(288,506)</u>	<u>(257,972)</u>	<u>30,534</u>
Net Change in Fund Balance	28,079	(49,022)	116,610	165,632
Fund Balance at Beginning of Year	52,709	52,709	52,709	-
Fund Balance at End of Year	<u>\$ 80,788</u>	<u>\$ 3,687</u>	<u>\$ 169,319</u>	<u>\$ 165,632</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, 2015

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property Taxes	\$ 119,757	\$ 119,757	\$ 110,609	\$ (9,148)
Intergovernmental	195,915	223,220	226,895	3,675
Other	500	500	3,424	2,924
Total Revenues	<u>316,172</u>	<u>343,477</u>	<u>340,928</u>	<u>(2,549)</u>
Expenditures				
Transportation	548,527	543,182	295,664	247,518
Capital Outlay	8,700	8,700	34,367	(25,667)
Debt Service:				
Principal Retirement	-	-	5,578	(5,578)
Interest and Fiscal Charges	-	-	530	(530)
Total Expenditures	<u>557,227</u>	<u>551,882</u>	<u>336,139</u>	<u>215,743</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(241,055)	(208,405)	4,789	213,194
Other Financing Sources				
Loan Proceeds	31,805	31,805	31,805	
Total Other Financing Sources	<u>31,805</u>	<u>31,805</u>	<u>31,805</u>	<u>-</u>
Net Change in Fund Balance	(209,250)	(176,600)	36,594	213,194
Fund Balance at Beginning of Year	227,284	227,284	227,284	-
Prior Year Encumbrances Appropriated	250	250	250	-
Fund Balance at End of Year	<u>\$ 18,284</u>	<u>\$ 50,934</u>	<u>\$ 264,128</u>	<u>\$ 213,194</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 OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property Taxes	\$ 104,788	\$ 104,788	\$ 97,798	\$ (6,990)
Charges for Services	527,800	527,800	533,137	5,337
Intergovernmental	16,567	16,567	18,326	1,759
Total Revenues	<u>649,155</u>	<u>649,155</u>	<u>649,261</u>	<u>106</u>
Expenditures				
Health	735,286	735,286	720,188	15,098
Capital Outlay	12,150	12,150	12,148	2
Total Expenditures	<u>747,436</u>	<u>747,436</u>	<u>732,336</u>	<u>15,100</u>
Net Change in Fund Balance	(98,281)	(98,281)	(83,075)	15,206
Fund Balance at Beginning of Year	261,180	261,180	261,180	-
Fund Balance at End of Year	<u>\$ 162,899</u>	<u>\$ 162,899</u>	<u>\$ 178,105</u>	<u>\$ 15,206</u>

See accompanying notes to the basic financial statements

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

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015**

	Water Fund	Sewer Fund	Nonmajor Swimming Pool	Total
Assets				
Current Assets:				
Pooled Cash and Cash Equivalents	\$ 53,417	\$ 124,753	\$ 4,657	\$ 182,827
Accounts Receivable	104,097	111,233	-	215,330
Prepaid Items	8,713	4,165	2,915	15,793
Total Current Assets	<u>166,227</u>	<u>240,151</u>	<u>7,572</u>	<u>413,950</u>
Noncurrent Assets:				
NonDepreciable Capital Assets	525,287	209,195	36,327	770,809
Depreciable Capital Assets, Net	812,648	-	2,735	815,383
Total Noncurrent Assets	<u>1,337,935</u>	<u>209,195</u>	<u>39,062</u>	<u>1,586,192</u>
Total Assets	<u>1,504,162</u>	<u>449,346</u>	<u>46,634</u>	<u>2,000,142</u>
Deferred Outflows of Resources				
Pension	36,155	42,556	4,159	82,870
Total Deferred Outflows of Resources	<u>36,155</u>	<u>42,556</u>	<u>4,159</u>	<u>82,870</u>
Liabilities				
Current Liabilities				
Accounts Payable	-	341	-	341
Accrued Wages and Benefits	3,023	3,714	-	6,737
Due To Other Governments	5,650	6,518	350	12,518
Compensated Absences	5,414	10,618	-	16,032
Loans Payable	174,674	44,484	-	219,158
Total Current Liabilities	<u>188,761</u>	<u>65,675</u>	<u>350</u>	<u>254,786</u>
Noncurrent Liabilities				
Loans Payable	2,331,737	929,813	-	3,261,550
Compensated Absences	12,603	8,323	-	20,926
Net Pension Liability	191,201	229,610	31,351	452,162
Total Noncurrent Liabilities	<u>2,535,541</u>	<u>1,167,746</u>	<u>31,351</u>	<u>3,734,638</u>
Total Liabilities	<u>2,724,302</u>	<u>1,233,421</u>	<u>31,701</u>	<u>3,989,424</u>
Deferred Inflows of Resources				
Pension	3,359	4,034	551	7,944
Total Deferred Inflows of Resources	<u>3,359</u>	<u>4,034</u>	<u>551</u>	<u>7,944</u>
Net Position				
Net Investment in Capital Assets	(1,168,476)	(765,102)	39,062	(1,894,516)
Unrestricted Net Position	(18,868)	19,549	(20,521)	(19,840)
Total Net Position	<u>\$ (1,187,344)</u>	<u>\$ (745,553)</u>	<u>\$ 18,541</u>	<u>\$ (1,914,356)</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, 2015

	Water Fund	Sewer Fund	Nonmajor Swimming Pool	Total
Operating Revenues				
Charges for Services	\$ 762,414	\$ 853,082	\$ 40,879	\$ 1,656,375
Other Operating Revenues	14,602	3,454	4,739	22,795
Total Operating Revenues	<u>777,016</u>	<u>856,536</u>	<u>45,618</u>	<u>1,679,170</u>
Operating Expenses				
Personal Services	317,604	364,265	25,221	707,090
Contractual Services	123,433	211,724	14,399	349,556
Materials and Supplies	85,723	67,357	10,132	163,212
Depreciation	419,770	264,213	498	684,481
Other Operating Expenses	2,139	1,652	540	4,331
Total Operating Expenses	<u>948,669</u>	<u>909,211</u>	<u>50,790</u>	<u>1,908,670</u>
Operating Loss	<u>(171,653)</u>	<u>(52,675)</u>	<u>(5,172)</u>	<u>(229,500)</u>
Nonoperating Expenses				
Interest and Fiscal Charges	<u>(59,931)</u>	<u>(20,805)</u>	-	<u>(80,736)</u>
Total Non-Operating Expenses	<u>(59,931)</u>	<u>(20,805)</u>	-	<u>(80,736)</u>
Loss Before Transfers	(231,584)	(73,480)	(5,172)	(310,236)
Transfer In	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Change in Net Position	(231,584)	(73,480)	4,828	(300,236)
Net Position at Beginning of Year, Restated	(955,760)	(672,073)	13,713	(1,614,120)
Net Position at End of Year	<u>\$ (1,187,344)</u>	<u>\$ (745,553)</u>	<u>\$ 18,541</u>	<u>\$ (1,914,356)</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, 2015

	Water Fund	Sewer Fund	Nonmajor Swimming Pool	Total
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 790,130	\$ 871,422	\$ 40,879	\$ 1,702,431
Other Operating Receipts	14,602	3,454	4,739	22,795
Cash Paid to Employees	(329,823)	(376,735)	(25,640)	(732,198)
Cash Paid to Suppliers	(209,156)	(279,074)	(24,781)	(513,011)
Cash Paid for Other Expenses	(2,139)	(1,652)	(540)	(4,331)
Net Cash Provided by (Used in) Operating Activities	<u>263,614</u>	<u>217,415</u>	<u>(5,343)</u>	<u>475,686</u>
Cash Flows from Noncapital Financing Activities				
Transfers In	-	-	10,000	10,000
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	(2,929)	-	-	(2,929)
Payment of Debt Principal	(193,543)	(234,516)	-	(428,059)
Payment of Debt Interest	(59,931)	(20,805)	-	(80,736)
Net Cash Used in Capital and Related Financing Activities	<u>(256,403)</u>	<u>(255,321)</u>	<u>-</u>	<u>(511,724)</u>
Net Change in Cash and Cash Equivalents	7,211	(37,906)	4,657	(26,038)
Cash and Cash Equivalents, Beginning of Year	46,206	162,659	-	208,865
Cash and Cash Equivalents, End of Year	<u>\$ 53,417</u>	<u>\$ 124,753</u>	<u>\$ 4,657</u>	<u>\$ 182,827</u>
Reconciliation of Operating Loss to Net Cash Provided by (Used In) Operating Activities:				
Operating Loss	\$ (171,653)	\$ (52,675)	\$ (5,172)	\$ (229,500)
Depreciation Expense	419,770	264,213	498	684,481
(Increase)/Decrease in Current Assets				
Accounts Receivable	27,716	18,340	-	46,056
Prepaid Items	-	(334)	(250)	(584)
Increase in Deferred Outflows of Resources - Pension	(12,755)	(14,456)	(322)	(27,533)
Increase/(Decrease) in Current Liabilities				
Accounts Payable	-	341	-	341
Accrued Wages and Benefits	(5,521)	(8,045)	-	(13,566)
Compensated Absences	3,316	7,287	-	10,603
Due to Other Governments	(4,936)	(6,476)	(1,356)	(12,768)
Increase/(Decrease) in Net Pension Liability	4,318	5,186	708	10,212
Increase in Deferred Inflows of Resources - Pension	3,359	4,034	551	7,944
Net Cash Provided by (Used in) Operating Activities	<u>\$ 263,614</u>	<u>\$ 217,415</u>	<u>\$ (5,343)</u>	<u>\$ 475,686</u>

Schedule of Non-Cash Transactions:

In 2015, the City acquired/constructed equipment in exchange for an OWDA Automated Meter Upgrade Loan Payable in the amount of \$470,659. In addition, the City acquired machinery in exchange for a bank loan payable in the amount of \$63,610.

See accompanying notes to the basic financial statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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, 2015

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.

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 Operating Fund* accounts for ambulance services provided by the City.

The *Twin Creeks Infrastructure Bonds 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

During 2015, the City invested in a certificate of deposit and the State Treasury Asset Reserve of Ohio (STAR Ohio). 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".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and outflows 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.

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 City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life exceeding one year. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Buildings	5
Machinery and Equipment	20
Furniture and Fixtures	20
Computer Equipment	5
Vehicles	10
Infrastructure	20-50

For proprietary funds, 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.

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, special assessments, pension, and unavailable revenue. Property taxes and special assessments represent amounts for which is an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue include delinquent property taxes, grants, and entitlements. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Revenues earned but not received within the City's availability period are recorded as unavailable revenue on the fund financial statements. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 10)

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Pensions

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

J. 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.

K. 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.

L. 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:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

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.

M. 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.

N. 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.

O. Property Held for Resale

The City acquired land at the Twin Creeks development through a land reutilization program. The City intends for the land to be sold to developers to promote residential growth within the City. Transactions are conducted through the City's Twin Creeks Infrastructure Bonds fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. 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 control is established at the fund level. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

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 2015.

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.

Q. 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 2015.

R. 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 2015.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 3 – 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, and Emergency Ambulance Operating 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, 2015, on the GAAP basis to the budget basis are as follows:

Net Change in Fund Balances

	General Fund	Street Construction	Emergency Ambulance Operating
GAAP Basis	\$ 139,279	\$ 44,574	\$ (42,017)
Revenue Accruals	46,859	(2,442)	(855)
Expenditure Accruals	(69,206)	(5,388)	(38,207)
Encumbrances	(322)	(150)	(1,996)
Budget Basis	\$ 116,610	\$ 36,594	\$ (83,075)

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 4 – 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

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 \$1,330,559, which includes a certificate of deposit totaling \$72,506, and the bank balance was \$1,537,846. Of the bank balance, \$323,322 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.

Investments – At year-end, the City's only investment was with STAR Ohio totaling \$264,713. Deposits in STAR Ohio are reported as part of Cash and Cash Equivalents. Investments reflected on the financial statements represent the \$72,506 held in the certificates of deposit at December 31, 2015. 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.

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 AAA by Standard and Poor's.

NOTE 5 – TAXES RECEIVABLE

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

	Property Taxes	Income Taxes	Total
General Fund	\$ 214,136	\$ 631,665	\$ 845,801
Street Construction	178,591	-	178,591
Emergency Ambulance Operating Fund	156,268	-	156,268
Other Governmental Funds	426,333	99,681	526,014
Totals	<u>\$ 975,328</u>	<u>\$ 731,346</u>	<u>\$ 1,706,674</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 6 – TAXES

A. Municipal Income Tax - The City levied and collected a 1.0 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. On May 5, 2015, the City passed a new one-half percent police levy which increased the income tax to 1.5 percent effective July 1, 2015. During the year, income tax revenue was allocated at one percent to the General Fund and one-half percent to other governmental funds.

B. Property Taxes - Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2015 for real and public utility property taxes represents collections of the 2014 taxes.

The 2015 real property taxes are levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by the State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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. 2015 public utility property taxes which became a lien on December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The total assessed property tax valuation for tax year 2014, upon which 2015 property tax receipts were based, was \$66,488,440.

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, 2015 and for which there is an enforceable legal claim. In the General Fund, Street Construction Fund, Emergency Ambulance Operating Fund, and Other Governmental Funds, the portion of the receivable not levied to finance 2015 operations is offset to deferred inflows of resources – property and other local taxes. 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, 2015

NOTE 7 – CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2015, was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
<i>Non-depreciated assets:</i>				
Land	\$ 264,393	\$ -	\$ -	\$ 264,393
Total Non-depreciable assets	<u>264,393</u>	<u>-</u>	<u>-</u>	<u>264,393</u>
<i>Capital assets, being depreciated:</i>				
Buildings	668,362	-	-	668,362
Improvements Other than Buildings	286,472	-	-	286,472
Machinery and Equipment	1,622,441	44,459	-	1,666,900
Furniture and Fixtures	87,291	12,916	-	100,207
Computer Equipment	148,286	3,322	-	151,608
Vehicles	1,653,154	12,000	-	1,665,154
Infrastructure	5,435,602	26,820	-	5,462,422
Total Depreciable Capital Assets	<u>9,901,608</u>	<u>99,517</u>	<u>-</u>	<u>10,001,125</u>
<i>Accumulated Depreciation:</i>				
Buildings	622,264	33,418	-	655,682
Improvements Other than Buildings	292,931	(6,459)	-	286,472
Machinery and Equipment	1,094,126	83,345	-	1,177,471
Furniture and Fixtures	78,184	5,010	-	83,194
Computer Equipment	148,286	3,322	-	151,608
Vehicles	1,653,154	12,000	-	1,665,154
Infrastructure	942,303	215,814	-	1,158,117
Total Accumulated Depreciation	<u>4,831,248</u>	<u>346,450</u>	<u>-</u>	<u>5,177,698</u>
Depreciable Capital Assets, net	<u>5,070,360</u>	<u>(246,933)</u>	<u>-</u>	<u>4,823,427</u>
Total Capital Assets, net	<u>\$ 5,334,753</u>	<u>\$ (246,933)</u>	<u>\$ -</u>	<u>\$ 5,087,820</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 93,946
Security of Persons and Property	84,969
Leisure-Time Activities	8,357
Health	108,593
Community Environment	8,080
Transportation	42,505
Total Depreciation Expense	<u>\$ 346,450</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 7 – CAPITAL ASSETS (CONTINUED)

Business-type capital asset activity for the year ended December 31, 2015, was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciated assets:				
Land	\$ 252,595	\$ -	\$ -	\$ 252,595
Construction in Process	364,335	153,879	-	518,214
Total Non-depreciable assets	<u>616,930</u>	<u>153,879</u>	<u>-</u>	<u>770,809</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	5,885,739	63,610	-	5,949,349
Furniture and Fixtures	41,150	-	-	41,150
Computer Equipment	8,725	2,929	-	11,654
Vehicles	311,298	-	-	311,298
Infrastructure	7,937,902	-	-	7,937,902
Total Depreciable Capital Assets	<u>21,015,843</u>	<u>66,539</u>	<u>-</u>	<u>21,082,382</u>
Less accumulated depreciation:	<u>(19,582,518)</u>	<u>(684,481)</u>	<u>-</u>	<u>(20,266,999)</u>
Total Depreciable capital assets, net	<u>1,433,325</u>	<u>(617,942)</u>	<u>-</u>	<u>815,383</u>
Total Capital Assets, net	<u>\$ 2,050,255</u>	<u>\$ (464,063)</u>	<u>\$ -</u>	<u>\$ 1,586,192</u>

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

Water	\$ 419,770
Sewer	264,213
Swimming Pool	498
Total	<u>\$ 684,481</u>

NOTE 8 – 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, 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 (\$19,659 accumulated depreciation).

The City will make annual payments of \$5,659 over the next two fiscal years (2016-2017) to retire the lease. The payments include a total of \$780 in interest payments.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 – LONG-TERM OBLIGATIONS

The City's long-term debt activity for the year ended December 31, 2015, including amounts outstanding, interest rates, and purpose for which the debt was issued, is as follows:

	Restated Beginning Balance	Additions	Deletions	Ending Balance	Due in One Year
Governmental Activities					
General Obligation Bonds/Notes					
2011 Fire Truck 5.25% maturing 2016	\$ 207,602	\$ -	\$ (27,893)	\$ 179,709	\$ 179,709
2009 Facilities and Equipment Bonds 4.50%-6.75% maturing 2022	375,000	-	(40,000)	335,000	40,000
Facilities and Equipment Bonds Premium	5,121	-	(1,045)	4,076	-
Twin Creeks Special Assessment 4.50% maturing 2026	720,000	-	(45,000)	675,000	45,000
Twin Creeks Bonds Premium	25,904	-	(3,573)	22,331	-
2010 General Obligation Bonds 3.5-5.125% maturing 2035	625,000	-	(20,000)	605,000	20,000
Backhoe Note 2.720% maturing 2020	-	31,805	(5,578)	26,227	4,968
Capital Leases	15,442	-	(4,904)	10,538	5,143
Compensated Absences	41,448	40,733	(33,652)	48,529	14,068
Net Pension Liability	516,235	11,929	-	528,164	-
Total Governmental Activities	<u>\$ 2,531,752</u>	<u>\$ 84,467</u>	<u>\$ (181,645)</u>	<u>\$ 2,434,574</u>	<u>\$ 308,888</u>

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 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 – LONG-TERM OBLIGATIONS (CONTINUED)

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 September 29, 2015, the City entered into a promissory note totaling \$95,415 to pay for a backhoe. The note has interest of 2.720% and matures on October 29, 2020. The backhoe note will be paid from the Street Construction, Water, and Sewer funds.

	Restated			Ending Balance	Due in One Year
	Beginning Balance	Additions	Deletions		
Business-type Activities					
Water Fund Loans:					
1997 OWDA Water Main 4.12% maturing 2016	\$ 686	\$ -	\$ (686)	\$ -	\$ -
2004 OPWC YMCA 0% maturing 2025	71,534	-	(7,153)	64,381	7,153
2005 OWDA WTP Improve. 2.85% maturing 2026	2,117,516	-	(158,018)	1,959,498	162,553
2015 OWDA Automated Meter Upgrade 2.66% maturing 2035	7,754	470,659	(22,108)	456,305	-
Backhoe Note 2.720% maturing 2020	-	31,805	(5,578)	26,227	4,968
Total Water Fund Loans	<u>2,197,490</u>	<u>502,464</u>	<u>(193,543)</u>	<u>2,506,411</u>	<u>174,674</u>
Sewer Fund Loans:					
1997 OWDA Honey Creek 4.56% maturing 2016	158,990	-	(158,990)	-	-
1995 OWDA Sewer Line 7.38% maturing 2016	17,432	-	(17,432)	-	-
1996 OPWC Filter Building 0% maturing 2014	13,000	-	(13,000)	-	-
2004 OPWC YMCA 0% maturing 2025	66,032	-	(6,603)	59,429	6,603
2012 OPWC WWTP Improve. 0% maturing 2043	921,554	-	(32,913)	888,641	32,913
Backhoe Note 2.720% maturing 2020	-	31,805	(5,578)	26,227	4,968
Total Sewer Fund Loans	<u>1,177,008</u>	<u>31,805</u>	<u>(234,516)</u>	<u>974,297</u>	<u>44,484</u>
Compensated Absences	26,355	38,197	(27,594)	36,958	16,032
Net Pension Liability	441,950	10,212	-	452,162	-
Total Business-type Activities	<u>\$ 3,842,803</u>	<u>\$ 582,678</u>	<u>\$ (455,653)</u>	<u>\$ 3,969,828</u>	<u>\$ 235,190</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 – LONG-TERM OBLIGATIONS (CONTINUED)

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, the Automated Meter Upgrade, 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.

Annual debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
Governmental Activities:		
2016	\$ 289,677	\$ 97,247
2017	115,102	87,179
2018	120,242	80,676
2019	130,384	73,872
2020	130,531	66,457
2021-2025	580,000	215,321
2026-2030	245,000	84,213
2031-2035	210,000	33,058
	<u>1,820,936</u>	<u>\$ 738,023</u>
Unamortized Bond Premium	26,407	
	<u>\$ 1,847,343</u>	
Business-Type Activities*:		
2016	\$ 219,158	\$ 56,123
2017	224,093	51,187
2018	229,171	46,109
2019	234,393	40,887
2020	239,768	35,514
2021-2025	1,211,210	94,628
2026-2030	271,661	1,525
2031-2035	164,563	-
2036-2040	164,563	-
2041-2045	65,823	-
	<u>\$ 3,024,403</u>	<u>\$ 325,973</u>

* - The OWDA – Automated Meter Upgrade (#6754) loan did not have a debt to maturity as of December 31, 2015 due to the project still being in process and therefore was omitted from the annual debt requirement schedule.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description

Plan Description - City employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

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

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$112,985 for 2015. Of this amount, \$2,121 is reported as an intergovernmental payable.

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

The net pension liability for OPERS were measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Plan
Proportionate Share of the Net Pension Liability	\$980,326
Proportion of the Net Pension Liability	0.008128%
Pension Expense	\$107,032

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Plan
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$52,307
City contributions subsequent to the measurement date	112,985
Total Deferred Outflows of Resources	\$165,292
 Deferred Inflows of Resources	
Differences between expected and actual experience	\$17,223

\$112,985 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as pension expense in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Plan
Year Ending December 31:	
2016	\$ 5,131
2017	5,131
2018	11,746
2019	13,076
2020	-
Thereafter	-
Total	\$ 35,084

Actuarial Assumptions

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4.25 to 10.05 percent including wage inflation 3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled male mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five-year period ended December 31, 2010.

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability			
Traditional Plan	\$1,803,522	\$980,326	\$287,000

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS

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

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability 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. Please see the Plan Statement in the OPERS 2014 CAFR for details.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <http://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, the City contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two main cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans.

The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. As recommended by OPER's actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to VEBA for participants in the Member-Directed Plan for 2015 was 4.5%

The City's contributions to OPERS for post-employment benefits for the years ending December 31, 2015, 2014, and 2013 were \$18,831, \$22,063, and \$11,045, respectively. The full amount has been contributed for 2014 and 2013; 98 percent has been contributed for 2015 with the remainder being reported as a fund liability.

NOTE 12 – 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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 12 – EMPLOYEE BENEFITS (CONTINUED)

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 13 – 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:

Coverage	Limit
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	24,816,748

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 14 – 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.

During 2013, the City acquired 30 parcels from within the Twin Creeks Development through a land reutilization program. With the acquisition of these 30 parcels, all future assessments were eliminated and the City's special assessment receivable was decreased accordingly. The City intends to sell these 30 parcels. In accordance with Ohio law, all proceeds generated from the sale, less associated costs, are to be remitted to the Clark County Auditor to be applied to delinquent taxes and assessments. During 2014, the City sold two of the 30 parcels. At December 31, 2015, the City reported Property Held for Resale, totaling \$126,000, which represents the amount of delinquent special assessments expected to be received when the remaining 28 parcels are sold.

As of December 31, 2015, the special assessment receivable related to the Twin Creeks Subdivision amounted to \$982,041, of which \$246,525 was delinquent. The delinquent amount represents the unimproved parcel known as Phase 2. The City believes they will also acquire and sell this parcel in the future, but at this point, the outcome or potential loss related to this parcel 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, 2015

NOTE 15 – INTERFUND TRANSFERS

A schedule of interfund transfers during the fiscal year is as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 2,828	\$ 260,800
Swimming Pool Fund	10,000	-
Twin Creeks Infrastructure Bonds Fund	142,600	-
Other Governmental Funds:		
Twin Creeks Assessment/Infrastructure Fund	-	227
General Bond Retirement Fund	108,200	-
Bikeaway Project Fund	-	2,600
State Route 235 Widening Project Fund	-	1
	<u>\$ 263,628</u>	<u>\$ 263,628</u>

The City uses interfund transfers to move unrestricted general fund revenues to finance various programs and debt service payments 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. Transfers from Other Governmental Funds were to close out funds which were no longer in use by the City. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

NOTE 16 – COMPLIANCE AND ACCOUNTABILITY

Accountability - Deficit Fund Balance/Net Position

At December 31, 2015, the following funds had deficit fund balances:

<u>Fund</u>	<u>Deficit</u>
Major Funds	
Water	\$ 1,187,344
Sewer	745,553

The fund deficits in the Water and Sewer funds were caused by applying generally accepted accounting principles. The general fund is responsible for fund deficits, however, transfers are recorded when cash is needed rather than when accruals occur.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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:

Fund	Year-End Encumbrances
General Fund	\$322
Street Construction Fund	150
Emergency Ambulance Operating Fund	1,996
Other Governmental Funds	7,611
Water Enterprise Fund	98
Sewer Enterprise Fund	370
	\$10,547

NOTE 18 – SUBSEQUENT EVENTS

On February 16, 2016, the City financed a new police cruiser for \$26,864. The police cruiser was financed through Security National Bank.

On May 16, 2016 the Council voted to dispose of all twenty-seven properties in the Twin Creeks subdivision. These properties were reported as property held for resale in the fiscal year 2015 financial statements.

On February 6, 2017 the Council passed Ordinance 17-01 providing for the issuance of not-to-exceed \$675,000 various purpose refunding bonds for the purpose of refunding outstanding bonds. The bonds have not been issued as of the report date.

On February 6, 2017 the Council passed Ordinance 17-02 providing for the issuance of not-to-exceed \$700,000 infrastructure improvement refunding bonds for the purpose of refunding outstanding bonds. The bonds have not been issued as of the report date.

On March 6, 2017 the Council approved the City Manager to enter into any and all agreements related to a grant awarded by the Ohio Department of Transportation in the amount of \$550,000 for signal upgrades in 2019 and 2020.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 19 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For the year ended December 31, 2015, the City has implemented the following:

For 2015, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68."

GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure.

The implementation of this pronouncement had the following effects on net position as reported December 31, 2014:

	Governmental Activities	Business -Type Activities	Water	Sewer	Pool
Net position December 31, 2014	\$7,051,712	(\$1,227,507)	(\$792,277)	(\$475,749)	\$40,519
Adjustments:					
Net Pension Liability	(516,235)	(441,950)	(186,883)	(224,424)	(30,643)
Deferred Outflow - Payments Subsequent to Measurement Date	64,638	55,337	23,400	28,100	3,837
Restated Net Position December 31, 2014	<u>\$6,600,115</u>	<u>(\$1,614,120)</u>	<u>(\$955,760)</u>	<u>(\$672,073)</u>	<u>\$13,713</u>

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

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CITY OF NEW CARLISLE, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Last Two Years (1)

	<u>2014</u>	<u>2013</u>
City's Proportion of the Net Pension Liability Traditional Plan	0.0081280%	0.0081280%
City's Proportionate Share of the Net Pension Traditional Plan	\$ 980,326	\$ 958,185
City's Covered-Employee Payroll	\$ 999,792	\$ 1,189,946
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	98.05%	80.52%
Play Fiduciary Net Pension as a Percentage of Total Pension Liability	86.45%	86.36%

(1) Information prior to 2013 is not available.

Amounts presented as of the City's measurement date, which is the prior fiscal year-end.

CITY OF NEW CARLISLE, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Last Three Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 112,985	\$ 119,975	\$ 154,693
Contributions in relation to the contractually required contribution	\$ (112,985)	\$ (119,975)	\$ (154,693)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 941,542	\$ 999,792	\$ 1,189,946
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.



Dave Yost • Auditor of State

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 11, 2017, wherein we noted the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We qualified our opinion on Governmental Activities, Business-Type Activities, Major Enterprise Water and Sewer Funds, and Aggregate Remaining Fund Information because management has not established an adequate method for recording capital assets.

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 we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

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 findings 2015-001 and 2015-002 described in the accompanying schedule of findings to be material weaknesses.

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 2015-003 described in the accompanying schedule of findings to be a significant deficiency.

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 as item 2015-001.

City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. 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.



Dave Yost
Auditor of State
Columbus, Ohio

April 11, 2017

**CITY OF NEW CARLISLE
CLARK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Noncompliance and Material Weakness

Ohio Administrative Code § 117-2-02 (D)(4)(c) states, in part, all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include 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.

The following deficiencies were noted regarding the City's capital asset records:

- City departments responsible for purchasing, maintaining and/or disposing of capital assets were 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

We were unable to determine during audit if the capital assets, net of accumulated depreciation, agreed to actual capital assets on hand, less accumulated depreciation, at December 31, 2015. Therefore, we were unable to obtain sufficient appropriate audit evidence to support the \$5,087,820, \$1,586,192, \$1,337,935, \$209,195, and \$39,062 of capital assets reported in Governmental Activities, Business-Type Activities, Water Fund, Sewer Fund, and Nonmajor Swimming Pool Fund, respectively.

The City should implement policies and procedures to verify that capital asset records are complete and accurate. Asset records should be timely updated as assets are acquired and disposed of. Further, the City should perform a complete physical inventory to determine the historical cost or estimated historical cost and corresponding accumulated depreciation of each existing capital asset. The results of this physical inventory should be recorded in the City's capital asset management system which would enable the City to determine the value of assets and accumulated depreciation as of December 31, 2015. Failure to maintain required capital asset records could lead to material weaknesses and modified audit opinions in future engagements.

Officials' Response

The City did not have the available funds to implement the base for establishing a Capital Asset Management System. The City's current funds may allow for us to implement an updated asset management system.

FINDING NUMBER 2015-002

Material Weakness

The City presented its financial statements in accordance with Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for the State and Local Governments. The City's 2015 annual financial report contained errors which resulted in reclassifications and adjustments to correctly report the City's financial activity.

FINDING NUMBER 2015-002
Continued

The following errors were identified as material and resulted in audit adjustments which are reflected within the accompanying financial statements:

- Fund Balance: Nonspendable: Perpetual Care was understated and Fund Balance: Restricted: Public Health was overstated by \$136,135 in Other Governmental Funds due to a misclassification of the balance of the Perpetual Care Fund.
- Net Position: Restricted for Debt Service and Net Position: Restricted for Public Safety were understated by \$976 and \$144,724, respectively, and Net Position: Unrestricted was overstated by \$145,700 in Governmental Activities due to unknown calculation errors.
- Net Position: Net Investment in Capital Assets was overstated and Net Position: Unrestricted was understated by \$1,168,476, \$765,102, and \$1,933,578 in the Water fund, Sewer Fund, and Business-type Activities, respectively, due to the City reclassifying negative Net Investment in Capital Assets into Unrestricted.
- The City reported the Emergency Ambulance Operating Levy and Emergency Ambulance Capital Levy as one major fund on the Governmental Fund financial statements. Further, the City reported the Emergency Fire Operating Levy and the Emergency Fire Capital Levy as one major fund on the Governmental Fund financial statements. It was determined that the operating and capital levies should be reported in separate funds. Further, only the Emergency Ambulance Operating Fund qualified as a major fund. As a result, the following errors were adjusted in the accompanying financial statements:
 - The City included the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP) Basis and Actual - Emergency Fire Fund in their basic financial statements. The fund did not qualify as major; therefore, the statement was removed from the final audit report.
 - The City overstated Original and Final Budgeted Revenues by \$33,493 and overstated Original and Final Budgeted Expenditures by \$31,350 on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - Emergency Ambulance Operating Fund due to including the Emergency Ambulance Capital Fund on the statement.
 - The City overstated Actual Revenues by \$31,662, overstated Actual Expenditures by \$11,709, and overstated Fund Balance at Beginning of Year by \$88,982 on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - Emergency Ambulance Operating Fund due to including the Emergency Ambulance Capital Fund on the statement.
 - The City overstated Revenue, Expenditures, Assets, Deferred Inflows, and Fund Balance at Beginning of Year by \$32,540, \$11,710, \$155,886, \$42,658, and \$92,398, respectively, in the Emergency Ambulance Operating Fund on the Governmental Fund statements due to including the Emergency Ambulance Capital Fund within the Emergency Ambulance Fund. Other Governmental Funds was understated by the same amounts.
 - The City understated Revenue, Expenditures, Assets, Liabilities, Deferred Inflows, and Fund Balance at Beginning of Year by \$219,263, \$273,925, \$608,703, \$4,630, \$278,956, and \$379,779, respectively, in the Other Governmental Funds due to the Emergency Fire Operating Fund and Emergency Fire Capital Fund being improperly reported as major funds.

In addition, there were other errors identified which were not material and not adjusted to the accompanying financial statements:

- Due from Other Governments was overstated and Accounts Receivable was understated by \$2,362 in the Emergency Ambulance fund due to the City including amounts due from a private company within Due from Other Governments.
- Interest and Fiscal Charges were overstated in the Sewer Fund and understated in the Water Fund by \$14,127 due to an error in posting of the expense.

FINDING NUMBER 2015-002
Continued

- Final Budgeted Expenditures were overstated by \$5,095 in the General Fund on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual due to the City not using final Council-approved appropriations in the final budget column of the statement.
- Final Budgeted Expenditures were understated by \$36,900 in the Street Construction Fund on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual due to the City not using final Council-approved appropriations in the final budget column of the statement.

Policies and procedures should be established and implemented to verify the accuracy of amounts reported in the financial statements in accordance with applicable accounting standards. Failure to do so could result in users of the financial statements basing their conclusions on materially misstated financial data.

Officials' Response

The City contracts out the GAAP Reporting and we have been in contact with our CPA firm to work together to correct the reporting in accordance with applicable accounting standards.

FINDING NUMBER 2015-003

Significant Deficiency

Cash is the asset most susceptible to theft and misappropriation. Monthly reconciliations between the bank and the books provide reasonable assurance that all receipts and expenditures have been correctly posted on the City's books and have been correctly posted by the bank. Additionally, reconciliations provide the City with an accounting of its financial position at month-end. The City Council has an obligation to be cognizant of the City's financial standing and financial activity to be able to make informed decisions for the City. This can be evidenced by the Council's review and approval of appropriate financial information, including monthly cash reconciliations, as documented within the City Council meeting minutes.

The City prepared monthly bank to book reconciliations during 2015, but the reconciliations included variances between the adjusted bank and adjusted book balances. At December 31, 2015, the bank balance exceeded the book balance by \$17,728. The City was unable to identify the source(s) of this difference. Further, the City Council was not provided with bank reconciliations as a part of their monthly review of financial reports nor were they made aware that the City's bank balances did not reconcile to the accounting system.

The City should implement procedures to verify that monthly reconciliations between the bank and book balances are performed over all accounts and are presented to the City Council for review and approval. Failure to do so could result in management using the incorrect cash balance as a basis for their decisions and bank errors going unnoticed. Further, the City should investigate the source of the difference between the reconciled cash balance and the financial statements and take appropriate action to eliminate the difference.

Officials' Response

During a major software conversion during 2014 and 2015, the software balance was inconsistent with the actual cash on hand and in the bank. The adjustments have been corrected to bring up the software balance to match the correct balance in the banks. The City will implement procedures to verify the monthly reconciliations and share with Council.

**CITY OF NEW CARLISLE
CLARK COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Noncompliance/Material Weakness – Capital Assets	Not Corrected	Repeated as Finding 2015-001 City did not have the resources to hire a firm to establish the original costs of buildings, infrastructure and software needed to establish capital asset balances.
2014-002	Noncompliance – Deficit Cash Fund Balance	Partially Corrected	Repeated in Management Letter Issue was corrected as of fiscal year-end.
2014-003	Noncompliance – Budgetary Appropriations Exceeding Estimated Resources	Fully Corrected	
2014-004	Noncompliance – Expenditures Exceeding Appropriations	Fully Corrected	



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
MAY 16, 2017**