



Dave Yost • Auditor of State

**CITY OF NEW CARLISLE
CLARK COUNTY
DECEMBER 31, 2016**

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CITY OF NEW CARLISLE
CLARK COUNTY
DECEMBER 31, 2016

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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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about the 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 considered 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 such 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 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
Police Income Tax 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 (the City), as of December 31, 2016, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General, Street Construction, Emergency Ambulance Operating, Police Income Tax, and Twin Creeks Infrastructure Bond funds of the City of New Carlisle, Clark County, Ohio, as of December 31, 2016, and the respective changes in financial position thereof and the respective budgetary comparisons for the General, Street Construction, Emergency Ambulance Operating, and Police Income Tax funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2018, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

January 31, 2018

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(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, 2016. 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 \$5.5 million (net position), an increase of \$632,191 from the prior year.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of approximately \$2.6 million, an increase of \$695,502 from the prior year.
- At year-end, the City's general fund reported a fund balance of \$729,382, an increase of \$337,916 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 2016?" 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, 2016
(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, police income tax, 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, police income tax and twin creeks infrastructure bonds funds, which are considered to be the City's major funds. Data from the other 16 governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for the general, street construction, emergency ambulance operating, and police income tax 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, 2016
(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 2016 compared to 2015.

TABLE 1

Net Position (Deficit)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 5,241,563	\$ 4,758,022	\$ 540,475	\$ 413,950	\$ 5,782,038	\$ 5,171,972
Capital assets	5,004,728	5,087,820	1,269,099	1,586,192	6,273,827	6,674,012
Total Assets	10,246,291	9,845,842	1,809,574	2,000,142	12,055,865	11,845,984
Deferred Outflows of Resources	236,294	82,422	252,078	82,870	488,372	165,292
Current liabilities	49,767	41,903	17,531	19,596	67,298	61,499
Long-term liabilities	1,781,094	1,906,410	3,386,032	3,517,666	5,167,126	5,424,076
Net pension liability	634,651	528,164	649,721	452,162	1,284,372	980,326
Total Liabilities	2,465,512	2,476,477	4,053,284	3,989,424	6,518,796	6,465,901
Deferred Inflows of Resources	493,947	659,113	20,985	7,944	514,932	667,057
Net Position:						
Net Investment in Capital Assets	3,294,325	3,256,346	(2,062,537)	(1,894,516)	1,231,788	1,361,830
Restricted	3,400,996	2,997,528	-	-	3,400,996	2,997,528
Unrestricted	827,805	538,800	49,920	(19,840)	877,725	518,960
Total Net Position (Deficit)	\$ 7,523,126	\$ 6,792,674	\$ (2,012,617)	\$ (1,914,356)	\$ 5,510,509	\$ 4,878,318

Net pension liability and related deferred outflows of resources increased significantly in comparison with the prior fiscal year-end. These increases are primarily the result of lower than expected returns on pension plan investments, as reported by the pension systems, offset by a decrease in the City's proportionate shares of the pension systems unfunded liabilities.

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.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)**

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 \$3.4 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 for the years ended December 31, 2016 and 2015.

**Table 2
Change in Net Position (Deficit)**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program Revenues:						
Charges for Services	\$ 800,957	\$ 752,416	\$ 1,666,942	\$ 1,656,375	\$ 2,467,899	\$ 2,408,791
Operating Grants and Contributions	377,816	382,145	-	-	377,816	382,145
General Revenues:						
Property Taxes	770,411	561,435	-	-	770,411	561,435
Income Taxes	1,563,110	1,217,081	-	-	1,563,110	1,217,081
Other Local Taxes	114,403	127,075	-	-	114,403	127,075
Unrestricted Grants and Entitlements	51,251	54,591	-	-	51,251	54,591
Other Unrestricted Revenues	71,300	15,011	47,566	22,795	118,866	37,806
Total Revenues	3,749,248	3,109,754	1,714,508	1,679,170	5,463,756	4,788,924
Expenses:						
General Government	850,586	751,093	-	-	850,586	751,093
Security of Persons and Property	681,345	592,994	-	-	681,345	592,994
Leisure-Time Activities	71,701	55,844	-	-	71,701	55,844
Health	940,483	928,935	-	-	940,483	928,935
Community Environment	18,112	58,933	-	-	18,112	58,933
Transportation	357,480	414,576	-	-	357,480	414,576
Interest on Long-Term Debt	99,089	104,820	-	-	99,089	104,820
Water	-	-	1,051,596	1,008,600	1,051,596	1,008,600
Sewer	-	-	694,322	930,016	694,322	930,016
Swimming Pool	-	-	66,851	50,790	66,851	50,790
Total Expenses	3,018,796	2,907,195	1,812,769	1,989,406	4,831,565	4,896,601
Increase/(Decrease) before Transfers	730,452	202,559	(98,261)	(310,236)	632,191	(107,677)
Transfers	-	(10,000)	-	10,000	-	-
Increase(Decrease) in Net Position	730,452	192,559	(98,261)	(300,236)	632,191	(107,677)
Net Position (Deficit) at Beginning of Year	6,792,674	6,600,115	(1,914,356)	(1,614,120)	4,878,318	4,985,995
Net Position (Deficit) at End of Year	\$ 7,523,126	\$ 6,792,674	\$ (2,012,617)	\$ (1,914,356)	\$ 5,510,509	\$ 4,878,318

Governmental Activities

Income Taxes increased significantly in comparison with the prior year. This increase is primarily the result of 2016 being the first full year of collection of the City's new .5% police income tax.

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

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(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	
	2016	2015	2016	2015
Governmental Activities:				
General Government	\$ 850,586	\$ 751,093	\$ 817,284	\$ 711,748
Security of Persons and Property	681,345	592,994	549,766	457,417
Leisure-Time Activities	71,701	55,844	71,701	55,844
Health	940,483	928,935	250,761	283,004
Community Environment	18,112	58,933	18,112	58,933
Transportation	357,480	414,576	33,310	100,868
Interest on Long-Term Debt	99,089	104,820	99,089	104,820
Total Governmental Activities	\$ 3,018,796	\$ 2,907,195	\$ 1,840,023	\$ 1,772,634
Business-Type Activities:				
Water	\$ 1,051,596	\$ 1,008,600	\$ 312,245	\$ 246,186
Sewer	694,322	930,016	(176,392)	76,934
Swimming Pool	66,851	50,790	9,974	9,911
Total Business-Type Activities	\$ 1,812,769	\$ 1,989,406	\$ 145,827	\$ 333,031

The City's reliance upon general tax revenues is demonstrated by the Table 2 indicating approximately 65.2% 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 \$2.6 million, an increase over the previous year's \$1.9 million.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)**

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2016 and 2015.

	<u>Fund Balance</u> <u>12/31/2016</u>	<u>Fund Balance</u> <u>12/31/2015</u>	<u>Increase</u>
General Fund	\$ 729,382	\$ 391,466	\$ 337,916
Street Construction fund	350,016	319,583	30,433
Emergency Ambulance Operating fund	254,294	233,086	21,208
Police Income Tax fund	292,314	144,724	147,590
Twin Creeks Infrastructure Bonds fund	26,801	-	26,801
Other governmental funds	915,695	784,141	131,554
Total	<u>\$ 2,568,502</u>	<u>\$ 1,873,000</u>	<u>\$ 695,502</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 \$706,884, while total fund balance was \$729,382. The \$337,916 increase represents the amount in which excess revenues (\$604,016) exceeded operating transfers out to other funds (\$266,100).

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 transfers from the General Fund exceeded costs of street maintenance and improvement.

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

The fund balance increase in the Police Income Tax Fund represents the amount by which income taxes and loan proceeds exceeded costs for police operations and capital related expenditures during the year.

The fund balance increase in the Twin Creeks Infrastructure Bonds Fund represents the amount by which special assessment revenues, sale of property, and transfers from the General Fund exceeded debt service expenditures during the year.

The fund balance increase in the Other Government Funds is primarily the result of revenues, loan proceeds, and transfers from the General Fund exceeding expenses during 2016.

Proprietary Funds

At year-end, net position in the Water Fund amounted to approximately negative \$1.5 million. Total Water Fund net position decreased \$268,692, or 22.6%, from the previous year. The key components of this decrease are an operating loss of \$216,085 and debt interest payments totaling \$65,102.

At year-end, net position in the Sewer Fund amounted to negative \$576,578. Total Sewer Fund net position increased \$168,975, or 22.7%, from the previous year. This increase primarily represents operating income during 2016.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)**

GENERAL FUND BUDGETARY INFORMATION

The City's final revenues estimate was \$48,610, or 3.7%, more than the original estimate. Actual budgetary revenues were \$158,518, or 12%, more than the final revenue estimate. This surplus was primarily the result of more than expected income tax revenues.

The City's final appropriations were the same as the original appropriations. Actual budgetary expenditures and financing uses were \$43,259 less than final appropriations.

CAPITAL ASSETS

At year-end, the City's investment in capital assets for governmental and business-type activities totaled approximately \$5.0 million and \$1.3 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 acquisitions (capital outlay) for the current year was \$429,440 and depreciation expense was \$829,625.

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

LONG-TERM DEBT

At the end of the current year, the City had total long-term debt outstanding of approximately \$5.1 million. Of this amount, approximately \$1.9 million represents bonds and notes backed by the full faith and credit of the City and \$3.2 million represents OPWC and OWDA loans secured by specified revenue sources.

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

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, 2016

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled Cash and Cash Equivalents	\$ 1,957,391	\$ 326,576	\$ 2,283,967
Investments	72,883	-	72,883
Receivables:			
Taxes	1,711,937	-	1,711,937
Accounts	171,399	198,523	369,922
Due From Other Governments	209,851	-	209,851
Prepaid Items	53,940	15,376	69,316
Special Assessments Receivable	1,064,162	-	1,064,162
NonDepreciable Capital Assets	264,393	252,595	516,988
Depreciable Capital Assets, Net	4,740,335	1,016,504	5,756,839
Total Assets	<u>10,246,291</u>	<u>1,809,574</u>	<u>12,055,865</u>
Deferred Outflows of Resources			
Pension	236,294	252,078	488,372
Total Deferred Outflows of Resources	<u>236,294</u>	<u>252,078</u>	<u>488,372</u>
Liabilities			
Accounts Payable	24,948	3,700	28,648
Accrued Wages and Benefits	17,976	7,767	25,743
Due To Other Governments	6,843	6,064	12,907
Long-Term Liabilities			
Due Within One Year	175,558	281,785	457,343
Due in More Than One Year	1,605,536	3,104,247	4,709,783
Net Pension Liability	634,651	649,721	1,284,372
Total Liabilities	<u>2,465,512</u>	<u>4,053,284</u>	<u>6,518,796</u>
Deferred Inflows of Resources			
Property Taxes	424,780	-	424,780
Pension	69,167	20,985	90,152
Total Deferred Inflow of Resources	<u>493,947</u>	<u>20,985</u>	<u>514,932</u>
Net Position			
Net Investment in Capital Assets	3,294,325	(2,062,537)	1,231,788
Restricted For:			
Debt Service	980,288	-	980,288
Highways and Streets	640,425	-	640,425
Public Safety	928,083	-	928,083
Public Health	830,635	-	830,635
Community Environment	21,565	-	21,565
Unrestricted	827,805	49,920	877,725
Total Net Position	<u>\$ 7,523,126</u>	<u>\$ (2,012,617)</u>	<u>\$ 5,510,509</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, 2016

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
General Government	\$ 850,586	\$ 31,999	\$ 1,303
Security of Persons and Property	681,345	98,579	33,000
Leisure-Time Activities	71,701	-	-
Health	940,483	655,920	33,802
Community Environment	18,112	-	-
Transportation	357,480	14,459	309,711
Interest on Long-Term Debt	99,089	-	-
Total Governmental Activities	3,018,796	800,957	377,816
Business-type Activities:			
Water	1,051,596	739,351	-
Sewer	694,322	870,714	-
Swimming Pool	66,851	56,877	-
Total Business-Type Activities	1,812,769	1,666,942	-
Total Government	\$ 4,831,565	\$ 2,467,899	\$ 377,816

General Revenues:
Property Taxes
Income Taxes
Other Local Taxes
Unrestricted Grants and Entitlements
Other Unrestricted Revenues
Total General Revenues

Change in Net Position

Net Position at Beginning of Year
Net Position at End of Year

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (817,284)	\$ -	\$ (817,284)
(549,766)	-	(549,766)
(71,701)	-	(71,701)
(250,761)	-	(250,761)
(18,112)	-	(18,112)
(33,310)	-	(33,310)
(99,089)	-	(99,089)
<u>(1,840,023)</u>	<u>-</u>	<u>(1,840,023)</u>
-	(312,245)	(312,245)
-	176,392	176,392
-	(9,974)	(9,974)
<u>-</u>	<u>(145,827)</u>	<u>(145,827)</u>
<u>(1,840,023)</u>	<u>(145,827)</u>	<u>(1,985,850)</u>
770,411	-	770,411
1,563,110	-	1,563,110
114,403	-	114,403
51,251	-	51,251
71,300	47,566	118,866
<u>2,570,475</u>	<u>47,566</u>	<u>2,618,041</u>
<u>730,452</u>	<u>(98,261)</u>	<u>632,191</u>
6,792,674	(1,914,356)	4,878,318
<u>\$ 7,523,126</u>	<u>\$ (2,012,617)</u>	<u>\$ 5,510,509</u>

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	General Fund	Street Construction	Emergency Ambulance Operating	Police Income Tax
Assets:				
Pooled Cash and Cash Equivalents	\$ 548,720	\$ 252,241	\$ 168,911	\$ 272,727
Investments	-	-	-	-
Receivables:				
Taxes	795,021	191,025	167,146	102,217
Accounts	30,099	-	136,604	-
Due From Other Governments	24,516	111,111	9,045	-
Prepaid Items	22,329	6,830	8,060	4,997
Special Assessments Receivable	5,941	-	-	-
Total Assets	\$ 1,426,626	\$ 561,207	\$ 489,766	\$ 379,941
Liabilities:				
Accounts Payable	\$ 783	\$ 28	\$ 2,030	\$ 21,147
Accrued Wages and Benefits	4,916	1,863	8,401	-
Due To Other Governments	3,642	1,434	643	-
Total Liabilities	9,341	3,325	11,074	21,147
Deferred Inflows of Resources:				
Unavailable Revenue	614,576	146,797	170,963	66,480
Property and Other Local Taxes	73,327	61,069	53,435	-
Total Deferred Inflows of Resources	687,903	207,866	224,398	66,480
Fund Balances:				
Nonspendable:				
Prepaid Items	22,329	6,830	8,060	4,997
Perpetual Care	-	-	-	-
Restricted for:				
Debt Service	-	-	-	-
Highways and Streets	-	343,186	-	-
Public Safety	-	-	-	287,317
Public Health	-	-	246,234	-
Community Environment	-	-	-	-
Assigned for:				
General Government	169	-	-	-
Unassigned	706,884	-	-	-
Total Fund Balances	729,382	350,016	254,294	292,314
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,426,626	\$ 561,207	\$ 489,766	\$ 379,941

See accompanying notes to the basic financial statements

Twin Creeks Infrastructure Bonds	Other Governmental Funds	Total Governmental Funds
\$ 26,801	\$ 687,991	\$ 1,957,391
-	72,883	72,883
-	456,528	1,711,937
-	4,696	171,399
-	65,179	209,851
-	11,724	53,940
967,221	91,000	1,064,162
<u>\$ 994,022</u>	<u>\$ 1,390,001</u>	<u>\$ 5,241,563</u>
\$ -	\$ 960	\$ 24,948
-	2,796	17,976
-	1,124	6,843
<u>-</u>	<u>4,880</u>	<u>49,767</u>
967,221	232,477	2,198,514
-	236,949	424,780
<u>967,221</u>	<u>469,426</u>	<u>2,623,294</u>
-	11,724	53,940
-	136,135	136,135
26,801	4,168	30,969
-	109,127	452,313
-	428,705	716,022
-	204,271	450,505
-	21,565	21,565
-	-	169
-	-	706,884
<u>26,801</u>	<u>915,695</u>	<u>2,568,502</u>
<u>\$ 994,022</u>	<u>\$ 1,390,001</u>	<u>\$ 5,241,563</u>

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016

Total Governmental Fund Balances	\$	2,568,502
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,004,728
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		387,459
Income Taxes		560,662
EMS Receivables		99,889
Cemetery Receivables		4,140
Intergovernmental Receivables		164,052
Special Assessment Receivables		973,162
Accounts Receivable		9,150
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		(22,062)
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		236,294
Deferred Inflows - Pension		(69,167)
Net Pension Liability		(634,651)
Long-Term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated Absences Payable		(48,629)
Capital Lease		(5,395)
General Obligation Debt		<u>(1,705,008)</u>
Net Position of Governmental Activities	\$	<u><u>7,523,126</u></u>

See accompanying notes to the basic financial statements

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	Street Construction	Emergency Ambulance Operating	Police Income Tax
Revenues:				
Property Taxes	\$ 182,360	\$ 151,863	\$ 133,948	\$ -
Income Taxes	1,020,356	-	-	468,797
Other Local Taxes	114,403	-	-	-
Charges for Services	-	-	533,923	-
Licenses, Permits, and Fees	27,144	-	-	-
Fines and Forfeitures	4,855	-	-	-
Intergovernmental	51,681	228,731	21,997	-
Special Assessments	13,939	-	-	-
Other	53,211	14,459	3,859	-
Total Revenues	<u>1,467,949</u>	<u>395,053</u>	<u>693,727</u>	<u>468,797</u>
Expenditures:				
Current Operations and Maintenance:				
General Government	745,067	-	-	-
Security of Persons and Property	3,869	-	-	301,864
Leisure-Time Activities	63,514	-	-	-
Health	-	-	672,519	-
Community Environment	7,627	-	-	-
Transportation	-	430,039	-	-
Capital Outlay	38,198	-	-	40,556
Debt Service:				
Principal Retirement	5,143	4,968	-	5,605
Interest and Fiscal Charges	515	713	-	46
Total Expenditures	<u>863,933</u>	<u>435,720</u>	<u>672,519</u>	<u>348,071</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	604,016	(40,667)	21,208	120,726
Other Financing Sources (Uses):				
Sale of Property	-	-	-	-
Loan Proceeds	-	-	-	26,864
Transfers In	-	71,100	-	-
Transfers Out	(266,100)	-	-	-
Total Other Financing Sources (Uses)	<u>(266,100)</u>	<u>71,100</u>	<u>-</u>	<u>26,864</u>
Net Change in Fund Balances	337,916	30,433	21,208	147,590
Fund Balance at Beginning of Year	391,466	319,583	233,086	144,724
Fund Balance at End of Year	<u>\$ 729,382</u>	<u>\$ 350,016</u>	<u>\$ 254,294</u>	<u>\$ 292,314</u>

See accompanying notes to the basic financial statements

Twin Creeks Infrastructure Bonds	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 362,089	\$ 830,260
-	-	1,489,153
-	-	114,403
-	113,621	647,544
-	-	27,144
-	-	4,855
-	124,675	427,084
14,820	92,831	121,590
-	1,518	73,047
<u>14,820</u>	<u>694,734</u>	<u>3,735,080</u>
614	107	745,788
-	244,871	550,604
-	-	63,514
-	122,652	795,171
-	-	7,627
-	63,663	493,702
-	88,852	167,606
45,000	263,269	323,985
41,344	60,816	103,434
<u>86,958</u>	<u>844,230</u>	<u>3,251,431</u>
(72,138)	(149,496)	483,649
8,939	-	8,939
-	176,050	202,914
90,000	105,000	266,100
-	-	(266,100)
<u>98,939</u>	<u>281,050</u>	<u>211,853</u>
26,801	131,554	695,502
-	784,141	1,873,000
<u>\$ 26,801</u>	<u>\$ 915,695</u>	<u>\$ 2,568,502</u>

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Net Change in Fund Balances - Total Governmental Funds		\$ 695,502
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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	304,240
	Depreciation	(387,332)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
	Delinquent Property Taxes	66,151
	Income Taxes	73,957
	Charges for Services	12,204
	Intergovernmental Revenues	1,983
	Special Assessments	(23,066)
	Property Held for Resale	(126,000)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		49,747
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(62,250)
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	(202,914)
	Repayment of Long-term Debt	318,842
	Capital Lease Payment	5,143
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	4,345
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	(100)
Change in Net Position of Governmental Activities		\$ <u>730,452</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
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property Taxes	\$ 144,247	\$ 144,247	\$ 132,117	\$ (12,130)
Income tax	922,600	952,600	1,116,870	164,270
Other Local Taxes	146,000	146,000	107,453	(38,547)
Licenses and Permits	22,797	29,000	28,214	(786)
Fines and Forfeitures	8,797	15,000	5,235	(9,765)
Intergovernmental	37,363	43,567	52,143	8,576
Special Assessments	17,500	17,500	13,939	(3,561)
Other	2,750	2,750	53,211	50,461
Total Revenues	<u>1,302,054</u>	<u>1,350,664</u>	<u>1,509,182</u>	<u>158,518</u>
Expenditures				
General Government	791,072	791,072	755,881	35,191
Leisure-Time Activities	76,191	76,191	63,211	12,980
Community Environment	18,151	18,151	7,665	10,486
Capital Outlay	43,900	43,900	38,198	5,702
Total Expenditures	<u>929,314</u>	<u>929,314</u>	<u>864,955</u>	<u>64,359</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	372,740	421,350	644,227	222,877
Other Financing Sources/(Uses)				
Transfers Out	(245,000)	(245,000)	(266,100)	(21,100)
Total Other Financing Sources/(Uses)	<u>(245,000)</u>	<u>(245,000)</u>	<u>(266,100)</u>	<u>(21,100)</u>
Net Change in Fund Balance	127,740	176,350	378,127	201,777
Fund Balance at Beginning of Year	169,319	169,319	169,319	-
Prior Year Encumbrances Appropriated	322	322	322	-
Fund Balance at End of Year	<u>\$ 297,381</u>	<u>\$ 345,991</u>	<u>\$ 547,768</u>	<u>\$ 201,777</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, 2016

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property Taxes	\$ 120,134	\$ 120,134	\$ 110,045	\$ (10,089)
Intergovernmental	223,244	223,244	229,209	5,965
Other	500	1,500	14,459	12,959
Total Revenues	<u>343,878</u>	<u>344,878</u>	<u>353,713</u>	<u>8,835</u>
Expenditures				
Transportation	456,783	456,783	431,489	25,294
Debt Service:				
Principal Retirement	4,968	4,968	4,968	-
Interest and Fiscal Charges	1,032	1,032	713	319
Total Expenditures	<u>462,783</u>	<u>462,783</u>	<u>437,170</u>	<u>25,613</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(118,905)	(117,905)	(83,457)	34,448
Other Financing Sources				
Transfers In	-	71,100	71,100	-
Total Other Financing Sources	<u>-</u>	<u>71,100</u>	<u>71,100</u>	<u>-</u>
Net Change in Fund Balance	(118,905)	(46,805)	(12,357)	34,448
Fund Balance at Beginning of Year	264,128	264,128	264,128	-
Prior Year Encumbrances Appropriated	150	150	150	-
Fund Balance at End of Year	<u>\$ 145,373</u>	<u>\$ 217,473</u>	<u>\$ 251,921</u>	<u>\$ 34,448</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, 2016

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property Taxes	\$ 105,117	\$ 105,117	\$ 97,357	\$ (7,760)
Charges for Services	527,700	549,000	541,689	(7,311)
Intergovernmental	16,588	16,588	21,997	5,409
Other	100	100	3,859	3,759
Total Revenues	<u>649,505</u>	<u>670,805</u>	<u>664,902</u>	<u>(5,903)</u>
Expenditures				
Health	<u>727,336</u>	<u>727,336</u>	<u>679,660</u>	<u>47,676</u>
Total Expenditures	<u>727,336</u>	<u>727,336</u>	<u>679,660</u>	<u>47,676</u>
Net Change in Fund Balance	(77,831)	(56,531)	(14,758)	41,773
Fund Balance at Beginning of Year	178,105	178,105	178,105	-
Prior Year Encumbrances Appropriated	1,996	1,996	1,996	-
Fund Balance at End of Year	<u>\$ 102,270</u>	<u>\$ 123,570</u>	<u>\$ 165,343</u>	<u>\$ 41,773</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
POLICE INCOME TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Income Taxes	\$ 450,000	\$ 450,000	\$ 509,714	\$ 59,714
Total Revenues	<u>450,000</u>	<u>450,000</u>	<u>509,714</u>	<u>59,714</u>
Expenditures				
Security of Persons and Property	420,188	420,188	290,151	130,037
Capital Outlay	50,000	50,000	40,556	9,444
Debt Service:				
Principal Retirement	5,605	5,605	5,605	-
Interest and Fiscal Charges	995	995	46	949
Total Expenditures	<u>476,788</u>	<u>476,788</u>	<u>336,358</u>	<u>140,430</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(26,788)	(26,788)	173,356	200,144
Other Financing Sources/(Uses)				
Loan Proceeds	-	27,500	26,864	(636)
Total Other Financing Sources	<u>-</u>	<u>27,500</u>	<u>26,864</u>	<u>(636)</u>
Net Change in Fund Balance	(26,788)	712	200,220	199,508
Fund Balance at Beginning of Year	68,062	68,062	68,062	-
Prior Year Encumbrances Appropriated	4,268	4,268	4,268	-
Fund Balance at End of Year	<u>\$ 45,542</u>	<u>\$ 73,042</u>	<u>\$ 272,550</u>	<u>\$ 199,508</u>

See accompanying notes to the basic financial statements.

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016

	Water Fund	Sewer Fund	Nonmajor Swimming Pool	Total
Assets				
Current Assets:				
Pooled Cash and Cash Equivalents	\$ 55,735	\$ 267,910	\$ 2,931	\$ 326,576
Accounts Receivable	91,589	106,934	-	198,523
Prepaid Items	8,713	3,748	2,915	15,376
Total Current Assets	<u>156,037</u>	<u>378,592</u>	<u>5,846</u>	<u>540,475</u>
Noncurrent Assets:				
NonDepreciable Capital Assets	7,073	209,195	36,327	252,595
Depreciable Capital Assets, Net	917,067	97,200	2,237	1,016,504
Total Noncurrent Assets	<u>924,140</u>	<u>306,395</u>	<u>38,564</u>	<u>1,269,099</u>
Total Assets	<u>1,080,177</u>	<u>684,987</u>	<u>44,410</u>	<u>1,809,574</u>
Deferred Outflows of Resources				
Pension	111,826	129,044	11,208	252,078
Total Deferred Outflows of Resources	<u>111,826</u>	<u>129,044</u>	<u>11,208</u>	<u>252,078</u>
Liabilities				
Current Liabilities				
Accounts Payable	3,688	12	-	3,700
Accrued Wages and Benefits	3,075	4,692	-	7,767
Due To Other Governments	2,703	3,361	-	6,064
Compensated Absences	8,357	9,612	-	17,969
Loans Payable	198,868	64,948	-	263,816
Total Current Liabilities	<u>216,691</u>	<u>82,625</u>	<u>-</u>	<u>299,316</u>
Noncurrent Liabilities				
Loans Payable	2,117,695	950,125	-	3,067,820
Compensated Absences	21,623	14,804	-	36,427
Net Pension Liability	286,494	336,552	26,675	649,721
Total Noncurrent Liabilities	<u>2,425,812</u>	<u>1,301,481</u>	<u>26,675</u>	<u>3,753,968</u>
Total Liabilities	<u>2,642,503</u>	<u>1,384,106</u>	<u>26,675</u>	<u>4,053,284</u>
Deferred Inflows of Resources				
Pension	5,536	6,503	8,946	20,985
Total Deferred Inflows of Resources	<u>5,536</u>	<u>6,503</u>	<u>8,946</u>	<u>20,985</u>
Net Position				
Net Investment in Capital Assets	(1,392,423)	(708,678)	38,564	(2,062,537)
Unrestricted Net Position	(63,613)	132,100	(18,567)	49,920
Total Net Position	<u>\$ (1,456,036)</u>	<u>\$ (576,578)</u>	<u>\$ 19,997</u>	<u>\$ (2,012,617)</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, 2016

	Water Fund	Sewer Fund	Nonmajor Swimming Pool	Total
Operating Revenues				
Charges for Services	\$ 739,351	\$ 870,714	\$ 56,877	\$ 1,666,942
Other Operating Revenues	31,058	5,078	11,430	47,566
Total Operating Revenues	<u>770,409</u>	<u>875,792</u>	<u>68,307</u>	<u>1,714,508</u>
Operating Expenses				
Personal Services	363,762	416,790	29,387	809,939
Contractual Services	121,841	240,415	20,768	383,024
Materials and Supplies	69,142	24,471	15,684	109,297
Depreciation	430,995	10,800	498	442,293
Other Operating Expenses	754	843	514	2,111
Total Operating Expenses	<u>986,494</u>	<u>693,319</u>	<u>66,851</u>	<u>1,746,664</u>
Operating Income/(Loss)	<u>(216,085)</u>	<u>182,473</u>	<u>1,456</u>	<u>(32,156)</u>
Nonoperating Expenses				
Interest and Fiscal Charges	(65,102)	(1,003)	-	(66,105)
Total Non-Operating Expenses	<u>(65,102)</u>	<u>(1,003)</u>	<u>-</u>	<u>(66,105)</u>
Income/(Loss) Before Transfers	(281,187)	181,470	1,456	(98,261)
Transfer In	12,495	-	-	12,495
Transfer Out	<u>-</u>	<u>(12,495)</u>	<u>-</u>	<u>(12,495)</u>
Change in Net Position	(268,692)	168,975	1,456	(98,261)
Net Position at Beginning of Year	(1,187,344)	(745,553)	18,541	(1,914,356)
Net Position at End of Year	<u>\$ (1,456,036)</u>	<u>\$ (576,578)</u>	<u>\$ 19,997</u>	<u>\$ (2,012,617)</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, 2016

	Water Fund	Sewer Fund	Nonmajor Swimming Pool	Total
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 751,859	\$ 875,013	\$ 56,877	\$ 1,683,749
Other Operating Receipts	31,058	5,078	11,430	47,566
Cash Paid to Employees	(332,895)	(390,571)	(33,067)	(756,533)
Cash Paid to Suppliers	(187,295)	(264,798)	(36,452)	(488,545)
Cash Paid for Other Expenses	(754)	(843)	(514)	(2,111)
Net Cash Provided by (Used in) Operating Activities	<u>261,973</u>	<u>223,879</u>	<u>(1,726)</u>	<u>484,126</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	(17,200)	(108,000)	-	(125,200)
Proceeds from Capital Grants	-	-	-	-
Sale of Capital Assets	-	-	-	-
Proceeds from Loans	-	108,000	-	108,000
Payment of Debt Principal	(189,848)	(67,224)	-	(257,072)
Payment of Debt Interest	(65,102)	(1,003)	-	(66,105)
Transfers	12,495	(12,495)	-	-
Net Cash Used in Capital and Related Financing Activities	<u>(259,655)</u>	<u>(80,722)</u>	<u>-</u>	<u>(340,377)</u>
Cash Flows from Investing Activities				
Cash Received from Interest	-	-	-	-
Net Cash Flows from Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	2,318	143,157	(1,726)	143,749
Cash and Cash Equivalents, Beginning of Year	53,417	124,753	4,657	182,827
Cash and Cash Equivalents, End of Year	<u>\$ 55,735</u>	<u>\$ 267,910</u>	<u>\$ 2,931</u>	<u>\$ 326,576</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided by (Used In) Operating Activities:				
Operating Loss	\$ (216,085)	\$ 182,473	\$ 1,456	\$ (32,156)
Depreciation Expense	430,995	10,800	498	442,293
(Increase)/Decrease in Current Assets				
Accounts Receivable	12,508	4,299	-	16,807
Prepaid Items	-	417	-	417
Increase in Deferred Outflows of Resources - Pension	(75,671)	(86,488)	(7,049)	(169,208)
Increase/(Decrease) in Current Liabilities				
Accounts Payable	3,688	(329)	-	3,359
Accrued Wages and Benefits	52	978	-	1,030
Compensated Absences	11,963	5,475	-	17,438
Due to Other Governments	(2,947)	(3,157)	(350)	(6,454)
Increase/(Decrease) in Net Pension Liability	95,293	106,942	(4,676)	197,559
Increase in Deferred Inflows of Resources - Pension	2,177	2,469	8,395	13,041
Net Cash Provided by (Used in) Operating Activities	<u>\$ 261,973</u>	<u>\$ 223,879</u>	<u>\$ (1,726)</u>	<u>\$ 484,126</u>

See accompanying notes to the basic financial statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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, 2016

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 *Police Income Tax Fund* accounts for income taxes of 0.5 percent restricted for police operations and capital related expenditures.

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, 2016**

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 2016, 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2016, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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”.

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, 2016

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 Building	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 Statement of Net Position and Balance Sheet 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 11.

In addition to liabilities, the Statement of Net Position and Balance Sheet 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, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, 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 11)

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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, 2016

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. During 2016, the City sold the land to developers to promote residential growth within the City. The sale transactions was 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, 2016

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 2016.

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 2016.

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 2016.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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, Emergency Ambulance Operating and Police Income Tax 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, 2016, on the GAAP basis to the budget basis are as follows:

Net Change in Fund Balances

	<u>General Fund</u>	<u>Street Construction</u>	<u>Emergency Ambulance Operating</u>	<u>Police Income Tax</u>
GAAP Basis	\$ 337,916	\$ 30,433	\$ 21,208	\$ 147,590
Revenue Accruals	41,233	(41,340)	(28,825)	40,917
Expenditure Accruals	(70)	(1,130)	(3,573)	11,890
Encumbrances	(952)	(320)	(3,568)	(177)
Budget Basis	<u>\$ 378,127</u>	<u>\$ (12,357)</u>	<u>\$ (14,758)</u>	<u>\$ 200,220</u>

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits - At year-end, the carrying amount of the City's deposits was \$1,790,474, which includes a certificate of deposit totaling \$72,883 and the bank balance was \$1,843,785. Of the bank balance, \$573,410 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 \$566,376. Deposits in STAR Ohio are reported as part of Cash and Cash Equivalents. Investments reflected on the financial statements represent the \$72,883 held in the certificates of deposit at December 31, 2016. This amount is reflected in the carrying amount of the City's deposits. The City has no deposit policy for custodial risk beyond the requirements of State statute.

The City measures their investment in STAR Ohio as the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

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

Credit Risk - Ohio law requires that STAR Ohio 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. STAR Ohio 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
	<u> </u>	<u> </u>	<u> </u>
General Fund	\$ 229,366	\$ 565,655	\$ 795,021
Street Construction	191,025	-	191,025
Emergency Ambulance Operating Fund	167,146	-	167,146
Police Income Tax	-	102,217	102,217
Other Governmental Funds	456,528	-	456,528
Totals	<u>\$ 1,044,065</u>	<u>\$ 667,872</u>	<u>\$ 1,711,937</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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 the police income tax fund.

B. Property Taxes - Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2016 for real and public utility property taxes represents collections of the 2015 taxes.

The 2016 real property taxes are levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by the State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

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. 2016 public utility property taxes which became a lien on December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The total assessed property tax valuation for tax year 2015, upon which 2016 property tax receipts were based, was \$66,785,420.

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, 2016 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 2016 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 7 – TAX ABATEMENTS

Enterprise Zone

Description – Under the authority of ORC 5709, the City created an Enterprise Zone (EZ) within city limits. Legislation established that the remodeling of existing and construction of new structures within this EZ constituted a public purpose for which real property tax exemptions may be granted. The specific tax being abated is the property tax. These taxes are abated through a reduction in assessed value.

Recipient Commitment – The company is committed to purchasing, remodeling, and/or constructing properties within the EZ that will improve property value and bring jobs to the City.

Provisions for recapturing abated taxes - If the recipient materially fails to fulfill its obligations under the agreement, the agreement may be terminated or modified and may require the repayment of the amount of taxes that would have been payable had the property not been abated from taxation under the agreement. Repayment may be secured through a lien on the abated property in the amount required to be repaid and in the manner stated in ORC 5709.631

The gross dollar amount for the total abated value of the EZ parcel for 2016 was as follows:

Company	Term	Percent	Amount
R.D. Holder Oil Co. Inc.	2013-2023	60	\$ 12,528

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 8 – CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2016, 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	1,666,900	45,491	-	1,712,391
Furniture and Fixtures	100,207	-	-	100,207
Computer Equipment	151,608	13,230	-	164,838
Vehicles	1,665,154	44,948	-	1,710,102
Infrastructure	5,462,422	200,571	-	5,662,993
Total Depreciable Capital Assets	<u>10,001,125</u>	<u>304,240</u>	<u>-</u>	<u>10,305,365</u>
<i>Accumulated Depreciation:</i>				
Buildings	655,682	12,680	-	668,362
Improvements Other than Buildings	286,472	-	-	286,472
Machinery and Equipment	1,177,471	85,620	-	1,263,091
Furniture and Fixtures	83,194	5,010	-	88,204
Computer Equipment	151,608	13,230	-	164,838
Vehicles	1,665,154	44,948	-	1,710,102
Infrastructure	1,158,117	225,844	-	1,383,961
Total Accumulated Depreciation	<u>5,177,698</u>	<u>387,332</u>	<u>-</u>	<u>5,565,030</u>
Depreciable Capital Assets, net	<u>4,823,427</u>	<u>(83,092)</u>	<u>-</u>	<u>4,740,335</u>
Total Capital Assets, net	<u>\$ 5,087,820</u>	<u>\$ (83,092)</u>	<u>\$ -</u>	<u>\$ 5,004,728</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 103,813
Security of Persons and Property	81,961
Leisure-Time Activities	7,719
Public Health	128,393
Community Environment	8,145
Transportation	57,301
Total Depreciation Expense	<u>\$ 387,332</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 8 – CAPITAL ASSETS (CONTINUED)

Business-type capital asset activity for the year ended December 31, 2016, was as follows:

Description	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Non-depreciated assets:					
Land	\$ 252,595	\$ -	\$ -	\$ -	\$ 252,595
Construction in Process	518,214	-	-	(518,214)	-
Total Non-depreciable assets	<u>770,809</u>	<u>-</u>	<u>-</u>	<u>(518,214)</u>	<u>252,595</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	5,949,349	17,200	-	-	5,966,549
Furniture and Fixtures	41,150	-	-	-	41,150
Computer Equipment	11,654	-	-	-	11,654
Vehicles	311,298	108,000	-	-	419,298
Infrastructure	7,937,902	-	-	518,214	8,456,116
Total Depreciable Capital Assets	<u>21,082,382</u>	<u>125,200</u>	<u>-</u>	<u>518,214</u>	<u>21,725,796</u>
Less accumulated depreciation:	<u>(20,266,999)</u>	<u>(442,293)</u>	<u>-</u>	<u>-</u>	<u>(20,709,292)</u>
Total Depreciable capital assets, net	<u>815,383</u>	<u>(317,093)</u>	<u>-</u>	<u>518,214</u>	<u>1,016,504</u>
Total Capital Assets, net	<u>\$ 1,586,192</u>	<u>\$ (317,093)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,269,099</u>

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

Water	\$ 430,995
Sewer	10,800
Swimming Pool	498
Total	<u>\$ 442,293</u>

NOTE 9 – LEASE ACTIVITY

A. Operating Lease - The City leases their municipal office space at 331 South Church Street under an operating lease agreement. Total costs for this operating lease were \$24,310 (\$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 (\$24,574 accumulated depreciation).

The City will make annual payment of \$5,659 over the next fiscal year (2017) to retire the lease. The payments include a total of \$264 in interest payments.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 10 – LONG-TERM OBLIGATIONS

The City’s long-term debt activity for the year ended December 31, 2016, including amounts outstanding, interest rates, and purpose for which the debt was issued, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due in One Year
Governmental Activities					
General Obligation Bonds/Notes					
2011 Fire Truck					
5.25% maturing 2016	\$ 179,709	\$ -	\$ (179,709)	\$ -	\$ -
2016 Fire Truck					
5.25% maturing 2021	-	176,050	(23,560)	152,490	32,888
2009 Facilities and Equipment Bonds					
4.50%-6.75% maturing 2022	335,000	-	(40,000)	295,000	40,000
Facilities and Equipment					
Bonds Premium	4,076	-	(939)	3,137	-
Twin Creeks Special Assessment					
4.50% maturing 2026	675,000	-	(45,000)	630,000	50,000
Twin Creeks Bonds Premium	22,331	-	(3,406)	18,925	-
2010 General Obligation Bonds					
3.5-5.125% maturing 2035	605,000	-	(20,000)	585,000	20,000
Backhoe Note					
2.720% maturing 2020	26,227	-	(4,968)	21,259	5,103
Police Cruiser					
2.5% maturing 2021	-	26,864	(5,605)	21,259	5,120
Capital Leases	10,538	-	(5,143)	5,395	5,395
Compensated Absences	48,529	43,489	(43,389)	48,629	17,052
Net Pension Liability	528,164	106,487	-	634,651	-
Total Governmental Activities	\$ 2,434,574	\$ 352,890	\$ (371,719)	\$ 2,415,745	\$ 175,558

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 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. In 2016, the City refinanced the loan in the amount of \$176,050 which will be repaid in full in 2021.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)

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

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

On 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.

On February 12, 2016, the City entered into a loan totaling \$26,864 to pay for a police cruiser. The loan has interest of 2.50% and matures on February 12, 2020. The loan will be paid from the Police Income Tax Fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)

	Beginning Balance	Additions	Deletions	Ending Balance	Due in One Year
Business-type Activities					
Water Fund Loans:					
2004 OPWC YMCA 0% maturing 2025	64,381	-	(7,153)	57,228	7,153
2005 OWDA WTP Improve. 2.85% maturing 2026	1,959,498	-	(162,553)	1,796,945	167,219
2015 OWDA Automated Meter Upgrade 2.66% maturing 2035	456,305	-	(15,174)	441,131	19,394
Backhoe Note 2.720% maturing 2020	26,227	-	(4,968)	21,259	5,102
Total Water Fund Loans	2,506,411	-	(189,848)	2,316,563	198,868
Sewer Fund Loans:					
2005 OPWC YMCA 0% maturing 2025	59,429	-	(6,603)	52,826	6,603
2012 OPWC WWTP Improve. 0% maturing 2040	888,641	-	(32,913)	855,728	32,913
Backhoe Note 2.720% maturing 2020	26,227	-	(4,968)	21,259	5,103
Commercial Truck Loan 3.125% maturing 2020	-	108,000	(22,740)	85,260	20,329
Total Sewer Fund Loans	974,297	108,000	(67,224)	1,015,073	64,948
Compensated Absences	36,958	44,423	(26,985)	54,396	17,969
Net Pension Liability	452,162	197,559	-	649,721	-
Total Business-type Activities	\$ 3,969,828	\$ 349,982	\$ (284,057)	\$ 4,035,753	\$ 281,785

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.

On August 1, 2016, the City entered into a loan totaling \$108,000 to pay for a commercial truck. The loan has interest of 3.125% and matures on September 12, 2020. The loan will be paid from the Sewer enterprise funds.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)

Annual debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
Governmental Activities:		
2017	\$ 153,111	\$ 94,932
2018	160,146	86,532
2019	172,284	77,733
2020	174,529	68,220
2021	149,938	58,751
2022-2026	550,000	180,571
2027-2031	175,000	71,063
2032-2036	170,000	22,294
	<u>1,705,008</u>	<u>\$ 660,096</u>
Unamortized Bond Premium	22,062	
	<u>\$ 1,727,070</u>	
Business-Type Activities:		
2017	\$ 263,816	\$ 65,494
2018	270,058	59,253
2019	276,477	52,833
2020	283,083	46,229
2021	255,487	39,733
2022-2026	1,234,047	126,532
2027-2031	297,812	21,754
2032-2036	253,383	4,180
2037-2041	164,563	-
2042-2046	32,910	-
	<u>\$ 3,331,636</u>	<u>\$ 416,008</u>

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension /Liability

The net pension (asset)/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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 (asset)/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 (asset)/liability. Resulting adjustments to the net pension (asset)/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 *due to other governments* on both the accrual and modified accrual basis 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.

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):

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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.

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

2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
	<hr/>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$102,254 for 2016. Of this amount, \$10,246 is reported as a due to other governments.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

The net pension liability for OPERS was measured as of December 31, 2015, 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	\$1,284,372
Proportion of the Net Pension Liability	0.007415%
Pension Expense	\$156,145

At December 31, 2016, 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	\$377,524
Change in proportionate share	8,594
City contributions subsequent to the measurement date	102,254
Total Deferred Outflows of Resources	\$488,372
 Deferred Inflows of Resources	
Differences between expected and actual experience	\$24,818
Change in proportionate share	65,334
Total Deferred Inflows of Resources	\$90,152

\$102,254 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Year Ending December 31:	<u>OPERS Traditional Plan</u>
2017	\$ 56,390
2018	62,427
2019	69,857
2020	107,292
2021	-
Thereafter	-
Total	<u>\$ 295,966</u>

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, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation		3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation	
COLA or Ad Hoc COLA		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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 0.40 percent for 2015.

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 2015 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	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

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	\$2,046,318	\$1,284,372	\$641,694

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Changes between Measurement Date and Report Date In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.00 percent to 7.50 percent. Although the exact amount of these changes is not known, the impact to the City's net pension liability is expected to be significant.

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS

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

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses for qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability 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 2015 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.

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 2016, 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.

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 of the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% 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 the RMA for participants in the Member-Directed Plan for 2016 was 4.0%.

The City's contributions to OPERS to fund health care for the years ending December 31, 2016, 2015, and 2014 were \$17,042, \$18,831, and \$22,063, respectively. The full amount has been contributed for 2015 and 2014; 90 percent has been contributed for 2016 with the remainder being reported as a fund liability.

NOTE 13 – EMPLOYEE BENEFITS

A. Deferred Compensation Plan

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

B. Compensated Absences

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

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

NOTE 14 – RISK MANAGEMENT

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 14 – RISK MANAGEMENT (CONTINUED)

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	25,298,702

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.

NOTE 15 – CONTINGENT LIABILITIES

A. Litigation

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

B. Twin Creeks Subdivision

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

In order to protect the City for non-payment of the assessments, Twin Creeks Subdivision, LLC (the Developer) was required to obtain an irrevocable letter of credit, in the amount of \$240,000, covering a three year period beginning January 1, 2007, naming the City of New Carlisle as beneficiary.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 15 – CONTINGENT LIABILITIES (CONTINUED)

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. During 2016, the City sold the remaining parcels.

As of December 31, 2016, the special assessment receivable related to the Twin Creeks Subdivision amounted to \$967,221, of which \$345,135 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.

NOTE 16 – INTERFUND TRANSFERS

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

Fund	Transfer In	Transfer Out
General Fund	\$ -	\$ 266,100
Street Construction	71,100	-
Twin Creeks Infrastructure Bonds Fund	90,000	-
Other Governmental Funds:		
General Bond Retirement Fund	105,000	-
Water Fund	12,495	-
Sewer Fund	-	12,495
	\$ 278,595	\$ 278,595

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 16 – INTERFUND TRANSFERS (CONTINUED)

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. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

NOTE 17 – COMPLIANCE AND ACCOUNTABILITY

Accountability - Deficit Fund Balance/Net Position

At December 31, 2016, the following funds had deficit fund balances:

<u>Fund</u>	<u>Deficit</u>
Major Funds	
Water	\$ 1,456,036
Sewer	576,578

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.

NOTE 18 – OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General Fund	\$ 952
Street Construction Fund	320
Emergency Ambulance Operating Fund	3,568
Police Income Tax	177
Other Governmental Funds	2,125
	<u>\$ 7,142</u>

NOTE 19 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2016, the City implemented GASB Statement No. 72 *“Fair Value Measurement and Application”* which enhances comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptor valuation techniques.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 19 – CHANGE IN ACCOUNTING PRINCIPLES (CONTINUED)

This statement also enhances fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The implementation of this statement did not have a significant effect on the financial statements of the City.

For fiscal year 2016, the City implemented GASB Statement No. 76 "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*" which improves financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in non-authoritative literature. The implementation of this statement did not have an effect on the financial statements of the City.

For fiscal year 2016, the City implemented GASB Statement No. 77 "*Tax Abatement Disclosures*" which improves disclosure of tax abatement information, such as how the tax abatements affect their financial statements and operations and the government's ability to raise resources in the future, by reporting (1) the government's own tax abatement agreements; and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. See Note 7 for tax abatement disclosures.

For fiscal year 2016, the City implemented GASB Statement No. 78 "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", which amended the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. The implementation of this statement did not have an effect on the financial statements of the City.

For fiscal year 2016, the City implemented GASB Statement No. 79 "*Certain External Investment Pools and Pool Participants*" which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of this statement did not have a significant effect on the financial statements of the City.

NOTE 20 – SUBSEQUENT EVENT

The Kennedy Trust lawsuit was a direct result of a large parcel of land in Twin Creeks that was assessed back taxes when the development project stalled and a portion of the assessments for infrastructure work were placed on that parcel for payment. The Trust, who owned the land, claimed that the parcel was never meant to be a part of the entire Twin Creeks development. The City disagreed and claimed that parcel was plotted out for full development involvement, and there were maps to prove it. Seeking closure with the City's current Law Director, in 2016, the City ended the suit. Through a mediation process, both parties came to a settlement agreement that was approved by the City Council on October 17, 2017. The terms of the agreement will see the City losing the parcel but gaining \$130,000 to use as the City seems fit. The City also received \$133,040 back from the Twin Creeks Bulk Sale Reimbursement. A large portion of this money will be applied to the debt the City is paying on the infrastructure improvements at Twin Creeks. The cost of the lawsuit in 2016 to the City was approximately \$39,000.

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City of New Carlisle, Ohio
 Required Supplementary Information
 Schedule of City's Proportionate Share of the Net Pension Liability
 Ohio Public Employees Retirement System

Last Three Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's Proportion of the Net Pension Liability Traditional Plan	0.0074150%	0.0081280%	0.0081280%
City's Proportionate Share of the Net Pension Liability Traditional Plan	\$ 1,284,372	\$ 980,326	\$ 958,185
City's Covered-Employee Payroll	\$ 941,542	\$ 999,792	\$ 1,189,946
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	136.41%	98.05%	80.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability Traditional Plan	81.08%	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 Four Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 102,254	\$ 112,985	\$ 119,975	\$ 154,693
Contributions in relation to the contractually required contribution	\$ (102,254)	\$ (112,985)	\$ (119,975)	\$ (154,693)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 852,115	\$ 941,542	\$ 999,792	\$ 1,189,946
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

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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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 31, 2018. 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 of 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-002 to be material weaknesses.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-001 and 2016-002.

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

January 31, 2018

**CITY OF NEW CARLISLE
CLARK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Noncompliance and Material Weakness – Capital Assets

Ohio Admin. 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;
- Detailed records of cost and accumulated depreciation of capital assets were not maintained; and
- The capitalization threshold used in capitalizing additions during the year did not agree to the City's fixed asset policy.

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, 2016; therefore, we were unable to obtain sufficient audit evidence to support the \$5,004,728; \$1,269,099; \$924,140; \$306,395; and \$38,564 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, 2016. Failure to maintain required capital asset records could lead to material weaknesses and modified audit opinions in future engagements.

Official's Response:

The City is trying to allocate funds to implement an updated asset management system.

FINDING NUMBER 2016-002

Noncompliance and Material Weakness – Financial Reporting

Sound financial reporting is the responsibility of the Finance Director and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

New Carlisle, Codified Ordinances, Section 880.01 (2015) imposes an income tax to provide funds for general Municipal operations, maintenance, new equipment, extension and enlargement of Municipal services and facilities and capital improvements for this Municipality.

New Carlisle, Codified Ordinances, Section 880.04 (2015) states that an income tax for the purposes specified in Section 880.01, is hereby imposed on and after January 1, 1999 at the rate of one percent, and an income tax for police expenses, is hereby imposed on and after July 1, 2015 through June 30, 2020, at an additional rate of one-half percent, for a total income tax of one and a half percent.

The City incorrectly posted income tax receipts in the amount of \$23,788 to the Police Income Tax Fund that should have been posted to the General fund. The Finance Director made the adjustments to the City's accounting records and the adjustment is reflected in the accompanying financial statements.

Additionally, accounts payable was understated by \$20,970 in the Police Income Tax Fund due to an unrecorded payable, and intergovernmental revenue was understated in the Street Construction Fund in the amount of \$19,725, due to the February 2017 receipts being classified as deferred inflows - unavailable revenue. Adjustments were made to the financial statements to record the additional accounts payable and to reclassify the receipts as revenue.

Furthermore, additional misstatements were noted that were immaterial to the City's financial statements and not adjusted.

Failure to post receipts to the correct funds results in inaccurate fund balances and could result in monies being used for purposes other than the levy allows. The adjustments should be reviewed by the Finance Director to verify that similar errors are not reported on the financial statements in subsequent years. The City should implement additional procedures to provide assurance over the completeness and accuracy of information reported within the financial statements. Accurate financial reporting is essential to provide useful information to financial statement users as well as management.

Official's Response:

The City contracts out the GAAP reporting and we have been in contact with our CPA firm to correct. Also, our Income Tax receipts have been corrected.



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 New Carlisle, OH 45344
 937.845.9492 (Office)
 937.845.2338 (Fax)

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 DECEMBER 31, 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Noncompliance/Material Weakness – Capital Assets	Not Corrected	Repeated as Finding 2016-001 The City is trying to allocate funds to implement an updated asset management system.
2015-002	Material Weakness – Financial Reporting	Not Corrected	Repeated as Finding 2016-002 The City contracts out the GAAP Reporting and we have been in contact with our CPA firm to correct the finding.
2015-003	Significant Deficiency – Improper Reconciliation of Cash	Fully Corrected	

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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
MARCH 1, 2018