



Dave Yost • Auditor of State

**CITY OF NEW CARLISLE
CLARK COUNTY
DECEMBER 31, 2017**

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CITY OF NEW CARLISLE
CLARK COUNTY
DECEMBER 31, 2017

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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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no 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 audit opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Unmodified
Street Construction Fund	Unmodified
Emergency Ambulance Operating Fund	Unmodified
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, as of December 31, 2017, 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, 2017, and the respective changes in its 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 3, 2019, 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 3, 2019

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(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, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the current year by approximately \$4.7 million (net position), a decrease of \$827,754 from the prior year.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of approximately \$3.1 million, an increase of \$523,800 from the prior year.
- At year-end, the City's general fund reported a fund balance of approximately \$1.1 million, an increase of \$327,113 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 2017?" 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, 2017
(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, 2017
(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 2017 compared to 2016.

TABLE 1

Net Position (Deficit)

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 4,928,525	\$ 5,241,563	\$ 687,411	\$ 540,475	\$ 5,615,936	\$ 5,782,038
Capital assets	4,774,477	5,004,728	835,307	1,269,099	5,609,784	6,273,827
Total Assets	<u>9,703,002</u>	<u>10,246,291</u>	<u>1,522,718</u>	<u>1,809,574</u>	<u>11,225,720</u>	<u>12,055,865</u>
Deferred Outflows of Resources	<u>306,322</u>	<u>236,294</u>	<u>327,524</u>	<u>252,078</u>	<u>633,846</u>	<u>488,372</u>
Current liabilities	70,667	49,767	14,264	17,531	84,931	67,298
Long-term liabilities	1,669,083	1,781,094	3,138,462	3,386,032	4,807,545	5,167,126
Net pension liability	791,384	634,651	829,080	649,721	1,620,464	1,284,372
Total Liabilities	<u>2,531,134</u>	<u>2,465,512</u>	<u>3,981,806</u>	<u>4,053,284</u>	<u>6,512,940</u>	<u>6,518,796</u>
Deferred Inflows of Resources	<u>639,023</u>	<u>493,947</u>	<u>24,848</u>	<u>20,985</u>	<u>663,871</u>	<u>514,932</u>
Net Position:						
Net Investment in Capital Assets	3,174,269	3,294,325	(2,232,512)	(2,062,537)	941,757	1,231,788
Restricted	2,652,747	3,400,996	-	-	2,652,747	3,400,996
Unrestricted	1,012,151	827,805	76,100	49,920	1,088,251	877,725
Total Net Position (Deficit)	<u>\$ 6,839,167</u>	<u>\$ 7,523,126</u>	<u>\$ (2,156,412)</u>	<u>\$ (2,012,617)</u>	<u>\$ 4,682,755</u>	<u>\$ 5,510,509</u>

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 the change of assumptions in actuarial valuation, as reported by the Ohio Public Employees Retirement System, offset by a decrease in the City's proportionate shares of the pension system 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, 2017
(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 \$2.7 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, 2017 and 2016.

	Change in Net Position (Deficit)					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program Revenues:						
Charges for Services	\$ 717,712	\$ 800,957	\$ 1,694,065	\$ 1,666,942	\$ 2,411,777	\$ 2,467,899
Operating Grants and Contributions	399,504	377,816	-	-	399,504	377,816
Capital Grants and Contributions	10,080	-	-	-	10,080	-
General Revenues:						
Property Taxes	361,304	770,411	-	-	361,304	770,411
Income Taxes	1,546,757	1,563,110	-	-	1,546,757	1,563,110
Other Local Taxes	47,676	114,403	-	-	47,676	114,403
Unrestricted Grants and Entitlements	56,552	51,251	-	-	56,552	51,251
Other Unrestricted Revenues	25,115	71,300	57,303	47,566	82,418	118,866
Total Revenues	3,164,700	3,749,248	1,751,368	1,714,508	4,916,068	5,463,756
Expenses:						
General Government	862,259	850,586	-	-	862,259	850,586
Security of Persons and Property	722,034	681,345	-	-	722,034	681,345
Leisure-Time Activities	88,438	71,701	-	-	88,438	71,701
Health	918,847	940,483	-	-	918,847	940,483
Community Environment	17,255	18,112	-	-	17,255	18,112
Transportation	549,503	357,480	-	-	549,503	357,480
Interest on Long-Term Debt	98,262	99,089	-	-	98,262	99,089
Bond Issuance Costs	37,700	-	-	-	37,700	-
Water	-	-	1,057,150	1,051,596	1,057,150	1,051,596
Sewer	-	-	760,753	694,322	760,753	694,322
Swimming Pool	-	-	77,260	66,851	77,260	66,851
Total Expenses	3,294,298	3,018,796	1,895,163	1,812,769	5,189,461	4,831,565
Increase/(Decrease) before Transfers	(129,598)	730,452	(143,795)	(98,261)	(273,393)	632,191
Special Item	(554,361)	-	-	-	(554,361)	-
Increase(Decrease) in Net Position	(683,959)	730,452	(143,795)	(98,261)	(827,754)	632,191
Net Position (Deficit) at Beginning of Year	7,523,126	6,792,674	(2,012,617)	(1,914,356)	5,510,509	4,878,318
Net Position (Deficit) at End of Year	\$ 6,839,167	\$ 7,523,126	\$ (2,156,412)	\$ (2,012,617)	\$ 4,682,755	\$ 5,510,509

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

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

Governmental Activities

Revenues remained consistent during the year. During 2017, the City had one special item related to the City's special assessment agreement.

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	
	2017	2016	2017	2016
Governmental Activities:				
General Government	\$ 862,259	\$ 850,586	\$ 826,758	\$ 817,284
Security of Persons and Property	722,034	681,345	570,267	549,766
Leisure-Time Activities	88,438	71,701	88,438	71,701
Health	918,847	940,483	317,646	250,761
Community Environment	17,255	18,112	17,255	18,112
Transportation	549,503	357,480	210,676	33,310
Interest on Long-Term Debt	98,262	99,089	98,262	99,089
Bond Issuance Costs	37,700	-	37,700	-
Total Governmental Activities	\$ 3,294,298	\$ 3,018,796	\$ 2,167,002	\$ 1,840,023
Business-Type Activities:				
Water	\$ 1,057,150	\$ 1,051,596	\$ 333,528	\$ 312,245
Sewer	760,753	694,322	(152,275)	(176,392)
Swimming Pool	77,260	66,851	19,845	9,974
Total Business-Type Activities	\$ 1,895,163	\$ 1,812,769	\$ 201,098	\$ 145,827

The City's reliance upon general tax revenues is demonstrated by Table 2 indicating approximately 62.0% 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.

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

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

As of the end of the current year, the City's governmental funds reported combined ending fund balances of approximately \$3.1 million, an increase over the previous year's \$2.6 million.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2017 and 2016.

	<u>Fund Balance</u> <u>12/31/2017</u>	<u>Fund Balance</u> <u>12/31/2016</u>	<u>Increase/</u> <u>(Decrease)</u>
General Fund	\$ 1,056,495	\$ 729,382	\$ 327,113
Street Construction Fund	237,455	350,016	(112,561)
Emergency Ambulance Operating Fund	224,446	254,294	(29,848)
Police Income Tax Fund	357,123	292,314	64,809
Twin Creeks Infrastructure Bonds Fund	293,522	26,801	266,721
Other Governmental Funds	923,261	915,695	7,566
Total	<u>\$ 3,092,302</u>	<u>\$ 2,568,502</u>	<u>\$ 523,800</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 \$687,945, while total fund balance was approximately \$1.1 million. The \$327,113 increase represents the amount in which excess revenues (\$522,113) exceeded operating transfers out to other funds (\$195,000).

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

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

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

The fund balance increase in the Twin Creeks Infrastructure Bonds Fund is primarily the result of the special item related to the City's special assessment agreement. Detailed information regarding the City's special assessment agreement is included in Note 15 to the basic financial statements. The remaining increase represents the amount by which special assessment revenues, transfers from the General Fund, and net refunding bond proceeds exceeded debt service expenditures during the year.

The fund balance increase in the Other Government Funds is primarily the result of revenues, bond proceeds, and transfers from the General Fund exceeding expenses and payment to the refunded bond escrow agent during 2017.

Proprietary Funds

At year-end, net position in the Water Fund amounted to approximately negative \$1.7 million. Total Water Fund net position decreased \$286,110, or 19.6%, from the previous year. The key components of this decrease are an operating loss of \$239,395 and debt interest payments totaling \$62,215.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

At year-end, net position in the Sewer Fund amounted to negative \$427,251. Total Sewer Fund net position increased \$149,327, or 25.9%, from the previous year. This increase primarily represents operating income during 2017.

GENERAL FUND BUDGETARY INFORMATION

The City's original revenues estimate was \$113,293, or 8.06%, more than the final estimate. Actual budgetary revenues were \$7,371, or 0.6%, less than the final revenue estimate. This deficit was primarily the result of lower than expected income tax revenues.

The City's final appropriations were \$12,783 more than the original appropriations. Actual budgetary expenditures and financing uses were \$322,195 less than final appropriations.

CAPITAL ASSETS

At year-end, the City's investment in capital assets for governmental and business-type activities totaled approximately \$4.8 million and \$835,307 (net of accumulated depreciation), respectively. This investment in capital assets includes land, land improvements, buildings, equipment, furniture, vehicles, and infrastructure.

Total acquisitions (capital outlay) for the current year were \$101,542 and depreciation expense was \$765,585.

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 \$4.7 million. Of this amount, approximately \$1.7 million represents bonds and notes backed by the full faith and credit of the City and \$3.0 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 Deb Watson, 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, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled Cash and Cash Equivalents	\$ 2,335,813	\$ 464,273	\$ 2,800,086
Investments	274,404	-	274,404
Receivables:			
Taxes	1,725,529	-	1,725,529
Accounts	99,273	209,338	308,611
Due From Other Governments	214,711	-	214,711
Prepaid Items	44,016	13,800	57,816
Special Assessments Receivable	234,779	-	234,779
NonDepreciable Capital Assets	264,393	252,595	516,988
Depreciable Capital Assets, Net	4,510,084	582,712	5,092,796
Total Assets	9,703,002	1,522,718	11,225,720
Deferred Outflows of Resources			
Pension	306,322	327,524	633,846
Total Deferred Outflows of Resources	306,322	327,524	633,846
Liabilities			
Accounts Payable	45,427	952	46,379
Accrued Wages and Benefits	17,597	7,789	25,386
Due To Other Governments	7,643	5,523	13,166
Long-Term Liabilities			
Due Within One Year	189,451	309,572	499,023
Due in More Than One Year	1,479,632	2,828,890	4,308,522
Net Pension Liability	791,384	829,080	1,620,464
Total Liabilities	2,531,134	3,981,806	6,512,940
Deferred Inflows of Resources			
Property Taxes	588,462	-	588,462
Pension	50,561	24,848	75,409
Total Deferred Inflow of Resources	639,023	24,848	663,871
Net Position			
Net Investment in Capital Assets	3,174,269	(2,232,512)	941,757
Restricted For:			
Debt Service	436,956	-	436,956
Highways and Streets	515,564	-	515,564
Public Safety	942,680	-	942,680
Public Health	735,982	-	735,982
Community Environment	21,565	-	21,565
Unrestricted	1,012,151	76,100	1,088,251
Total Net Position	\$ 6,839,167	\$ (2,156,412)	\$ 4,682,755

See accompanying notes to the basic financial statements

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 862,259	\$ 34,338	\$ 1,163	\$ -
Security of Persons and Property	722,034	110,524	31,163	10,080
Leisure-Time Activities	88,438	-	-	-
Health	918,847	570,281	30,920	-
Community Environment	17,255	-	-	-
Transportation	549,503	2,569	336,258	-
Interest on Long-Term Debt	98,262	-	-	-
Bond Issuance Costs	37,700	-	-	-
Total Governmental Activities	3,294,298	717,712	399,504	10,080
Business-type Activities:				
Water	1,057,150	723,622	-	-
Sewer	760,753	913,028	-	-
Swimming Pool	77,260	57,415	-	-
Total Business-Type Activities	1,895,163	1,694,065	-	-
Total Government	\$ 5,189,461	\$ 2,411,777	\$ 399,504	\$ 10,080

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

Special Item

Change in Net Position

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

See accompanying notes to the basic financial statements

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (826,758)	\$ -	\$ (826,758)
(570,267)	-	(570,267)
(88,438)	-	(88,438)
(317,646)	-	(317,646)
(17,255)	-	(17,255)
(210,676)	-	(210,676)
(98,262)	-	(98,262)
(37,700)	-	(37,700)
<u>(2,167,002)</u>	<u>-</u>	<u>(2,167,002)</u>
-	(333,528)	(333,528)
-	152,275	152,275
-	(19,845)	(19,845)
<u>-</u>	<u>(201,098)</u>	<u>(201,098)</u>
<u>(2,167,002)</u>	<u>(201,098)</u>	<u>(2,368,100)</u>
361,304	-	361,304
1,546,757	-	1,546,757
47,676	-	47,676
56,552	-	56,552
25,115	57,303	82,418
<u>2,037,404</u>	<u>57,303</u>	<u>2,094,707</u>
(554,361)	-	(554,361)
<u>(683,959)</u>	<u>(143,795)</u>	<u>(827,754)</u>
7,523,126	(2,012,617)	5,510,509
<u>\$ 6,839,167</u>	<u>\$ (2,156,412)</u>	<u>\$ 4,682,755</u>

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

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General Fund	Street Construction	Emergency Ambulance Operating	Police Income Tax
Assets:				
Pooled Cash and Cash Equivalents	\$ 628,315	\$ 172,337	\$ 173,335	\$ 291,825
Investments	201,397	-	-	-
Receivables:				
Taxes	839,819	170,586	149,262	156,318
Accounts	12,173	-	81,590	-
Due From Other Governments	24,579	117,378	8,556	-
Prepaid Items	19,357	5,642	5,997	3,998
Special Assessments Receivable	8,779	-	-	-
Total Assets	<u>\$ 1,734,419</u>	<u>\$ 465,943</u>	<u>\$ 418,740</u>	<u>\$ 452,141</u>
Liabilities:				
Accounts Payable	\$ 2,006	\$ 134	\$ 3,802	\$ 28,855
Accrued Wages and Benefits	4,903	2,274	9,252	-
Due To Other Governments	4,231	1,680	708	-
Total Liabilities	<u>11,140</u>	<u>4,088</u>	<u>13,762</u>	<u>28,855</u>
Deferred Inflows of Resources:				
Unavailable Revenue	557,851	133,533	101,024	66,163
Property and Other Local Taxes	108,933	90,867	79,508	-
Total Deferred Inflows of Resources	<u>666,784</u>	<u>224,400</u>	<u>180,532</u>	<u>66,163</u>
Fund Balances:				
Nonspendable:				
Prepaid Items	19,357	5,642	5,997	3,998
Perpetual Care	-	-	-	-
Restricted for:				
Debt Service	-	-	-	-
Highways and Streets	-	231,813	-	-
Public Safety	-	-	-	353,125
Public Health	-	-	218,449	-
Community Environment	-	-	-	-
Assigned for:				
Future Appropriations	349,046	-	-	-
General Government	147	-	-	-
Unassigned	687,945	-	-	-
Total Fund Balances	<u>1,056,495</u>	<u>237,455</u>	<u>224,446</u>	<u>357,123</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,734,419</u>	<u>\$ 465,943</u>	<u>\$ 418,740</u>	<u>\$ 452,141</u>

See accompanying notes to the basic financial statements

Twin Creeks Infrastructure Bonds	Other Governmental Funds	Total Governmental Funds
\$ 293,522	\$ 776,479	\$ 2,335,813
-	73,007	274,404
-	409,544	1,725,529
-	5,510	99,273
-	64,198	214,711
-	9,022	44,016
135,000	91,000	234,779
<u>\$ 428,522</u>	<u>\$ 1,428,760</u>	<u>\$ 4,928,525</u>
\$ -	\$ 10,630	\$ 45,427
-	1,168	17,597
-	1,024	7,643
<u>-</u>	<u>12,822</u>	<u>70,667</u>
135,000	183,523	1,177,094
-	309,154	588,462
<u>135,000</u>	<u>492,677</u>	<u>1,765,556</u>
-	9,022	44,016
-	136,135	136,135
293,522	7,597	301,119
-	116,940	348,753
-	410,691	763,816
-	221,311	439,760
-	21,565	21,565
-	-	349,046
-	-	147
-	-	687,945
<u>293,522</u>	<u>923,261</u>	<u>3,092,302</u>
<u>\$ 428,522</u>	<u>\$ 1,428,760</u>	<u>\$ 4,928,525</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, 2017

Total Governmental Fund Balances	\$	3,092,302
<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.		4,774,477
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		291,069
Income Taxes		521,169
EMS Receivables		45,947
Cemetery Receivables		5,165
Intergovernmental Receivables		159,860
Special Assessment Receivables		143,779
Accounts Receivable		10,105
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		(2,303)
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		306,322
Deferred Inflows - Pension		(50,561)
Net Pension Liability		(791,384)
Long-Term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated Absences Payable		(66,572)
General Obligation Debt		(1,600,208)
Net Position of Governmental Activities	\$	<u>6,839,167</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, 2017

	General Fund	Street Construction	Emergency Ambulance Operating	Police Income Tax
Revenues:				
Property Taxes	\$ 99,993	\$ 83,506	\$ 74,228	\$ -
Income Taxes	1,066,295	-	-	519,955
Other Local Taxes	47,676	-	-	-
Charges for Services	-	-	528,643	-
Licenses, Permits, and Fees	29,138	-	-	-
Fines and Forfeitures	5,200	-	-	-
Intergovernmental	56,513	245,047	17,504	-
Special Assessments	6,348	-	-	-
Other	24,160	2,569	21,055	11
Total Revenues	<u>1,335,323</u>	<u>331,122</u>	<u>641,430</u>	<u>519,966</u>
Expenditures:				
Current Operations and Maintenance:				
General Government	710,001	-	-	-
Security of Persons and Property	151	-	-	392,608
Leisure-Time Activities	77,524	-	-	-
Health	-	-	671,278	-
Community Environment	11,289	-	-	-
Transportation	-	396,666	-	-
Capital Outlay	14,245	41,336	-	34,807
Debt Service:				
Principal Retirement	-	5,103	-	26,654
Interest and Fiscal Charges	-	578	-	1,088
Bond Issuance Costs	-	-	-	-
Total Expenditures	<u>813,210</u>	<u>443,683</u>	<u>671,278</u>	<u>455,157</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	522,113	(112,561)	(29,848)	64,809
Other Financing Sources (Uses):				
Issuance of Bonds	-	-	-	-
Discount on Bond Issuance	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	(195,000)	-	-	-
Total Other Financing Sources (Uses)	<u>(195,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Special Item	-	-	-	-
Net Change in Fund Balances	327,113	(112,561)	(29,848)	64,809
Fund Balance at Beginning of Year	729,382	350,016	254,294	292,314
Fund Balance at End of Year	<u>\$ 1,056,495</u>	<u>\$ 237,455</u>	<u>\$ 224,446</u>	<u>\$ 357,123</u>

See accompanying notes to the basic financial statements

Twin Creeks Infrastructure Bonds	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 199,967	\$ 457,694
-	-	1,586,250
-	-	47,676
-	71,189	599,832
-	-	29,138
-	-	5,200
-	151,264	470,328
14,820	96,572	117,740
-	7,066	54,861
<u>14,820</u>	<u>526,058</u>	<u>3,368,719</u>
15,665	124	725,790
-	240,995	633,754
-	-	77,524
-	131,256	802,534
-	-	11,289
-	85,787	482,453
-	18,311	108,699
59,258	98,491	189,506
26,217	48,528	76,411
19,513	18,187	37,700
<u>120,653</u>	<u>641,679</u>	<u>3,145,660</u>
(105,833)	(115,621)	223,059
669,926	624,385	1,294,311
(10,766)	(16,346)	(27,112)
(639,646)	(589,852)	(1,229,498)
90,000	105,000	195,000
-	-	(195,000)
<u>109,514</u>	<u>123,187</u>	<u>37,701</u>
<u>263,040</u>	<u>-</u>	<u>263,040</u>
266,721	7,566	523,800
26,801	915,695	2,568,502
<u>\$ 293,522</u>	<u>\$ 923,261</u>	<u>\$ 3,092,302</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, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 523,800

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

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

Capital Outlay	92,593
Depreciation	(322,844)

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

Delinquent Property Taxes	(96,390)
Income Taxes	(39,493)
Charges for Services	(47,535)
Intergovernmental Revenues	(4,192)
Special Assessments	(829,383)

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

61,871

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

(129,970)

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	(1,294,311)
Repayment of Long-term Debt	184,111
Payment to Refunded Bond Escrow Agent	1,229,498
Capital Lease Payment	5,395

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	834
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	<u>(17,943)</u>
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Change in Net Position of Governmental Activities **\$ (683,959)**

**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, 2017

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property Taxes	\$ 144,247	\$ 140,765	\$ 139,081	\$ (1,684)
Income tax	1,000,000	1,018,000	957,459	(60,541)
Other Local Taxes	24,444	50,000	66,557	16,557
Licenses and Permits	94,601	29,000	29,138	138
Fines and Forfeitures	16,311	5,000	5,200	200
Intergovernmental	101,353	41,638	56,489	14,851
Special Assessments	19,247	5,900	6,348	448
Other	4,893	1,500	24,160	22,660
Total Revenues	<u>1,405,096</u>	<u>1,291,803</u>	<u>1,284,432</u>	<u>(7,371)</u>
Expenditures				
General Government	874,217	884,531	707,074	177,457
Leisure-Time Activities	89,922	90,983	76,567	14,416
Community Environment	30,461	30,820	11,253	19,567
Capital Outlay	88,951	90,000	14,245	75,755
Total Expenditures	<u>1,083,551</u>	<u>1,096,334</u>	<u>809,139</u>	<u>287,195</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	321,545	195,469	475,293	279,824
Other Financing Sources/(Uses)				
Transfers Out	(230,000)	(230,000)	(195,000)	35,000
Total Other Financing Sources/(Uses)	<u>(230,000)</u>	<u>(230,000)</u>	<u>(195,000)</u>	<u>35,000</u>
Net Change in Fund Balance	91,545	(34,531)	280,293	314,824
Fund Balance at Beginning of Year	547,768	547,768	547,768	-
Prior Year Encumbrances Appropriated	952	952	952	-
Fund Balance at End of Year	<u>\$ 640,265</u>	<u>\$ 514,189</u>	<u>\$ 829,013</u>	<u>\$ 314,824</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, 2017

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property Taxes	\$ 120,134	\$ 117,419	\$ 116,019	\$ (1,400)
Intergovernmental	224,744	222,887	243,240	20,353
Other		2,600	2,569	(31)
Total Revenues	<u>344,878</u>	<u>342,906</u>	<u>361,828</u>	<u>18,922</u>
Expenditures				
Transportation	479,892	480,120	394,941	85,179
Capital Outlay	98,700	98,500	41,336	57,164
Debt Service:				
Principal Retirement	5,103	5,103	5,103	-
Interest and Fiscal Charges	578	578	578	-
Total Expenditures	<u>584,273</u>	<u>584,301</u>	<u>441,958</u>	<u>142,343</u>
Net Change in Fund Balance	(239,395)	(241,395)	(80,130)	161,265
Fund Balance at Beginning of Year	251,921	251,921	251,921	-
Prior Year Encumbrances Appropriated	320	320	320	-
Fund Balance at End of Year	<u>\$ 12,846</u>	<u>\$ 10,846</u>	<u>\$ 172,111</u>	<u>\$ 161,265</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, 2017

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property Taxes	\$ 105,117	\$ 102,741	\$ 102,677	\$ (64)
Charges for Services	548,999	543,000	529,715	(13,285)
Intergovernmental	16,588	16,275	17,504	1,229
Other	-	-	21,055	21,055
Total Revenues	<u>670,704</u>	<u>662,016</u>	<u>670,951</u>	<u>8,935</u>
Expenditures				
Health	731,788	733,818	666,550	67,268
Total Expenditures	<u>731,788</u>	<u>733,818</u>	<u>666,550</u>	<u>67,268</u>
Net Change in Fund Balance	(61,084)	(71,802)	4,401	76,203
Fund Balance at Beginning of Year	165,343	165,343	165,343	-
Prior Year Encumbrances Appropriated	3,568	3,568	3,568	-
Fund Balance at End of Year	<u>\$ 107,827</u>	<u>\$ 97,109</u>	<u>\$ 173,312</u>	<u>\$ 76,203</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, 2017

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Income Taxes	\$ 450,000	\$ 484,000	\$ 465,537	\$ (18,463)
Other	-	-	11	11
Total Revenues	<u>450,000</u>	<u>484,000</u>	<u>465,548</u>	<u>(18,452)</u>
Expenditures				
Security of Persons and Property	496,797	496,974	413,956	83,018
Capital Outlay	81,909	81,909	34,807	47,102
Debt Service:				
Principal Retirement	26,654	26,654	26,654	-
Interest and Fiscal Charges	1,088	1,088	1,088	-
Total Expenditures	<u>606,448</u>	<u>606,625</u>	<u>476,505</u>	<u>130,120</u>
Net Change in Fund Balance	(156,448)	(122,625)	(10,957)	111,668
Fund Balance at Beginning of Year	272,550	272,550	272,550	-
Prior Year Encumbrances Appropriated	177	177	177	-
Fund Balance at End of Year	<u>\$ 116,279</u>	<u>\$ 150,102</u>	<u>\$ 261,770</u>	<u>\$ 111,668</u>

See accompanying notes to the basic financial statements

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017

	Water Fund	Sewer Fund	Nonmajor Swimming Pool	Total
Assets				
Current Assets:				
Pooled Cash and Cash Equivalents	\$ 43,872	\$ 416,511	\$ 3,890	\$ 464,273
Accounts Receivable	94,163	115,175	-	209,338
Prepaid Items	8,103	3,365	2,332	13,800
Total Current Assets	<u>146,138</u>	<u>535,051</u>	<u>6,222</u>	<u>687,411</u>
Noncurrent Assets:				
NonDepreciable Capital Assets	7,073	209,195	36,327	252,595
Depreciable Capital Assets, Net	494,573	86,400	1,739	582,712
Total Noncurrent Assets	<u>501,646</u>	<u>295,595</u>	<u>38,066</u>	<u>835,307</u>
Total Assets	<u>647,784</u>	<u>830,646</u>	<u>44,288</u>	<u>1,522,718</u>
Deferred Outflows of Resources				
Pension	135,235	165,368	26,921	327,524
Total Deferred Outflows of Resources	<u>135,235</u>	<u>165,368</u>	<u>26,921</u>	<u>327,524</u>
Liabilities				
Current Liabilities				
Accounts Payable	747	205	-	952
Accrued Wages and Benefits	3,100	4,689	-	7,789
Due To Other Governments	2,100	3,423	-	5,523
Compensated Absences	28,760	10,753	-	39,513
Loans Payable	204,327	65,732	-	270,059
Total Current Liabilities	<u>239,034</u>	<u>84,802</u>	<u>-</u>	<u>323,836</u>
Noncurrent Liabilities				
Loans Payable	1,913,367	884,393	-	2,797,760
Compensated Absences	10,862	20,268	-	31,130
Net Pension Liability	350,389	425,326	53,365	829,080
Total Noncurrent Liabilities	<u>2,274,618</u>	<u>1,329,987</u>	<u>53,365</u>	<u>3,657,970</u>
Total Liabilities	<u>2,513,652</u>	<u>1,414,789</u>	<u>53,365</u>	<u>3,981,806</u>
Deferred Inflows of Resources				
Pension	11,513	8,476	4,859	24,848
Total Deferred Inflows of Resources	<u>11,513</u>	<u>8,476</u>	<u>4,859</u>	<u>24,848</u>
Net Position				
Net Investment in Capital Assets	(1,616,048)	(654,530)	38,066	(2,232,512)
Unrestricted Net Position	(126,098)	227,279	(25,081)	76,100
Total Net Position	<u>\$ (1,742,146)</u>	<u>\$ (427,251)</u>	<u>\$ 12,985</u>	<u>\$ (2,156,412)</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, 2017

	Water Fund	Sewer Fund	Nonmajor Swimming Pool	Total
Operating Revenues				
Charges for Services	\$ 723,622	\$ 913,028	\$ 57,415	\$ 1,694,065
Other Operating Revenues	31,918	12,552	12,833	57,303
Total Operating Revenues	<u>755,540</u>	<u>925,580</u>	<u>70,248</u>	<u>1,751,368</u>
Operating Expenses				
Personal Services	360,081	469,880	39,827	869,788
Contractual Services	124,538	246,317	20,576	391,431
Materials and Supplies	78,315	30,123	15,582	124,020
Depreciation	431,443	10,800	498	442,741
Other Operating Expenses	558	354	777	1,689
Total Operating Expenses	<u>994,935</u>	<u>757,474</u>	<u>77,260</u>	<u>1,829,669</u>
Operating Income/(Loss)	<u>(239,395)</u>	<u>168,106</u>	<u>(7,012)</u>	<u>(78,301)</u>
Nonoperating Expenses				
Interest and Fiscal Charges	(62,215)	(3,279)	-	(65,494)
Total Non-Operating Expenses	<u>(62,215)</u>	<u>(3,279)</u>	<u>-</u>	<u>(65,494)</u>
Income/(Loss) Before Transfers	(301,610)	164,827	(7,012)	(143,795)
Transfer In	15,500	-	-	15,500
Transfer Out	<u>-</u>	<u>(15,500)</u>	<u>-</u>	<u>(15,500)</u>
Change in Net Position	(286,110)	149,327	(7,012)	(143,795)
Net Position at Beginning of Year	(1,456,036)	(576,578)	19,997	(2,012,617)
Net Position at End of Year	<u>\$ (1,742,146)</u>	<u>\$ (427,251)</u>	<u>\$ 12,985</u>	<u>\$ (2,156,412)</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, 2017

	Water Fund	Sewer Fund	Nonmajor Swimming Pool	Total
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 721,048	\$ 904,787	\$ 57,415	\$ 1,683,250
Other Operating Receipts	31,918	12,552	12,833	57,303
Cash Paid to Employees	(304,806)	(409,160)	(32,937)	(746,903)
Cash Paid to Suppliers	(204,932)	(275,497)	(35,575)	(516,004)
Cash Paid for Other Expenses	(558)	(354)	(777)	(1,689)
Net Cash Provided by Operating Activities	<u>242,670</u>	<u>232,328</u>	<u>959</u>	<u>475,957</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	(8,949)	-	-	(8,949)
Payment of Debt Principal	(198,869)	(64,948)	-	(263,817)
Payment of Debt Interest	(62,215)	(3,279)	-	(65,494)
Transfers	15,500	(15,500)	-	-
Net Cash Used in Capital and Related Financing Activities	<u>(254,533)</u>	<u>(83,727)</u>	<u>-</u>	<u>(338,260)</u>
Net Change in Cash and Cash Equivalents	(11,863)	148,601	959	137,697
Cash and Cash Equivalents, Beginning of Year	55,735	267,910	2,931	326,576
Cash and Cash Equivalents, End of Year	<u>\$ 43,872</u>	<u>\$ 416,511</u>	<u>\$ 3,890</u>	<u>\$ 464,273</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided by Operating Activities:				
Operating Income/(Loss)	\$ (239,395)	\$ 168,106	\$ (7,012)	\$ (78,301)
Depreciation Expense	431,443	10,800	498	442,741
(Increase)/Decrease in Current Assets				
Accounts Receivable	(2,574)	(8,241)	-	(10,815)
Prepaid Items	610	383	583	1,576
Increase in Deferred Outflows of Resources - Pension	(23,409)	(36,324)	(15,713)	(75,446)
Increase/(Decrease) in Current Liabilities				
Accounts Payable	(2,941)	193	-	(2,748)
Accrued Wages and Benefits	25	(3)	-	22
Compensated Absences	9,642	6,605	-	16,247
Due to Other Governments	(603)	62	-	(541)
Increase in Net Pension Liability	63,895	88,774	26,690	179,359
Increase/(Decrease) in Deferred Inflows of Resources - Pension	5,977	1,973	(4,087)	3,863
Net Cash Provided by Operating Activities	<u>\$ 242,670</u>	<u>\$ 232,328</u>	<u>\$ 959</u>	<u>\$ 475,957</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, 2017**

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, 2017

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, 2017**

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 2017, 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 2017, 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, 2017

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, 2017

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. The City did not capitalize any interest during 2017.

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, 2017, but which were levied to finance 2018 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, 2017

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, 2017

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. 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 2017.

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.

P. 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 2017.

Q. 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. There were no extraordinary items in 2017. There was one special item in 2017 related to the City's special assessment settlement agreement.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017, 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	\$ 327,113	\$ (112,561)	\$ (29,848)	\$ 64,809
Revenue Accruals	(50,891)	30,706	29,521	(54,418)
Expenditure Accruals	4,770	1,951	4,751	8,707
Encumbrances	(699)	(226)	(23)	(30,055)
Budget Basis	<u>\$ 280,293</u>	<u>\$ (80,130)</u>	<u>\$ 4,401</u>	<u>\$ (10,957)</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, 2017**

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.

Deposits - At year-end, the carrying amount of the City's deposits was \$1,944,228, which includes certificates of deposit totaling \$274,404 and the bank balance was \$2,018,266. Of the bank balance, \$1,287,838 was covered by federal depository insurance and the remaining amount was collateralized.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in addition to amounts insured by the FDIC, or may pledge a single pool of collateral for the benefit of every depositor via the Ohio Pooled Collateral Program administered by the Treasurer of State. Specific collateral must equal or exceed 105% of the carrying value of assets, whereas pooled collateral must equal or exceed 102% or lesser amount as determined by the Treasurer of State. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments – At year-end, the City's investments were with STAR Ohio totaling \$1,130,262. Deposits in STAR Ohio are reported as part of Cash and Cash Equivalents. Investments reflected on the financial statements represent the \$274,404 held in the certificates of deposit at December 31, 2017. 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
General Fund	\$ 204,503	\$ 635,316	\$ 839,819
Street Construction	170,586	-	170,586
Emergency Ambulance Operating Fund	149,262	-	149,262
Police Income Tax	-	156,318	156,318
Other Governmental Funds	409,544	-	409,544
Totals	<u>\$ 933,895</u>	<u>\$ 791,634</u>	<u>\$ 1,725,529</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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 2017 for real and public utility property taxes represents collections of the 2016 taxes.

The 2017 real property taxes are levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by the State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

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. 2017 public utility property taxes which became a lien on December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The total assessed property tax valuation for tax year 2016, upon which 2017 property tax receipts were based, was \$65,152,750.

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, 2017 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 2017 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, 2017

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 2017 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, 2017

NOTE 8 – CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2017, 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	9,745	-	678,107
Improvements Other than Buildings	286,472	-	-	286,472
Machinery and Equipment	1,712,391	6,705	-	1,719,096
Furniture and Fixtures	100,207	-	-	100,207
Computer Equipment	164,838	-	-	164,838
Vehicles	1,710,102	34,807	-	1,744,909
Infrastructure	5,662,993	41,336	-	5,704,329
Total Depreciable Capital Assets	<u>10,305,365</u>	<u>92,593</u>	<u>-</u>	<u>10,397,958</u>
<i>Accumulated Depreciation:</i>				
Buildings	668,362	487	-	668,849
Improvements Other than Buildings	286,472	-	-	286,472
Machinery and Equipment	1,263,091	85,955	-	1,349,046
Furniture and Fixtures	88,204	5,010	-	93,214
Computer Equipment	164,838	-	-	164,838
Vehicles	1,710,102	3,481	-	1,713,583
Infrastructure	1,383,961	227,911	-	1,611,872
Total Accumulated Depreciation	<u>5,565,030</u>	<u>322,844</u>	<u>-</u>	<u>5,887,874</u>
Depreciable Capital Assets, net	<u>4,740,335</u>	<u>(230,251)</u>	<u>-</u>	<u>4,510,084</u>
Total Capital Assets, net	<u>\$ 5,004,728</u>	<u>\$ (230,251)</u>	<u>\$ -</u>	<u>\$ 4,774,477</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 94,053
Security of Persons and Property	75,339
Leisure-Time Activities	7,928
Public Health	103,993
Community Environment	2,003
Transportation	39,528
Total Depreciation Expense	<u>\$ 322,844</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 8 – CAPITAL ASSETS (CONTINUED)

Business-type capital asset activity for the year ended December 31, 2017, was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciated assets:				
Land	\$ 252,595	\$ -	\$ -	\$ 252,595
Total Non-depreciable assets	<u>252,595</u>	<u>-</u>	<u>-</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	5,966,549	8,949	-	5,975,498
Furniture and Fixtures	41,150	-	-	41,150
Computer Equipment	11,654	-	-	11,654
Vehicles	419,298	-	-	419,298
Infrastructure	8,456,116	-	-	8,456,116
Total Depreciable Capital Assets	<u>21,725,796</u>	<u>8,949</u>	<u>-</u>	<u>21,734,745</u>
Less accumulated depreciation:	<u>(20,709,292)</u>	<u>(442,741)</u>	<u>-</u>	<u>(21,152,033)</u>
Total Depreciable capital assets, net	<u>1,016,504</u>	<u>(433,792)</u>	<u>-</u>	<u>582,712</u>
Total Capital Assets, net	<u>\$ 1,269,099</u>	<u>\$ (433,792)</u>	<u>\$ -</u>	<u>\$ 835,307</u>

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

Water	\$ 431,443
Sewer	10,800
Swimming Pool	498
Total	<u>\$ 442,741</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 made the final payment of \$5,658 in fiscal year 2017 to retire the lease. The payment include a total of \$263 in interest payments.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 10 – LONG-TERM OBLIGATIONS

The City’s long-term debt activity for the year ended December 31, 2017, 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					
2016 Fire Truck					
5.25% maturing 2021	\$ 152,490	\$ -	\$ (32,888)	\$ 119,602	\$ 34,657
2009 Facilities and Equipment Bonds					
4.50%-6.75% maturing 2022	295,000	-	(40,000)	255,000	45,000
Facilities and Equipment Bonds Premium	3,137	-	(834)	2,303	-
Twin Creeks Special Assessment					
4.50% maturing 2026	630,000	-	(630,000)	-	-
Twin Creeks Bonds Premium	18,925	-	(18,925)	-	-
2010 General Obligation Bonds					
3.5-5.125% maturing 2035	585,000	-	(585,000)	-	-
Backhoe Note					
2.720% maturing 2020	21,259	-	(5,103)	16,156	5,242
Police Cruiser					
2.5% maturing 2021	21,259	-	(21,259)	-	-
2017A Various Purpose Refunding Bond					
3% maturing 2026	-	669,926	(59,258)	610,668	59,927
2017B Various Purpose Refunding Bond					
3.65% maturing 2035	-	624,385	(25,603)	598,782	23,777
Capital Leases	5,395	-	(5,395)	-	-
Compensated Absences	48,629	46,847	(28,904)	66,572	20,848
Net Pension Liability	634,651	156,733	-	791,384	-
Total Governmental Activities	\$ 2,415,745	\$ 1,497,891	\$ (1,453,169)	\$ 2,460,467	\$ 189,451

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, 2017**

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.

On June 8, 2017, the City issued Series 2017A Various Purpose Refunding bonds totaling \$669,926 to refund the outstanding balance of the Twin Creeks general obligation bonds. The bonds have an interest rate of 3% with a final maturity of December 1, 2026. The bonds were sold at a discount of \$10,766 and bond issuance costs totaled \$19,513. The refunding resulted in present value savings of \$59,219. The general obligation bonds will be paid from the City's Bond Retirement Fund. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$68,616.

On June 8, 2017, the City issued Series 2017B Various Purpose Refunding bonds \$624,835 to refund the outstanding balance of the 2010 general obligation bonds. The bonds have an interest rate of 3.65% with a final maturity of December 1, 2035. The bonds were sold at a discount of \$16,346 and bond issuance costs totaled \$18,187. The refunding resulted in present value savings of \$32,145. The general obligation bonds will be paid from the City's Bond Retirement Fund. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$47,547.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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	57,228	-	(7,153)	50,075	7,153
2005 OWDA WTP Improve. 2.85% maturing 2026	1,796,945	-	(167,219)	1,629,726	172,019
2015 OWDA Automated Meter Upgrade 2.66% maturing 2035	441,131	-	(19,395)	421,736	19,914
Backhoe Note 2.720% maturing 2020	21,259	-	(5,102)	16,157	5,241
Total Water Fund Loans	2,316,563	-	(198,869)	2,117,694	204,327
Sewer Fund Loans:					
2005 OPWC YMCA 0% maturing 2025	52,826	-	(6,603)	46,223	6,603
2012 OPWC WWTP Improve. 0% maturing 2040	855,728	-	(32,913)	822,815	32,913
Backhoe Note 2.720% maturing 2020	21,259	-	(5,103)	16,156	5,243
Commercial Truck Loan 3.125% maturing 2020	85,260	-	(20,329)	64,931	20,973
Total Sewer Fund Loans	1,015,073	-	(64,948)	950,125	65,732
Compensated Absences	54,396	38,018	(21,771)	70,643	39,513
Net Pension Liability	649,721	179,359		829,080	-
Total Business-type Activities	\$ 4,035,753	\$ 217,377	\$ (285,588)	\$ 3,967,542	\$ 309,572

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, 2017

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:		
2018	\$ 168,603	\$ 62,567
2019	179,312	55,196
2020	179,930	47,308
2021	159,317	39,514
2022	152,470	32,698
2023-2027	444,022	97,022
2028-2032	190,082	44,278
2033-2035	126,472	9,367
	<u>1,600,208</u>	<u>\$ 387,950</u>
Unamortized Bond Premium	2,303	
	<u>\$ 1,602,511</u>	
Business-Type Activities:		
2018	\$ 270,059	\$ 59,253
2019	276,477	52,833
2020	283,083	46,229
2021	255,486	39,734
2022	261,438	33,480
2023-2027	1,030,783	98,793
2028-2032	301,379	18,185
2033-2037	224,554	2,008
2038-2042	164,560	-
	<u>\$ 3,067,819</u>	<u>\$ 350,515</u>

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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

Plan Description

Plan Description - City employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (employees) may elect the member-directed plan and the combined plan, all City employees have elected the 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, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C 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
Traditional Plan 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. For members retiring under the Combined Plan, an annual COLA will be provided on the defined benefit portion of their benefit. 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:

2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0
	<hr/>
Total Employer	14.0 %
	<hr/> <hr/>
Employee	10.0 %
	<hr/> <hr/>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution was \$121,795 for 2017. Of this amount, \$12,554 is reported as due to other governments.

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, 2016, 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	\$1,620,464
Proportion of the Net Pension Liability	0.007135%
Pension Expense	\$297,669

At December 31, 2017, 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	
Differences between expected and actual experience	\$2,196
Net difference between projected and actual earnings on pension plan investments	241,324
Changes of assumptions	257,025
Change in proportionate share	11,506
City contributions subsequent to the measurement date	121,795
Total Deferred Outflows of Resources	\$633,846
 Deferred Inflows of Resources	
Differences between expected and actual experience	\$9,644
Change in proportionate share	65,765
Total Deferred Inflows of Resources	\$75,409

**CITY OF NEW CARLISLE, OHIO
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

\$121,795 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	<u>OPERS Traditional Plan</u>
2018	\$ 164,948
2019	193,958
2020	84,815
2021	(7,079)
Thereafter	-
Total	<u><u>\$ 436,642</u></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. In 2016, the OPERS Board's actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporated both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8 percent down to 7.5 percent for the defined benefit investments. Key methods and assumptions used in the December 31, 2016 actuarial valuation, reflecting experience study results, are presented below.

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation Pre-1/7/13 Retirees: 3 percent, simple Post-1/7/13 Retirees: 3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Mortality rates were based on the RP-2014 Healthy Annuitant mortality table. For males, the tables were adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, the tables were adjusted for mortality improvement back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year, for both healthy and disabled retiree mortality tables, were determined by applying the MP-2015 mortality improvement scale to the above described tables.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS 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 following table displays the OPERS Board-approved asset allocation policy for 2016 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 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	5.66 %

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, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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 annual money-weighted rate of return expressing investment performance for the Defined Benefit portfolio is 8.3 percent for 2016.

Discount Rate The discount rate used to measure the total pension liability was 7.5 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 Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability Traditional Plan	\$2,475,274	\$1,620,464	\$907,715

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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.

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 2016 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 2017, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% 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 VEBA for participants in the Member-Direction Plan for 2017 was 4.0%.

The City's contributions to OPERS to fund health care for the years ending December 31, 2017, 2016, and 2015 were \$9,369, \$17,042, and \$18,831, respectively. The full amount has been contributed for 2016 and 2015; 90 percent has been contributed for 2017 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, 2017

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
Real & Personal Property	25,576,295

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, 2017

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. 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. During 2017, the City executed a settlement agreement releasing one of the Twin Creek’s parcels from all future charges. This settlement agreement resulted in a significant reduction of the City’s special assessment receivable balance. In exchange, the City received a cash settlement totaling \$263,040. The effect of the City’s settlement agreement is reported as a special item in the City’s financial statements.

As of December 31, 2017, the special assessment receivable related to the Twin Creeks Subdivision amounted to \$135,000.

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	\$ -	\$ 195,000
Twin Creeks Infrastructure Bonds Fund	90,000	-
Other Governmental Funds:		
General Bond Retirement Fund	105,000	-
Water Fund	15,500	-
Sewer Fund	-	15,500
	\$ 210,500	\$ 210,500

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017, the following funds had deficit fund balances:

<u>Fund</u>	<u>Deficit</u>
Major Funds	
Water	\$ 1,742,146
Sewer	427,251

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.

Contrary to Ohio law, the City did not file appropriation amendments with the County Auditor. As a result, the City's budgetary expenditures exceeded the appropriation authority in the Twin Creeks Infrastructure Bonds Fund by \$680,977.

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	\$ 699
Street Construction Fund	226
Emergency Ambulance Operating Fund	23
Police Income Tax	30,055
Other Governmental Funds	3,063
	<u>\$ 34,066</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 19 – CHANGE IN ACCOUNTING PRINCIPLES

For 2017, the City implemented GASB Statement No. 73 “*Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*”, which improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The implementation of this statement did not have a significant effect on the financial statements of the City.

For 2017, the City implemented GASB Statement No. 74 “*Financial Reporting for Postemployment Benefit Plans other than Pension Plans*” which improves the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The implementation of this statement did not have an effect on the financial statements of the City.

For 2017, the City implemented GASB Statement No. 80 “*Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*”, which improves financial reporting by clarifying the financial statement presentation requirements for certain component units. The implementation of this statement did not have an effect on the financial statements of the City.

For fiscal 2017, the City implemented GASB Statement No. 81 “*Irrevocable Split-Interest Agreements*”, which improves financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of this statement did not have an effect on the financial statements of the City.

For fiscal year 2017, the City implemented GASB Statement No. 82 “*Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*”, which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of this statement did not have a significant effect on the financial statements of the City.

NOTE 20 – SUBSEQUENT EVENTS

On May 8, 2018, voters approved an additional 3 mill tax levy for Fire/EMS, first due in calendar year 2019.

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 Four Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's Proportion of the Net Pension Liability Traditional Plan	0.0071350%	0.0074150%	0.0081280%	0.0081280%
City's Proportionate Share of the Net Pension Liability Traditional Plan	\$ 1,620,464	\$ 1,284,372	\$ 980,326	\$ 958,185
City's Covered-Employee Payroll	\$ 852,115	\$ 941,542	\$ 999,792	\$ 1,189,946
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	190.17%	136.41%	98.05%	80.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability Traditional Plan	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2014 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 Five Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 121,795	\$ 102,254	\$ 112,985	\$ 119,975	\$ 154,693
Contributions in relation to the contractually required contribution	\$ (121,795)	\$ (102,254)	\$ (112,985)	\$ (119,975)	\$ (154,693)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 936,883	\$ 852,115	\$ 941,542	\$ 999,792	\$ 1,189,946
Contributions as a percentage of covered-employee payroll	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Changes of benefit terms. There were no significant changes of benefit terms in 2017.

Changes of assumptions. Amounts reported in 2017 reflect changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0% down to 7.5%, for the defined benefit investments.



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, 2017, 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 3, 2019. 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 2017-001 and 2017-002 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 2017-001 and 2017-003.

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 subject the City's responses to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

January 3, 2019

**CITY OF NEW CARLISLE
CLARK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

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; and
- Detailed records of cost and accumulated depreciation of capital assets were not maintained.

We were unable to determine during audit if the capital assets, net of accumulated depreciation, agreed to actual capital assets on hand, less accumulated depreciation, at December 31, 2017; therefore, we were unable to obtain sufficient appropriate audit evidence to support the \$4,774,477, \$835,307, \$501,646, \$295,595, and \$38,066 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. The capital asset records should be timely updated as assets are acquired and/or are disposed. 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, 2017. Failure to maintain required capital asset records could lead to material weaknesses and modified audit opinions in future engagements.

Officials' Response:

The City is very aware this needs to be completed and we are taking steps to have this started in 2019. There are start-up costs associated with this massive project and the City is now better prepared financially to begin this much needed Capital Asset records project.

FINDING NUMBER 2017-002

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The City's calculation of property taxes receivable included the delinquent taxes and amounts available for advance as of December 31, 2016 instead of December 31, 2017. The variances in these amounts caused the following misstatements for property taxes receivable, property tax revenue, deferred inflows-unavailable revenue, and deferred inflows-property taxes:

- General Fund - property taxes receivable and property tax revenue were overstated by \$21,107 and \$38,860, respectively, resulting in overstated deferred inflows-unavailable revenue in the amount of \$21,107 and understated deferred inflows-property taxes in the amount of \$38,860;
- Street Construction Fund - Property taxes receivable and property tax revenue were overstated by \$17,606 and \$32,416, respectively, resulting in overstated deferred inflows-unavailable revenue in the amount of \$17,606 and understated deferred inflows-property taxes in the amount of \$32,416;
- Emergency Ambulance Operating Fund - Property taxes receivable and property tax revenue were overstated by \$15,405 and \$28,363, respectively, resulting in overstated deferred inflows-unavailable revenue in the amount of \$15,405 and understated deferred inflows-property taxes in the amount of \$28,363;
- Remaining Fund Information - Property taxes receivable and property tax revenue were overstated by \$42,271 and \$77,823, respectively, resulting in overstated deferred inflows-unavailable revenue in the amount of \$42,271 and understated deferred inflows-property taxes in the amount of \$77,823; and
- Governmental Activities - Property taxes receivable and property tax revenue were overstated by \$96,389 and \$273,851, respectively, resulting in understated deferred inflows-property taxes in the amount of \$177,462.

The misstatements above are reflected on the accompanying financial statements. In addition to the adjustments noted above, we also identified misstatements ranging from \$280 to \$54,101 which we have brought to the City's attention. Misstatements result from lack of timely information provided for the report compilation.

The failure to properly classify financial activity in the accounting records and financial statements may impact the users' understanding of the financial operations, the Council's and management's ability to make decisions, and could result in materially misstated reports.

The City should establish and implement procedures to provide for accurate and complete reporting of financial activity and balances in the accounting records and financial statements to assist in the effective management and reporting of financial resources.

**FINDING NUMBER 2017-002
(Continued)**

Officials' Response:

Our new Finance Director is aware of the correct procedures. I was not aware that our previous Finance Director did not supply the KCR with the appropriate documents in a timely manner that caused this finding. If KCR was given the correct year documents in a timely manner, this finding could have possibly been avoided.

FINDING NUMBER 2017-003

Noncompliance – Budgetary

Ohio Rev. Code § 5705.39 states, in part, no appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

Additionally, **Ohio Rev. Code § 5705.40** states, in part, any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation.

Finally, **Ohio Rev. Code § 5705.41(B)** prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

During 2017, the City's Council passed resolutions to amend appropriations. However, the City did not file the amendments with the county auditor for certification, as required by Ohio Rev. Code § 5705.39. As a result, the amendments were not considered legally effective and caused expenditures to exceed appropriations in the Twin Creeks Infrastructure Bonds Fund, in the amount of \$680,977.

Although the Council reviewed budget and actual activity reports, the appropriation amendments were not legally effective and therefore, the information provided to the Council in these reports was not accurate regarding budgeted and actual activity for all funds.

Failure to have adequate appropriation authority in place at the time of expenditures and failure to record appropriations accurately in the accounting system can result in overspending of available resources.

The City should establish and implement procedures to verify that all appropriation resolutions, approved by Council, are filed with the County Auditor. Additionally, the City should properly record appropriations and budgeted revenue for all funds in the accounting system to produce financial reports that contain budget and actual activity. The Council should continue to review budgetary financial reports for all funds, which helps ensure expenditures are made in accordance with the approved budget, receipts are received in accordance with the Certificate of Estimated Resources, and overspending does not occur.

Officials' Response:

This is already corrected with the hiring of our new Finance Director. Recertifying appropriation amendments to the County Auditor is Governmental Accounting 101. I was unaware of this occurring in 2017.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 DECEMBER 31, 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Noncompliance and Material Weakness-Capital Assets	Not Corrected	Repeated as Finding 2017-001 The City is still trying to allocate funds to implement an updated asset management system.
2016-002	Financial Reporting- Income taxes, Accounts payable, intergovernmental. Revenue	Partially Corrected	Repeated as Finding 2017-002 The errors in the year of 2016 were corrected; moving forward to 2017 and 2018 there may still be some errors in need of correcting.

OHIO AUDITOR OF STATE
KEITH FABER



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
JANUARY 29, 2019**