

CITY OF NEW CARLISLE
CLARK COUNTY
REGULAR AUDIT
JANUARY 1, 2011 – DECEMBER 31, 2011





Dave Yost • Auditor of State

City Council
City of New Carlisle
331 South Church Street
P.O. Box 419
New Carlisle, Ohio 45344

We have reviewed the *Independent Auditors' Report* of the City of New Carlisle, Clark County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

August 15, 2012

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

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET ASSETS	11
STATEMENT OF ACTIVITIES	12
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET – GOVERNMENTAL FUNDS	14
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES	17
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	21
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL – GENERAL FUND	22
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL – STREET CONSTRUCTION FUND	23
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL – EMERGENCY AMBULANCE FUND	24
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL – EMERGENCY FIRE FUND	25
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS	26
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY FUNDS	27
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	28
NOTES TO THE BASIC FINANCIAL STATEMENTS	29

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

TABLE OF CONTENTS
(CONTINUED)

<u>TITLE</u>	<u>PAGE</u>
INDEPEDNENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ONCOMPLIANCE AND OTHER MATTERS REQUIRED BY <i>GOVERNMENT AUDITING STANDARDS</i>	53
SCHEDULE OF FINDINGS AND RESPONSES	55
SCHEDULE OF PRIOR YEAR FINDINGS	59



City of New Carlisle
Clark County
331 South Church Street
P.O. Box 419
New Carlisle, Ohio 45344

INDEPENDENT AUDITORS' REPORT

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

We were unable to obtain sufficient competent evidential matter supporting the City's capital asset balances reported in the City's basic financial statements; nor were we able to satisfy ourselves as to the reported accumulated depreciation and current period depreciation expense. We cannot reasonably determine the amount by which this departure would affect these assets, net assets, and expenses.

In our opinion, except for the effects of not being able to obtain sufficient competent evidential matter supporting the City's capital asset balances and not being able to satisfy ourselves as to the reported accumulated depreciation and current period depreciation expense, as described in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the water and sewer funds of the City of New Carlisle, Clark County, Ohio as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General, Street Construction, Emergency Ambulance, Emergency Fire, and Twin Creeks Infrastructure Bond funds, and the aggregate remaining fund information of the City as of December 31, 2011, and the respective budgetary comparisons for the General, Street Construction, Emergency Ambulance and Emergency Fire funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Wilson, Shannon & Snow, Inc.

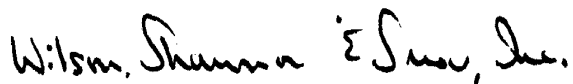
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Newark, Ohio 43055
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City of New Carlisle
Clark County
Independent Auditors' Report

As described in Note 2J, the City implemented GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". Also as described in Note 2G, the City implemented a capital asset threshold of \$2,500.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. As a result of our limited procedures, we believe Management's Discussion and Analysis does not conform to Governmental Accounting Standards Board guidelines, since as discussed in paragraph three, we were unable to obtain sufficient competent evidential matter supporting the City's capital asset balances reported in the City's basic financial statements; nor were we able to satisfy ourselves as to the reported accumulated depreciation and current period depreciation expense. We cannot reasonably determine the amounts by which this departure would affect these assets, net assets, and expenses presented in Table 1 and in Table 2.



Newark, Ohio
June 25, 2012

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(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, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by approximately \$5.7 million (net assets), a decrease of \$106,059 from the prior year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$1.5 million, an increase of \$322,487 from the prior year.
- At fiscal year-end, the City's general fund reported a fund balance of \$363,041, a decrease of \$6,435 in comparison with the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The Statement of Net Assets 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 Assets 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 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net assets and changes in those assets. This change in net assets 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:

- Governmental Activities – Most of the City's services are reported here including fire, administration, and all departments.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

- Business-Type Activities – The business-type activities of the City primarily consist of water distribution, sewage collection and treatment, and swimming pool.

Reporting the City of New Carlisle's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled as part of the financial statements.

The City maintains 18 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general, street construction, emergency ambulance, emergency fire, and twin creeks infrastructure bond fund, which are considered to be the City's major funds. Data from the other 13 governmental funds are combined into a single, aggregated presentation.

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

Proprietary Funds

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

Fiduciary Funds

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

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.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

THE CITY OF NEW CARLISLE AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the City as a whole. Table 1 provides a summary of the City's net assets for 2010 compared to 2011.

TABLE 1

Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 4,613,507	\$ 4,480,276	\$ 704,378	\$ 955,064	\$ 5,317,885	\$ 5,435,340
Capital assets	3,942,590	3,893,693	2,997,285	3,762,096	6,939,875	7,655,789
Total Assets	8,556,097	8,373,969	3,701,663	4,717,160	12,257,760	13,091,129
Current liabilities	600,796	839,805	37,844	61,011	638,640	900,816
Long-term liabilities	2,392,985	2,538,538	3,538,814	3,858,395	5,931,799	6,396,933
Total Liabilities	2,993,781	3,378,343	3,576,658	3,919,406	6,570,439	7,297,749
Net Assets:						
Invested in capital assets, net of related debt	1,672,130	1,489,065	41,053	36,327	1,713,183	1,525,392
Restricted	2,920,804	2,618,657	-	-	2,920,804	2,618,657
Unrestricted	969,382	887,904	83,952	761,427	1,053,334	1,649,331
Total Net Assets	\$ 5,562,316	\$ 4,995,626	\$ 125,005	\$ 797,754	\$ 5,687,321	\$ 5,793,380

The significant decrease in total long-term liabilities is primarily the result of the City paying off \$762,031 in debt offset by \$296,473 in additions.

A large portion of the City's net assets (30%) reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (51%) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net asset amount available to meet the ongoing obligations to citizens and creditors is approximately \$1.1 million.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

Table 2 shows the changes in net assets for the years ended December 31, 2011 and 2010.

TABLE 2

Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Program Revenues:						
Charges for Services	\$ 792,751	\$ 766,507	\$ 1,522,692	\$ 1,603,744	\$ 2,315,443	\$ 2,370,251
Operating Grants and Contributions	369,939	384,431	-	-	369,939	384,431
Capital Grants and Contributions	192,434	340,178	3,062	171,987	195,496	512,165
General Revenues:						
Property Taxes	599,475	521,674	-	-	599,475	521,674
Income Taxes	1,054,310	1,127,383	-	-	1,054,310	1,127,383
Other Local Taxes	57,308	50,801	-	-	57,308	50,801
Unrestricted Grants	74,269	110,618	-	-	74,269	110,618
Other Unrestricted Revenues	153,680	-	24,906	21,637	178,586	21,637
Total Revenues	3,294,166	3,301,592	1,550,660	1,797,368	4,844,826	5,098,960
Expenses:						
General Government	714,361	741,617	-	-	714,361	741,617
Security of Persons and Property	631,390	628,926	-	-	631,390	628,926
Leisure-Time Activities	75,066	68,892	-	-	75,066	68,892
Health	805,978	782,150	-	-	805,978	782,150
Community Environment	44,409	45,687	-	-	44,409	45,687
Transportation	316,604	312,896	-	-	316,604	312,896
Interest on Long-Term Debt	129,668	149,165	-	-	129,668	149,165
Water	-	-	938,356	916,602	938,356	916,602
Sewer	-	-	1,210,919	1,164,828	1,210,919	1,164,828
Swimming Pool	-	-	84,134	86,726	84,134	86,726
Total Expenses	2,717,476	2,729,333	2,233,409	2,168,156	4,950,885	4,897,489
Increase in Net Assets						
before Transfers	576,690	572,259	(682,749)	(370,788)	(106,059)	201,471
Transfers	(10,000)	(25,000)	10,000	25,000	-	-
Increase(Decrease) in Net Assets	566,690	547,259	(672,749)	(345,788)	(106,059)	201,471
Net Assets at Beginning of Year	4,995,626	4,448,367	797,754	1,143,542	5,793,380	5,591,909
Net Assets at End of Year	\$ 5,562,316	\$ 4,995,626	\$ 125,005	\$ 797,754	\$ 5,687,321	\$ 5,793,380

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

Governmental Activities

The decrease in capital grants and contributions is the result of projects coming to a close during the year and less projects ongoing at year end. Expenses remained relatively consistent with a decrease of \$11,857.

Business-type Activities

The decrease in capital grants and contributions is the result of grant funding received from the Ohio Public Works Commission for a utility extension project primarily being received in the prior year. Expenses increased slightly by \$65,253 during the year.

Total versus Net Cost of Services

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

TABLE 3

Functions/Programs	Total Cost		Net Cost	
	2011	2010	2011	2010
Governmental Activities:				
General Government	\$ 714,361	\$ 741,617	\$ 669,600	\$ 703,503
Security of Persons and Property	631,390	628,926	481,974	493,825
Leisure-Time Activities	75,066	68,892	40,272	(131,720)
Health	805,978	782,150	132,419	108,638
Community Environment	44,409	45,687	44,409	45,687
Transportation	316,604	312,896	(135,990)	(130,881)
Interest on Long-Term Debt	129,668	149,165	129,668	149,165
Total Governmental Activities	\$ 2,717,476	\$ 2,729,333	\$ 1,362,352	\$ 1,238,217
Business-Type Activities:				
Water	\$ 938,356	\$ 916,602	\$ 287,741	\$ 157,194
Sewer	1,210,919	1,164,828	429,420	213,419
Swimming Pool	84,134	86,726	(9,506)	21,812
Total Business-Type Activities	\$ 2,233,409	\$ 2,168,156	\$ 707,655	\$ 392,425

The City's reliance upon general tax revenues is demonstrated by the Table 2 above indicating approximately 52% 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 \$1,362,352 of support.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

THE CITY'S FUNDS

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$1.5 million, a significant increase from the previous year.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2011 and 2010.

	<u>Fund Balance 12/31/2011</u>	<u>Fund Balance 12/31/2010</u>	<u>Increase (Decrease)</u>
General Fund	\$ 363,041	\$ 369,476	\$ (6,435)
Street Construction fund	49,130	47,687	1,443
Emergency Ambulance fund	427,022	212,580	214,442
Emergency Fire fund	321,304	237,705	83,599
Twin Creeks Infrastructure Bond fund	448	1,010	(562)
Other governmental funds	321,662	291,662	30,000
Total	<u>\$ 1,482,607</u>	<u>\$ 1,160,120</u>	<u>\$ 322,487</u>

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,549, while total fund balance was \$363,041. The \$6,435 decrease in fund balance is primarily the result of operating transfers to other funds totaling \$208,000.

The Street Construction Fund accounts for the City's street repair, maintenance and improvement activities. The increase in fund balance is primarily the result transfers of \$30,000 from the General Fund.

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

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

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

The fund balance increase in the Other Government Funds is primarily the result of the transfers from the General Fund totaling \$99,000.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

Proprietary Funds

At year-end, unrestricted net assets in the Water Fund amounted to negative \$108,961. Total Water Fund net assets decreased \$276,000, or 165%, from the previous year. This decrease in net assets is the result of an operating loss of \$199,732, and debt interest payments totaling \$76,268.

At year-end, unrestricted net assets in the Sewer Fund amounted to \$161,123. Total Sewer Fund net assets decreased \$422,500, or 72%, from the previous year. This decrease in net assets is the result of an operating loss of \$385,487, nonoperating grants revenue of \$312, and debt interest payments totaling \$37,325.

GENERAL FUND BUDGETARY INFORMATION

The City's final revenues estimate was \$9,213, or less than 1% more than the original estimate. The amount by which the City's actual revenues exceeded final revenue estimate was \$51,061, or 4 percent of the final budget.

The City's final appropriations were \$50,000 more than original appropriations, primarily as a result of additional operating transfers to other funds needed throughout the year. The amount by which final appropriations exceeded actual budgetary expenditures was \$76,784.

CAPITAL ASSETS

At year-end, the City's investment in capital assets for governmental and business-type activities totaled \$3.9 million and \$3.0 million (net of accumulated depreciation), respectively. This investment in capital assets includes land, land improvements, buildings, equipment, furniture, vehicles, and infrastructure.

Total acquisitions (capital outlay) for the current fiscal year were \$388,278 and depreciation was approximately \$1.1 million.

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

LONG-TERM DEBT

At the end of the current year, the City had total long-term debt outstanding of approximately \$5.8 million. Of this amount, \$2.3 million represents bonds and notes backed by the full faith and credit of the City and \$3.5 million represents OPWC and OWDA loans secured by specified revenue sources.

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

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

CONTACTING THE CITY

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

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

**STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled Cash and Cash Equivalents	\$ 932,510	\$ 439,528	\$ 1,372,038
Investments	71,634	-	71,634
Receivables:			
Taxes	1,350,053	-	1,350,053
Accounts	355,435	246,073	601,508
Due From Other Governments	266,680	-	266,680
Prepaid Items	51,848	18,777	70,625
Special Assessments Receivable	1,534,125	-	1,534,125
Unamortized Bond Issuance Costs	51,222	-	51,222
NonDepreciable Capital Assets	598,202	356,926	955,128
Depreciable Capital Assets, Net	3,344,388	2,640,359	5,984,747
Total Assets	8,556,097	3,701,663	12,257,760
Liabilities			
Accounts Payable	16,814	8,442	25,256
Accrued Wages and Benefits	35,422	15,319	50,741
Due To Other Governments	31,613	14,083	45,696
Unearned Revenue	516,947	-	516,947
Long-Term Liabilities			
Due Within One Year	146,114	348,666	494,780
Due in More Than One Year	2,246,871	3,190,148	5,437,019
Total Liabilities	2,993,781	3,576,658	6,570,439
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,672,130	41,053	1,713,183
Restricted For:			
Capital Projects	16,902	-	16,902
Debt Service	1,412,754	-	1,412,754
Highways and Streets	225,264	-	225,264
Public Safety	463,701	-	463,701
Public Health	780,618	-	780,618
Community Environment	21,565	-	21,565
Unrestricted	969,382	83,952	1,053,334
Total Net Assets	\$ 5,562,316	\$ 125,005	\$ 5,687,321

See accompanying notes to the basic financial statements

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 714,361	\$ 43,404	\$ 1,357	\$ -
Security of Persons and Property	631,390	111,256	38,160	-
Leisure-Time Activities	75,066	-	-	34,794
Health	805,978	632,987	40,572	-
Community Environment	44,409	-	-	-
Transportation	316,604	5,104	289,850	157,640
Interest on Long-Term Debt	129,668	-	-	-
Total Governmental Activities	2,717,476	792,751	369,939	192,434
Business-type Activities:				
Water	938,356	650,615	-	-
Sewer	1,210,919	781,187	-	312
Swimming Pool	84,134	90,890	-	2,750
Total Business-Type Activities	2,233,409	1,522,692	-	3,062
Total Government	\$ 4,950,885	\$ 2,315,443	\$ 369,939	\$ 195,496

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

Change in Net Assets

Net Assets at Beginning of Year
Net Assets at End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (669,600)	\$ -	\$ (669,600)
(481,974)	-	(481,974)
(40,272)	-	(75,066)
(132,419)	-	(132,419)
(44,409)	-	(44,409)
135,990	-	170,784
(129,668)	-	(129,668)
<u>(1,362,352)</u>	<u>-</u>	<u>(1,362,352)</u>
-	(287,741)	(287,741)
-	(429,420)	(429,420)
-	9,506	9,506
-	<u>(707,655)</u>	<u>(707,655)</u>
<u>(1,362,352)</u>	<u>(707,655)</u>	<u>(2,070,007)</u>
599,475	-	599,475
1,054,310	-	1,054,310
57,308	-	57,308
74,269	-	74,269
153,680	24,906	178,586
(10,000)	10,000	-
<u>1,929,042</u>	<u>34,906</u>	<u>1,963,948</u>
566,690	(672,749)	(106,059)
4,995,626	797,754	5,793,380
<u>\$ 5,562,316</u>	<u>\$ 125,005</u>	<u>\$ 5,687,321</u>

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

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General Fund	Street Construction	Emergency Ambulance	Emergency Fire
Assets:				
Pooled Cash and Cash Equivalents	\$ 157,395	\$ 15,121	\$ 282,925	\$ 290,181
Investments	-	-	-	-
Receivables:				
Taxes	864,866	-	167,912	243,513
Accounts	52,848	-	283,712	1,650
Due From Other Governments	36,969	103,854	11,491	16,672
Prepaid Items	31,163	6,919	5,778	5,628
Special Assessments Receivable	15,712	-	-	-
Total Assets	\$ 1,158,953	\$ 125,894	\$ 751,818	\$ 557,644
Liabilities:				
Accounts Payable	\$ 2,134	\$ 279	\$ 2,984	\$ 243
Accrued Wages and Benefits	11,093	3,921	16,297	1,811
Due To Other Governments	10,792	3,328	13,947	1,550
Deferred Revenue	650,769	69,236	183,161	75,520
Unearned Revenue	121,124	-	108,407	157,216
Total Liabilities	795,912	76,764	324,796	236,340
Fund Balances:				
Nonspendable:				
Prepaid Items	31,163	6,919	5,778	5,628
Restricted for:				
Capital Projects	-	-	-	-
Debt Service	-	-	-	-
Highways and Streets	-	40,768	-	-
Public Safety	-	-	-	315,676
Public Health	-	-	421,244	-
Community Environment	-	-	-	-
Assigned for:				
Future Appropriations	326,329	-	-	-
Unassigned	5,549	1,443	-	-
Total Fund Balances	363,041	49,130	427,022	321,304
Total Liabilities and Fund Balances	\$ 1,158,953	\$ 125,894	\$ 751,818	\$ 557,644

See accompanying notes to the basic financial statements.

Twin Creeks Infrastructure Bonds	Other Governmental Funds	Total Governmental Funds
\$ 448	\$ 186,440	\$ 932,510
-	71,634	71,634
-	73,762	1,350,053
-	17,225	355,435
-	97,694	266,680
-	2,360	51,848
1,435,835	82,578	1,534,125
<u>\$ 1,436,283</u>	<u>\$ 531,693</u>	<u>\$ 4,562,285</u>
\$ -	\$ 11,174	\$ 16,814
-	2,300	35,422
-	1,996	31,613
1,435,835	64,361	2,478,882
-	130,200	516,947
<u>1,435,835</u>	<u>210,031</u>	<u>3,079,678</u>
-	2,360	51,848
-	16,902	16,902
448	942	1,390
-	82,084	122,852
-	66,877	382,553
-	130,932	552,176
-	21,565	21,565
-	-	326,329
-	-	6,992
<u>448</u>	<u>321,662</u>	<u>1,482,607</u>
<u>\$ 1,436,283</u>	<u>\$ 531,693</u>	<u>\$ 4,562,285</u>

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2011

Total Governmental Fund Balances	\$ 1,482,607
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,942,590
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Delinquent Property Taxes	162,589
Income Taxes	560,928
EMS Receivables	131,092
Cemetery Receivables	16,795
Intergovernmental Receivables	155,931
Special Assessment Receivables	1,451,547
Total	2,478,882
Governmental funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net assets.	
Unamortized Bond Issuance Costs	51,222
Unamortized Premium on Bonds	(46,186)
Long-Term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences payable	(44,428)
General obligation debt	(2,302,371)
 Net Assets of Governmental Activities	 <u>\$ 5,562,316</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, 2011

	General Fund	Street Construction	Emergency Ambulance	Emergency Fire
Revenues:				
Property Taxes	\$ 168,441	\$ -	\$ 150,901	\$ 218,844
Income Taxes	960,506	-	-	-
Other Local Taxes	57,308	-	-	-
Charges for Services	-	-	569,290	-
Licenses, Permits, and Fees	24,540	-	-	-
Fines and Forfeitures	18,864	-	-	-
Intergovernmental	92,113	209,155	31,149	38,348
Special Assessments	13,588	-	-	-
Other	4,399	5,104	450	3,063
Total Revenues	<u>1,339,759</u>	<u>214,259</u>	<u>751,790</u>	<u>260,255</u>
Expenditures:				
Current Operations and Maintenance:				
General Government	660,978	-	-	-
Security of Persons and Property	359,935	-	-	121,707
Leisure-Time Activities	66,303	-	-	-
Health	-	-	620,900	-
Community Environment	41,306	-	-	-
Transportation	-	214,387	-	-
Capital Outlay	13,197	15,843	38,467	16,406
Debt Service:				
Principal Retirement	-	11,983	21,600	319,060
Interest and Fiscal Charges	-	603	2,137	15,831
Total Expenditures	<u>1,141,719</u>	<u>242,816</u>	<u>683,104</u>	<u>473,004</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	198,040	(28,557)	68,686	(212,749)
Other Financing Sources (Uses):				
Sale of Capital Assets	3,525	-	1,200	-
Insurance Proceeds	-	-	144,556	-
Sale of Notes	-	-	-	296,348
Transfers In	-	30,000	-	-
Transfers Out	(208,000)	-	-	-
Total Other Financing Sources (Uses)	<u>(204,475)</u>	<u>30,000</u>	<u>145,756</u>	<u>296,348</u>
Net Change in Fund Balances	(6,435)	1,443	214,442	83,599
Fund Balance at Beginning of Year	369,476	47,687	212,580	237,705
Fund Balance at End of Year	<u>\$ 363,041</u>	<u>\$ 49,130</u>	<u>\$ 427,022</u>	<u>\$ 321,304</u>

See accompanying notes to the basic financial statements.

Twin Creeks Infrastructure Bonds	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 66,311	\$ 604,497
-	-	960,506
-	-	57,308
-	73,442	642,732
-	-	24,540
-	-	18,864
-	241,826	612,591
16,458	84,740	114,786
-	897	13,913
<u>16,458</u>	<u>467,216</u>	<u>3,049,737</u>
676	121	661,775
-	86,954	568,596
-	-	66,303
-	123,685	744,585
-	-	41,306
-	66,927	281,314
-	150,766	234,679
35,000	45,000	432,643
50,344	62,763	131,678
<u>86,020</u>	<u>536,216</u>	<u>3,162,879</u>
(69,562)	(69,000)	(113,142)
-	-	4,725
-	-	144,556
-	-	296,348
69,000	99,000	198,000
-	-	(208,000)
<u>69,000</u>	<u>99,000</u>	<u>435,629</u>
(562)	30,000	322,487
1,010	291,662	1,160,120
<u>\$ 448</u>	<u>\$ 321,662</u>	<u>\$ 1,482,607</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, 2011

Net Change in Fund Balances - Total Governmental Funds \$ 322,487

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	249,827
Depreciation	(200,930)

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

Delinquent Property Taxes	(5,022)
Income Taxes	93,804
EMS Charges	(10,917)
Cemetery Charges	(175)
Intergovernmental Revenues	(17,893)
Special Assessments	(6,593)

Total	53,204
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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 assets.

Issuance of long-term debt	(296,348)
Repayment of long-term debt	432,643

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

Bond Issuance Costs	(3,451)
Premium on Bonds	5,461

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	3,797
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Change in Net Assets of Governmental Activities \$ 566,690

See accompanying notes to the basic financial statements

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property Taxes	\$ 160,699	\$ 163,109	\$ 147,293	\$ (15,816)
Income tax	950,000	950,000	969,292	19,292
Other Local Taxes	47,000	47,000	53,892	6,892
Licenses and Permits	22,440	22,440	24,540	2,100
Fines and Forfeitures	15,000	15,000	18,864	3,864
Intergovernmental	68,580	75,383	102,200	26,817
Special Assessments	3,500	3,500	13,588	10,088
Other	8,600	8,600	4,399	(4,201)
Total Revenues	<u>1,275,819</u>	<u>1,285,032</u>	<u>1,334,068</u>	<u>49,036</u>
Expenditures				
General Government	687,631	650,206	685,627	(35,421)
Security of Persons and Property	380,100	381,544	362,020	19,524
Leisure-Time Activities	61,269	69,010	67,149	1,861
Community Environment	42,344	42,344	41,747	597
Capital Outlay	26,430	21,180	13,247	7,933
Total Expenditures	<u>1,197,774</u>	<u>1,164,284</u>	<u>1,169,790</u>	<u>(5,506)</u>
Excess of Revenues Over Expenditures	78,045	120,748	164,278	43,530
Other Financing Sources/(Uses)				
Sale of Assets	1,500	1,500	3,525	2,025
Transfers Out	(206,800)	(290,290)	(208,000)	82,290
Total Other Financing Sources/(Uses)	<u>(205,300)</u>	<u>(288,790)</u>	<u>(204,475)</u>	<u>84,315</u>
Net Change in Fund Balance	(127,255)	(168,042)	(40,197)	127,845
Fund Balance at Beginning of Year	192,890	192,890	192,890	-
Prior Year Encumbrances Appropriated	4,211	4,211	4,211	-
Fund Balance at End of Year	<u>\$ 69,846</u>	<u>\$ 29,059</u>	<u>\$ 156,904</u>	<u>\$ 127,845</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, 2011

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Intergovernmental	\$ 218,000	\$ 218,000	\$ 209,730	\$ (8,270)
Other	1,500	1,500	5,104	3,604
Total Revenues	<u>219,500</u>	<u>219,500</u>	<u>214,834</u>	<u>(4,666)</u>
Expenditures				
Transportation	201,734	237,839	222,455	15,384
Capital Outlay	36,000	24,895	20,161	4,734
Debt Service:				
Principal Retirement	11,983	11,983	11,983	-
Interest and Fiscal Charges	623	623	603	20
Total Expenditures	<u>250,340</u>	<u>275,340</u>	<u>255,202</u>	<u>20,138</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(30,840)	(55,840)	(40,368)	15,472
Other Financing Sources				
Sale of Assets	500	500	-	(500)
Transfers In	10,000	30,000	30,000	-
Total Other Financing Sources	<u>10,500</u>	<u>30,500</u>	<u>30,000</u>	<u>(500)</u>
Net Change in Fund Balance	(20,340)	(25,340)	(10,368)	14,972
Fund Balance at Beginning of Year	16,616	16,616	16,616	-
Prior Year Encumbrances Appropriated	8,728	8,728	8,728	-
Fund Balance at End of Year	<u>\$ 5,004</u>	<u>\$ 4</u>	<u>\$ 14,976</u>	<u>\$ 14,972</u>

See accompanying notes to the basic financial statements

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
EMERGENCY AMBULANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property Taxes	\$ 141,287	\$ 145,887	\$ 131,974	\$ (13,913)
Charges for Services	480,000	520,300	569,343	49,043
Intergovernmental	26,738	13,873	31,149	17,276
Other	-	-	450	450
Total Revenues	<u>648,025</u>	<u>680,060</u>	<u>732,916</u>	<u>52,856</u>
Expenditures				
Health	618,078	663,103	628,505	34,598
Capital Outlay	61,578	91,553	68,045	23,508
Debt Service:				
Principal Retirement	21,600	21,600	21,600	-
Interest and Fiscal Charges	2,200	2,200	2,137	63
Total Expenditures	<u>703,456</u>	<u>778,456</u>	<u>720,287</u>	<u>58,169</u>
Excess of Revenues Over/ (Under) Expenditures	(55,431)	(98,396)	12,629	(111,025)
Other Financing Sources/(Uses)				
Insurance Proceeds	-	31,200	31,832	(632)
Total Other Financing Sources/(Uses)	<u>-</u>	<u>31,200</u>	<u>31,832</u>	<u>(632)</u>
Net Change in Fund Balance	(55,431)	(67,196)	44,461	111,657
Fund Balance at Beginning of Year	208,715	208,715	208,715	-
Prior Year Encumbrances Appropriated	29,623	29,623	29,623	-
Fund Balance at End of Year	<u>\$ 182,907</u>	<u>\$ 171,142</u>	<u>\$ 282,799</u>	<u>\$ 111,657</u>

See accompanying notes to the basic financial statements

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
EMERGENCY FIRE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property Taxes	\$ 205,094	\$ 211,576	\$ 191,395	\$ (20,181)
Intergovernmental	34,526	10,755	38,350	27,595
Total Revenues	<u>239,620</u>	<u>222,331</u>	<u>231,158</u>	<u>8,827</u>
Expenditures				
Security of Persons and Property	119,798	131,603	124,225	7,378
Capital Outlay	64,532	62,727	43,938	18,789
Debt Service:				
Principal Retirement	22,712	22,712	319,060	(296,348)
Interest and Fiscal Charges	17,288	17,288	15,831	1,457
Total Expenditures	<u>224,330</u>	<u>234,330</u>	<u>503,054</u>	<u>(268,724)</u>
Excess of Revenues Over/ (Under) Expenditures	15,290	(11,999)	(271,896)	(259,897)
Other Financing Sources/(Uses)				
Sale of Notes	-	-	296,348	(296,348)
Total Other Financing Sources/(Uses)	<u>-</u>	<u>-</u>	<u>296,348</u>	<u>(296,348)</u>
Net Change in Fund Balance	15,290	(11,999)	24,452	36,451
Fund Balance at Beginning of Year	237,262	237,262	237,262	-
Prior Year Encumbrances Appropriated	28,341	28,341	28,341	-
Fund Balance at End of Year	<u>\$ 280,893</u>	<u>\$ 253,604</u>	<u>\$ 290,055</u>	<u>\$ 36,451</u>

See accompanying notes to the basic financial statements

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

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011**

	Water Fund	Sewer Fund	Nonmajor Swimming Pool	Total
Assets				
Current Assets:				
Pooled Cash and Cash Equivalents	\$ 76,937	\$ 332,005	\$ 30,586	\$ 439,528
Accounts Receivable	114,084	131,989	-	246,073
Prepaid Items	10,672	5,854	2,251	18,777
Total Current Assets	<u>201,693</u>	<u>469,848</u>	<u>32,837</u>	<u>704,378</u>
Noncurrent Assets:				
NonDepreciable Capital Assets	7,073	313,526	36,327	356,926
Depreciable Capital Assets, Net	2,398,887	236,746	4,726	2,640,359
Total Noncurrent Assets	<u>2,405,960</u>	<u>550,272</u>	<u>41,053</u>	<u>2,997,285</u>
Total Assets	<u>2,607,653</u>	<u>1,020,120</u>	<u>73,890</u>	<u>3,701,663</u>
Liabilities				
Current Liabilities				
Accounts Payable	2,758	5,628	56	8,442
Accrued Wages and Benefits	6,430	8,889	-	15,319
Due To Other Governments	5,345	7,747	991	14,083
Compensated Absences	2,379	5,758	-	8,137
Loans Payable	167,970	172,559	-	340,529
Total Current Liabilities	<u>184,882</u>	<u>200,581</u>	<u>1,047</u>	<u>386,510</u>
Noncurrent Liabilities				
Loans Payable	2,524,229	623,274	-	3,147,503
Compensated Absences	7,503	35,142	-	42,645
Total Noncurrent Liabilities	<u>2,531,732</u>	<u>658,416</u>	<u>-</u>	<u>3,190,148</u>
Total Liabilities	<u>2,716,614</u>	<u>858,997</u>	<u>1,047</u>	<u>3,576,658</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	-	-	41,053	41,053
Unrestricted Net Assets	(108,961)	161,123	31,790	83,952
Total Net Assets	<u>\$ (108,961)</u>	<u>\$ 161,123</u>	<u>\$ 72,843</u>	<u>\$ 125,005</u>

See accompanying notes to the basic financial statements

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Water Fund	Sewer Fund	Nonmajor Swimming Pool	Total
Operating Revenues				
Charges for Services	\$ 650,615	\$ 781,187	\$ 90,890	\$ 1,522,692
Other Operating Revenues	11,741	6,920	6,245	24,906
Total Operating Revenues	<u>662,356</u>	<u>788,107</u>	<u>97,135</u>	<u>1,547,598</u>
Operating Expenses				
Personal Services	241,340	382,376	44,512	668,228
Contractual Services	133,072	227,876	17,958	378,906
Materials and Supplies	71,899	73,270	20,922	166,091
Depreciation	414,464	488,549	249	903,262
Other Operating Expenses	1,313	1,523	493	3,329
Total Operating Expenses	<u>862,088</u>	<u>1,173,594</u>	<u>84,134</u>	<u>2,119,816</u>
Operating Income/(Loss)	<u>(199,732)</u>	<u>(385,487)</u>	<u>13,001</u>	<u>(572,218)</u>
Nonoperating Revenues (Expenses)				
Intergovernmental Revenue	-	312	2,750	3,062
Interest and Fiscal Charges	<u>(76,268)</u>	<u>(37,325)</u>	<u>-</u>	<u>(113,593)</u>
Total Non-Operating Revenues (Expenses)	<u>(76,268)</u>	<u>(37,013)</u>	<u>2,750</u>	<u>(110,531)</u>
Income Before Transfers	(276,000)	(422,500)	15,751	(682,749)
Transfers In	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Change in Net Assets	(276,000)	(422,500)	25,751	(672,749)
Net Assets at Beginning of Year	167,039	583,623	47,092	797,754
Net Assets at End of Year	<u>\$ (108,961)</u>	<u>\$ 161,123</u>	<u>\$ 72,843</u>	<u>\$ 125,005</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, 2011**

	Water Fund	Sewer Fund	Nonmajor Swimming Pool	Total
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 666,646	\$ 790,811	\$ 90,890	\$ 1,548,347
Other Operating Receipts	11,741	6,920	6,245	24,906
Cash Paid to Employees	(249,561)	(359,374)	(45,047)	(653,982)
Cash Paid to Suppliers	(203,418)	(318,020)	(38,446)	(559,884)
Cash Paid for Other Expenses	(1,320)	(1,600)	(493)	(3,413)
Net Cash Provided by Operating Activities	<u>224,088</u>	<u>118,737</u>	<u>13,149</u>	<u>355,974</u>
Cash Flows from Noncapital Financing Activities				
Transfers In	-	-	10,000	10,000
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	(6,178)	(131,499)	(4,975)	(142,652)
Proceeds from Capital Grants	3,027	5,622	2,750	11,399
Payment of Debt Principal	(163,920)	(165,468)	-	(329,388)
Payment of Debt Interest	(76,143)	(37,013)	-	(113,156)
Net Cash Used in Capital and Related Financing Activities	<u>(243,214)</u>	<u>(328,358)</u>	<u>(2,225)</u>	<u>(573,797)</u>
Net Change in Cash and Cash Equivalents	(19,126)	(209,621)	20,924	(207,823)
Cash and Cash Equivalents, Beginning of Year	96,063	541,626	9,662	647,351
Cash and Cash Equivalents, End of Year	<u>\$ 76,937</u>	<u>\$ 332,005</u>	<u>\$ 30,586</u>	<u>\$ 439,528</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided by Operating Activities:				
Operating Income/(Loss)	\$ (199,732)	\$ (385,487)	\$ 13,001	\$ (572,218)
Depreciation Expense	414,464	488,549	249	903,262
Decrease in Current Assets				
Accounts Receivable	16,031	9,624		25,655
Prepayments	3,511	4,670	378	8,559
Increase/(Decrease) in Current Liabilities				
Accounts Payable	1,795	(16,439)	56	(14,588)
Accrued Wages	1,847	(343)	-	1,504
Compensated Absences	(12,121)	21,803	-	9,682
Due to Other Governments	(1,707)	(3,640)	(535)	(5,882)
Net Cash Provided by Operating Activities	<u>\$ 224,088</u>	<u>\$ 118,737</u>	<u>\$ 13,149</u>	<u>\$ 355,974</u>

Non-Cash Transactions:

The City capitalized interest loan proceeds associated with the outstanding 1997 Ohio Water Development Water Main Loan in the amount of \$125.

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, 2011**

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 assets 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, 2011

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.

Unearned Revenue and Deferred Revenue – Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes and special assessments for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance fiscal year 2012 operations, and grants and entitlements received before eligibility requirements are met, are recorded as unearned revenue on both the governmental fund and government-wide financial statements.

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

The government reports the following major governmental funds:

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports the following major proprietary funds:

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Cash and Cash Equivalents

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

State statutes authorize the City to invest in obligations of the U.S. Treasury, repurchase agreements, bonds of the State of Ohio and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. The reported value of investments in STAR Ohio is the same as the fair value of the pool shares.

D. Receivables and Payables

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

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

E. Inventories and Prepaid Items

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

Inventories and prepaid items are offset by a fund balance reserve in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

G. Capital Assets and Depreciation

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Compensated Absences

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

I. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

J. Fund Balance

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

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

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

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

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 assets are available. The City considers assigned and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

K. Interfund Transactions

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

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

L. Estimates

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

M. Budgetary Data

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

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 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

N. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements. There was no such activity during 2011.

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2011.

P. Bond Discounts, Premiums and Issuance Costs

Bond issuance costs are reported as deferred charges and amortized over the life of the bond using the straight-line method. The unamortized portion of the bond issuance costs is reported on the statement of net assets. Bond discounts or premiums are (1) shown as additions to, or deductions 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.

NOTE 3 – ACCOUNTABILITY- FUND DEFICIT

At December 31, the Water fund had negative net asset balance of \$108,961. The deficit was caused by applying GAAP. The General Fund is not liable for any deficits when accruals occur.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds and note disclosure for proprietary funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year ended December 31, 2011, on the GAAP basis to the budget basis are as follows:

	Net Change in Fund Balances			
	General Fund	Street Construction	Emergency Ambulance	Emergency Fire
GAAP Basis	\$ (6,435)	\$ 1,443	\$ 214,442	\$ 83,599
Revenue Accruals	(5,691)	575	(18,874)	(29,097)
Expenditure Accruals	(27,580)	(12,241)	(37,057)	266,424
Other Financing Accruals	-	-	(113,924)	(296,348)
Encumbrances	(491)	(145)	(126)	(126)
Budget Basis	<u>\$ (40,197)</u>	<u>\$ (10,368)</u>	<u>\$ 44,461</u>	<u>\$ 24,452</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 5 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

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

Deposits - At year-end, the carrying amount of the City's deposits was \$1,179,631, which includes a certificate of deposit totaling \$71,634, and the bank balance was \$1,287,227. Of the bank balance, \$1,059,007 was covered by federal depository insurance and the remaining amount was covered by collateral held by third party trustees pursuant to Section 135.181 Revised Code, in collateralized pools securing all public funds on deposit with the specific depository institutions.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 5 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments – At year-end, the City’s only investment was with STAR Ohio totaling \$264,041. Deposits in STAR Ohio are reported as part of Cash and Cash Equivalents. Investments reflected on the financial statements represent the \$71,634 held in the certificate of deposit at December 31, 2011. The City has no deposit policy for custodial risk beyond the requirements of State statute.

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

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

NOTE 6 – TAXES RECEIVABLE

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

	Property Taxes	Income Taxes	Total
General Fund	\$ 187,610	\$ 677,256	\$ 864,866
Emergency Ambulance Fund	167,912	-	167,912
Emergency Fire Fund	243,513	-	243,513
Other Governmental Funds	73,762	-	73,762
Totals	<u>\$ 672,797</u>	<u>\$ 677,256</u>	<u>\$ 1,350,053</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 7 - TAXES

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

B. Property Taxes - Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2011 for real and public utility property taxes represents collections of the 2010 taxes. Property tax payments received during 2011 for tangible personal property (other than public utility property) are for 2011 taxes.

The 2011 real property taxes are levied after October 1, 2011, on the assessed value as of January 1, 2011, the lien date. Assessed values are established by the State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

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. 2011 public utility property taxes which became a lien on December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

	Assesed Valuation
Real Property	\$ 70,525,780
Tangible Personal Property	57,530
Public Utility Property	1,037,080
Total	\$ 71,620,390

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, 2011 and for which there is an enforceable legal claim. In the General Fund, Emergency Ambulance Fund, Emergency Fire Fund, and other governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2011 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 8 - CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2011, was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
<i>Non-depreciated assets:</i>				
Land	\$ 229,952	\$ 34,441	\$ -	\$ 264,393
Construction in Process	185,277	148,532	-	333,809
Total Non-depreciable assets	<u>415,229</u>	<u>182,973</u>	<u>-</u>	<u>598,202</u>
<i>Capital assets, being depreciated:</i>				
Buildings	668,362	-	-	668,362
Improvements Other than Buildings	281,142	5,330	-	286,472
Machinery and Equipment	1,515,408	13,391	-	1,528,799
Furniture and Fixtures	87,291	-	-	87,291
Computer Equipment	111,576	2,117	-	113,693
Vehicles	1,438,782	8,516	-	1,447,298
Infrastructure	2,834,300	37,500	-	2,871,800
Total Depreciable Capital Assets	<u>6,936,861</u>	<u>66,854</u>	<u>-</u>	<u>7,003,715</u>
<i>Accumulated Depreciation:</i>				
Buildings	488,592	33,418	-	522,010
Improvements Other than Buildings	292,931	-	-	292,931
Machinery and Equipment	776,615	76,440	-	853,055
Furniture and Fixtures	60,725	4,365	-	65,090
Computer Equipment	111,576	423	-	111,999
Vehicles	1,455,169	-	-	1,455,169
Infrastructure	272,789	86,284	-	359,073
Total Accumulated Depreciation	<u>3,458,397</u>	<u>200,930</u>	<u>-</u>	<u>3,659,327</u>
Depreciable Capital Assets, net	<u>3,478,464</u>	<u>(134,076)</u>	<u>-</u>	<u>3,344,388</u>
 Total Capital Assets, net	 <u>\$ 3,893,693</u>	 <u>\$ 48,897</u>	 <u>\$ -</u>	 <u>\$ 3,942,590</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 57,753
Security of Persons and Property	48,977
Leisure-Time Activities	5,365
Public Health	60,910
Community Environment	3,558
Transportation	24,367
Total Depreciation Expense	<u>\$ 200,930</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 8 - CAPITAL ASSETS (CONTINUED)

Business-type capital asset activity for the year ended December 31, 2011, was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciated assets:				
Land	\$ 252,595	\$ -	\$ -	\$ 252,595
Construction in Process	-	104,331	-	104,331
Total Non-depreciable assets	<u>252,595</u>	<u>104,331</u>	<u>-</u>	<u>356,926</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	5,811,675	16,094	-	5,827,769
Furniture and Fixtures	41,150	-	-	41,150
Computer Equipment	6,544	-	-	6,544
Vehicles	293,088	9,250	-	302,338
Infrastructure	6,689,820	8,776	-	6,698,596
Total Depreciable Capital Assets	<u>19,673,306</u>	<u>34,120</u>	<u>-</u>	<u>19,707,426</u>
Less accumulated depreciation:	<u>(16,163,805)</u>	<u>(903,262)</u>	<u>-</u>	<u>(17,067,067)</u>
Total Depreciable capital assets, net	<u>3,509,501</u>	<u>(869,142)</u>	<u>-</u>	<u>2,640,359</u>
Total Capital Assets, net	<u>\$ 3,762,096</u>	<u>\$ (764,811)</u>	<u>\$ -</u>	<u>\$ 2,997,285</u>

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

Water	\$ 414,464
Sewer	488,549
Swimming Pool	249
Total	<u>\$ 903,262</u>

NOTE 9 – OPERATING LEASE

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 10 - LONG-TERM OBLIGATIONS

The City's long-term debt activity for year ended December 31, 2011, including amounts outstanding, interest rates, and purpose for which the debt was issued, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due in One Year
Governmental Activities					
General Obligation Bonds/Notes					
2005 Medical Equipment 4.90% maturing 2012	\$ 44,193	\$ -	\$ (21,600)	\$ 22,593	\$ 22,593
2006 Fire Truck 5.25% maturing 2011	307,490	-	(307,490)	-	-
2011 Fire Truck 5.25% maturing 2016	-	296,348	(11,570)	284,778	23,637
Roadway Repair Equipment 5.20% maturing 2011	11,983	-	(11,983)	-	-
2009 Facilities and Equipment Bonds 4.50%-6.75% maturing 2022	510,000	-	(30,000)	480,000	35,000
Facilities and Equipment Bonds Premium	9,985	-	(1,313)	8,672	-
Twin Creeks Special Assessment 4.50% maturing 2026	875,000	-	(35,000)	840,000	40,000
Twin Creeks Bonds Premium	41,662	-	(4,148)	37,514	-
2010 General Obligation Bonds 3.5-5.125% maturing 2035	690,000	-	(15,000)	675,000	15,000
Compensated Absences	48,225	46,170	(49,967)	44,428	9,884
Total Governmental Activities	<u>\$ 2,538,538</u>	<u>\$ 342,518</u>	<u>\$ (488,071)</u>	<u>\$ 2,392,985</u>	<u>\$ 146,114</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 10 - LONG-TERM OBLIGATIONS (CONTINUED)

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

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

In 2006, the City received loan proceeds totaling \$54,276 Roadway Repair Equipment purchases. The loan has an interest rate of 5.20% and were repaid in full in 2011. The loan will be paid from the City's Street Construction Fund.

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 serial 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 serial 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 10 - LONG-TERM OBLIGATIONS (CONTINUED)

	Beginning Balance	Additions	Deletions	Ending Balance	Due in One Year
Business-type Activities					
Water Fund Loans:					
1994 OPWC Water Main 0% maturing 2014	\$ 46,979	\$ -	\$ (15,660)	\$ 31,319	\$ 15,661
1997 OWDA Water Main 4.12% maturing 2016	2,154	125	-	2,279	-
2004 OPWC YMCA 0% maturing 2025	100,151	-	(7,154)	92,997	7,153
2005 OWDA WTP Improve. 2.85% maturing 2026	2,706,710	-	(141,106)	2,565,604	145,156
Total Water Fund Loans	<u>2,855,994</u>	<u>125</u>	<u>(163,920)</u>	<u>2,692,199</u>	<u>167,970</u>
Sewer Fund Loans:					
1997 OWDA Honey Creek 4.56% maturing 2016	727,879	-	(132,753)	595,126	138,876
1995 OWDA Sewer Line 7.38% maturing 2016	75,977	-	(13,112)	62,865	14,080
1996 OPWC Filter Building 0% maturing 2014	65,000	-	(13,000)	52,000	13,000
2004 OPWC YMCA 0% maturing 2025	92,445	-	(6,603)	85,842	6,603
Total Sewer Fund Loans	<u>961,301</u>	<u>-</u>	<u>(165,468)</u>	<u>795,833</u>	<u>172,559</u>
Compensated Absences	41,100	71,589	(61,907)	50,782	8,137
Total Business-type Activities	<u>\$ 3,858,395</u>	<u>\$ 71,714</u>	<u>\$ (391,295)</u>	<u>\$ 3,538,814</u>	<u>\$ 348,666</u>

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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:		
2012	\$ 136,230	\$ 125,391
2013	114,969	119,053
2014	121,331	113,791
2015	132,767	108,280
2016	287,074	97,358
2017-2021	615,000	365,382
2022-2026	550,000	180,570
2027-2030	175,000	71,062
2032-2036	170,000	22,293
	<u>2,302,371</u>	<u>\$ 1,203,180</u>
Unamortized Bond Premium	46,186	
	<u>\$ 2,348,557</u>	
Business-Type Activities:		
2012	\$ 340,529	\$ 102,305
2013	352,137	90,694
2014	348,580	78,593
2015	361,195	65,976
2016	162,553	54,696
2017-2021	956,550	225,462
2022-2026	966,488	82,757
	<u>\$ 3,488,032</u>	<u>\$ 700,483</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 11 - DEFINED BENEFIT PENSION PLANS

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

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Separate divisions for law enforcement and public safety exist only within the Traditional Plan. The 2011 member contribution rate for City employees was 10.00 percent of covered payroll. The 2011 employer contribution rate for the City was 14.00 percent of covered payroll. The City's required contributions to OPERS for the years ended December 31, 2011, 2010, and 2009 were \$139,356, \$132,559, and \$147,176 respectively. The full amount has been contributed for 2010 and 2009; 96 percent has been contributed for 2011 with the remainder being reported as a fund liability.

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

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

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

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care was 4.0 percent for 2011. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OPERS for post-employment benefits for the years ending December 31, 2011, 2010, and 2009 were \$39,814, \$48,238, and \$61,766, respectively. The full amount has been contributed for 2010 and 2009. 96 percent has been contributed for 2011 with the remainder being reported as a fund liability.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for employers increased on January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

NOTE 13 - EMPLOYEE BENEFITS

A. Deferred Compensation Plan

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 13 - EMPLOYEE BENEFITS (CONTINUED)

B. Compensated Absences

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

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

NOTE 14 - RISK MANAGEMENT

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 14 - RISK MANAGEMENT (CONTINUED)

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

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 15 – CONTINGENT LIABILITIES

A. Litigation

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

B. Twin Creeks Subdivision

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

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

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

As of December 31, 2011, the special assessment receivable related to the Twin Creeks Subdivision amounted to \$1,435,835, of which \$489,878 was delinquent. The City continues to work with the Clark County Auditor and Treasurer, exploring viable remedies to the situation. At this point, the outcome or potential loss related to this situation cannot be determined.

C. Federal and State Grants

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 16 – INTERFUND TRANSFERS

Fund	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$208,000
Street Construction Fund	30,000	-
Twin Creeks Infrastructure Fund	69,000	-
Other Governmental Funds:		
Bond Retirement Fund	84,000	-
Cemetery Fund	15,000	-
Swimming Pool Fund	<u>10,000</u>	<u>-</u>
	<u>\$208,000</u>	<u>\$208,000</u>

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

NOTE 17 – COMPLIANCE

- A. The City had expenditures in excess of appropriations within the following fund at December 31, 2011 contrary to Ohio revised Code 5705.41(B):

<u>Major Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Noncompliance</u>
Emergency Fire Fund	\$234,330	\$503,054	\$268,724

- B. The City also did not comply with Ohio Administrative Code Section 117-2-02(A), Ohio Revised Code Section 5705.36(A)(3), and Ohio Revised Code Section 5705.40 related to recording and budgeting on-behalf transactions.
- C. Finally the City incurred noncompliance contrary to Ohio Administrative Code Section 117-2-02(D)(4)(c) for not properly accounting for capital assets.

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Independent Auditors' 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
P.O. Box 419
New Carlisle, Ohio 45344

We have audited 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, Ohio (the City) as of and for the year ended December 31, 2011 which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 25, 2012, wherein we noted that the sufficient competent evidential matter supporting the City's capital asset balances reported in the basic financial statements could not be obtained and we were unable to obtain assurance related to the recorded amount of accumulated depreciation and depreciation expense. As disclosed in Note 2J, the City implemented GASB Statement No. 54, and as disclosed in Note 2G, the City implemented a capitalization threshold of \$2,500. Except as discussed, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-01 described in the accompanying schedule of findings and responses to be a material weakness.

A *significant deficiency* is a deficiency, or 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. We consider finding 2011-04 described in the accompanying schedule of findings to be a significant deficiency.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
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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, providing an opinion 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 and responses as items 2011-01 through 2011-03.

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated June 25, 2012.

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

We intend this report solely for the information and use of management, City Council and others within the City. We intend it for no one other than these specified parties.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
June 25, 2012

**CITY OF NEW CARLISLE
CLARK COUNTY**

SCHEDULE OF FINDINGS AND RESPONSES

DECEMBER 31, 2011

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-01

Capital Assets – Noncompliance/Material Weakness

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

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

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

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

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

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

**CITY OF NEW CARLISLE
CLARK COUNTY**

SCHEDULE OF FINDINGS AND RESPONSES

DECEMBER 31, 2011

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-01 (Continued)

Capital Assets – Noncompliance/Material Weakness

Official's Response: City of New Carlisle management agrees with the finding concerning lack of capital asset documentation. The City's capital assets and infrastructure requires a complete inventory, including capital asset tagging and computation of depreciation. During 2012, management plans to review the City's policy and procedures concerning capital assets for needed changes and improvements, including capital asset valuation, and depreciation.

The City will also investigate the possibility of contracting with a company to perform a complete inventory of the City's capital assets and infrastructure, to include proper tagging of assets and computation of depreciation. During 2012, providing adequate funding is available, the City will pursue the purchase of capital asset inventory monitoring application.

FINDING NUMBER 2011-02

Recording and Budgeting On-Behalf Transactions – Noncompliance

Ohio Administrative Code Section 117-2-02 (A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Ohio Revised Code Section 5705.36(A)(3) allows all subdivisions to request an increased amended certificate of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater than the amount in the official certificate. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue.

Ohio Revised Code Section 5705.40 requires that 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.

During 2011, the City refinanced the outstanding 2006 Fire Truck general obligation note with a local financial institution totaling \$296,348 and the City did not post the debt proceeds or the debt retirement expenditure to its financial records. As a result, receipts and disbursements were understated within the City's Emergency Fire Fund for 2011.

Additionally, the City did not obtain an amended certificate for the general obligation note proceeds and City Council did not amend appropriations for the amount identified.

Adjustments with which the City agrees are reflected in the accompanying financial statements. This also resulted in violation of Ohio Revised Code Section 5705.41(B) within the Emergency Fire Fund as this activity was not budgeted by the City.

Official's Response: The City will more closely monitor such activity to record all debt proceeds and the corresponding expenditures in the City's accounting ledgers in future years.

**CITY OF NEW CARLISLE
CLARK COUNTY**

SCHEDULE OF FINDINGS AND RESPONSES

DECEMBER 31, 2011

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

FINDING NUMBER 2011-03

Expenditures Exceeding Appropriations - Noncompliance

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated. The City had expenditures in excess of appropriations within the following fund at December 31, 2011:

<u>Funds</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Noncompliance</u>
Emergency Fire Fund	\$234,330	\$503,054	\$268,724

The City is expending monies that have not been appropriated. This could result in unnecessary purchases or fund deficits. We recommend that the City comply with Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary.

Official's Response: The City will continue to monitor the budgeting process to assure compliance in future years.

FINDING NUMBER 2011-04

Income Tax Internal Control Procedures – Significant Deficiency

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

- ***Adjustment Journal and Procedures*** – The City currently does not generate a monthly adjustment journal summarizing corrections to taxpayer accounts, penalty and interest adjustments, adjustments to what taxpayers may owe. An adjustment journal should be generated on a monthly basis and provided to the Finance Director for review and approval. This report should be scrutinized to determine adjustments are supported by appropriate documentation and are in accordance with the City Codified Ordinances when applicable.
- City Codified Ordinance Chapter 880.08(a) states the Administrator shall enforce payment of all taxes owed to the Municipality, keep accurate records for a minimum of five years showing the amount due from each taxpayer required to file a declaration and/or to make a return, including taxes withheld, and show the dates and amounts of payments thereof. The City currently does not consistently document and provide an audit trail for adjustments to customer accounts. Although descriptions and explanations may be provided within the individual/business on-line tax account, written documentation was not always provided to provide a bridge between payments and postings to the tax system.

CITY OF NEW CARLISLE
CLARK COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

DECEMBER 31, 2011

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

FINDING NUMBER 2011-04 (Continued)

Income Tax Internal Control Procedures – Significant Deficiency

- ***Tax Revenue Reconciliation Procedures*** – Procedures should be implemented to reconcile actual cash collections posted to the tax accounting system to the amounts deposited with the Finance Director at least weekly not to exceed a monthly basis. We noted an instance in which a tax payment was posted twice to the same tax account although payment was only made once for the account as required. Once all revenue is posted to the accounting system by the Finance Director, a monthly report should be provided to the Tax Administrator to reconcile tax postings to actual cash received and documentation should be retained to support such review.
- City Codified Ordinance Chapter 880.05(b) states “The return shall be filed with the Administrator on a form furnished by or obtained upon request from such Administrator....” Upon review of the City’s individual income tax forms, we noted that the City requires the attachment of all W-2’s or proper federal schedules to support wages and any related compensation. The City should develop consistent procedures to process returns and communicate with taxpayers where tax returns are filed without the appropriate wage documentation. This will help avoid confusion and also may streamline the tax process while still adhering to requirements set forth within the Codified Ordinances.

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

**CITY OF NEW CARLISLE
CLARK COUNTY**

SCHEDULE OF PRIOR YEAR FINDINGS

DECEMBER 31, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid; Explain:
2010-01	Capital Assets	No	Repeated as Finding 2011-01.

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Dave Yost • Auditor of State

CITY OF NEW CARLISLE

CLARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 28, 2012