

City of New Carlisle, Ohio

Clark County

Basic Financial Statements

For the Year Ended December 31, 2004





**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the City of New Carlisle, Clark County, prepared by Kennedy, Cottrell & Associates, LLC, for the audit period January 1, 2004 through December 31, 2004. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

August 22, 2005

This Page is Intentionally Left Blank.

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	2
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets	14
Statement of Activities	15
Fund Financial Statements	
Balance Sheet - Governmental Funds	17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures, and Changes in Fund Balances Budget - Actual (Non-GAAP Budgetary Basis) - General Fund	23
Statement of Revenues, Expenditures, and Changes in Fund Balances Budget - Actual (Non-GAAP Budgetary Basis) - Street Construction Fund	24
Statement of Revenues, Expenditures, and Changes in Fund Balances Budget - Actual (Non-GAAP Budgetary Basis) - Emergency Ambulance Fund	25
Statement of Net Assets - Proprietary Funds	26
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	27
Statement of Cash Flows - Proprietary Funds	28
Notes to the Basic Financial Statements	29
Independent Auditor's Report on Compliance and on Internal Controls Required by <i>Government Auditing Standards</i>	55
Schedule of Findings	57

This Page is Intentionally Left Blank.



INDEPENDENT AUDITOR'S REPORT

City Council
City of New Carlisle
PO Box 419
331 S. Church Street
New Carlisle, Ohio 45344

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, 2004, 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.

Except as disclosed in the following paragraph, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinions.

We were unable to obtain sufficient competent evidential matter supporting the City's capital assets 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.

In our opinion, except for the effects of such adjustments, if any, as might have been determined necessary had we been able to examine evidence regarding the City's capital assets, accumulated depreciation, and current period depreciation expense, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, and the water, sewer, and swimming pool funds of the City as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the General, Street Construction, Emergency Ambulance, and Capital Projects funds, and the aggregate remaining fund information of the City as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general, street construction, and emergency ambulance funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 19 to the basic financial statements, the City has implemented GASB Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments."

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2005 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Kennedy, Cottrell + Associates LLC |

Kennedy, Cottrell + Associates
Columbus, Ohio
June 27, 2005

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(UNAUDITED)**

This discussion and analysis of the City of New Carlisle's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2004. 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 \$4.0 million (net assets).
- The City's total net assets increased by \$197,615, or 5.1%.
- As of the close of the current fiscal year, the City's enterprise funds reported combined ending net assets of \$2.6 million, an increase of \$229,940 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 2004?" 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.
- Business-Type Activities – The business-type activities of the City primarily consist of water distribution, sewage collection and treatment, and swimming pool.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(UNAUDITED)**

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 of New Carlisle, our major funds are the general, street construction, emergency ambulance, capital projects, 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 15 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, for the general, street construction, emergency ambulance and capital projects funds, which are considered to be the City's major funds. Data from the other 11 governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for the general, street construction and emergency ambulance 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, 2004
(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 2003 compared to 2004.

TABLE 1

Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2003	2004	2003	2004	2003	2004
Current and other assets	\$ 1,689,034	\$ 1,537,218	\$ 388,715	\$ 346,144	\$ 2,077,749	\$ 1,883,362
Capital assets	2,130,844	3,003,513	4,424,527	4,704,974	6,555,371	7,708,487
Total Assets	<u>3,819,878</u>	<u>4,540,731</u>	<u>4,813,242</u>	<u>5,051,118</u>	<u>8,633,120</u>	<u>9,591,849</u>
Current liabilities	1,997,282	2,934,767	146,060	119,444	2,143,342	3,054,211
Long-term liabilities	313,359	129,052	2,325,690	2,360,242	2,639,049	2,489,294
Total Liabilities	<u>2,310,641</u>	<u>3,063,819</u>	<u>2,471,750</u>	<u>2,479,686</u>	<u>4,782,391</u>	<u>5,543,505</u>
Net Assets:						
Invested in capital assets, net of related debt	1,817,485	2,906,517	2,158,565	2,406,258	3,976,050	5,312,775
Restricted	74,474	81,702	-	-	74,474	81,702
Unrestricted	<u>(382,722)</u>	<u>(1,511,307)</u>	<u>182,927</u>	<u>165,174</u>	<u>(199,795)</u>	<u>(1,346,133)</u>
Total Net Assets	<u>\$ 1,509,237</u>	<u>\$ 1,476,912</u>	<u>\$ 2,341,492</u>	<u>\$ 2,571,432</u>	<u>\$ 3,850,729</u>	<u>\$ 4,048,344</u>

By far the largest portion of the City's net assets (131%) 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 (2.0%) represents resources that are subject to external restrictions on how they may be used. The remaining net asset amount available to meet the ongoing obligations to citizens and creditors is negative \$1,346,133.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(UNAUDITED)**

Table 2 shows the changes in net assets for the year ended December 31, 2004.

TABLE 2

Changes in Net Assets

	Governmental Activities	Business-type Activities	Total
Program Revenues:			
Charges for Services	\$ 627,206	\$ 1,379,372	\$ 2,006,578
Grants and Contributions	295,453	484,916	780,369
General Revenues:			
Property Taxes	294,641	-	294,641
Income Taxes	852,811	-	852,811
Payments in Lieu of Taxes	19,329	-	19,329
Unrestricted Grants	66,596	-	66,596
Other Unrestricted Revenues	35,425	174	35,599
Total Revenues	2,191,461	1,864,462	4,055,923
Expenses:			
General Government	637,587	-	637,587
Security of Persons and Property	363,007	-	363,007
Leisure Time Activities	40,833	-	40,833
Health	860,721	-	860,721
Community Environment	91,776	-	91,776
Transportation	144,685	-	144,685
Interest on Long-Term Debt	40,103	-	40,103
Water	-	536,461	536,461
Sewer	-	1,045,546	1,045,546
Swimming Pool	-	97,589	97,589
Total Expenses	2,178,712	1,679,596	3,858,308
Increase in Net Assets before Transfers	12,749	184,866	197,615
Transfers	(45,074)	45,074	-
Increase (Decrease) in Net Assets	\$ (32,325)	\$ 229,940	\$ 197,615

In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(UNAUDITED)**

Governmental Activities

Property and income taxes, charges for services, and operating grants are the biggest contributors of revenue for the City's governmental activities. General government, security of persons and property and health services are the major activities of the City accounting for 29.3%, 16.7% and 39.5% of governmental expenses, respectively.

During the fiscal year, net assets of the City's governmental activities decreased by \$32,325, or 2.1%. This decrease represents the degree to which the net cost of providing services to citizens has exceeded taxes and unrestricted grants and entitlements.

Business-type Activities

The City's primary business-type activities are water distribution and sewer collection and treatment. The City charges customers for providing these services.

During the fiscal year, net assets of the City's business-type activities increased by \$229,940. The primary reason for this increase was the receipt of donations and grant proceeds in relation to the YMCA infrastructure extension project. The City received \$146,441 in donations from the community and \$316,325 in grant proceeds from the Ohio Public Works Commission to help finance the project.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(UNAUDITED)**

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.

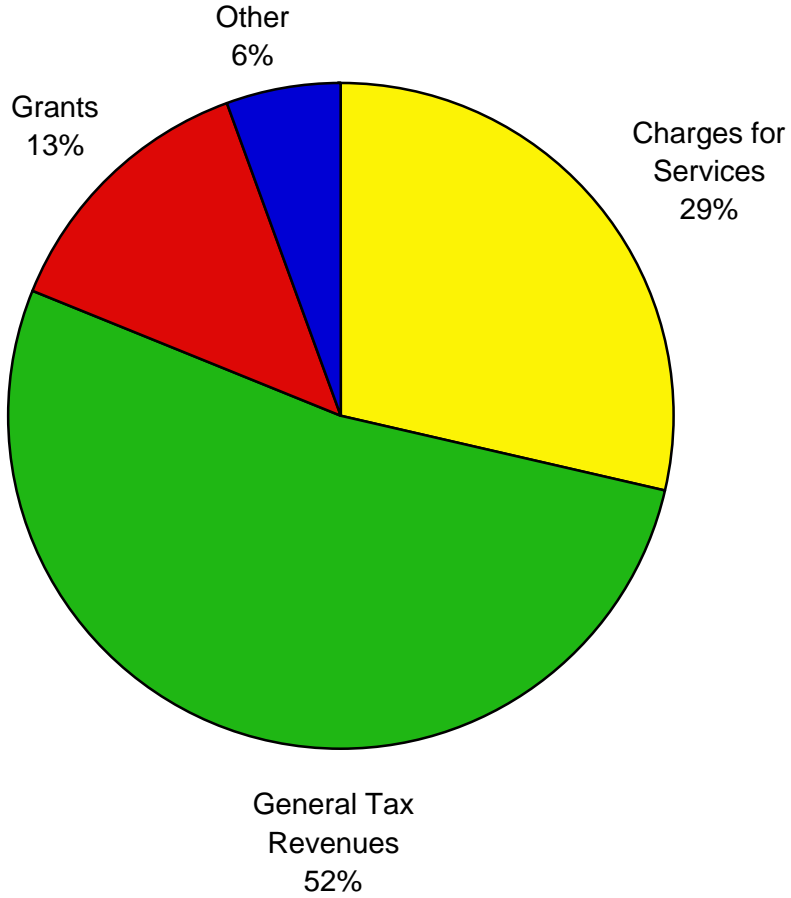
TABLE 3

Functions/Programs	Total Cost	Net Cost
Governmental Activities:		
General government	\$ (637,587)	\$ (547,200)
Security of persons and property	(363,007)	(351,522)
Leisure-time activities	(40,833)	(40,833)
Health	(860,721)	(293,229)
Community environment	(91,776)	(91,776)
Transportation	(144,685)	108,610
Interest on long-term debt	(40,103)	(40,103)
Total Governmental Activities	(2,178,712)	(1,256,053)
Business-Type Activities:		
Water	536,461	261,794
Sewer	1,045,546	(76,598)
Swimming pool	97,589	(504)
Total Business-Type Activities	\$ 1,679,596	\$ 184,692

In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

CITY OF NEW CARLISLE, OHIO
CLARK COUNTY

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(UNAUDITED)



The City's reliance upon general tax revenues is demonstrated by the graph above indicating 52% of total revenues from local taxes, as well as the net cost of services column on the preceding page reflecting the need for \$1.3 million of support.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(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 negative \$1.7 million, a 109% decrease from the previous year.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2004 and 2003.

	<u>Fund Balance</u> <u>12/31/2004</u>	<u>Fund Balance</u> <u>12/31/2003</u>	<u>Increase</u> <u>(Decrease)</u>
General fund	\$ 951	\$ (190,486)	\$ 191,437
Street construction fund	(451,351)	(441,077)	(10,274)
Emergency ambulance fund	(58,586)	8,527	(67,113)
Capital projects fund	(1,293,468)	(308,795)	(984,673)
Other governmental funds	112,349	124,521	(12,172)
Total	<u>\$ (1,690,105)</u>	<u>\$ (807,310)</u>	<u>\$ (882,795)</u>

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was negative \$42,153, while total fund balance was \$951. The \$191,437 fund balance increase in the general fund is primarily the result of the sale of the City's former city building for \$186,000.

The street construction fund accounts for the City's street improvement and construction activities. The street construction fund's expenditures outstripped its revenues during the fiscal year, however a transfer in from the general fund resulted in the minimal fund balance decrease noted above.

The costs of providing ambulance services exceeded customer charges for service during the fiscal year resulting in the fund balance decrease in the emergency ambulance fund.

The fund balance of the capital projects fund decreased significantly during the fiscal year as a result of the issuance of bond anticipation notes totaling \$1,050,000 to finance the twin creeks infrastructure project.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(UNAUDITED)**

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets in the water fund at the end of the year amounted to \$79,355. Total net assets increased \$261,885, or 40%, from the previous year. As stated previously, this increase is primarily the result of donations and grant proceeds in relation to the YMCA infrastructure extension project.

Unrestricted net assets in the sewer fund at the end of the year amounted to \$109,347. Total net assets decreased \$76,515, or 4.6%, from the previous year. Operating expenses exceeded operating revenues in the sewer fund, resulting in this decrease.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(UNAUDITED)**

General Fund Budgetary Information

The final amended revenue estimate exceeded the original estimate by \$743,138, or 56%. The City's original revenue estimate did not account for the bond anticipation notes roll-over (\$500,000) nor the sale of the former city building (\$189,000). Final appropriations exceeded the original resolution by \$726,990, or 58%, primarily as a result of the bond anticipation notes roll-over as noted above. Variances between the City's final revenue estimate and actual revenues and the final appropriation measure and actual expenditures were insignificant.

Capital Assets

At year-end, the City's investment in capital assets for governmental and business-type activities totaled \$3.0 million and \$4.7 million (net of accumulated depreciation), respectively. This investment in capital assets includes land, land improvements, buildings, equipment, furniture, vehicles, and infrastructure. Total acquisitions for the current fiscal year were \$2.1 million and depreciation on capital assets was \$778,395. 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 fiscal year, the City had total long-term debt outstanding of \$2,394,107. Of this amount, \$95,552 represents bonds and notes backed by the full faith and credit of the City and \$2,298,555 represents OPWC and OWDA loans secured by specified revenue sources. Detailed information regarding long-term debt is included in Note 10 to the basic financial statements.

Contacting the City

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

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

**STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2004**

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled Cash and Cash Equivalents	\$ 300,379	\$ 173,962	\$ 474,341
Investments	67,628	-	67,628
Receivables:			
Taxes	679,713	-	679,713
Accounts	83,508	221,202	304,710
Intergovernmental	187,011	19,372	206,383
Internal Balances	84,670	(84,670)	-
Prepaid Items	51,309	16,278	67,587
Special Assessments	83,000	-	83,000
Capital Assets, Net	3,003,513	4,704,974	7,708,487
Total Assets	4,540,731	5,051,118	9,591,849
Liabilities			
Accounts Payable	100,288	80,411	180,699
Accrued Wages and Benefits	15,658	8,166	23,824
Intergovernmental Payable	46,367	30,867	77,234
Deferred Revenue	477,454	-	477,454
Notes Payable	2,295,000	-	2,295,000
Long-Term Liabilities			
Due Within One Year	28,793	137,208	166,001
Due in More Than One Year	100,259	2,223,034	2,323,293
Total Liabilities	3,063,819	2,479,686	5,543,505
Net Assets			
Invested in Capital Assets, Net of Related Deb	2,906,517	2,406,258	5,312,775
Restricted For:			
Debt Service	12,932	-	12,932
Other Purposes	68,770	-	68,770
Unrestricted	(1,511,307)	165,174	(1,346,133)
Total Net Assets	\$ 1,476,912	\$ 2,571,432	\$ 4,048,344

See accompanying notes to the basic financial statements

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 637,587	\$ 89,513	\$ 874	\$ -
Security of Persons and Property	363,007	-	11,485	-
Leisure-Time Activities	40,833	-	-	-
Health	860,721	537,693	29,799	-
Community Environment	91,776	-	-	-
Transportation	144,685	-	253,295	-
Interest on Long-Term Debt	40,103	-	-	-
Total Governmental Activities	<u>2,178,712</u>	<u>627,206</u>	<u>295,453</u>	<u>-</u>
Business-type Activities:				
Water	536,461	557,617	-	240,638
Sewer	1,045,546	746,820	-	222,128
Swimming Pool	97,589	74,935	-	22,150
Total Business-Type Activities	<u>1,679,596</u>	<u>1,379,372</u>	<u>-</u>	<u>484,916</u>
Total Government	<u>\$ 3,858,308</u>	<u>\$ 2,006,578</u>	<u>\$ 295,453</u>	<u>\$ 484,916</u>

General Revenues:
Property Taxes
Income Taxes
Payments in Lieu of Taxes
Unrestricted Grants and Entitlements
Other Unrestricted Revenues
Transfers
Total General Revenues and Transfers

Change in Net Assets
Net Assets at Beginning of Year - (See Note 19)
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
\$ (547,200)	\$ -	\$ (547,200)
(351,522)	-	(351,522)
(40,833)	-	(40,833)
(293,229)	-	(293,229)
(91,776)	-	(91,776)
108,610	-	108,610
(40,103)	-	(40,103)
<u>(1,256,053)</u>	<u>-</u>	<u>(1,256,053)</u>
-	261,794	261,794
-	(76,598)	(76,598)
-	(504)	(504)
<u>-</u>	<u>184,692</u>	<u>184,692</u>
<u>\$ (1,256,053)</u>	<u>\$ 184,692</u>	<u>\$ (1,071,361)</u>
294,641	-	294,641
852,811	-	852,811
19,329	-	19,329
66,596	-	66,596
35,425	174	35,599
(45,074)	45,074	-
<u>1,223,728</u>	<u>45,248</u>	<u>1,268,976</u>
(32,325)	229,940	197,615
1,509,237	2,341,492	3,850,729
<u>\$ 1,476,912</u>	<u>\$ 2,571,432</u>	<u>\$ 4,048,344</u>

See accompanying notes to the basic financial statements.

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	General Fund	Street Construction	Emergency Ambulance	Capital Projects
Assets:				
Pooled Cash and Cash Equivalents	\$ 116,807	\$ 16,357	\$ (53,704)	\$ 83,717
Investments	-	-	-	-
Receivables:				
Taxes	420,523	-	87,629	-
Accounts	-	-	61,993	-
Intergovernmental	45,425	92,539	5,506	-
Prepaid Items	30,502	10,008	-	-
Due from Other Funds	217,136	-	-	-
Special Assessments Receivable	-	-	-	-
Total Assets	830,393	118,904	101,424	83,717
Liabilities:				
Accounts Payable	18,334	42,765	18,958	1,584
Accrued Wages and Benefits	4,765	332	7,700	-
Intergovernmental Payable	8,955	1,590	13,061	-
Due to Other Funds	-	40,000	-	5,601
Deferred Revenue	294,322	59,990	120,291	-
Bond Anticipation Notes Payable	500,000	425,000	-	1,370,000
Compensated Absences Payable	3,066	578	-	-
Total Liabilities	829,442	570,255	160,010	1,377,185
Fund Balances:				
Reserved for:				
Encumbrances	12,602	151	1,957	-
Prepaid Items	30,502	10,008	-	-
Debt Service	-	-	-	-
Perpetual Care	-	-	-	-
Unreserved, Reported In:				
General Fund	(42,153)	-	-	-
Special Revenue Funds	-	(461,510)	(60,543)	-
Capital Project Funds	-	-	-	(1,293,468)
Total Fund Balances	951	(451,351)	(58,586)	(1,293,468)
Total Liabilities and Fund Balances	\$ 830,393	\$ 118,904	\$ 101,424	\$ 83,717

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 137,202	\$ 300,379
67,628	67,628
171,561	679,713
21,515	83,508
43,541	187,011
10,799	51,309
-	217,136
83,000	83,000
<u>535,246</u>	<u>1,669,684</u>
18,647	100,288
2,861	15,658
5,014	28,620
86,865	132,466
307,685	782,288
-	2,295,000
1,825	5,469
<u>422,897</u>	<u>3,359,789</u>
4,913	19,623
10,799	51,309
12,973	12,973
68,770	68,770
-	(42,153)
14,894	(507,159)
-	(1,293,468)
<u>112,349</u>	<u>(1,690,105)</u>
<u>\$ 535,246</u>	<u>\$ 1,669,684</u>

See accompanying notes to the basic financial statements.

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2004

Total Governmental Fund Balances	\$ (1,690,105)
<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.	3,003,513
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	304,834
Long-Term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences payable	(26,587)
Intergovernmental payable	(17,747)
General obligation debt	(96,996)
	<u>(141,330)</u>
Net Assets of Governmental Activities	<u><u>\$ 1,476,912</u></u>

See accompanying notes to the basic financial statements.

This Page is Intentionally Left Blank.

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	General Fund	Street Construction	Emergency Ambulance	Capital Projects
Revenues:				
Property Taxes	\$ 114,128	\$ -	\$ 56,248	\$ -
Income Taxes	1,072,913	-	-	-
Charges for Services	-	-	444,450	-
Licenses, Permits, and Fees	4,761	-	-	-
Fines and Forfeitures	6,892	-	-	-
Intergovernmental	79,956	197,988	14,374	-
Special Assessments	-	-	-	-
Other	31,456	1,461	-	2,077
Total Revenues	1,310,106	199,449	515,072	2,077
Expenditures:				
Current Operations and Maintenance:				
General Government	492,235	-	-	1,478
Security of Persons and Property	289,873	-	-	-
Leisure-Time Activities	146,758	-	-	-
Health	-	-	575,489	-
Community Environment	76,009	-	-	-
Transportation	-	22,097	-	-
Capital Outlay	-	193,055	-	987,988
Debt Service:				
Principal Retirement	108,271	25,663	6,696	-
Interest and Fiscal Charges	19,324	7,260	-	5,712
Total Expenditures	1,132,470	248,075	582,185	995,178
Excess (Deficiency) of Revenues Over (Under) Expenditures	177,636	(48,626)	(67,113)	(993,101)
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets	186,000	-	-	-
Operating Transfers In	-	38,352	-	8,428
Operating Transfers Out	(172,199)	-	-	-
Total Other Financing Sources (Uses)	13,801	38,352	-	8,428
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	191,437	(10,274)	(67,113)	(984,673)
Fund Balance at Beginning of Year, as Restated	(190,486)	(441,077)	8,527	(308,795)
Fund Balance at End of Year	\$ 951	\$ (451,351)	\$ (58,586)	\$ (1,293,468)

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 124,265	\$ 294,641
-	1,072,913
67,151	511,601
11,702	16,463
-	6,892
77,576	369,894
77,860	77,860
431	35,425
<u>358,985</u>	<u>2,385,689</u>
79,644	573,357
75,243	365,116
-	146,758
135,908	711,397
-	76,009
91,629	113,726
6,262	1,187,305
55,009	195,639
7,807	40,103
<u>451,502</u>	<u>3,409,410</u>
(92,517)	(1,023,721)
-	186,000
80,345	127,125
-	(172,199)
<u>80,345</u>	<u>140,926</u>
(12,172)	(882,795)
124,521	(807,310)
<u>\$ 112,349</u>	<u>\$ (1,690,105)</u>

See accompanying notes to the basic financial statements.

**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, 2004

Net Change in Fund Balances - Total Governmental Funds	\$ (882,795)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	
	1,058,669
 The effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and disposals) is to decrease net assets.	
	(186,000)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
	(194,228)
 Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities.	
	195,639
 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	(5,863)
Pension obligations	<u>(17,747)</u>
 Change in Net Assets of Governmental Activities	 <u><u>\$ (32,325)</u></u>

See accompanying notes to the basic financial statements.

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
General Fund

For the fiscal year ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property Taxes	\$ 148,000	\$ 148,000	\$ 139,903	\$ (8,097)
Income tax	900,862	955,000	1,078,264	123,264
Licenses and Permits	2,300	2,300	4,761	2,461
Fines and Forfeitures	17,000	17,000	8,397	(8,603)
Intergovernmental	116,290	116,290	79,957	(36,333)
Rent	25,000	25,000	-	(25,000)
Other	44,300	44,300	38,351	(5,949)
Total Revenues	<u>1,253,752</u>	<u>1,307,890</u>	<u>1,349,633</u>	<u>41,743</u>
Expenditures				
General Government	470,567	505,158	503,230	1,928
Security of Persons and Property	329,818	287,555	286,970	585
Leisure-Time Activities	39,949	40,130	41,003	(873)
Community Environment	72,951	76,341	72,197	4,144
Capital Outlay	36,991	132,314	126,125	6,189
Debt Service:				
Principal Retirement	52,594	606,594	606,594	-
Interest and Fiscal Charges	1,283	18,962	18,939	23
Total Expenditures	<u>1,004,153</u>	<u>1,667,054</u>	<u>1,655,058</u>	<u>11,996</u>
Excess of Revenues Over/ (Under) Expenditures	249,599	(359,164)	(305,425)	53,739
Other Financing Sources/(Uses)				
Proceeds from Notes	-	500,000	500,000	-
Proceeds from Sale of Assets	500	189,500	186,000	(3,500)
Transfers In	67,000	67,000	-	(67,000)
Transfers Out	(152,626)	(216,715)	(172,199)	44,516
Advances Out	(105,664)	(105,664)	(105,664)	-
Total Other Financing Sources/(Uses)	<u>(190,790)</u>	<u>434,121</u>	<u>408,137</u>	<u>(25,984)</u>
Net Change in Fund Balance	58,809	74,957	102,712	27,755
Fund Balances at Beginning of Year, restated	(7,953)	(7,953)	(7,953)	-
Prior Year Encumbrances Appropriated	7,953	7,953	7,953	-
Fund Balances at End of Year	<u>\$ 58,809</u>	<u>\$ 74,957</u>	<u>\$ 102,712</u>	<u>\$ 27,755</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 - BUDGET (NON-GAAP BASIS) AND ACTUAL
Street Construction Fund

For the fiscal year ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 193,771	\$ 43,771
Other	4,000	2,000	1,461	(539)
Total Revenues	<u>154,000</u>	<u>152,000</u>	<u>195,232</u>	<u>43,232</u>
Expenditures				
Transportation	88,606	117,398	161,810	(44,412)
Capital Outlay	114,000	177,581	123,502	54,079
Debt Service:				
Principal Retirement	19,617	450,663	450,663	-
Interest and Fiscal Charges	7,260	7,260	7,260	-
Total Expenditures	<u>229,483</u>	<u>752,902</u>	<u>743,235</u>	<u>9,667</u>
Excess of Revenues Over/ (Under) Expenditures	(75,483)	(600,902)	(548,003)	52,899
Other Financing Sources/(Uses)				
Proceeds from Notes	-	425,000	425,000	-
Transfers In	-	36,802	38,352	1,550
Advances In	84,652	84,652	84,652	-
Total Other Financing Sources/(Uses)	<u>84,652</u>	<u>546,454</u>	<u>548,004</u>	<u>1,550</u>
Net Change in Fund Balance	9,169	(54,448)	1	54,449
Fund Balances at Beginning of Year, restated	(107,577)	(107,577)	(107,577)	-
Prior Year Encumbrances Appropriated	107,577	107,577	107,577	-
Fund Balances at End of Year	<u>\$ 9,169</u>	<u>\$ (54,448)</u>	<u>\$ 1</u>	<u>\$ 54,449</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 - BUDGET (NON-GAAP BASIS) AND ACTUAL
Emergency Ambulance Fund
For the fiscal year ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property Taxes	\$ 70,650	\$ 71,450	\$ 67,752	\$ (3,698)
Charges for Services	301,359	404,399	440,091	35,692
Intergovernmental	14,800	14,000	14,374	374
Other	3,460	1,000	-	(1,000)
Total Revenues	<u>390,269</u>	<u>490,849</u>	<u>522,217</u>	<u>31,368</u>
Expenditures				
Health	497,462	500,040	560,787	(60,747)
Debt Service:				
Principal Retirement	6,719	6,719	6,696	23
Total Expenditures	<u>504,181</u>	<u>506,759</u>	<u>567,483</u>	<u>(60,724)</u>
Net Change in Fund Balance	(113,912)	(15,910)	(45,266)	(29,356)
Fund Balances at Beginning of Year	(19,001)	(19,001)	(19,001)	-
Prior Year Encumbrances Appropriated	5,578	5,578	5,578	-
Fund Balances at End of Year	<u>\$ (127,335)</u>	<u>\$ (29,333)</u>	<u>\$ (58,689)</u>	<u>\$ (29,356)</u>

See accompanying notes to the basic financial statements.

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

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2004

	Water Fund	Sewer Fund	Swimming Pool	Total
Assets				
Pooled Cash and Cash Equivalents	\$ 63,769	\$ 110,193	\$ -	\$ 173,962
Accounts Receivable	87,652	133,550	-	221,202
Due from Other Governments	-	-	19,372	19,372
Prepaid Items	6,193	7,752	2,333	16,278
Restricted Cash and Cash Equivalents	-	-	-	-
Deferred Bond Costs	-	-	-	-
Capital Assets, Net	1,314,206	3,286,047	104,721	4,704,974
Total Assets	1,471,820	3,537,542	126,426	5,135,788
Liabilities				
Accounts Payable	23,989	35,902	20,520	80,411
Accrued Wages and Benefits	3,479	4,687	-	8,166
Intergovernmental Payable	13,379	16,422	1,066	30,867
Compensated Absences	22,467	39,059	-	61,526
Capital Leases	80	81	-	161
Due to Other Funds	14,945	46,078	23,647	84,670
Loans Payable	475,608	1,822,947	-	2,298,555
Total Liabilities	553,947	1,965,176	45,233	2,564,356
Net Assets				
Invested in Capital Assets, Net of Related Deb	838,518	1,463,019	104,721	2,406,258
Restricted Net Assets	-	-	-	-
Unrestricted Net Assets	79,355	109,347	(23,528)	165,174
Total Net Assets	\$ 917,873	\$ 1,572,366	\$ 81,193	\$ 2,571,432

See accompanying notes to the basic financial statements.

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Water Fund	Sewer Fund	Swimming Pool	Total
Operating Revenues				
Charges for Services	\$ 545,172	\$ 727,630	\$ 74,935	1,347,737
Other Operating Revenue	12,445	19,190	-	31,635
Total Operating Revenues	<u>557,617</u>	<u>746,820</u>	<u>74,935</u>	<u>1,379,372</u>
Operating Expenses				
Personal Services	305,196	333,528	43,059	681,783
Contractual Services	76,959	152,394	17,398	246,751
Materials and Supplies	32,716	13,922	24,612	71,250
Depreciation	102,926	416,271	12,495	531,692
Other Operating Expenses	9,011	10,798	25	19,834
Total Operating Expenses	<u>526,808</u>	<u>926,913</u>	<u>97,589</u>	<u>1,551,310</u>
Operating Income (Loss)	<u>30,809</u>	<u>(180,093)</u>	<u>(22,654)</u>	<u>(171,938)</u>
Nonoperating Revenues (Expenses)				
Interest Income	91	83	-	174
Interest Expense	(9,653)	(118,633)	-	(128,286)
Grants Income	164,489	151,836	22,150	338,475
Donations	76,149	70,292	-	146,441
Total Non-Operating Revenues (Expenses)	<u>231,076</u>	<u>103,578</u>	<u>22,150</u>	<u>356,804</u>
Income Before Transfers	261,885	(76,515)	(504)	184,866
Transfers In	-	-	45,074	45,074
Change in Net Assets	261,885	(76,515)	44,570	229,940
Net Assets at Beginning of Year	655,988	1,648,881	36,623	2,341,492
Net Assets at End of Year	<u>\$ 917,873</u>	<u>\$ 1,572,366</u>	<u>\$ 81,193</u>	<u>\$ 2,571,432</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, 2004

	Water Fund	Sewer Fund	Swimming Pool	Total
Cash Flows from Operating Activities				
Cash Received From Customers	\$ 539,474	\$ 692,111	\$ 74,935	\$ 1,306,520
Other Operating Receipts	12,445	19,190	-	31,635
Cash Paid to Employees	(313,888)	(330,489)	(44,671)	(689,048)
Cash Paid to Suppliers	(112,217)	(167,747)	(42,373)	(322,337)
Cash Paid for Other Expenses	(2,303)	(2,169)	(25)	(4,497)
Net Cash Flows from Operating Activities	<u>123,511</u>	<u>210,896</u>	<u>(12,134)</u>	<u>322,273</u>
Cash Flows from Noncapital Financing Activities				
Transfers In (Out)	-	-	45,074	45,074
Net Cash Flows From Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>45,074</u>	<u>45,074</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	(394,517)	(366,870)	(22,150)	(783,537)
Proceeds From Capital Grants	164,489	151,836	22,150	338,475
Donations	76,149	70,292	-	146,441
Proceeds From Notes	143,069	132,063	-	275,132
Payment of Debt	(69,141)	(174,887)	-	(244,028)
Payment of Interest	(8,003)	(118,633)	-	(126,636)
Net Cash Flows From Capital and Related Financing Ac	<u>(87,954)</u>	<u>(306,199)</u>	<u>-</u>	<u>(394,153)</u>
Cash Flows from Investing Activities				
Cash Received from Interest	91	83	-	174
Net Cash Flows from Investing Activities	<u>91</u>	<u>83</u>	<u>-</u>	<u>174</u>
Net Change in Cash	35,648	(95,220)	32,940	(26,632)
Cash and Cash Equivalents at Beginning of Year	28,121	205,413	(32,940)	200,594
Cash and cash Equivalents at End of Year	<u>\$ 63,769</u>	<u>\$ 110,193</u>	<u>\$ -</u>	<u>\$ 173,962</u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:				
Operating Income (Loss)	\$ 30,809	\$ (180,093)	\$ (22,654)	\$ (171,938)
Add Depreciation Expense	102,926	416,271	12,495	531,692
(Increase)/Decrease in Current Assets				
Accounts Receivable	(5,698)	(35,519)	-	(41,217)
Prepaid Expenses	(2,529)	(3,280)	(2,333)	(8,142)
Increase/(Decrease) in Current Liabilities				
Accounts Payable	10,747	13,747	703	25,197
Accrued Wages	(7,495)	(6,392)	-	(13,887)
Compensated Absences	(3,143)	4,941	-	1,798
Intergovernmental Payable	(2,106)	1,221	(345)	(1,230)
Net Cash Flows from Operating Activities	<u>\$ 123,511</u>	<u>\$ 210,896</u>	<u>\$ (12,134)</u>	<u>\$ 322,273</u>

See accompanying notes to the basic financial statements.

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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 Municipal Manager for an indefinite term who acts as the chief administrative officer of the City. All department heads are appointed by the Municipal 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 Municipal 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.

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 and fiduciary 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 are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as 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 government 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.

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

The government reports the following major governmental funds:

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

The *street construction fund* accounts for street improvement and construction activities.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The *emergency ambulance fund* accounts for ambulance services provided by the City.

The government 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 *swimming pool fund* accounts for the activities of the City's swimming pool.

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, 2) operating grants and contributions, and 3) capital grants and contributions, including 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 and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

C. Deposits and Investments

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.

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. During the fiscal year, interest revenue of \$723, \$2,077, and \$6 was credited to the general fund, capital projects funds, and permanent fund, respectively.

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. Restricted Assets

This category is designed to reflect net assets whose use is not subject solely to the government's own discretion. This category naturally would include resources subject to externally imposed restrictions (creditors, grantors, contributors, laws/regulations of other governments, constitutional provisions). It also would normally, but not always, include resources from enabling legislation (i.e. legislation authorizing the raising of resources for a specific purpose).

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$750 and an estimated useful life exceeding one year. 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 fixed 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
Sewer and Water Lines	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. No material interest expense was incurred during the fiscal year.

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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 financial statements, and proprietary fund types in the 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 fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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 Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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.

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

The following funds had deficit cash balances at year-end contrary to Section 5705.10 of the Revised Code:

	Deficit <u>Balance</u>
State Permissive Tax Fund	\$ (17,388)
Emergency Ambulance Operating	(57,619)
Fire Operating Levy	(21,558)
YMCA Extension Project	(24,873)
Sewer	(247,027)

The following funds had appropriations in excess of total estimated resources contrary to Section 5705.39 of the Revised Code:

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Street Construction	\$ 596,492	\$ 645,326	\$ 48,834
Wastewater Capital/Contingency	4,810	15,000	10,190

The following funds had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41 of the Revised Code:

	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Excess</u>
Emergency Ambulance Operating			
Personal Services	\$ 424,817	\$ 477,743	\$ 52,926
Contractual Services	52,706	57,067	4,361
Materials and Supplies	21,892	24,372	2,480
Capital Outlay	-	55	55
Miscellaneous	125	1,386	1,261
YMCA Extension Project			
Capital Outlay	200,000	642,019	442,019
Sewer			
Personal Services	284,561	333,384	48,823
Debt Service	196,167	293,406	97,239

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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 and emergency ambulance special revenue funds is 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, 2004, on the GAAP basis to the budget basis are as follows:

**Excess (Deficiency) of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses**

	General Fund	Street Construction	Emergency Ambulance
GAAP basis	\$ 191,437	\$ (10,274)	\$ (67,113)
Revenue accruals	39,527	(4,217)	7,144
Expenditure accruals	(8,497)	(53,803)	19,688
Interfund Advances	(105,664)	84,652	0
Encumbrances	(14,091)	(16,357)	(4,985)
Budget basis	\$ 102,712	\$ 1	\$ (45,266)

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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 two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States 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).

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 5 - DEPOSITS AND INVESTMENTS (CONTINUED)

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

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 Treasurer, 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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits - At year-end, the carrying amount of the City's deposits was \$539,187 and the bank balance was \$564,248. Of the bank balance, \$271,791 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. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments - GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements," requires that local governments disclose the carrying amounts and market values of investments, classified by risk.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments, for which the securities are held by the counterparty's trust department or an agent in the City's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty or its trust department but not in the City's name. Investments in STAR Ohio are unclassified since they are not evidenced by securities that exist in physical or book entry form.

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 5 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Type	Category	Cost	Fair Value
STAR Ohio	N/A	2,782	2,782
Total Investments		<u>2,782</u>	<u>2,782</u>

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 474,341	\$ 67,628
Pooled Investments:		
STAR Ohio	(2,782)	2,782
Certificates of deposit with original maturities greater than ninety days	<u>67,628</u>	<u>(67,628)</u>
GASB Statement No. 3	<u>\$ 539,187</u>	<u>\$ 2,782</u>

NOTE 6 – TAXES RECEIVABLE

Taxes receivable at year-end consisted of a combination of property and income taxes, which have been disaggregated as follows:

	Property Taxes	Income Taxes	Total
General Fund	\$ 137,957	\$ 282,566	\$ 420,523
Emergency Ambulance Fund	87,629	-	87,629
Other Governmental Funds	<u>171,561</u>	<u>-</u>	<u>171,561</u>
Totals	<u>\$ 397,147</u>	<u>\$ 282,566</u>	<u>\$ 679,713</u>

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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 are levied and assessed on a calendar year basis. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the City. All property is required to be revalued every six years.

Real property taxes are levied after April 1 on the assessed value listed as of the preceding January 1, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Public utility property taxes, attached as a lien on December 31 of the preceding year, are levied April 1 and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real and public utility 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 alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The City receives property taxes from Clark County. The County Auditor periodically advances to the City its portion of the taxes collected. Accrued property taxes receivable represents real, public utility and tangible personal property taxes, as well as delinquent taxes outstanding, which are measurable as of December 31, 2004. However, since these tax collections will not be received during the available period, nor are they intended to finance 2004 operations, the receivable is offset by a credit to deferred revenue.

The assessed value upon which the fiscal year property taxes were collected was \$64,023,647. Real estate – residential/agricultural represented \$49,710,450, or 78% of this total, real estate – commercial/industrial represented 9,279,410, or 14%, public utility tangible personal property represented \$1,238,220, or 2%, and general tangible personal property represented \$3,795,567, or 6%.

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 8 - CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2004, was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
<i>Non-depreciated assets:</i>				
Land	\$ 203,707	\$ -	\$ -	\$ 203,707
Construction in Process	286,552	1,112,961	-	1,399,513
<i>Capital assets, being depreciated:</i>				
Buildings	809,792	5,995	(186,000)	629,787
Improvements Other than Buildings	234,724	1,979	-	236,703
Machinery and Equipment	858,444	22,489	-	880,933
Furniture and Fixtures	84,547	-	-	84,547
Computer Equipment	72,399	999	-	73,398
Vehicles	1,205,963	-	-	1,205,963
Infrastructure	-	160,949	-	160,949
Total Capital Assets	<u>3,756,128</u>	<u>1,305,372</u>	<u>(186,000)</u>	<u>4,875,500</u>
<i>Accumulated Depreciation:</i>				
Buildings	255,365	40,789	-	296,154
Improvements Other than Buildings	167,923	25,172	-	193,095
Machinery and Equipment	321,746	44,047	-	365,793
Furniture and Fixtures	30,308	4,227	-	34,535
Computer Equipment	58,411	8,653	-	67,064
Vehicles	791,531	120,596	-	912,127
Infrastructure	-	3,219	-	3,219
Total Accumulated Depreciation	<u>1,625,284</u>	<u>246,703</u>	<u>-</u>	<u>1,871,987</u>
Capital Assets, net	<u>\$ 2,130,844</u>	<u>\$ 1,058,669</u>	<u>\$ (186,000)</u>	<u>\$ 3,003,513</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 51,975
Security of Persons and Property	8,201
Leisure-Time Activities	4,242
Transportation	26,151
Public Health	141,766
Community Environment	14,368
Total Depreciation Expense	<u>\$ 246,703</u>

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 8 - CAPITAL ASSETS (CONTINUED)

Business-type capital asset activity for the year ended December 31, 2004, was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciated assets:				
Land	\$ 252,595	\$ -	\$ -	\$ 252,595
Construction in Process	252,425	-	-	252,425
Capital assets, being depreciated:				
Buildings	2,030,491	22,150	-	2,052,641
Improvements Other than Buildings	1,006,695	9,055	-	1,015,750
Machinery and Equipment	5,680,006	2,701	-	5,682,707
Furniture and Fixtures	41,150	-	-	41,150
Computer Equipment	3,757	-	-	3,757
Vehicles	264,383	-	-	264,383
Infrastructure	5,316,244	778,233	-	6,094,477
Total Capital Assets	14,847,746	812,139	-	15,659,885
Less accumulated depreciation:	(10,423,219)	(531,692)	-	(10,954,911)
Total capital assets, net	<u>\$ 4,424,527</u>	<u>\$ 280,447</u>	<u>\$ -</u>	<u>\$ 4,704,974</u>

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

Water	\$ 102,926
Sewer	416,271
Swimming Pool	12,495
Total	<u>\$ 531,692</u>

NOTE 9 – LEASES

A. Operating Leases

The city leases building and office facilities under an operating lease agreement. Total costs for this operating lease were \$21,900 for the fiscal year.

B. Capital Leases

The City has entered into a lease agreement to finance the acquisition of copy machines. The City has also financed the acquisition of certain vehicles for City departments. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded in the entity-wide and proprietary fund financial statements at the present value of their future minimum lease payments, \$7,812 and \$262,480, respectively, as of the inception date.

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 9 – LEASES (CONTINUED)

A corresponding liability has been recorded in the entity-wide and proprietary fund financial statements and is reduced for each required principal payment.

The vehicle lease was paid off during the fiscal year and at year-end, the future minimum lease obligation for the copier lease was \$1,718, of which \$113 represents interest.

NOTE 10 - LONG-TERM OBLIGATIONS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Governmental Activities					
2001 Municipal Building Bonds 6.94% maturing 2006	\$ 81,000	\$ -	\$ (81,000)	\$ -	\$ -
2002 Health Department Bonds 5.50% maturing 2007	40,000	-	(10,000)	30,000	10,000
2003 Fire Truck Note 4.86% maturing 2009	76,862	-	(11,310)	65,552	11,880
Capital Leases	94,773	-	(93,329)	1,444	1,444
Compensated Absences	20,724	11,332	-	32,056	5,469
Total Governmental Activities	<u>\$ 313,359</u>	<u>\$ 11,332</u>	<u>\$ (195,639)</u>	<u>\$ 129,052</u>	<u>\$ 28,793</u>

The municipal building bonds were issued to finance renovations to the former city building. The municipal building bonds were paid off during 2004 with proceeds from the sale of the building.

The health department bonds were issued to generate operating funds for the City's health department as the result of a failed health operating levy.

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 10 - LONG-TERM OBLIGATIONS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Business-type Activities					
Water Fund Loans:					
1994 OPWC Water Main 0% maturing 2014	\$ 164,435	\$ -	\$ (23,490)	\$ 140,945	\$ 7,830
1997 OWDA Water Main 4.12% maturing 2016	12,804	-	(1,215)	11,589	422
2002 OWDA Water Main 3.20% maturing 2009	222,697	1,650	(44,342)	180,005	45,772
2004 OPWC YMCA 0% maturing 2025	-	143,069	-	143,069	3,577
Total Water Fund Loans	<u>399,936</u>	<u>144,719</u>	<u>(69,047)</u>	<u>475,608</u>	<u>57,601</u>
Sewer Fund Loans:					
1997 OWDA Honey Creek 4.56% maturing 2016	1,553,756	-	(143,621)	1,410,135	50,073
1995 OWDA Sewer Line 7.38% maturing 2016	149,423	-	(11,674)	137,749	4,277
1996 OPWC Filter Building 0% maturing 2014	162,500	-	(19,500)	143,000	6,500
2004 OPWC YMCA 0% maturing 2025	-	132,063	-	132,063	3,302
Total Sewer Fund Loans	<u>1,865,679</u>	<u>132,063</u>	<u>(174,795)</u>	<u>1,822,947</u>	<u>64,152</u>
Capital Leases	346	-	(185)	161	161
Compensated Absences	59,728	1,798	-	61,526	15,294
Total Business-type Activities	<u>\$ 2,325,689</u>	<u>\$ 278,580</u>	<u>\$ (244,027)</u>	<u>\$ 2,360,242</u>	<u>\$ 137,208</u>

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 10 - LONG-TERM OBLIGATIONS (CONTINUED)

The Ohio Public Works Commission (OPWC) loans consist of money owed to the Ohio Public Works Commission for 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 consist of money owed to the Water Pollution Control Loan Fund for 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.

Capital leases will be paid from revenues of the general, special revenue and enterprise funds. Compensated absences will be paid from general operating revenues of the fund from which the employees' salaries are paid. Additions and deletions of accrued vacation and sick leave are shown net since it is impractical for the City to determine these amounts separately.

Annual debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
Governmental Activities:		
2005	\$ 21,880	\$ 4,880
2006	22,466	3,745
2007	23,080	2,581
2008	13,725	1,386
2009	14,401	710
	<u>\$ 95,552</u>	<u>\$ 13,302</u>
Business-Type Activities:		
2005	\$ 121,752	\$ 43,258
2006	203,001	75,461
2007	209,994	68,469
2008	205,171	61,157
2009	172,982	53,923
2010-2014	958,422	168,273
2015-2019	351,572	13,443
2020-2024	75,661	-
	<u>\$ 2,298,555</u>	<u>\$ 483,984</u>

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 11 – SHORT-TERM OBLIGATIONS

The City's short-term debt activity for fiscal year, including amounts outstanding, interest rates, and the purpose for which the debt was issued, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Bond Anticipation Notes				
Street Improvement, 3.00%	425,000	425,000	(425,000)	425,000
Facilities and Equipment Improvement, 3.00%	500,000	500,000	(500,000)	500,000
Government Center Improvement, 2.24%	320,000	320,000	(320,000)	320,000
Infrastructure Improvement, 1.65%	-	1,050,000	-	1,050,000
Total Bond Anticipation Notes	<u>1,245,000</u>	<u>2,295,000</u>	<u>(1,245,000)</u>	<u>2,295,000</u>

The City has issued bond anticipation notes to provide funds for the acquisition and construction of capital facilities and infrastructure. By Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. Limitations also exist on the number of times notes may be renewed. The liability for the bond anticipation notes issued by the City is recorded in the funds that received the note proceeds.

All of the debt is backed by the full faith and credit of the City and mature within one year. The liability is reflected in the fund which received the proceeds and which will repay the debt.

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 12 - DEFINED BENEFIT PENSION PLANS

All full-time employees 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.
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) 222-6701 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, 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 2004 member contribution rate for City employees was 8.5% of covered payroll. The 2004 employer contribution rate for the City was 13.55% of covered payroll. The City's contributions to OPERS for the years ended December 31, 2004, 2003, and 2002 were \$132,726, \$138,368, and \$141,124, respectively. The full amount has been contributed for 2003 and 2002. 76 percent has been contributed for 2004 with the remainder being reported as a liability on the entity-wide financial statements.

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS

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

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

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. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2004 employer contribution rate was 13.55% of covered payroll, and 4% was used to fund health care for the year.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

The assumptions and calculations below were based on the Retirement System's latest Actuarial Review performed as of December 31, 2003.

Funding Method - An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method - All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

Investment Return - The investment assumption rate for 2003 was 8%.

Active Employee Total Payroll - An annual increase of 4%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4% base increase, were assumed to range from .5% to 6.3%.

Health Care - Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

OPEB's are advance-funded on an actuarially determined basis.

At year-end 2004, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 369,885.

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The contribution rates stated above are the actuarially determined contribution requirements for OPERS. The portion of the City's 2004 contributions that were used to fund post-employment benefits were \$39,181.

\$10.5 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2003.

The actuarially accrued liability and the unfunded actuarially accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

NOTE 14 - EMPLOYEE BENEFITS

A. Deferred Compensation Plan

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

B. Compensated Absences

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

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

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 15 - 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, an insurance purchasing pool. The pool shops for insurance as a group with the intention of securing better rates than if each participant purchased insurance separately.

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

<u>Coverage</u>	<u>Limit</u>
General Liability	\$ 1,000,000
Automobile Liability	\$ 1,000,000
Public Officials Liability	\$ 1,000,000
Property	\$ 19,646,292
Boiler	\$ 20,084,115

Settlements have not exceeded coverage in any of the last three fiscal 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 16 – CONTINGENT LIABILITIES

A. Litigation

The City is party to legal proceedings involving a pension liability for a former City employee. In the opinion of the City's Law Director, there is a reasonable possibility the City will be held liable. The City's estimate of this potential liability is \$30,000.

B. 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, 2004

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. Miami Valley Regional Planning Commission

The Miami Valley Regional Planning Commission (the Commission) is a jointly governed organization between Preble, Clark, Clinton, Darke, Greene, Miami, and Montgomery Counties, the City of Dayton, the City of Huber Heights, the City of Riverside, and the City of New Carlisle. The Commission prepares plans, including studies, maps, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the region. These reports show recommendations for systems of transportation, highways, parks and recreational facilities, water supply, sewage disposal, garbage disposal, civic centers, and other public improvements and land uses which affect the development of the region. The degree of control exercised by any participating government is limited to its representation on the Board. Members of the Board are as follows: the officers of the Commission (elected by member representatives), the immediate past Chair of the Commission, the Commission member representing the City of Dayton, the Commission member representing each of the respective member counties, the representatives selected by each county caucus, a nongovernmental member, and two at-large representatives. Payments to the Commission are made from the general fund. Financial information can be obtained from Mike Robinette, Executive Director, at One Dayton Center, One South Main Street, Suite 260, Dayton, Ohio 45402.

B. Miami Valley Fire/EMS Alliance

The Miami Valley Fire/EMS Alliance (the Alliance) is a jointly governed organization between municipal corporations and townships in Montgomery, Greene and Warren Counties. The purpose of the Alliance is to foster cooperation among the political subdivisions by promoting programs and recommending matters which will result in more efficient methods of delivering fire and emergency medical services in the region. The Board of the Alliance is made up of a representative appointed by the City of Dayton, a representative appointed by the members who are provided Fire/EMS Services by volunteers, two representatives appointed by the members who are provided Fire/EMS Services by a combination of full time employees and volunteers, and a representative appointed by the members who are provided Fire/EMS Services by full time employees. Payments to the Alliance are made from the fire special revenue fund. Financial information can be obtained from Charles Wiltrout, Director, at 444 West Third Street, Suite 20-231, Dayton, Ohio 45402.

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 18 – INTERFUND ASSETS, LIABILITIES AND TRANSFERS

The composition of interfund balances at year-end is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Street Construction Fund	\$ 40,000
	Capital Projects Fund	5,601
	Other Governmental Funds	86,865
	Water Fund	14,945
	Sewer Fund	46,078
	Swimming Pool Fund	23,647
		<u>\$ 217,136</u>

Interfund Transfers:

Transfer Out	Transfers In				
	Street Construction	Capital Projects	Other Governmental	Swimming Pool	Total
General Fund	\$ 38,352	\$ 8,428	\$ 80,345	\$ 45,074	\$ 172,199

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

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 19 – PRIOR PERIOD RESTATEMENT AND CHANGE IN ACCOUNTING PRINCIPLES

The City has implemented GASB Statements No. 34 “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.” GASB 34 creates new basic financial statements for reporting on the City’s financial activities. The financial statements now include entity-wide financial statements prepared on the accrual basis of accounting, and fund financial statements, which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. The beginning net asset amount for governmental programs reflects the change in fund balance for the governmental funds at December 31, 2003, caused by the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management’s Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arise, or potentially could arise, in interpretation and practice.

During fiscal year 2003, the City converted a general obligation note that had been rolled-over each year for several years into a long-term general obligation note maturing in 2009. However, this liability was recorded as a fund liability rather than a long-term liability. The governmental fund balance has been restated as of January 1, 2004 to remove this long-term liability. In addition, the City’s cemetery endowment fund, previously reported as a fiduciary fund, has been reclassified as a permanent fund in accordance with GASB Statement No. 34. The transition from governmental fund balance to net assets of the governmental activities is also presented, as follows:

	Governmental Activities
Fund Balance December 31, 2003	(952,128)
Notes payable restatement	76,862
Permanent fund reclassification	67,956
Adjusted balance December 31, 2003	(807,310)
 GASB 34 Adjustments:	
Capital Assets	2,130,844
Long-Term Liabilities	(313,359)
Deferred Revenue	499,062
Net Assets, December 31, 2003	1,509,237

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 20 – DEFICIT FUND BALANCES

The following funds, not otherwise visible on the face of the basic financial statements, had deficit fund balances at year-end:

	Deficit <u>Balance</u>
State Permissive Tax Fund	\$ (28,250)
Fire Operating Levy Fund	(20,233)
Federal COPS Grant Fund	(9,058)
Cemetery Fund	(16,210)

These deficits were the result of the application of U.S. generally accepted accounting principals. The General Fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur.

NOTE 21 – SUBSEQUENT EVENTS

On March 21, 2005, City Council passed Ordinance 05-17 authorizing the issuance of Medical Equipment Acquisition Bonds not to exceed \$140,000. The proceeds of this issuance is to be used to purchase a new medic unit and two defibrillators.

On April 18, 2005, City Council passed Ordinance 05-21 authorizing the issuance of Facilities and Equipment Bond Anticipation Notes not to exceed \$500,000.



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

City Council
City of New Carlisle
PO Box 419
331 S. Church Street
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 City of New Carlisle, Clark County, Ohio, (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 27, 2005. As discussed in Note 19 to the basic financial statements, the City has implemented GASB Statements No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." Except as discussed in that report, 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 Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-5 through 2004-6.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2004-6 to be a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to the City in a separate letter dated June 27, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion.

City of New Carlisle
Independent Auditor's Report on Compliance and on Internal Control
Over Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed In Accordance With
Government Auditing Standards
Page 2

The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings as items 2004-1 through 2004-4. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated June 27, 2005.

This report is intended solely for the information and use of audit committee, management, City Council, and the Ohio Auditor of State and is not intended to be and should not be used by anyone other than those specified parties.

Kennedy, Cottrell + Associates LLC |

Kennedy, Cottrell + Associates LLC
Columbus, Ohio
June 27, 2005

City of New Carlisle, Ohio

SCHEDULE OF FINDINGS

2004-1 NONCOMPLIANCE – APPROPRIATIONS EXCEEDING ESTIMATED RESOURCES

New Carlisle City Charter Section 7.04 states the total of proposed expenditures shall not exceed the total of estimated income.

In our testing, we noted the following funds had appropriations in excess of total estimated resources at December 31, 2004:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Street Construction	\$ 596,492	\$ 645,326	\$ 48,834
Sewer Capital/Contingency	4,810	15,000	10,190

We recommend the City file an amended certificate of estimated resources when appropriations are expected to be greater than estimated resources to ensure that appropriations for the year does not exceed the estimated resources for the year.

2004-2 NONCOMPLIANCE – EXPENDITURES EXCEEDING APPROPRIATIONS

Ohio Revised Code Section 5705.41(B) provides, in part, that no subdivision or taxing unit shall “make any expenditure of money unless it has been appropriated as provided in such chapter.”

At December 31, 2004 expenditures were in excess of appropriations at the object level, the legal level of control, for the following funds:

<u>Fund/Function/Object</u>	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Excess</u>
Emergency Ambulance Operating			
Personal Services	\$ 424,817	\$ 477,743	\$ 52,926
Contractual Services	52,706	57,067	4,361
Materials & Supplies	21,892	24,372	2,480
Capital Outlay	0	55	55
Miscellaneous	125	1,386	1,261
YMCA Extension Project			
Capital Outlay	200,000	642,019	442,019
Sewer			
Personal Services	284,561	333,384	48,823
Debt Service	196,167	293,406	97,239

We recommend that the City file an amended appropriation measure with the county budget commission if expenditures are likely to exceed appropriations. This will ensure that all amounts are lawfully appropriated.

City of New Carlisle, Ohio

SCHEDULE OF FINDINGS

2004-3 NONCOMPLIANCE – EXPENDITURE OF MONEY

Ohio Revised Code Section 5705.41 states, in part:

No subdivision or taxing unit shall: ...

(D)(1) Except as otherwise provided in division (D)(2) of this section and section 5705.44 of the Revised Code, make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made, has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

Of the sixty expenditures we tested, fourteen had invoice/obligation dates that preceded the purchase order date, thirteen expenditures did not have a purchase order issued, and three expenditures exceeded the purchase order amount. Amounts of less \$3,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion a “then and now” certificate permitted by Section 5705.41, provided that the expenditure is otherwise lawful; however, the City did not utilize “then and now” certificates during 2004.

We recommend the City implement control procedures to ensure that purchase orders are completed prior to entering into orders or contracts involving the expenditure of money. Additionally, we recommend that additional controls procedures be implemented to ensure “then and now” certificates are issued for expenditures which are expected to exceed the certified amounts on the purchase order.

2004-4 NONCOMPLIANCE – NEGATIVE FUND BALANCES

Ohio Rev. Code Section 5705.10 states, in part: “Money paid into any fund shall be used only for the purposes for which such fund is established.” As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

During our testing we noted thirteen funds had negative cash fund balances throughout the fiscal year. As of December 31, 2004 the City had the following negative cash fund balances:

<u>Fund</u>	<u>Fund Balance</u>
State Permissive Tax	\$ (17,388)
Emergency Ambulance Operating	(57,619)
Fire Operating Levy	(21,558)
YMCA Extension Project	(24,873)
Sewer	(247,027)

We recommend the City consider obtaining alternative funding sources or implementing cost cutting measures to ensure that monies paid into a fund are used for the purposes for which the fund has been established. Additionally, inter-fund transfers or advances, in certain circumstances, may be used as a means to subsidize or loan monies to these funds.

City of New Carlisle, Ohio

SCHEDULE OF FINDINGS

2004-5 REPORTABLE CONDITION – MAINTENANCE OF RECORDS

Records should be maintained in a manner so that supporting documentation for all accounting transactions can be efficiently located and identified.

Adequate supporting documentation was unable to be provided for the following items we tested:

- five of the nineteen cemetery receipts (isolated to foundation receipts) tested were not supported by any sort of documentation
- four of the fourteen governmental miscellaneous revenue transactions tested were not supported by any sort of documentation
- four of the twenty-five swimming pool receipts were not supported by the cash register tape
- two of sixty non-payroll expenditures did not have invoices to support the expenditure
- eighteen of the sixty payroll expenditures (isolated to EMS payroll) did not have time cards and run sheets to support the worksheet submitted to the City for pay

We recommend all accounting transactions be maintained with supporting documentation attached. This will aid management in assuring that all transactions are for valid purposes, and will reduce the time and costs involved in attempting to locate the documentation.

2004-6 MATERIAL WEAKNESS – LACK OF DOCUMENTATION FOR FIXED ASSETS

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

Also required by the policy and procedure manual is that, once purchased, all fixed assets must be assigned a unique fixed 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 fixed assets, we noted the following deviations from the City's policy and procedure manual:

- city departments responsible for purchasing, maintaining and/or disposing of fixed assets are not required to communicate necessary asset data to the Finance department, such as description, location, and identification code(s);
- newly acquired fixed assets were not assigned a unique fixed asset number;
- newly acquired fixed assets were not recorded in a timely manner; and
- detailed records of cost and accumulated depreciation of fixed assets were not maintained for 2004.

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 fixed asset management system. The failure to assign each asset with a unique fixed 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.

City of New Carlisle, Ohio

SCHEDULE OF FINDINGS

We recommend the City enforce already established policies and procedures that require responsible departments communicate fixed 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 fixed asset number and must record each asset in the City's fixed 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 fixed asset. The results of this physical inventory must be recorded in the City's fixed asset management system enabling the City to calculate accumulated depreciation amounts on a go-forward basis.

City of New Carlisle, Ohio

SCHEDULE OF FINDINGS

THE CITY'S VIEW AND PLANNED CORRECTIVE ACTIONS

Finding 2004-1 Noncompliance – Appropriations Exceeded Estimated Resources

City of New Carlisle management agrees with the noncompliance finding related to appropriations exceeding estimated resources. Management has implemented additional review processes to periodically compare estimated resources to appropriations for the year to ensure compliance with Section 7.04 of the City's Charter, as well as Ohio Revised Code requirements. Appropriate amendments to estimated resources will be filed as appropriations are increased to meet the yearly expenses of the City. In addition, management plans to utilize any available help from the Auditor of State's Local Government Services section concerning budgetary issues, which will aid in ensuring compliance with state and local budgetary requirements.

Finding 2004-2 Noncompliance – Expenditures Exceeded Appropriations

City of New Carlisle management agrees with the noncompliance finding related to expenditures exceeding appropriations. Management has implemented additional review processes to ensure that expenditures do not exceed appropriations for fiscal year 2005. In addition, management changed the legal budgetary level to the fund level rather than the object level. This change was necessary to provide the Finance Director the ability to make certain adjustments between object levels within a fund to meet expenses and not exceed appropriations, without the necessity of passing a city ordinance. This change also speeds up the process to perform needed adjust to appropriations within a fund, as it would normally take two council meetings, or four weeks, to approve the adjustments. Lastly, the City's management plans to utilize any available help from the Auditor of State's Local Government Services section concerning budgetary issues, which will aid in ensuring compliance with state and local budgetary requirements.

Finding 2004-3 Noncompliance – Expenditure of Money

City of New Carlisle management agrees with the noncompliance finding related to expenditures of money. Management has implemented additional review processes to help ensure purchase orders are issued prior to making purchases or entering contracts, and that the expense does not exceed the certified purchase order amount. Where appropriate, blanket and super blanket purchase orders are being utilized for repetitive and recurring expenses. In addition, the Finance Director is working with the finance application vendor to see if "Then and Now" statements can be pre-printed on purchase orders. Lastly, management is reviewing current policy in order to overhaul and/or develop and implement policy and procedures concerning purchasing, including use of "Then and Now" statements.

Finding 2004-4 Noncompliance – Negative Fund Balances

City of New Carlisle management agrees with the noncompliance finding related to negative fund balances. Management has implemented additional review processes to monitor fund balances, and to ensure that funds are only used for the purpose intended and that expense are properly posted to the correct fund. Fund transfers will be performed where possible and allowable in order to clear certain negative fund balances. Restrictions on expenses are also being imposed. Lastly, city management is exploring alternative revenue sources available to the City. During the month of October 2005, the City will be conducting a public work session to review current revenue sources and possible alternative sources, including the possibility of increasing fees charged for city services and possibly presenting additional tax levies to the voters of the City of New Carlisle. It will continue to be difficult to overcome the bad management decisions made by previous city management and clear all the negative fund balances in 2005. It will require a great deal of work and diligence on the part of current management, as well as time, to overcome what has transpired over time to create the negative fund balances.

City of New Carlisle, Ohio

SCHEDULE OF FINDINGS

THE CITY'S VIEW AND PLANNED CORRECTIVE ACTIONS

Finding 2004-5 Internal Control Weakness – Maintenance of Records

City of New Carlisle management agrees with the internal control weakness finding related to maintenance of records. Management has implemented additional review processes to monitor the maintenance of city financial records and help ensure that adequate supporting documents are maintained for all receipts and expenses. The City's Central Cashier has been instructed to make copies of all miscellaneous receipt documents (i.e. copies of checks and/or documents related to the receipt) and affix them to the daily batch report. Meetings are to be scheduled with City Fire Department personnel to review the current payroll process and implement improvements. Lastly, policy and procedures concerning receipts and expenditure processing, as well as controls over the process, are currently under review for possible improvements.

Finding 2004-6 Material Weakness – Lack of Documentation for Fixed Assets

City of New Carlisle management agrees with the finding concerning lack of fixed asset documentation. The City's fixed assets and infrastructure requires a complete inventory, including fixed asset tagging and computation of depreciation. During fourth quarter of 2005, management plans to inquire to various companies concerning the possibility of their performing a complete inventory of the City's capital assets and infrastructure. If adequate funding is available, the City plans to contract 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. In addition, if funding is available, the City will pursue the purchase of a fixed asset inventory monitoring application. Lastly, City policy and procedures concerning capital assets will be reviewed for needed changes and improvements, including fixed asset valuation, depreciation, and threshold.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
SEPTEMBER 1, 2005**