

***CITY OF CARLISLE***  
***WARREN COUNTY, OHIO***

**AUDIT REPORT**

**For the Year Ended December 31, 2003**

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





**Auditor of State  
Betty Montgomery**

Members of Council  
City of Carlisle  
760 West Central Avenue  
Carlisle, Ohio 45005-3389

We have reviewed the *Report of Independent Accountants* of the City of Carlisle, Warren County, prepared by Charles E. Harris & Associates, Inc. for the audit period January 1, 2003 through December 31, 2003. 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 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

March 14, 2006

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CITY OF CARLISLE  
WARREN COUNTY, OHIO  
Audit Report  
For the Year Ended December 31, 2003

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**REPORT OF INDEPENDENT ACCOUNTANTS**

City of Carlisle  
Warren County, Ohio  
760 W. Central Avenue  
Carlisle, Ohio 45005

We have audited the accompanying financial statements of the City of Carlisle, Warren County, Ohio (the City), as of and for the year ended December 31, 2003, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the City to prepare its annual report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments and fund cash balances and reserves for encumbrances of the City as of December 31, 2003, and its combined cash receipts and disbursements and changes in fund cash balances, its combined statement of receipts-budget and actual and combined statement of disbursements and encumbrances compared with expenditure authority for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

***Charles E. Harris & Associates, Inc.***  
September 30, 2005

**CITY OF CARLISLE**  
**WARREN COUNTY, OHIO**  
**COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND CASH**  
**BALANCES - ALL FUND TYPES**  
**As of December 31, 2003**

	2003 Balances
Cash and Cash Equivalents	\$ 1,327,354
Investments	1,000,000
	\$ 2,327,354

**Cash Balances By Fund Class**

**Governmental Fund Types:**

General Fund	\$ 569,427
Special Revenue Funds	408,523
Debt Service Fund	6,177
Capital Projects Funds	761,461

**Proprietary Fund Type:**

Enterprise Funds	581,766
<b>Total</b>	<b>\$ 2,327,354</b>

**See Accompanying Notes to the Financial Statements.**



CITY OF CARLISLE  
WARREN COUNTY, OHIO  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
For the Year Ended December 31, 2003

	Governmental Fund Types				(Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Total
<b>Receipts:</b>					
Taxes	\$ 529,324	\$ 345,503	\$ -	\$ 326,656	\$ 1,201,483
Intergovernmental	144,278	348,410	-	-	492,688
Special Assessments	12,333	-	47,389	-	59,722
Charges for Services	-	37,228	-	113,231	150,459
Fines, Licenses, and Permits	164,602	11,658	-	3,656	179,916
Interest	54,234	-	-	-	54,234
Miscellaneous	25,458	11,588	-	32,058	69,104
<b>Total Receipts</b>	<b>930,229</b>	<b>754,387</b>	<b>47,389</b>	<b>475,601</b>	<b>2,207,606</b>
<b>Disbursements:</b>					
Security of Persons & Property	258,357	320,307	-	-	578,664
Leisure Time Activities	8,625	-	-	-	8,625
Community Environment	119,523	-	-	1,044,202	1,163,725
Transportation	-	224,058	-	-	224,058
General Government	404,206	7,876	-	-	412,082
Capital Outlay	7,576	85,662	-	-	93,238
Debt Service:					
Principal	45,000	308,900	23,910	1,642,500	2,020,310
Interest	1,010	14,188	28,570	31,847	75,615
<b>Total Disbursements</b>	<b>844,297</b>	<b>960,991</b>	<b>52,480</b>	<b>2,718,549</b>	<b>4,576,317</b>
<b>Excess of Receipts Over/(Under) Disbursements</b>	<b>85,932</b>	<b>(206,604)</b>	<b>(5,091)</b>	<b>(2,242,948)</b>	<b>(2,368,711)</b>
<b>Other Financing Sources/(Uses):</b>					
Sale of Notes	10,000	321,000	-	2,032,500	2,363,500
Sale of Land	-	-	-	227,700	227,700
Advances-In	-	-	-	26,525	26,525
Advances-Out	(26,525)	-	-	-	(26,525)
Transfers-In	-	-	-	211,161	211,161
Transfers-Out	-	(211,161)	-	-	(211,161)
<b>Total Other Financing Sources/(Uses)</b>	<b>(16,525)</b>	<b>109,839</b>	<b>-</b>	<b>2,497,886</b>	<b>2,591,200</b>
<b>Excess of Receipts &amp; Other Financing Sources Over/(Under) Disbursements and Other Financing Uses</b>	<b>69,407</b>	<b>(96,765)</b>	<b>(5,091)</b>	<b>254,938</b>	<b>222,489</b>
<b>Fund Balance January 1, 2003</b>	<b>500,020</b>	<b>505,288</b>	<b>11,268</b>	<b>506,523</b>	<b>1,523,099</b>
<b>Fund Balance December 31, 2003</b>	<b>\$ 569,427</b>	<b>\$ 408,523</b>	<b>\$ 6,177</b>	<b>\$ 761,461</b>	<b>\$ 1,745,588</b>
<b>Reserve for Encumbrances December 31, 2003</b>	<b>\$ 26,517</b>	<b>\$ 15,845</b>	<b>\$ -</b>	<b>\$ 256,349</b>	<b>\$ 298,711</b>

See Accompanying Notes to the Financial Statements.

CITY OF CARLISLE  
WARREN COUNTY, OHIO  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND CASH BALANCES -PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND  
For the Year Ended December 31, 2003

	Proprietary Fund Type <u>Enterprise</u>	Fiduciary Fund Type <u>Agency</u>	Totals (Memorandum Only)
<b>Operating Receipts:</b>			
Charges for Services	\$ 1,225,596	\$ -	\$ 1,225,596
Fines, Licenses & Permits	18,496	-	18,496
Miscellaneous	2,551	-	2,551
<b>Total Operating Receipts</b>	<b>1,246,643</b>	<b>-</b>	<b>1,246,643</b>
<b>Operating Disbursements:</b>			
Personal Services	195,727	-	195,727
Travel Transportation	197	-	197
Contractual Services	849,754	-	849,754
Supplies and Materials	11,518	-	11,518
Capital Outlay	36,979	-	36,979
<b>Total Operating Disbursements</b>	<b>1,094,175</b>	<b>-</b>	<b>1,094,175</b>
<b>Excess Receipts Over/(Under) Disbursements</b>	<b>152,468</b>	<b>-</b>	<b>152,468</b>
<b>Non-Operating Receipts:</b>			
Sale of Notes	9,000	-	9,000
Other Non-Operating Receipts	-	84,916	84,916
<b>Total Non-Operating Receipts</b>	<b>9,000</b>	<b>84,916</b>	<b>93,916</b>
<b>Non-Operating Disbursements:</b>			
Debt Service:			
Principal	13,290	-	13,290
Interest	256	-	256
Other Non-Operating Disbursements	-	92,018	92,018
<b>Total Non-Operating Disbursements</b>	<b>13,546</b>	<b>92,018</b>	<b>105,564</b>
<b>Net Receipts Over/(Under) Disbursements</b>	<b>147,922</b>	<b>(7,102)</b>	<b>140,820</b>
<b>Fund Balance January 1, 2003</b>	<b>433,844</b>	<b>7,102</b>	<b>440,946</b>
<b>Fund Balance December 31, 2003</b>	<b>\$ 581,766</b>	<b>\$ -</b>	<b>\$ 581,766</b>
<b>Reserve for Encumbrances December 31, 2003</b>	<b>\$ 26,500</b>	<b>\$ -</b>	<b>\$ 26,500</b>

See Accompanying Notes to the Financial Statements.

CITY OF CARLISLE  
 WARREN COUNTY, OHIO  
 COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL  
 For the Year Ended December 31, 2003

<u>Fund Types/Funds:</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
<u>Governmental Fund Types:</u>			
General Fund	\$ 863,000	\$ 940,229	\$ 77,229
Special Revenue	1,071,004	1,075,387	4,383
Debt Service	52,954	47,389	(5,565)
Capital Projects	2,944,514	2,973,487	28,973
 <u>Proprietary Fund Types:</u>			
Enterprise Funds	<u>999,780</u>	<u>1,255,643</u>	<u>255,863</u>
<b>Total (Memorandum Only)</b>	<b><u>\$ 5,931,252</u></b>	<b><u>\$ 6,292,135</u></b>	<b><u>\$ 360,883</u></b>

See Accompanying Notes to the Financial Statements.

CITY OF CARLISLE  
 WARREN COUNTY, OHIO  
 COMBINED STATEMENT OF DISBURSEMENTS AND  
 ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
 For the Year Ended December 31, 2003

<u>Fund Types/Funds</u>	<u>Carryover Appropriations</u>	<u>Year Ending 2003 Appropriations</u>	<u>Total</u>	<u>Actual 2003 Disbursements</u>	<u>Encumbrances as of 12/31/03</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
<b>Governmental Funds:</b>							
General Fund	\$ 8,446	\$ 973,927	\$ 982,373	\$ 870,822	\$ 26,517	\$ 897,339	\$ 85,034
Special Revenue Funds	1,983	1,223,738	1,225,721	1,172,152	15,845	1,187,997	37,724
Debt Service Funds	-	52,480	52,480	52,480	-	52,480	-
Capital Projects Funds	216,609	3,067,520	3,284,129	2,718,549	256,349	2,974,898	309,231
<b>Proprietary Funds:</b>							
Enterprise Funds	<u>2,329</u>	<u>1,169,201</u>	<u>1,171,530</u>	<u>1,107,721</u>	<u>26,500</u>	<u>1,134,221</u>	<u>37,309</u>
o Total (Memorandum Only)	<u>\$ 229,367</u>	<u>\$ 6,486,866</u>	<u>\$ 6,716,233</u>	<u>\$ 5,921,724</u>	<u>\$ 325,211</u>	<u>\$ 6,246,935</u>	<u>\$ 469,298</u>

See Accompanying Notes to the Financial Statements.

**CITY OF CARLISLE  
WARREN COUNTY, OHIO  
Notes to the Financial Statements  
For The Year Ended December 31, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The City of Carlisle, Warren county, Ohio (the City), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City is directed by a publicly-elected Mayor and six-member Council. The City provides water and sewer utilities, park operations, police services, and a planning and zoning department. The City contracts with the Franklin Township Fire Department to provide fire services.

The City's management believes these financial statements present all activities for which the City is financially accountable.

**B. Basis of Accounting**

Although required by Ohio Administrative Code Section 117-2-03 (B), to prepare its annual financial report in accordance with generally accepted accounting principles in 2003, the City chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

The statements include disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Deposits**

Certificates of deposit are valued at cost.

**CITY OF CARLISLE  
WARREN COUNTY, OHIO  
Notes to the Financial Statements  
For The Year Ended December 31, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Fund Accounting**

The City uses fund accounting to segregate cash and investments that are restricted as to use. The City classifies its funds into the following types:

Governmental Fund Types:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The City had the following significant Special Revenue Funds:

*Street Construction, Maintenance and Repair Fund*

This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing City streets.

*Fire Fund*

This fund receives money from real estate and personal property taxes and contracts with local township fire districts to provide for the protection of area citizens.

*Police Service Funds*

This fund receives money from income taxes for increasing the manpower of the police department and to improve police services.

**CITY OF CARLISLE  
WARREN COUNTY, OHIO  
Notes to the Financial Statements  
For The Year Ended December 31, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Debt Service Fund

The Debt Service Fund is used to accumulate resources for the payment of bonds and note indebtedness. The City utilizes this fund to account for the payment of debt related to the issuance of bonds for the water system improvement and street improvement and construction.

Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The City had the following significant capital project funds:

*Capital Acquisition Capital Improvement Land (CACIL) Fund*

This fund receives money from tap-in fees for various replacement and improvement activities.

*Sewer Capital Improvement Fund*

This fund receives money from tap-in fees for improvements in the sewer system.

Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The City had the following significant Enterprise Fund:

*Sewer Fund*

This fund receives charges for services from residents to cover the cost of providing this utility.

**CITY OF CARLISLE  
WARREN COUNTY, OHIO  
Notes to the Financial Statements  
For The Year Ended December 31, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fiduciary Fund (Agency Fund)

Funds for which the City is acting in an agency capacity are classified as agency funds. The City had the following fiduciary fund:

Mayor's Court Fund

This fund is used to account for the collection and distribution of court fines and forfeitures.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund or function level of control, and appropriations may not exceed estimated resources. The council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the City to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.



**CITY OF CARLISLE  
WARREN COUNTY, OHIO  
Notes to the Financial Statements  
For The Year Ended December 31, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the City's basis of accounting.

**2. EQUITY IN POOLED CASH AND DEPOSITS**

The City maintains a cash and deposits pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The City of Carlisle investment policy approved by the City Council includes the objective of maintaining liquidity of assets. To this end it is the practice of the City to invest in certificates of deposit with varying maturity dates for up to one year. The carrying amount of deposits at December 31 was as follows:

Demand deposits	\$1,327,354
Certificates of deposit	<u>\$1,000,000</u>
Total deposits	<u>\$2,327,354</u>

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the City.

**3. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by City Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and roll back amounts are then paid by the State, and are reflected in the accompanying financial statements as

**CITY OF CARLISLE  
WARREN COUNTY, OHIO  
Notes to the Financial Statements  
For The Year Ended December 31, 2003**

**3. PROPERTY TAX (Continued)**

Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the City.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The county is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the City.

**4. LOCAL INCOME TAX**

The City levies a municipal income tax of one and a half percent on substantially all earned income arising from employment, residency, or business activities within the City as well as certain income of residents earned outside of the City.

Employers within the City withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**5. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Jamaica Road Improvement	\$ 29,825	6.00%
Bond Anticipation Notes	1,972,500	Various
Union Road Extension Bonds	163,000	6.25%
Street Construction Bonds	305,000	Various
Road Improvements	<u>400,000</u>	Various
Total	<u>\$2,870,325</u>	

**CITY OF CARLISLE  
WARREN COUNTY, OHIO  
Notes to the Financial Statements  
For The Year Ended December 31, 2003**

**5. DEBT (Continued)**

Amortization of the above debt including interest is scheduled as follows:

Year ending December 31:	Jamaica Road Improvements	Bond Anticipation Notes	Union Road Extension Bonds	Street Construction Bonds	Road Improvements
2004	\$ 2,755	\$ 2,012,565	\$ 18,188	\$ 30,370	\$ 31,680
2005	\$ 2,755	\$ -	\$ 18,688	\$ 29,688	\$ 31,230
2006	\$ 2,755	\$ -	\$ 18,125	\$ 28,990	\$ 30,780
2007	\$ 2,755	\$ -	\$ 18,563	\$ 28,278	\$ 30,330
2008	\$ 2,755	\$ -	\$ 18,938	\$ 27,558	\$ 29,880
2009-2013	\$ 13,775	\$ -	\$ 93,750	\$ 149,250	\$ 151,775
2014-2018	\$ 13,775	\$ -	\$ 57,501	\$ 151,150	\$ 152,980
2019-2023	\$ 8,265	\$ -	\$ -	\$ -	\$ 155,976
Total	\$ 49,590	\$ 2,012,565	\$ 243,753	\$ 445,284	\$ 614,631

**6. RETIREMENT SYSTEMS**

The City's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full and part time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004, OP&F participants contributed 10% of their wages. The City contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The City contributed an amount equal to 13.55% of participants' gross salaries. The City has paid all contributions required through December 31, 2003.

**7. RISK MANAGEMENT**

The City has obtained commercial insurance for the following risks:

Comprehensive property and general liability;  
Vehicles and; Errors and omissions.

**CITY OF CARLISLE  
WARREN COUNTY, OHIO  
Notes to the Financial Statements  
For The Year Ended December 31, 2003**

**8. INTERFUND TRANSFERS**

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Also, transfers move receipts restricted to debt service from the funds collecting the receipts to the debt service fund where payments are disbursed. Unrestricted receipts collected in the General Fund are also transferred to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transferred monies from the special revenue road funds to the capital project road improvement funds were in accordance with the Ohio Revised Code.

**9. CONTINGENT LIABILITIES**

The City may be a defendant in various lawsuits. Although management cannot presently determine the outcome of these suits, it is the opinion of the City legal counsel that the resolution of these matters will not materially adversely affect the City's financial condition.

*Charles E. Harris & Associates, Inc.*  
*Certified Public Accountants*

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**REPORT 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 of Carlisle  
Warren County, Ohio  
760 W. Central Avenue  
Carlisle, Ohio 45005

We have audited the financial statements of the City of Carlisle, Warren County, Ohio (the City), as of and for the year ended December 31, 2003, and have issued our report thereon dated September 30, 2005, wherein we noted the City did not follow accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated September 30, 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, grant agreements and other matters, 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. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as Finding 2003-CAR-01.

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

***Charles E. Harris and Associates, Inc.***

September 30, 2005

**CITY OF CARLISLE  
WARREN COUNTY, OHIO  
SCHEDULE OF FINDINGS  
For The Year Ended December 31, 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Compliance and Other Matters**

**Finding Number 2003-CAR-01:**

Ohio Administrative Code, Section 117-2-03 (B), requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. Contrary to this requirement, the City elected to prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund balances and disclosures that, while material, cannot be determined at this time.

The City agrees and will prepare an annual report in accordance with generally accepted accounting principles for the year ending December 31, 2005.

**CITY OF CARLISLE  
WARREN COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS  
For The Year Ended December 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-30483-001	OAC 117-2-03 (B) – Financial statements not prepared in accordance with GAAP	No	Repeated as Finding 2003-CAR-01
2002-30483-002	ORC 9.38 – Receipts not deposited on timely basis.	Yes	Corrective action taken; Receipts now deposited timely
2002-30483-003	ORC 5705.41 (D) – Funds not certified prior to expenditure	Yes	Corrective action taken; Treasurer certifies funds prior to expenditure
2002-30483-004	ORC 135.18 & 135.181 – Adequate collateral not obtained from depositories	Yes	Corrective action taken; Bank collateralizes deposits with pledged securities





**Auditor of State  
Betty Montgomery**

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**CITY OF CARLISLE**

**WARREN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 28, 2006**