

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

**AUDIT REPORT**

**For the Year Ended December 31, 2004**

***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, 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 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 ending December 31, 2004

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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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Carlisle, Warren County, Ohio (the City) as of and for the year ended December 31, 2004. 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 2, 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 respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Carlisle, Warren County, Ohio, as of December 31, 2004, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund and each major special revenue fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

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.

Management's discussion and analysis is not a required part of the financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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



**CITY OF CARLISLE**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

This discussion and analysis of The City of Carlisle (the City) 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.

**Financial Highlights**

Key Financial highlights for 2004 are as follows:

- The City has liquid assets of \$1,144,115 in cash and another \$1,000,000 in certificates of deposit. These certificates (12 in total) have various maturity dates ranging from a minimum of 6 months and a maximum of one year and their values range from \$25,000 to \$100,000.
- Total net assets decreased \$183,239 or 7.9% from 2003. The decrease was primarily due to infrastructure improvements that were financed with debt issues.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$568,036 or 67.1% of the total general fund expenditures.
- The City's total long-term debt obligations decreased \$254,465 thousand, or 8.9%, during the current fiscal year.

**Using this Annual Financial Report (AFR)**

This annual report consists of two parts: management's discussion and analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand the City of Carlisle as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed view of specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provides information about the activities of the whole City, presenting an aggregate view of the City's finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed.

The fund financial statements also look at the City's most significant funds with all non-major funds presented in total in one column. The City had five major governmental funds, the general fund, fire fund, police services fund, Carlisle business park fund, and the sewer capital improvement fund.

**CITY OF CARLISLE**  
*Management's Discussion and Analysis*  
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*Unaudited*

The governmental activities of the City include general government, security of persons and property, capital outlay, transportation, leisure time activities, and community environment.

The business type activities of the City had one major fund, the sewer fund. Also included in business type activities were water services and refuse collection.

### **Reporting the City as a Whole**

#### *Statement of Net Assets and the 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 well did the City perform financially during 2004?" The Statement of Net Assets and the Statement of Activities answers this question. These statements use the cash basis of accounting, a comprehensive basis of accounting other than generally accepted accounting principles.

These two statements report the City's net assets and the changes in those assets. The change in assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base will also need to be evaluated.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two distinct kinds of activities:

- **Governmental Activities** – All of the City's programs and services are reported here including general government, security of persons & property, leisure time activities, community environment, transportation, capital outlay, and debt service.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water and sewer system and refuse collection activities are included here.

**CITY OF CARLISLE**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

**Reporting the City's Most Significant Funds**

*Fund Financial Statements.*

The analysis of the City's major funds begins on page 14. The fund financial statements provide detailed information about the City's most significant funds-not the City as a whole. The City of Carlisle, like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories of funds: governmental, proprietary and fiduciary.

*Governmental Funds-* Most of the City's basic services are included in governmental funds, which are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. The governmental fund statements provide a detailed view of the City's general operations and 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 to finance programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements. These funds are reported using the cash basis of accounting, a comprehensive basis of accounting other than generally accepted accounting principles.

The City of Carlisle maintains several governmental funds. Information is presented separately in the governmental funds statement of cash basis assets and fund balances and in the governmental funds statement of cash receipts, disbursements, and changes in cash fund balances, for the general fund, fire fund, police services fund, Carlisle business park fund, and the sewer capital improvement fund; which are considered to be major funds. Data from the other non-major governmental funds are combined into a single, aggregated presentation.

*Proprietary Funds-* Services for which the City charges customers a fee are generally reported in proprietary funds. The City of Carlisle maintains three enterprise funds (one type of proprietary fund). Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, but provide more detail and additional information. The City uses enterprise funds to account for its sewer (the only major enterprise fund), water and refuse receipts and disbursements.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail.

**CITY OF CARLISLE**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

The proprietary fund financial statements provide separate information for the sewer fund and combine the other non-major funds into one column. These funds are restricted use funds, i.e., the monies collected may only be used for the purpose for which the fund was established.

*Fiduciary Fund-* Custodial funds held by the City acting as an agent for another government, organization, individual or fund are reported as fiduciary funds. The City had one agency fund (one type of fiduciary fund), the mayor's court fund.

The City adopts an annual appropriation budget for each of its funds. A budgetary comparison statement (non-GAAP basis) has been provided for the general fund and each major special revenue fund to demonstrate budgetary compliance.

**Financial Analysis of the City as a Whole**

Table 1 shows the City's Net Assets:

	<b>2004</b>
<hr/>	
<b>ASSETS</b>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ <u>2,144,115</u>
<b>Total Assets</b>	<b>\$ <u>2,144,115</u></b>
 <b>NET ASSETS</b>	
Restricted	\$ 881,187
Unrestricted	<u>1,262,928</u>
<b>Total Net Assets</b>	<b>\$ <u>2,144,115</u></b>

**CITY OF CARLISLE**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

The following table shows the changes in net assets for the year 2004:

**Table 2**  
**Changes in Net Assets**

	GOVERNMENTAL <u>ACTIVITIES</u>	BUSINESS-TYPE <u>ACTIVITIES</u>	<u>TOTAL</u>
Program Receipts:			
Charges for services	\$ 200,804	\$ 1,288,063	\$ 1,488,867
Operating grants and contributions	2,700	-	2,700
Capital grants and contributions	115,498	-	115,498
General Receipts and Special Items:			
Property taxes, levied for general purposes	178,078	-	178,078
Property taxes, levied for debt service	56,966	-	56,966
Income taxes, levied for general purposes	455,375	-	455,375
Income taxes, levied for public safety	227,671	-	227,671
Local government receipts	381,922	-	381,922
Franchise taxes	44,144	-	44,144
Interest	52,428	-	52,428
Miscellaneous	109,348	-	109,348
Special item-Sale of industrial land	47,163	-	47,163
Special item-Sale of notes	1,757,600	-	1,757,600
Total Receipts	3,629,697	1,288,063	4,917,760
Disbursements:			
General Government	430,125	-	430,125
Security of Persons & Property	612,786	-	612,786
Leisure Time Activities	10,398	-	10,398
Community Environment	533,753	-	533,753
Transportation	225,643	-	225,643
Capital Outlay	34,965	-	34,965
Debt Service:			
Principal	2,002,465	-	2,002,465
Interest	75,927	-	75,927
Sewer	-	856,631	856,631
Water	-	62,727	62,727
Refuse	-	255,579	255,759
Total Disbursements	3,926,062	1,174,937	5,100,999
Change in Net Assets	\$ (296,365)	\$ 113,126	\$ (183,239)

**CITY OF CARLISLE**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

*Governmental Activities*

Income tax revenues accounted for \$683,046 or 18 percent of total governmental revenues. The income tax rate was 1.5% for 2004. There is 1% for the general fund and a .5 percent police levy which goes into a special revenue fund. Both residents of the City and non-residents who work in the City are subject to the income tax. However if residents work in another locality that has a municipal income tax, the City provides 100% credit for those who pay income tax to another city.

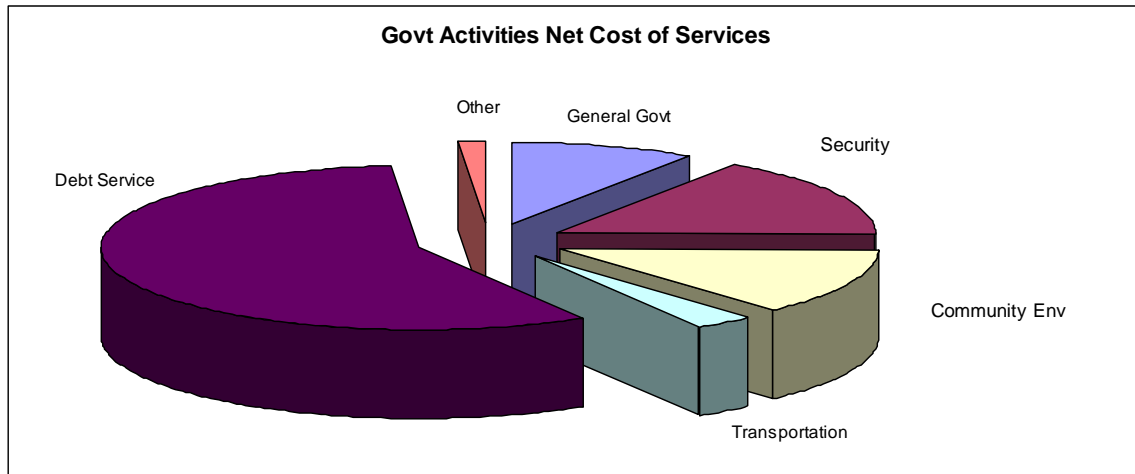
Intergovernmental revenues not related to specific programs amount to \$381,922 or 11 percent of the total governmental general revenues. Included in this total is \$115,498 in matching funds from the State of Ohio for Issue II projects used for improvement of the existing state highway. The balance of these revenues consisted primarily of rollback credits, local government funds, and estate tax, gasoline and license taxes from the State of Ohio.

The amount by which the cost of a particular program exceeds its program revenue represents the extent to which that program must be subsidized by general revenues. The following table summarizes the net cost of each program:

**Table 3**  
**Governmental Activities Net Cost of Services**

	Total Cost of Service	Program Revenues	Net Cost of Services
General			
Government	\$ 430,125	\$ 93,155	\$ 336,970
Security of Persons	612,786	47,859	564,927
Leisure Time	10,398	-	10,398
Community			
Environment	533,753	62,490	471,263
Transportation	225,643	115,498	110,145
Capital Outlay	34,965	-	34,965
Debt Service	2,078,392	-	2,078,392
Total	<u>\$3,926,062</u>	<u>\$ 319,002</u>	<u>\$3,607,060</u>

**CITY OF CARLISLE**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*



Debt service was the largest expense function for 2004 and security of persons and property was the next largest expense which accounted for \$612,786, or 16 percent of total governmental expenses. The majority of these expenses included operation for police and fire service.

The next largest function was community environment, which accounted for 14 percent of the expenses in 2004. General Government accounted for 11 percent of the 2004 expenses.

Most of the increase in expenses for 2004 was due to salaries and fringes. 2004 was the last year of a three-year agreement with the City's unions as well as a salary ordinance covering non-elected administrative personnel. These agreements generally called for 3.0% increases in 2004. In 2004, wages to employees increased approximately 3% with a corresponding increase for fringe benefits directly and incrementally related to the amount of salary paid to the employee, such as Medicare taxes, Worker's Compensation premiums and employer contributions to the retirement systems. The City's health care expenses also increased in 2004. Increases in most other expenses closely paralleled inflation and growth in the demand for services. Charges for services were the largest program revenues, accounting for \$200,804 or 6 percent of total governmental revenues. The major charges for services were the special assessments, fines, licenses and permits of the City.

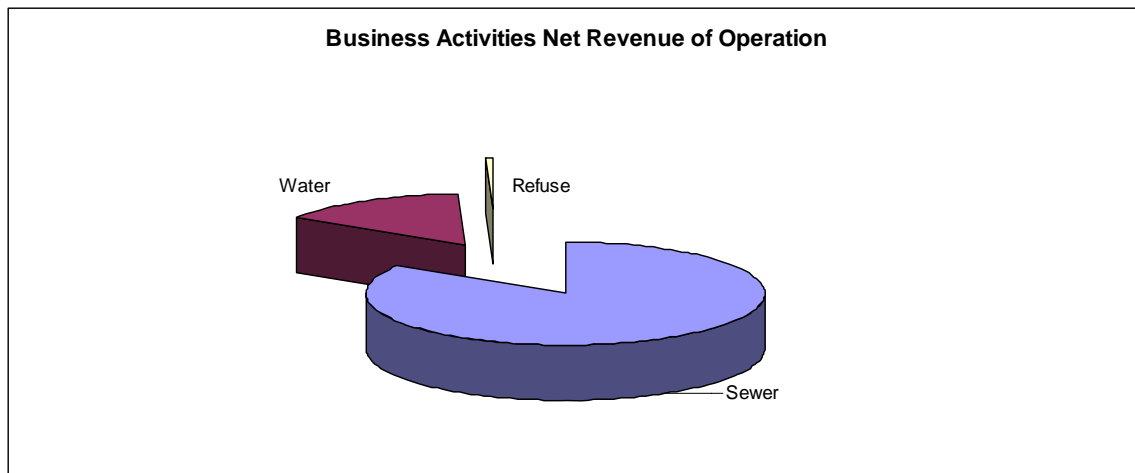
**CITY OF CARLISLE**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

*Business-Type Activities*

The following table summarizes the business-type activities:

**Table 4**  
**Business-Type Activities**

	Total Cost of Service	Program Revenues	Net Revenue of Operation
Sewer	\$ 856,631	\$ 952,663	\$ 96,032
Water	62,727	80,442	17,715
Refuse	255,579	254,958	(621)
Total	\$1,174,937	\$ 1,288,063	\$113,126



The sewer and water utilities had revenues in excess of expenditures while the refuse utility had expenditures in excess of revenues.

**Financial Analysis of the City's Funds**

As of December 31, 2004, the City's governmental funds reported combined ending fund balances of \$1,449,223. Of this amount, \$568,036 constitutes the general fund balance, which is available for spending at the City's discretion. These numbers are an important representation of the City's solid financial performance and condition.

During the current fiscal year, the fund balance of the City's general fund decreased by \$1,391. The City had a modest decrease in income tax receipts during 2004. This decrease amounted to \$16,111 or about 2 percent.



**CITY OF CARLISLE**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

**General Fund Budgeting Highlights**

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The most noteworthy budgeted fund is the general fund. During the course of 2004 the City amended its general fund budget on various occasions. The general fund supports many of the City's major activities such as the police department, council as well as most legislative and executive activities. The general fund is monitored closely, to anticipate possible revenue shortfalls or overspending by individual departments.

For the general fund, original budgeted revenues were \$870,530. The final receipts amount was \$949,009. The largest difference was anticipated income tax revenues which exceeded the original estimate by \$25,375.

The final budgeted general fund appropriations increased to \$1,087,923 from the original budget appropriations of \$884,652. The majority of the increase was in general fund transfers of \$94,097 for Issue II road projects; security of persons and property, which accounted for \$23,800 and community environment \$37,800. While the appropriations increased by \$203,271, actual expenditures were \$132,248 under the final appropriations.

**Debt Administration**

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Jamaica Road Improvement	\$ 28,860	6.00%
Bond Anticipation Notes	1,757,000	Various
Union Road Extension Bonds	155,000	6.25%
Street Construction Bonds	290,000	Various
Road Improvements	<u>385,000</u>	Various
Total	<u>\$2,615,860</u>	

The City retired \$254,465 general obligation bonds/notes in 2004.

**Contacting the City's Finance Department**

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and show the City's accountability for all money it receives, spends, or invests. If you have any questions about this report or need financial information, contact Assistant City Manager for Finance, Ron Hovell, 760 W. Central Avenue, Carlisle, OH 45005; phone:937-746-0555; fax:937-743-8178; email:carlislefinance@bizcinci.rr.com.

**CITY OF CARLISLE  
STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2004**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Equity in Pooled Cash and Investments	\$ 1,449,223	\$ 694,892	\$ 2,144,115
<b>Total Assets</b>	<u>\$ 1,449,223</u>	<u>\$ 694,892</u>	<u>\$ 2,144,115</u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$ 420,127	-	\$ 420,127
Debt Service	11,858	-	11,858
Other Purposes	449,202	-	449,202
Unrestricted	<u>568,036</u>	<u>694,892</u>	<u>1,262,928</u>
<b>Total Net Assets</b>	<u>\$ 1,449,223</u>	<u>\$ 694,892</u>	<u>\$ 2,144,115</u>

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

**CITY OF CARLISLE  
STATEMENT OF ACTIVITIES-CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Cash Disbursements	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 430,125	\$ 93,155	\$ -	\$ -	\$ (336,970)		\$ (336,970)
Security of Persons & Property	612,786	45,159	2,700	-	(564,927)		(564,927)
Leisure Time Activities	10,398	-	-	-	(10,398)		(10,398)
Community Environment	533,753	62,490	-	-	(471,263)		(471,263)
Transportation	225,643	-	-	115,498	(110,145)		(110,145)
Capital Outlay	34,965	-	-	-	(34,965)		(34,965)
Debt Service:							
Principal	2,003,065	-	-	-	(2,003,065)		(2,003,065)
Interest	75,327	-	-	-	(75,327)		(75,327)
Total Governmental activities	<u>3,926,062</u>	<u>200,804</u>	<u>2,700</u>	<u>115,498</u>	<u>(3,607,060)</u>		<u>(3,607,060)</u>
<b>Business-type Activities:</b>							
Sewer	856,631	952,663	-	-	-	\$ 96,032	96,032
Water	62,727	80,442	-	-	-	17,715	17,715
Refuse	255,579	254,958	-	-	-	(621)	(621)
Total Business-type activities	<u>1,174,937</u>	<u>1,288,063</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,126</u>	<u>113,126</u>
<b>Total</b>	<b>\$ <u>5,100,999</u></b>	<b>\$ <u>1,488,867</u></b>	<b>\$ <u>2,700</u></b>	<b>\$ <u>115,498</u></b>			
<b>General Receipts:</b>							
Taxes:							
Property Taxes, levied for general purposes					178,078	-	178,078
Property Taxes, levied for debt service					56,966	-	56,966
Income Taxes, levied for general purposes					455,375	-	455,375
Income Taxes, levied for public safety					227,671	-	227,671
Local government revenues for general purposes					381,922	-	381,922
Franchise taxes					44,144	-	44,144
Interest					52,428	-	52,428
Miscellaneous					109,348	-	109,348
Special Item - Sale of industrial land					47,163	-	47,163
Special Item - Sale of notes					1,757,600	-	1,757,600
Total general receipts, special items and transfers					<u>3,310,695</u>	<u>-</u>	<u>3,310,695</u>
Change in net assets					(296,365)	113,126	(183,239)
Net assets-beginning					<u>1,745,588</u>	<u>581,766</u>	<u>2,327,354</u>
Net assets-ending					<u>\$ 1,449,223</u>	<u>\$ 694,892</u>	<u>\$ 2,144,115</u>

See Accompanying Notes to the Financial Statements.

**CITY OF CARLISLE**  
**Statement of Cash Basis Assets and Fund Balances**  
**Governmental Funds**  
**December 31, 2004**

	General	Fire	Police Services	Carlisle Business Park	Sewer Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Equity in Pooled Cash and Investments	\$ 568,036	\$ 89,020	\$ 211,126	\$ 168,123	\$ 152,016	\$ 260,902	\$ 1,449,223
<i>Total Assets</i>	<u>568,036</u>	<u>89,020</u>	<u>211,126</u>	<u>168,123</u>	<u>152,016</u>	<u>260,902</u>	<u>1,449,223</u>
<b>Fund Balances</b>							
Reserve for Encumbrances Unreserved, Undesignated, Reported in:	5,275	350	22,929	-	-	35,356	63,910
General Fund	562,761	-	-	-	-	-	562,761
Special Revenue Funds	-	88,670	188,197	-	-	141,100	417,967
Debt Service Funds	-	-	-	-	-	11,858	11,858
Capital Project Funds	-	-	-	168,123	152,016	72,588	392,727
<i>Total Fund Balances</i>	<u>\$ 568,036</u>	<u>\$ 89,020</u>	<u>\$ 211,126</u>	<u>\$ 168,123</u>	<u>\$ 152,016</u>	<u>\$ 260,902</u>	<u>\$ 1,449,223</u>

See Accompany Notes to the Financial Statements.

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

Total Governmental Fund Balances	\$ <u>1,449,223</u>
Net Assets of Governmental Activities	\$ <u>1,449,223</u>

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

CITY OF CARLISLE  
WARREN COUNTY, OHIO  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH FUND  
BALANCES - ALL GOVERNMENTAL FUND TYPES  
For the Year Ended December 31, 2004

	Governmental Fund Types						Total - (Memorandum Only)
	General	Fire	Police Services	Carlisle Business Park	Sewer Capital Improvement	Other Governmental Funds	
<b>Receipts:</b>							
Property Taxes	\$ 67,870	\$ 110,208	\$ -	\$ -	\$ -	\$ 56,966	\$ 235,044
Income taxes	455,375	-	227,671	-	-	-	683,046
Intergovernmental	134,211	20,318	-	-	-	345,593	500,122
Special Assessments	13,859	-	-	-	-	-	13,859
Charges for Services	-	31,300	-	-	30,151	32,339	93,790
Fines, Licenses, and Permits	159,910	-	-	-	-	6,908	166,818
Interest on Investments	52,428	-	-	-	-	-	52,428
Miscellaneous	38,831	10,557	7,256	-	-	23,183	79,827
<b>Total Receipts</b>	<b>922,484</b>	<b>172,383</b>	<b>234,927</b>	<b>-</b>	<b>30,151</b>	<b>464,989</b>	<b>1,824,934</b>
<b>Disbursements:</b>							
Security of Persons & Property	289,944	120,895	201,947	-	-	-	612,786
Leisure Time Activities	10,398	-	-	-	-	-	10,398
Community Environment	95,377	-	-	12,291	22,875	403,210	533,753
Transportation	-	-	-	-	-	225,643	225,643
General Government	425,671	-	2,649	-	-	1,805	430,125
Capital Outlay	14,738	158	2,607	-	-	17,462	34,965
Debt Service:							
Principal	10,000	260,000	-	1,462,500	-	269,965	2,002,465
Interest	175	4,550	-	23,460	-	47,742	75,927
<b>Total Disbursements</b>	<b>846,303</b>	<b>385,603</b>	<b>207,203</b>	<b>1,498,251</b>	<b>22,875</b>	<b>965,827</b>	<b>3,926,062</b>
<b>Excess of Receipts Over/(Under) Disbursements</b>	<b>76,181</b>	<b>(213,220)</b>	<b>27,724</b>	<b>(1,498,251)</b>	<b>7,276</b>	<b>(500,838)</b>	<b>(2,101,128)</b>
<b>Other Financing Sources/(Uses):</b>							
Sale of Notes	-	222,000	-	1,440,000	-	95,000	1,757,000
Other Sources	-	-	-	-	-	47,763	47,763
Advances-In	26,525	-	-	-	-	-	26,525
Advances-Out	-	-	-	-	-	(26,525)	(26,525)
Transfers-In	-	-	-	-	-	104,097	104,097
Transfers-Out	(104,097)	-	-	-	-	-	(104,097)
<b>Total Other Financing Sources/(Uses)</b>	<b>(77,572)</b>	<b>222,000</b>	<b>-</b>	<b>1,440,000</b>	<b>-</b>	<b>220,335</b>	<b>1,804,763</b>
<b>Excess of Receipts &amp; Other Financing Sources Over/(Under) Disbursements and Other Financing Uses</b>	<b>(1,391)</b>	<b>8,780</b>	<b>27,724</b>	<b>(58,251)</b>	<b>7,276</b>	<b>(280,503)</b>	<b>(296,365)</b>
<b>Fund Balance January 1, 2004</b>	<b>569,427</b>	<b>80,240</b>	<b>183,402</b>	<b>226,374</b>	<b>144,740</b>	<b>541,405</b>	<b>1,745,588</b>
<b>Fund Balance December 31, 2004</b>	<b>\$ 568,036</b>	<b>\$ 89,020</b>	<b>\$ 211,126</b>	<b>\$ 168,123</b>	<b>\$ 152,016</b>	<b>\$ 260,902</b>	<b>\$ 1,449,223</b>

See Accompanying Notes to the Financial Statements.

**CITY OF CARLISLE**  
**RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES**  
**IN CASH 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	\$ <u>(296,365)</u>
Change in Net Assets of Governmental Activities	\$ <u>(296,365)</u>

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

**CITY OF CARLISLE**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND**  
**CASH BALANCES - BUDGET AND ACTUAL - BUDGET BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Resources:				
Property Taxes	\$ 69,342	\$ 63,200	\$ 67,870	\$ 4,670
Income Taxes	430,000	430,000	455,375	25,375
Intergovernmental	131,087	131,087	134,211	3,124
Special Assessments	12,000	12,000	13,859	1,859
Fines, Licenses, and Permits	154,400	154,400	159,910	5,510
Interest on Investments	38,000	38,000	52,428	14,428
Miscellaneous	35,701	30,000	38,831	8,831
Amount available for appropriation	870,530	858,687	922,484	63,797
Charges to appropriations:				
Security of persons and property	318,515	342,315	290,494	51,821
Leisure time activities	13,000	14,000	10,398	3,602
Community environment	77,771	115,571	95,377	20,194
General government	443,391	475,908	430,396	45,512
Capital outlay	1,800	15,857	14,738	1,119
Debt service:				
Principal	10,000	10,000	10,000	-
Interest	175	175	175	-
Total charges to appropriations	<u>864,652</u>	<u>973,826</u>	<u>851,578</u>	<u>122,248</u>
Excess of Receipts Over (Under) Disbursements	5,878	(115,139)	70,906	186,045
Other Financing Sources/(Uses):				
Advances-In	-	-	26,525	26,525
Transfers-Out	(20,000)	(114,097)	(104,097)	10,000
Total Other Financing Sources/(Uses)	(20,000)	(114,097)	(77,572)	36,525
Excess of Receipts & Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	(14,122)	(229,236)	(6,666)	222,570
Budgetary fund balance, January 1	542,910	542,910	542,910	-
Prior Year Encumbrances Appropriated	26,517	26,517	26,517	-
Budgetary fund balance, December 31	<u>\$ 555,305</u>	<u>\$ 340,191</u>	<u>\$ 562,761</u>	<u>\$ 222,570</u>

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



**CITY OF CARLISLE**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND**  
**CASH BALANCES - BUDGET AND ACTUAL - BUDGET BASIS**  
**FIRE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Resources:				
Property taxes	\$ 124,316	\$ 119,000	\$ 110,209	\$ (8,791)
Intergovernmental	17,000	17,000	20,318	3,318
Charges for Services	23,640	23,640	31,300	7,660
Miscellaneous	22,460	22,460	10,556	(11,904)
	<u>187,416</u>	<u>182,100</u>	<u>172,383</u>	<u>(9,717)</u>
Amount available for appropriation				
Charges to appropriations:				
Security of persons and property	143,806	130,553	121,245	9,308
Debt service:				
Principal	260,000	260,000	260,000	-
Debt	4,550	4,550	4,550	-
Capital outlay	2,500	158	158	-
	<u>410,856</u>	<u>395,261</u>	<u>385,953</u>	<u>9,308</u>
Total charges to appropriations				
Excess of Receipts Over (Under) Disbursements	(223,440)	(213,161)	(213,570)	(409)
Other Financing Sources/(Uses):				
Sale of Notes	222,000	222,000	222,000	-
	<u>222,000</u>	<u>222,000</u>	<u>222,000</u>	<u>-</u>
Total Other Financing Sources/(Uses)				
Excess of Receipts & Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	(1,440)	8,839	8,430	(59)
Budgetary fund balance January 1	72,075	72,075	72,075	-
Prior Year encumbrances appropriated	8,165	8,165	8,165	-
	<u>8,165</u>	<u>8,165</u>	<u>8,165</u>	<u>-</u>
Budgetary fund balance, December 31	<u>\$ 78,800</u>	<u>\$ 89,079</u>	<u>\$ 88,670</u>	<u>\$ (59)</u>

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

**CITY OF CARLISLE**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND**  
**CASH BALANCES - BUDGET AND ACTUAL - BUDGET BASIS**  
**POLICE SERVICES FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Resources:				
Income taxes	\$ 215,000	\$ 215,000	\$ 227,671	\$ 12,671
Miscellaneous	-	-	7,256	7,255
Amount available for appropriation	215,000	215,000	234,927	19,926
Charges to appropriations:				
Security of persons and property	205,185	225,937	201,947	23,990
General government	-	5,000	2,649	2,351
Capital outlay	9,214	33,214	25,536	7,678
Total charges to appropriations	<u>214,399</u>	<u>264,151</u>	<u>230,132</u>	<u>34,019</u>
Excess of Receipts Over (Under) Disbursements	601	(49,151)	4,795	53,945
Budgetary fund balance, January 1	<u>183,402</u>	<u>183,402</u>	<u>183,402</u>	<u>-</u>
Budgetary fund balance, December 31	<u>\$ 184,003</u>	<u>\$ 134,251</u>	<u>\$ 188,197</u>	<u>\$ 76,875</u>

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

**CITY OF CARLISLE  
STATEMENT OF FUND NET ASSETS-PROPRIETARY FUNDS  
DECEMBER 31, 2004**

	<b>Enterprise Funds</b>		
	<b>Sewer Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>
<b>Assets</b>			
Cash	\$ <u>569,190</u>	\$ <u>125,702</u>	\$ <u>694,892</u>
Total Assets	\$ <u>569,190</u>	\$ <u>125,702</u>	\$ <u>694,892</u>
<b>Net Assets</b>			
Unrestricted	\$ <u>569,190</u>	\$ <u>125,702</u>	\$ <u>694,892</u>
<b>Total Net Assets</b>	\$ <u>569,190</u>	\$ <u>125,702</u>	\$ <u>694,892</u>

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

CITY OF CARLISLE  
WARREN COUNTY, OHIO  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND NET ASSETS -PROPRIETARY FUND TYPES  
For the Year Ended December 31, 2004

	Enterprise Funds		
	Sewer	Other Enterprise Funds	Totals
<b>Operating Receipts:</b>			
Charges for Services	\$ 944,656	\$ 313,363	\$ 1,258,019
Miscellaneous	8,007	22,037	30,044
<b>Total Operating Receipts</b>	<b>952,663</b>	<b>335,400</b>	<b>1,288,063</b>
<b>Operating Disbursements:</b>			
Personal Services	141,049	62,113	203,162
Travel Transportation	3,930	1,513	5,443
Contractual Services	665,148	247,252	912,400
Supplies and Materials	13,410	3,733	17,143
Capital Outlay	23,937	3,695	27,632
<b>Total Operating Disbursements</b>	<b>847,474</b>	<b>318,306</b>	<b>1,165,780</b>
<b>Excess Receipts Over/(Under) Disbursements</b>	<b>105,189</b>	<b>17,094</b>	<b>122,283</b>
<b>Non-Operating Disbursements:</b>			
Debt Service:			
Principal	(9,000)	-	(9,000)
Interest	(157)	-	(157)
<b>Total Non-Operating Disbursements</b>	<b>(9,157)</b>	<b>-</b>	<b>(9,157)</b>
<b>Net Receipts Over/(Under) Disbursements</b>	<b>96,032</b>	<b>17,094</b>	<b>113,126</b>
<b>Net Assets January 1, 2004</b>	<b>473,159</b>	<b>108,607</b>	<b>581,766</b>
<b>Net Assets December 31, 2004</b>	<b>\$ 569,191</b>	<b>\$ 125,701</b>	<b>\$ 694,892</b>

See Accompanying Notes to the Financial Statements.

**CITY OF CARLISLE  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUND  
DECEMBER 31, 2004**

	<u>Agency Fund</u>
<b>Assets</b>	
Cash	\$ <u>7,102</u>
<b>Total Assets</b>	\$ <u><u>7,102</u></u>
<b>Net Assets</b>	
Owed to Others	<u>7,102</u>
<b>Total Net Assets</b>	\$ <u><u>7,102</u></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, 2004**

**Note 1- Reporting 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.

**Note 2 - Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The City does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the City's accounting policies.

**A. Basis of Presentation**

The City's financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**CITY OF CARLISLE**  
**WARREN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2004**

**Note 2 – Summary of Significant Accounting Policies (continued)**

The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the City at year end. The statement of activities compares disbursements and program receipts for each program or function of the City's governmental activities and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the City is responsible. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that is required to be used to support a particular program. Receipts which are not classified as program receipts are presented as general receipts of the City, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a cash basis or draws from the general receipts of the City.

**Fund Financial Statements**

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

**CITY OF CARLISLE  
WARREN COUNTY, OHIO  
Notes to the Financial Statements  
For the Year Ended December 31, 2004**

**Note 2 – Summary of Significant Accounting Policies (continued)**

**B. Fund Accounting**

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the City are presented in three categories: governmental, proprietary, and fiduciary.

**Governmental Funds**

Governmental funds are those through which most governmental functions of the City are financed. The following are the City's major governmental funds:

*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.

*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 Fund*

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

*Carlisle Business Park Fund*

This fund receives money from the sale of notes earmarked for business park improvements.

*Sewer Capital Improvement Fund*

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



**CITY OF CARLISLE**  
**WARREN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2004**

**Note 2 – Summary of Significant Accounting Policies (continued)**

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.

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.

C. Basis of Accounting

The City's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the City's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the City are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**CITY OF CARLISLE**  
**WARREN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2004**

**Note 2 – Summary of Significant Accounting Policies (continued)**

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the City Council may appropriate. The appropriation ordinance is the City Council's authorization to spend resources and sets annual limits on disbursements plus encumbrances at the level of control selected by the City Council. The legal level of control has been established by the City Council at the fund level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Assistant City Manager for Finance. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the City Council.

The appropriation ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the City Council during the year.

**E. Cash and Investments**

To improve cash management, cash received by the City is pooled and invested. Individual fund integrity is maintained through City records. Interest in the pool is presented as "Equity in Pooled Cash and Investments".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**CITY OF CARLISLE**  
**WARREN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2004**

**Note 2 – Summary of Significant Accounting Policies (continued)**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2004, the City invested in nonnegotiable certificates of deposit. Investments are reported at cost. Interest earnings are allocated to City funds according to State statutes, the Charter and Codified Ordinances of the City, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2004 was \$52,428.

**F. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the City are reported as restricted.

**G. Inventory and Prepaid Items**

The City reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

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

**I. Interfund Receivables/Payables**

The City reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**CITY OF CARLISLE**  
**WARREN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2004**

**Note 2 – Summary of Significant Accounting Policies (continued)**

**J. Accumulated Leave**

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

**K. Employer Contributions to Cost-Sharing Pension Plans**

The City recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**L. Long-Term Obligations**

The City's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**M. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes primarily include activities involving police and fire protection and the upkeep of the City's roads and bridges. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

**N. Fund Balance Reserves**

The City reserves any portion of fund balances which are not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**CITY OF CARLISLE  
WARREN COUNTY, OHIO  
Notes to the Financial Statements  
For the Year Ended December 31, 2004**

**Note 2 – Summary of Significant Accounting Policies (continued)**

**O. Interfund Transactions**

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**P. Special Items**

Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

**Note 3- Change in Presentation**

Last year the City reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. This year the City implemented a cash basis accounting presentation described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

The calculation of net assets of governmental type activities at December 31, 2003 is as follows:

Fund	General Fund	Fire Fund	Police Services	Carlisle Business Park	Sewer Capital Improvement	Other Governmental Funds	Total Governmental Activities
Balance December 31, 2003	\$569,427	\$80,240	\$183,402	\$226,374	\$144,740	\$541,405	\$1,745,588
Governmental Activities Net Assets December 31, 2003							<u>\$1,745,588</u>

**CITY OF CARLISLE**  
**WARREN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2004**

**Note 4 - Compliance**

Ohio Administrative Code, Section 117-2-03 (B), requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, the City prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The City can be fined and various other administrative remedies may be taken against the City.

**Note 5 - Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and each major special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is (are) outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to:

General Fund	\$ 5,275
Fire Fund	350
Police Services Fund	22,929
Carlisle Business Park	-
Sewer Capital Improvement Fund	-

**Note 6 - Deposits and Investments**

Monies held by the City are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the City treasury. Active 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.

**CITY OF CARLISLE**  
**WARREN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2004**

**Note 6 - Deposits and Investments (continued)**

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

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 held by the City can 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 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such;

**CITY OF CARLISLE**  
**WARREN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2004**

**Note 6 - Deposits and Investments (continued)**

7. The State Treasurer's investment pool (STAR Ohio).

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 investments to the City or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the City by the financial institution or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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".

At year end, the carrying amount of the City's deposits was \$2,151,217 and the bank balance was \$2,166,081. Of the bank balance \$100,000 was covered by federal depository insurance and \$2,066,081 was collateralized by securities pledged by the financial institution in the City's name. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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 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 agent in the City's name. Category 3 includes uninsured and unregistered investments



**CITY OF CARLISLE**  
**WARREN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2004**

**Note 6 - Deposits and Investments (continued)**

for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. The City had no investments under GASB Statement 3.

**Note 7 – Income Taxes**

The City levies a 1.5 percent income tax on substantially all income earned in the City. In addition, City residents employed in municipalities having an income tax less than 1.5% percent must pay the difference to the City. Additional increases in the income tax rate require voter approval. Employers within the City withhold income tax on employee compensation and remit at least quarterly and file an annual declaration.

The City's income tax ordinance requires a portion of the income tax receipts to be used to finance public safety forces. As a result, this portion of the receipts is allocated to the police services special revenue fund each year. The remaining income tax receipts are to be used to pay the cost of administering the tax and general fund operations, as determined by Council.

**Note 8 - Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the City. Real property tax receipts received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date.

Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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.

Public utility property tax receipts received in 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2003 became a lien on December 31, 2002, were levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**CITY OF CARLISLE  
WARREN COUNTY, OHIO  
Notes to the Financial Statements  
For the Year Ended December 31, 2004**

**Note 8 - Property Taxes (continued)**

Tangible personal property tax receipts received in 2004 (other than public utility property) represent the collection of 2003 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all City operations for the year ended December 31, 2004, was \$55.59 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property:	
Residential	\$61,833,090
Agriculture	95,340
Commercial/Industrial/Mineral	6,197,500
Public Utility Property	4,665,410
Tangible Personal Property	<u>3,632,740</u>
Total Assessed Value	<u>\$76,424,080</u>

**Note 9 - Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2004, the City contracted with several companies for various types of insurance as follows:

**CITY OF CARLISLE  
WARREN COUNTY, OHIO  
Notes to the Financial Statements  
For the Year Ended December 31, 2004**

**Note 9 - Risk Management (continued)**

<u>Company</u>	<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage</u>
Public Entities Pool of Ohio	Commercial Property	\$500	\$3,095,138
Public Entities Pool of Ohio	Auto Comprehensive & Collision	\$500	\$989,735
Public Entities Pool of Ohio	Auto Liability	\$0	\$2,000,000
Public Entities Pool of Ohio	General Liability	\$0	\$2,000,000
Erie Insurance Group	Public Officials Liability		
	-Mayor	\$0	\$7,500
	-City Administrator	\$0	\$7,500
	-Finance Director	\$0	\$7,500
	-Clerk of Courts	\$0	\$47,500
	-Sewer Clerk	\$0	\$47,500
	-Building Permit Clerk	\$0	\$17,500
	-Tax Administrator	\$0	\$50,000
	-Public Employee	\$0	\$2,500
Public Entities Pool of Ohio	Law Enforcement	\$0	\$2,000,000
	Operations		
Public Entities Pool of Ohio	Wrongful Acts	\$5,000	\$2,000,000

There has been no material change in this coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

Health insurance is provided to eligible employees through a commercial carrier.

**Note 10 - Defined Benefit Pension Plans**

**A. Ohio Public Employees Retirement System**

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

**CITY OF CARLISLE**  
**WARREN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2004**

**Note 10 - Defined Benefit Pension Plans (continued)**

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, 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 and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

For the year ended December 31, 2004, members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salary to fund pension obligations. Members participating in the traditional plan, who were in law enforcement, contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2004 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 11.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$53,514, \$54,126, and \$51,662, respectively. The full amount has been contributed for all three years. There were no participants in the member-directed plan for 2004; therefore no contributions were made by the City or plan members to that plan for 2004.

**B. Ohio Police and Fire Pension Fund**

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

**CITY OF CARLISLE**  
**WARREN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2004**

**Note 10 - Defined Benefit Pension Plans (continued)**

Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. The City does not have applicable firefighters who contribute to the OP&F Fund; therefore contributions were only submitted on behalf of the police officers. Contributions are authorized by State statute. The City's contribution to the Fund for police were \$27,906 for the year ended December 31, 2004, \$27,605 for the year ended December 31, 2003, and \$26,601 for the year ended December 31, 2002. The full amount has been contributed for all three years.

**Note 11 - Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 employer contribution rate was 13.55 percent of covered payroll (16.7 percent for law enforcement and public safety); 4.00 percent was the portion used to fund health care.

**CITY OF CARLISLE  
WARREN COUNTY, OHIO  
Notes to the Financial Statements  
For the Year Ended December 31, 2004**

**Note 11 - Postemployment Benefits (continued)**

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

Actual employer contributions for 2004 which were used to fund postemployment benefits were \$15,797. The actual contribution and the actuarial required contribution amounts are the same. OPERS's net assets available for the payment of benefits at December 31, 2004 (the latest information available), was \$10.5 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively. The number of active contributing participants in the traditional and combined plans was 369,885.

In September 2004, the OPERS Retirement Board adopted the 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.

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

**CITY OF CARLISLE  
WARREN COUNTY, OHIO  
Notes to the Financial Statements  
For the Year Ended December 31, 2004**

**Note 11 - Postemployment Benefits (continued)**

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*.

The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2004 that were used to fund police post employment benefits were \$11,091. The City does not have applicable firefighters who contribute to the OP&F Fund; therefore contributions were only submitted on behalf of the police officers. The OP&F's total health care expense for the year ended December 31, 2003 (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

**Note 12 - Debt**

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Jamaica Road Improvement Note	\$ 28,860	6.00%
Bond Anticipation Notes	1,757,000	Various
Union Road Extension Bonds	155,000	6.25%
Street Construction Bonds	290,000	Various
Road Improvement Bonds	<u>385,000</u>	Various
Total	<u>\$2,615,860</u>	

**CITY OF CARLISLE**  
**WARREN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2004**

**Note 12 – Debt (continued)**

The change in the City's debt for 2004 was as follows:

<u>Description</u>	<u>Balance</u> <u>12/31/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/04</u>
Jamaica Road				
Improve. Note	\$ 29,825	\$ -	\$ 965	\$ 28,860
Bond Anticipation				
Notes	1,972,500	1,757,000	1,972,500	1,757,000
Union Road Bonds	163,000	-	8,000	155,000
Street Bonds	305,000	-	15,000	290,000
Road Bonds	400,000	-	15,000	385,000
<b>Totals</b>	<b>\$2,870,325</b>	<b>\$ 1,757,000</b>	<b>\$ 2,011,465</b>	<b>\$ 2,615,860</b>

The following is a summary of the City's future debt service requirements:

Jamaica Road Improvement Note

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 1,023	\$ 1,732
2006	1,084	1,671
2007	1,149	1,606
2008	1,218	1,537
2009	1,291	1,464
2010-2014	7,716	6,059
2015-2019	10,326	3,449
2020-2023	5,053	457
<b>Total</b>	<b>\$ 28,860</b>	<b>\$ 17,975</b>

Bond Anticipation Notes

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 1,757,000	\$ 40,065

Union Road Extension Bonds

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 9,000	\$ 9,688
2006	9,000	9,125
2007	10,000	8,563
2008	11,000	7,938
2009	11,000	7,250
2010-2014	70,000	24,688
2015-2019	35,000	3,313
<b>Total</b>	<b>\$ 155,000</b>	<b>\$ 70,565</b>



**CITY OF CARLISLE**  
**WARREN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2004**

**Note 12 – Debt (continued)**

<u>Street Construction Bonds</u>		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 15,000	\$ 14,688
2006	15,000	13,990
2007	15,000	13,278
2008	15,000	12,558
2009	20,000	11,830
2010-2014	105,000	43,250
2015-2019	105,000	63,518
Total	\$ 290,000	\$ 173,112

<u>Road Improvement Bonds</u>		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 15,000	\$ 16,230
2006	15,000	15,780
2007	15,000	15,330
2008	15,000	14,880
2009	15,000	14,430
2010-2014	90,000	63,645
2015-2019	110,000	43,348
2020-2023	110,000	14,308
Total	\$ 385,000	\$ 197,951

**Note 13 - Interfund Transfers**

Interfund transfers for the year ended December 31, 2004 consisted of the following:

	Transfer From
<u>Transfer To:</u>	<u>General</u>
Other Governmental Funds	\$ 104,097

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.

**CITY OF CARLISLE  
WARREN COUNTY, OHIO  
Notes to the Financial Statements  
For the Year Ended December 31, 2004**

**Note 14 - Contingent Liabilities**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material. 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 governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Carlisle, Warren County, Ohio (the City) as of and for the year ended December 31, 2004, and have issued our report thereon dated September 30, 2005, wherein we noted the City followed a comprehensive basis of accounting other than 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 internal control over financial reporting that we have reported to management of the City in a 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 2004-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, 2004**

<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 2004-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, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-CAR-001	OAC 117-2-03 (B) – Financial statements not prepared in accordance with GAAP	No	Repeated as Finding 2004-CAR-01



**Auditor of State  
Betty Montgomery**

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800-282-0370

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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**