

CITY OF NEW CARLISLE

Clark County, Ohio

Basic Financial Statements and
Independent Auditor's Reports

For the year ended December 31, 2008





Mary Taylor, CPA
Auditor of State

City Council
City of New Carlisle
P.O. Box 419
New Carlisle, Ohio 45344

We have reviewed the *Independent Auditor's Report* of the City of New Carlisle, Clark County, prepared by Kennedy Cottrell Richards LLC, for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 27, 2009

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

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
of the City of New Carlisle
PO Box 419
331 S. Church Street
New Carlisle, Ohio 45344

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Carlisle (the "City"), Clark County, Ohio as of and for the year ended December 31, 2008, which collectively comprise of the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, except for the effects of such adjustments, if any, as might have been determined necessary had we been able to examine evidence regarding the City's capital assets, accumulated depreciation, and current period depreciation expense, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, and the water, sewer, and swimming pool funds of the City as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the General, Street Construction, Emergency Ambulance, Emergency Fire and Twin Creeks Infrastructure Bonds funds, and the aggregate remaining fund information of the City as of December 31, 2008, and the respective changes in financial position, thereof and the respective budgetary comparison for the General, Street Construction, Emergency Ambulance, and Emergency Fire funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

KENNEDY COTTRELL RICHARDS LLC

A handwritten signature in black ink that reads "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

June 25, 2009

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

This discussion and analysis of the City of New Carlisle's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2008. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$5.2 million (net assets), a decrease of \$631,583, or 11%, from the prior year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of negative \$281,232, a decrease of \$35,983, or 15%, from the prior year.
- At fiscal year-end, the City's general fund reported a fund balance of negative \$172,013, a decrease of \$110,311, or 179%, in comparison with the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

Reporting the City of New Carlisle as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the City, as a whole, has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as the condition of the City's capital assets will also need to be evaluated. In these two statements, the City is divided into the following two types of activities:

- Governmental Activities – Most of the City's services are reported here including fire, administration, and all departments.
- Business-Type Activities – The business-type activities of the City primarily consist of water distribution, sewage collection and treatment, and swimming pool.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

Reporting the City of New Carlisle's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

The City maintains 15 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general, street construction, emergency ambulance, emergency fire, and twin creeks infrastructure bond fund, which are considered to be the City's major funds. Data from the other 10 governmental funds are combined into a single, aggregated presentation.

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

THE CITY OF NEW CARLISLE AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the City as a whole. Table 1 provides a summary of the City's net assets for 2007 compared to 2008.

TABLE 1

Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 3,914,147	\$ 3,951,828	\$ 978,980	\$ 1,253,248	\$ 4,893,127	\$ 5,205,076
Capital assets	3,151,752	3,187,991	5,126,184	5,934,686	8,277,936	9,122,677
Total Assets	<u>7,065,899</u>	<u>7,139,819</u>	<u>6,105,164</u>	<u>7,187,934</u>	<u>13,171,063</u>	<u>14,327,753</u>
Current liabilities	1,916,843	1,865,776	50,637	236,157	1,967,480	2,101,933
Long-term liabilities	1,528,299	1,625,162	4,497,721	4,791,512	6,026,020	6,416,674
Total Liabilities	<u>3,445,142</u>	<u>3,490,938</u>	<u>4,548,358</u>	<u>5,027,669</u>	<u>7,993,500</u>	<u>8,518,607</u>
Net Assets:						
Invested in capital assets, net of related debt	458,659	363,821	682,074	1,192,760	1,140,733	1,556,581
Restricted	2,389,411	2,590,025	-	-	2,389,411	2,590,025
Unrestricted	<u>772,687</u>	<u>695,035</u>	<u>874,732</u>	<u>967,505</u>	<u>1,647,419</u>	<u>1,662,540</u>
Total Net Assets	<u>\$ 3,620,757</u>	<u>\$ 3,648,881</u>	<u>\$ 1,556,806</u>	<u>\$ 2,160,265</u>	<u>\$ 5,177,563</u>	<u>\$ 5,809,146</u>

A large portion of the City's net assets (22%) reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (46%) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net asset amount available to meet the ongoing obligations to citizens and creditors is \$1.7 million.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

Table 2 shows the changes in net assets for the year ended December 31, 2008.

TABLE 2

Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Program Revenues:						
Charges for Services	\$ 553,238	\$ 732,656	\$ 1,393,491	\$ 1,463,857	\$ 1,946,729	\$ 2,196,513
Operating Grants and Contributions	398,540	383,856	-	-	398,540	383,856
Capital Grants and Contributions	54,726	63,423	38,209	196,311	92,935	259,734
General Revenues:						
Property Taxes	551,892	612,984	-	-	551,892	612,984
Income Taxes	995,941	995,153	-	-	995,941	995,153
Other Local Taxes	7,014	27,520	-	-	7,014	27,520
Payments in Lieu of Taxes	26,978	22,324	-	-	26,978	22,324
Unrestricted Grants	109,198	96,073	-	-	109,198	96,073
Other Unrestricted Revenues	70,642	50,730	22,782	24,069	93,424	74,799
Total Revenues	2,768,169	2,984,719	1,454,482	1,684,237	4,222,651	4,668,956
Expenses:						
General Government	863,397	774,775	-	-	863,397	774,775
Security of Persons and Property	628,671	609,869	-	-	628,671	609,869
Leisure-Time Activities	54,735	32,230	-	-	54,735	32,230
Health	774,044	682,550	-	-	774,044	682,550
Community Environment	14,401	16,937	-	-	14,401	16,937
Transportation	293,586	366,482	-	-	293,586	366,482
Interest on Long-Term Debt	150,330	164,337	-	-	150,330	164,337
Water	-	-	976,210	943,967	976,210	943,967
Sewer	-	-	1,081,016	1,027,178	1,081,016	1,027,178
Swimming Pool	-	-	17,844	80,375	17,844	80,375
Total Expenses	2,779,164	2,647,180	2,075,070	2,051,520	4,854,234	4,698,700
Increase in Net Assets						
before Transfers	(10,995)	337,539	(620,588)	(367,283)	(631,583)	(29,744)
Transfers	(17,129)	(73,279)	17,129	73,279	-	-
Increase(Decrease) in Net Assets	(28,124)	264,260	(603,459)	(294,004)	(631,583)	(29,744)
Net Assets at Beginning of Year	3,648,881	3,384,621	2,160,265	2,454,269	5,809,146	5,838,890
Net Assets at End of Year	\$ 3,620,757	\$ 3,648,881	\$ 1,556,806	\$ 2,160,265	\$ 5,177,563	\$ 5,809,146

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

Governmental Activities

Property and income taxes, charges for services, capital grants and operating grants are the biggest contributors of revenue for the City's governmental activities. General government, security of persons and property, health services, and transportation are the major activities of the City accounting for 31%, 23%, 28% and 11% of governmental expenses, respectively.

During the fiscal year, net assets of the City's governmental activities decreased by \$28,124, or 1%.

Business-type Activities

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

During the fiscal year, net assets of the City's business-type activities decreased by \$603,459. This is the amount by which total expenses, including depreciation on capital assets totaling \$886,741, exceeded revenues during the fiscal year.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

Total versus Net Cost of Services

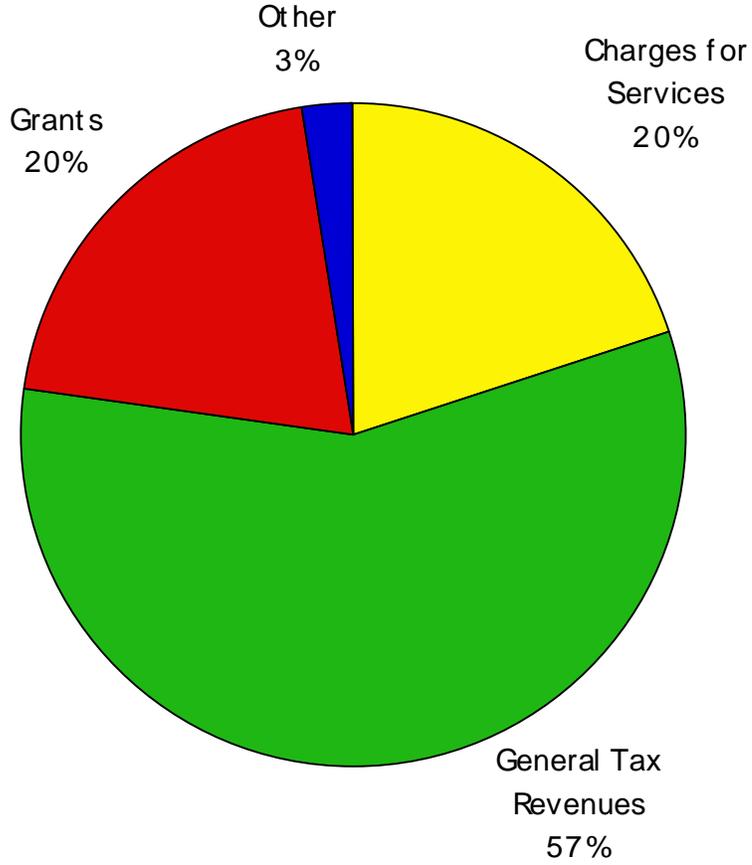
The Statement of Activities shows the cost of program services and the charges for services and grants associated with those services. Table 3 below reflects the cost of program services and the net cost of those services after taking into account the program revenues. When applicable, the net cost of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

TABLE 3

Functions/Programs	Total Cost		Net Cost	
	2008	2007	2008	2007
Governmental Activities:				
General Government	\$ 863,397	\$ 774,775	\$ 831,431	\$ 738,865
Security of Persons and Property	628,671	609,869	494,819	500,527
Leisure-Time Activities	54,735	32,230	9	(31,193)
Health	774,044	682,550	283,690	49,656
Community Environment	14,401	16,937	14,401	16,937
Transportation	293,586	366,482	(2,020)	28,116
Interest on Long-Term Debt	150,330	164,337	150,330	164,337
Total Governmental Activities	2,779,164	2,647,180	1,772,660	1,467,245
Business-Type Activities:				
Water	976,210	943,967	387,279	264,070
Sewer	1,081,016	1,027,178	243,732	95,803
Swimming Pool	12,359	80,375	12,359	31,479
Total Business-Type Activities	2,069,585	2,051,520	643,370	391,352

CITY OF NEW CARLISLE, OHIO
CLARK COUNTY

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)



The City's reliance upon general tax revenues is demonstrated by the graph above indicating 57% of total governmental revenues from local taxes, as well as the net cost of services column on the preceding page reflecting the need for \$1.8 million of support.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

THE CITY'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of negative \$281,232, a 15% decrease from the previous year.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2008 and 2007.

	<u>Fund Balance 12/31/2008</u>	<u>Fund Balance 12/31/2007</u>	<u>Increase (Decrease)</u>
General fund	\$ (172,013)	\$ (61,702)	\$ (110,311)
Street construction fund	(347,880)	(348,940)	1,060
Emergency ambulance fund	117,597	104,690	12,907
Emergency fire fund	127,982	90,276	37,706
Twin Creeks Infrastructure Bond fund	8,187	4,275	3,912
Other governmental funds	(15,105)	(33,848)	18,743
Total	<u>\$ (281,232)</u>	<u>\$ (245,249)</u>	<u>\$ (35,983)</u>

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was negative \$205,061, while total fund balance was negative \$172,013. The \$110,311 decrease in fund balance represents the amount by which revenues (\$1,277,309) exceeded expenditures (\$1,287,891) and operating transfers to other funds (\$99,729).

The street construction fund accounts for the City's street repair, maintenance and improvement activities. The street construction funds' expenditures (\$273,245) outstripped its revenues (\$224,305) during the fiscal year; however a transfer in from the general fund (\$50,000) resulted in the fund balance increase noted above.

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

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

The fund balance increase in the twin creeks infrastructure bond fund is the amount by which special assessment revenues exceeded debt service expenditures during the fiscal year.

Expenditures in the other government funds (\$357,211) slightly outstripped revenues (\$343,354); however, a transfer in from the general fund (\$32,600) resulted in the fund balance increase noted above.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

Proprietary Funds

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

At fiscal year-end, unrestricted net assets in the water fund amounted to \$183,081. Total water fund net assets decreased \$368,910, or 41%, from the previous year. Primarily, this is the amount by which total operating expenses (\$887,375), including depreciation on capital assets (\$409,789), exceeded operating revenues (\$584,385) during the fiscal year.

At fiscal year-end, unrestricted net assets in the sewer fund amounted to \$685,487. Total sewer fund net assets decreased \$237,190, or 19%, from the previous year. Primarily, this is the amount by which total operating expenses (\$1,024,815), including depreciation on capital assets (\$476,236), exceeded operating revenues (\$824,678) during the fiscal year.

GENERAL FUND BUDGETARY INFORMATION

Final estimated revenues are less than original estimated revenues by \$22,505, or 1.2% and actual revenues exceeded final estimated revenues by \$16,373, or 1.0%. The former is the result of a decrease in estimated property taxes. The latter is the result of more income tax revenues received than originally estimated.

The variance between original and final appropriations was insignificant (2.5%). Final appropriations exceeded actual budgetary expenditures by \$94,158, or 4.7%. This was primarily the result of less capital outlay and general government expenditures than expected.

CAPITAL ASSETS

At year-end, the City's investment in capital assets for governmental and business-type activities totaled \$3.2 million and \$5.1 million (net of accumulated depreciation), respectively. This investment in capital assets includes land, land improvements, buildings, equipment, furniture, vehicles, and infrastructure. Total acquisitions for the current fiscal year were \$328,749 and depreciation was \$1.2 million. Detailed information regarding capital asset activity is included in the Note 8 to the basic financial statements.

LONG-TERM DEBT

At the end of the current fiscal year, the City had total long-term debt outstanding of \$5.9 million. Of this amount, \$1.5 million represents bonds and notes backed by the full faith and credit of the City and \$4.4 million represents OPWC and OWDA loans secured by specified revenue sources. Detailed information regarding long-term debt is included in Note 10 to the basic financial statements.

CONTACTING THE CITY

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

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

STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2008

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Pooled Cash and Cash Equivalents	\$ 652,884	\$ 730,349	\$ 1,383,233
Investments	68,310	-	68,310
Receivables:			
Taxes	1,123,904	-	1,123,904
Accounts	130,332	230,740	361,072
Due From Other Governments	223,318	-	223,318
Prepaid Items	49,082	17,891	66,973
Special Assessments Receivable	1,652,039	-	1,652,039
Bond Issuance Costs	14,278	-	14,278
NonDepreciable Capital Assets	425,851	441,038	866,889
Depreciable Capital Assets, Net	<u>2,725,901</u>	<u>4,685,146</u>	<u>7,411,047</u>
Total Assets	<u>7,065,899</u>	<u>6,105,164</u>	<u>13,171,063</u>
Liabilities			
Accounts Payable	11,516	13,926	25,442
Accrued Wages and Benefits	27,290	13,576	40,866
Due To Other Governments	56,047	23,135	79,182
Unearned Revenue	591,990	-	591,990
Notes Payable	1,230,000	-	1,230,000
Long-Term Liabilities			
Due Within One Year	121,713	319,084	440,797
Due in More Than One Year	<u>1,406,586</u>	<u>4,178,637</u>	<u>5,585,223</u>
Total Liabilities	<u>3,445,142</u>	<u>4,548,358</u>	<u>7,993,500</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	458,659	682,074	1,140,733
Restricted For:			
Debt Service	1,639,704	-	1,639,704
Highways and Streets	66,193	-	66,193
Public Safety	461,874	-	461,874
Other Purposes	221,640	-	221,640
Unrestricted	<u>772,687</u>	<u>874,732</u>	<u>1,647,419</u>
Total Net Assets	<u>\$ 3,620,757</u>	<u>\$ 1,556,806</u>	<u>\$ 5,177,563</u>

See accompanying notes to the basic financial statements

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 863,397	\$ 30,455	\$ 1,511	\$ -
Security of Persons and Property	628,671	84,217	49,635	-
Leisure-Time Activities	54,735	-	-	54,726
Health	774,044	438,566	51,788	-
Community Environment	14,401	-	-	-
Transportation	293,586	-	295,606	-
Interest on Long-Term Debt	150,330	-	-	-
Total Governmental Activities	<u>2,779,164</u>	<u>553,238</u>	<u>398,540</u>	<u>54,726</u>
Business-type Activities:				
Water	976,210	568,097	-	20,834
Sewer	1,081,016	819,909	-	17,375
Swimming Pool	12,359	-	-	-
Total Business-Type Activities	<u>2,069,585</u>	<u>1,388,006</u>	<u>-</u>	<u>38,209</u>
Total Government	<u>\$ 4,848,749</u>	<u>\$ 1,941,244</u>	<u>\$ 398,540</u>	<u>\$ 92,935</u>

General Revenues:

- Property Taxes
- Income Taxes
- Other Local Taxes
- Payments in Lieu of Taxes
- Unrestricted Grants and Entitlements
- Other Unrestricted Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (831,431)	\$ -	\$ (831,431)
(494,819)	-	(494,819)
(9)	-	(9)
(283,690)	-	(283,690)
(14,401)	-	(14,401)
2,020	-	2,020
(150,330)	-	(150,330)
<u>(1,772,660)</u>	<u>-</u>	<u>(1,772,660)</u>
-	(387,279)	(387,279)
-	(243,732)	(243,732)
-	(12,359)	(12,359)
<u>-</u>	<u>(643,370)</u>	<u>(643,370)</u>
<u>\$ (1,772,660)</u>	<u>\$ (643,370)</u>	<u>\$ (2,416,030)</u>
551,892	-	551,892
995,941	-	995,941
7,014	-	7,014
26,978	-	26,978
109,198	-	109,198
70,642	22,782	93,424
(17,129)	17,129	-
<u>1,744,536</u>	<u>39,911</u>	<u>1,784,447</u>
(28,124)	(603,459)	(631,583)
3,648,881	2,160,265	5,809,146
<u>\$ 3,620,757</u>	<u>\$ 1,556,806</u>	<u>\$ 5,177,563</u>

See accompanying notes to the basic financial statements

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

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	General Fund	Street Construction	Emergency Ambulance	Emergency Fire
Assets:				
Pooled Cash and Cash Equivalents	\$ 164,750	\$ 19,227	\$ 132,625	\$ 118,052
Investments	-	-	-	-
Receivables:				
Taxes	628,574	-	171,882	249,510
Accounts	-	-	112,212	-
Due From Other Governments	49,763	106,872	11,251	16,337
Prepaid Items	33,048	7,062	611	5,850
Special Assessments Receivable	6,583	-	-	-
Total Assets	882,718	133,161	428,581	389,749
Liabilities:				
Accounts Payable	5,355	1,920	2,334	975
Accrued Wages and Benefits	9,046	1,963	12,511	1,390
Due To Other Governments	19,000	4,060	26,342	2,927
Deferred Revenue	496,330	71,248	269,797	256,475
Bond Anticipation Notes Payable	525,000	401,850	-	-
Total Liabilities	1,054,731	481,041	310,984	261,767
Fund Balances:				
Reserved for:				
Encumbrances	-	-	-	-
Prepaid Items	33,048	7,062	611	5,850
Perpetual Care	-	-	-	-
Unreserved, Reported In:				
General Fund	(205,061)	-	-	-
Special Revenue Funds	-	(354,942)	116,986	122,132
Debt service fund	-	-	-	-
Capital Project Funds	-	-	-	-
Total Fund Balances	(172,013)	(347,880)	117,597	127,982
Total Liabilities and Fund Balances	\$ 882,718	\$ 133,161	\$ 428,581	\$ 389,749

(Continued to next page)

See accompanying notes to the basic financial statements

Twin Creeks Infrastructure Bonds	Other Governmental Funds	Total Governmental Funds
\$ 8,187	\$ 210,043	\$ 652,884
-	68,310	68,310
-	73,938	1,123,904
-	18,120	130,332
-	39,095	223,318
-	2,511	49,082
<u>1,562,197</u>	<u>83,259</u>	<u>1,652,039</u>
<u>1,570,384</u>	<u>495,276</u>	<u>3,899,869</u>
-	932	11,516
-	2,380	27,290
-	3,718	56,047
1,562,197	200,201	2,856,248
-	303,150	1,230,000
<u>1,562,197</u>	<u>510,381</u>	<u>4,181,101</u>
-	573	573
-	2,511	49,082
-	80,268	80,268
-	-	(205,061)
8,187	144,356	36,719
-	60,337	60,337
-	(303,150)	(303,150)
<u>8,187</u>	<u>(15,105)</u>	<u>(281,232)</u>
<u>\$ 1,570,384</u>	<u>\$ 495,276</u>	<u>\$ 3,899,869</u>

(Continued from previous page)

See accompanying notes to the basic financial statements

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2008

Total Governmental Fund Balances	\$ (281,232)
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,151,752
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	2,264,258
Governmental funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net assets.	
Unamortized Bond Issuance Costs	14,278
Unamortized Premium on Bonds	(55,706)
Long-Term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences payable	(50,928)
General obligation debt	<u>(1,421,665)</u>
Net Assets of Governmental Activities	<u><u>\$ 3,620,757</u></u>

See accompanying notes to the basic financial statements

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	General Fund	Street Construction	Emergency Ambulance	Emergency Fire
Revenues:				
Property Taxes	\$ 70,757	\$ -	\$ 131,639	\$ 189,689
Income Taxes	996,163	-	-	-
Other Local Taxes	7,014	-	-	-
Charges for Services	9,466	-	478,712	-
Licenses, Permits, and Fees	3,094	-	-	-
Fines and Forfeitures	19,595	-	-	-
Intergovernmental	124,923	213,931	32,983	42,043
Special Assessments	-	-	-	-
Other	46,297	10,374	4	4
Total Revenues	1,277,309	224,305	643,338	231,736
Expenditures:				
Current Operations and Maintenance:				
General Government	752,364	-	-	-
Security of Persons and Property	370,313	-	-	111,046
Leisure-Time Activities	50,763	-	-	-
Health	-	-	574,218	-
Community Environment	11,907	-	-	-
Transportation	-	170,881	-	-
Capital Outlay	65,810	70,031	32,483	39,564
Debt Service:				
Principal Retirement	-	10,292	18,711	32,836
Interest and Fiscal Charges	36,734	22,041	5,019	20,571
Total Expenditures	1,287,891	273,245	630,431	204,017
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,582)	(48,940)	12,907	27,719
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	-	-	-	9,987
Operating Transfers In	-	50,000	-	-
Operating Transfers Out	(99,729)	-	-	-
Total Other Financing Sources (Uses)	(99,729)	50,000	-	9,987
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(110,311)	1,060	12,907	37,706
Fund Balance at Beginning of Year	(61,702)	(348,940)	104,690	90,276
Fund Balance at End of Year	\$ (172,013)	\$ (347,880)	\$ 117,597	\$ 127,982

(Continued to next page)

See accompanying notes to the basic financial statements

Twin Creeks Infrastructure Bonds	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 55,459	\$ 447,544
-	-	996,163
-	-	7,014
-	53,692	541,870
-	-	3,094
-	-	19,595
-	146,010	559,890
89,624	84,217	173,841
-	3,976	60,655
<u>89,624</u>	<u>343,354</u>	<u>2,809,666</u>
-	120	752,484
868	75,998	558,225
-	-	50,763
-	120,678	694,896
-	538	12,445
-	79,522	250,403
-	65,996	273,884
30,000	-	91,839
54,844	14,359	153,568
<u>85,712</u>	<u>357,211</u>	<u>2,838,507</u>
3,912	(13,857)	(28,841)
-	-	9,987
-	32,600	82,600
-	-	(99,729)
<u>-</u>	<u>32,600</u>	<u>(7,142)</u>
3,912	18,743	(35,983)
4,275	(33,848)	(245,249)
<u>\$ 8,187</u>	<u>\$ (15,105)</u>	<u>\$ (281,232)</u>

(Continued from previous page)

See accompanying notes to the basic financial statements

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

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

Net Change in Fund Balances - Total Governmental Funds	\$	(35,983)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		(36,239)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(51,484)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Repayment of long-term debt		91,839

Governmental funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Bond Issuance Costs		4,519
Premium on Bonds		(1,281)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated absences		505

Change in Net Assets of Governmental Activities	\$	<u>(28,124)</u>
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See accompanying notes to the basic financial statements

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property Taxes	\$ 175,143	\$ 86,138	\$ 72,155	\$ (13,983)
Income tax	940,000	950,000	999,024	49,024
Other Local Taxes	27,825	27,825	7,014	(20,811)
Charges for Services	6,000	6,000	9,466	3,466
Licenses and Permits	3,200	3,200	3,094	(106)
Fines and Forfeitures	18,000	18,000	19,595	1,595
Intergovernmental	74,223	122,223	127,754	5,531
Other	35,140	43,640	46,297	2,657
Total Revenues	<u>1,279,531</u>	<u>1,257,026</u>	<u>1,284,399</u>	<u>27,373</u>
Expenditures				
General Government	701,920	773,183	742,102	31,081
Security of Persons and Property	373,796	372,071	366,469	5,602
Leisure-Time Activities	50,164	57,522	50,869	6,653
Community Environment	12,993	14,504	12,030	2,474
Capital Outlay	92,558	98,780	65,810	32,970
Debt Service:				
Principal Retirement	536,000	536,000	536,000	-
Interest and Fiscal Charges	30,820	32,735	36,734	(3,999)
Total Expenditures	<u>1,798,251</u>	<u>1,884,795</u>	<u>1,810,014</u>	<u>74,781</u>
Excess of Revenues Over/ (Under) Expenditures	(518,720)	(627,769)	(525,615)	102,154
Other Financing Sources/(Uses)				
Proceeds from Notes	536,000	536,000	525,000	(11,000)
Operating Transfers Out	(157,650)	(119,106)	(99,729)	19,377
Total Other Financing Sources/(Uses)	<u>378,350</u>	<u>416,894</u>	<u>425,271</u>	<u>8,377</u>
Net Change in Fund Balance	(140,370)	(210,875)	(100,344)	110,531
Fund Balances at Beginning of Year	259,783	259,783	259,783	-
Prior Year Encumbrances Appropriated	3,221	3,221	3,221	-
Fund Balances at End of Year	<u>\$ 122,634</u>	<u>\$ 52,129</u>	<u>\$ 162,660</u>	<u>\$ 110,531</u>

See accompanying notes to the basic financial statements

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
STREET CONSTRUCTION FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Intergovernmental	\$ 197,500	\$ 203,575	\$ 215,599	\$ 12,024
Other	1,700	1,700	10,374	8,674
Total Revenues	<u>199,200</u>	<u>205,275</u>	<u>225,973</u>	<u>20,698</u>
Expenditures				
Transportation	151,514	175,125	169,976	5,149
Capital Outlay	56,750	73,542	70,031	3,511
Debt Service:				
Principal Retirement	426,392	426,392	426,392	-
Interest and Fiscal Charges	32,464	22,061	22,041	20
Total Expenditures	<u>667,120</u>	<u>697,120</u>	<u>688,440</u>	<u>8,680</u>
Excess of Revenues Over/ (Under) Expenditures	(467,920)	(491,845)	(462,467)	29,378
Other Financing Sources/(Uses)				
Other Financing Sources		-	-	
Proceeds from Notes	425,000	420,000	401,850	(18,150)
Transfers In	25,000	50,000	50,000	-
Total Other Financing Sources/(Uses)	<u>450,000</u>	<u>470,000</u>	<u>451,850</u>	<u>(18,150)</u>
Net Change in Fund Balance	(17,920)	(21,845)	(10,617)	11,228
Fund Balances at Beginning of Year	28,147	28,147	28,147	-
Prior Year Encumbrances Appropriated	1,692	1,692	1,692	-
Fund Balances at End of Year	<u>\$ 11,919</u>	<u>\$ 7,994</u>	<u>\$ 19,222</u>	<u>\$ 11,228</u>

See accompanying notes to the basic financial statements

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
EMERGENCY AMBULANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property Taxes	\$ 98,675	\$ 155,806	\$ 130,215	\$ (25,591)
Charges for Services	465,000	465,000	495,865	30,865
Intergovernmental	14,682	22,683	32,811	10,128
Other	-	-	4	4
Total Revenues	<u>578,357</u>	<u>643,489</u>	<u>658,895</u>	<u>15,406</u>
Expenditures				
Health	579,471	579,263	559,490	19,773
Capital Outlay	28,250	43,458	33,383	10,075
Debt Service:				
Principal Retirement	18,711	18,711	18,711	-
Interest and Fiscal Charges	5,089	5,089	5,019	70
Total Expenditures	<u>631,521</u>	<u>646,521</u>	<u>616,603</u>	<u>29,918</u>
Excess of Revenues Over/ (Under) Expenditures	(53,164)	(3,032)	42,292	(45,324)
Fund Balances at Beginning of Year	86,696	86,696	86,696	-
Prior Year Encumbrances Appropriated	1,406	1,406	1,406	-
Fund Balances at End of Year	<u>\$ 34,938</u>	<u>\$ 85,070</u>	<u>\$ 130,394</u>	<u>\$ 45,324</u>

See accompanying notes to the basic financial statements

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
EMERGENCY FIRE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property Taxes	\$ 171,346	\$ 226,164	\$ 189,008	\$ (37,156)
Intergovernmental	20,916	30,916	41,795	10,879
Other	-	-	4	4
Total Revenues	<u>192,262</u>	<u>257,080</u>	<u>230,807</u>	<u>(26,273)</u>
Expenditures				
Security of Persons and Property	125,422	130,422	111,008	19,414
Capital Outlay	40,837	56,837	50,443	6,394
Debt Service:				
Principal Retirement	32,836	32,836	32,836	-
Interest and Fiscal Charges	22,314	22,314	20,571	1,743
Total Expenditures	<u>221,409</u>	<u>242,409</u>	<u>214,858</u>	<u>27,551</u>
Other Financing Sources/(Uses)				
Proceeds from Sale of Capital Asset	-	10,000	9,987	13
Total Other Financing Sources/(Uses)	<u>-</u>	<u>10,000</u>	<u>9,987</u>	<u>13</u>
Net Change in Fund Balance	(29,147)	24,671	25,936	1,265
Fund Balances at Beginning of Year	79,264	79,264	79,264	-
Prior Year Encumbrances Appropriated	11,302	11,302	11,302	-
Fund Balances at End of Year	<u>\$ 61,419</u>	<u>\$ 115,237</u>	<u>\$ 116,502</u>	<u>\$ 1,265</u>

See accompanying notes to the basic financial statements

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

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2008**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Swimming Pool</u>	<u>Total</u>
Assets				
Current Assets:				
Pooled Cash and Cash Equivalents	\$ 103,694	\$ 622,732	\$ 3,923	\$ 730,349
Accounts Receivable	109,016	121,724	-	230,740
Prepaid Items	10,223	5,248	2,420	17,891
Noncurrent Assets:				
NonDepreciable Capital Assets	108,832	295,879	36,327	441,038
Depreciable Capital Assets, Net	3,405,819	1,277,895	1,432	4,685,146
Total Assets	<u>3,737,584</u>	<u>2,323,478</u>	<u>44,102</u>	<u>6,105,164</u>
Liabilities				
Current Liabilities				
Accounts Payable	4,497	9,391	38	13,926
Accrued Wages and Benefits	5,859	7,717	-	13,576
Due To Other Governments	10,015	12,979	141	23,135
Compensated Absences	6,121	4,526	-	10,647
Loans Payable-current	156,156	152,281	-	308,437
Noncurrent Liabilities				
Loans Payable	3,015,658	1,120,015	-	4,135,673
Compensated Absences	13,360	29,604	-	42,964
Total Liabilities	<u>3,211,666</u>	<u>1,336,513</u>	<u>179</u>	<u>4,548,358</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	342,837	301,478	37,759	682,074
Unrestricted Net Assets	183,081	685,487	6,164	874,732
Total Net Assets	<u>\$ 525,918</u>	<u>\$ 986,965</u>	<u>\$ 43,923</u>	<u>\$ 1,556,806</u>

See accompanying notes to the basic financial statements

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Water Fund	Sewer Fund	Swimming Pool	Total
Operating Revenues				
Charges for Services	\$ 568,097	\$ 819,909	\$ -	\$ 1,388,006
Other Operating Revenue	16,288	4,769	-	21,057
Total Operating Revenues	<u>584,385</u>	<u>824,678</u>	<u>-</u>	<u>1,409,063</u>
Operating Expenses				
Personal Services	284,844	355,766	3,322	643,932
Contractual Services	90,292	152,425	5,895	248,612
Materials and Supplies	100,555	39,708	2,385	142,648
Depreciation	409,789	476,236	716	886,741
Other Operating Expenses	1,895	680	41	2,616
Total Operating Expenses	<u>887,375</u>	<u>1,024,815</u>	<u>12,359</u>	<u>1,924,549</u>
Operating Income (Loss)	<u>(302,990)</u>	<u>(200,137)</u>	<u>(12,359)</u>	<u>(515,486)</u>
Nonoperating Revenues (Expenses)				
Interest Income	931	794	-	1,725
Grants Income	10,826	8,850	-	19,676
Interest and Fiscal Charges	(88,835)	(56,201)	-	(145,036)
Donations	10,008	8,525	-	18,533
Total Non-Operating Revenues (Expenses)	<u>(67,070)</u>	<u>(38,032)</u>	<u>-</u>	<u>(105,102)</u>
Income Before Transfers	(370,060)	(238,169)	(12,359)	(620,588)
Transfers In	<u>1,150</u>	<u>979</u>	<u>15,000</u>	<u>17,129</u>
Change in Net Assets	(368,910)	(237,190)	2,641	(603,459)
Net Assets at Beginning of Year	894,828	1,224,155	41,282	2,160,265
Net Assets at End of Year	<u>\$ 525,918</u>	<u>\$ 986,965</u>	<u>\$ 43,923</u>	<u>\$ 1,556,806</u>

See accompanying notes to the basic financial statements

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Water Fund	Sewer Fund	Swimming Pool	Total
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 553,072	\$ 884,255	\$ -	\$ 1,437,327
Other Operating Receipts	16,288	4,769	-	21,057
Cash Paid to Employees	(272,455)	(345,724)	(4,085)	(622,264)
Cash Paid to Suppliers	(194,528)	(196,952)	(8,175)	(399,655)
Cash Paid for Other Expenses	(1,895)	(680)	(41)	(2,616)
Net Cash Flows from Operating Activities	<u>100,482</u>	<u>345,668</u>	<u>(12,301)</u>	<u>433,849</u>
Cash Flows from Noncapital Financing Activities				
Transfers In	1,150	979	15,000	17,129
Net Cash Flows from Noncapital Financing Activities	<u>1,150</u>	<u>979</u>	<u>15,000</u>	<u>17,129</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	(48,196)	(75,601)	-	(123,797)
Proceeds from Capital Grants	33,693	28,702	-	62,395
Donations	(67,112)	(57,169)	-	(124,281)
Payment of Debt Principal	(152,435)	(146,152)	-	(298,587)
Payment of Debt Interest	(87,628)	(56,201)	-	(143,829)
Net Cash Flows from Capital and Related Financing Activities	<u>(321,678)</u>	<u>(306,421)</u>	<u>-</u>	<u>(628,099)</u>
Cash Flows from Investing Activities				
Cash Received from Interest	932	794	-	1,726
Net Cash Flows from Investing Activities	<u>932</u>	<u>794</u>	<u>-</u>	<u>1,726</u>
Net Change in Cash	(219,114)	41,020	2,699	(175,395)
Cash and Cash Equivalents at Beginning of Year	322,808	581,712	1,224	905,744
Cash and Cash Equivalents at End of Year	<u>\$ 103,694</u>	<u>\$ 622,732</u>	<u>\$ 3,923</u>	<u>\$ 730,349</u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:				
Operating Loss	\$ (302,990)	\$ (200,137)	\$ (12,359)	\$ (515,486)
Add Depreciation Expense	409,789	476,236	716	886,741
(Increase)/Decrease in Current Assets				
Accounts Receivable	(15,025)	64,346	-	49,321
Prepaid Expenses	3,880	2,378	138	6,396
Increase/(Decrease) in Current Liabilities				
Accounts Payable	(2,356)	(4,659)	(33)	(7,048)
Accrued Wages	1,500	2,287	-	3,787
Compensated Absences	2,805	1,220	-	4,025
Intergovernmental Payable	2,879	3,997	(763)	6,113
Net Cash Flows from Operating Activities	<u>\$ 100,482</u>	<u>\$ 345,668</u>	<u>\$ (12,301)</u>	<u>\$ 433,849</u>

See accompanying notes to the basic financial statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 1 - REPORTING ENTITY

The City of New Carlisle (City) is a charter municipal corporation operating under the laws of the State of Ohio. The City was established as a statutory municipal corporation on February 13, 1971, and adopted its charter on November 4, 1980.

The City operates under a Council-Manager form of government. Legislative power is vested in a seven member council. Each member is elected to a four year term. The Mayor is elected to a two year term from among the council's own membership. The Mayor is the ceremonial and representative head of the City, but does not exercise administrative authority. The Mayor also serves as presiding officer of the council. The council appoints a Municipal Manager for an indefinite term who acts as the chief administrative officer of the City. All department heads are appointed by the Municipal Manager.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading.

The primary government consists of all funds and departments which comprise the City's legal entity, which provides various services including emergency ambulance service, fire protection, health services, street maintenance and repairs, parks and recreation, water and sewer services and contracted police protection with the Clark County Sheriff's Department. Council and the Municipal Manager have direct responsibility for these activities.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the City in that the City approves the organization's budget, the issuance of its debt or the levying of its taxes. There are no component units included as part of the reporting entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-wide and fund financial statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

B. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough after to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The government reports the following major governmental funds:

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government reports the following major proprietary funds:

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

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

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

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

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

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

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

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

C. Deposits and Investments

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

D. Receivables and Payables

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

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

E. Inventories and Prepaid Items

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

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

F. Restricted Net Assets

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets and Depreciation

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Compensated Absences

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

I. Long-Term Obligations

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

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Fund Balance Reserves

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

K. Interfund Transactions

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

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

L. Estimates

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 3 – DEFICIT FUND BALANCES

The following individual non-major fund had a deficit fund balance at year-end:

<u>Fund</u>	<u>Balance</u>
Community Center	\$ (303,150)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

The adjustments necessary to convert the results of operations for the year ended December 31, 2008, on the GAAP basis to the budget basis are as follows:

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

	<u>General Fund</u>	<u>Street Construction</u>	<u>Emergency Ambulance</u>	<u>Emergency Fire</u>
GAAP basis	\$ (110,311)	\$ 1,060	\$ 12,907	\$ 37,706
Revenue accruals	532,090	403,518	15,557	(929)
Expenditure accruals	(520,033)	(415,190)	16,061	(9,293)
Encumbrances	(2,090)	(5)	(2,233)	(1,548)
Budget basis	<u>\$ (100,344)</u>	<u>\$ (10,617)</u>	<u>\$ 42,292</u>	<u>\$ 25,936</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 5 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

Deposits - At year-end, the carrying amount of the City's deposits was \$1,188,662, which includes a certificate of deposit totaling \$68,310, and the bank balance was \$1,247,625. Of the bank balance, \$456,293 was covered by federal depository insurance and the remaining amount was covered by collateral held by third party trustees pursuant to Section 135.181 Revised Code, in collateralized pools securing all public funds on deposit with the specific depository institutions.

Investments - At year-end, the City's only investment was with STAR Ohio totaling \$262,881. The City has no deposit policy for custodial risk beyond the requirements of State statute.

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

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

NOTE 6 – TAXES RECEIVABLE

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

	Property Taxes	Income Taxes	Total
General Fund	\$ 281,792	\$ 346,782	\$ 628,574
Emergency Ambulance Fund	171,882	-	171,882
Emergency Fire Fund	249,510	-	249,510
Other Governmental Funds	73,938	-	73,938
Totals	<u>\$ 777,122</u>	<u>\$ 346,782</u>	<u>\$ 1,123,904</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 7 - TAXES

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

B. Property Taxes - Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenues received during 2008 for real and public utility property taxes represents collections of the 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) are for 2008 taxes.

2008 real property taxes are levied after October 1, 2007, on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2008 real property taxes are collected in 2009 and intended to finance 2009 operations. Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the value as of December 31, 2007. In prior years, tangible personal property assessments were 25 percent of true value for capital assets and 23 percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent and will be reduced to zero for 2009.

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2008, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2008 operations, and the collections of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

The assessed value upon which the fiscal year 2008 property taxes were collected was \$73,881,533. Real estate – residential/agricultural represented \$61,184,100, or 82.9% of this total, real estate – commercial/industrial represented 11,642,410, or 16%, public utility tangible personal property represented \$970,870, or 1%, and general tangible personal property represented \$84,153, or 0.1%.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 8 - CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2008, was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
<i>Non-depreciated assets:</i>				
Land	\$ 229,952	\$ -	\$ -	\$ 229,952
Construction in Process	141,173	54,726	-	195,899
<i>Capital assets, being depreciated:</i>				
Buildings	636,077	-	-	636,077
Improvements Other than Buildings	281,142	-	-	281,142
Machinery and Equipment	1,436,569	5,775	-	1,442,344
Furniture and Fixtures	87,291	-	-	87,291
Computer Equipment	88,817	7,430	-	96,247
Vehicles	1,356,831	54,308	-	1,411,139
Infrastructure	1,739,241	128,271	-	1,867,512
Total Capital Assets	<u>5,997,093</u>	<u>250,510</u>	<u>-</u>	<u>6,247,603</u>
<i>Accumulated Depreciation:</i>				
Buildings	391,566	31,804	-	423,370
Improvements Other than Buildings	292,931	-	-	292,931
Machinery and Equipment	556,611	72,117	-	628,728
Furniture and Fixtures	47,630	4,365	-	51,995
Computer Equipment	98,760	-	-	98,760
Vehicles	1,314,056	141,113	-	1,455,169
Infrastructure	107,548	37,350	-	144,898
Total Accumulated Depreciation	<u>2,809,102</u>	<u>286,749</u>	<u>-</u>	<u>3,095,851</u>
Capital Assets, net	<u>\$ 3,187,991</u>	<u>\$ (36,239)</u>	<u>\$ -</u>	<u>\$ 3,151,752</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 89,481
Security of Persons and Property	70,435
Leisure-Time Activities	3,722
Public Health	78,829
Community Environment	1,956
Transportation	42,326
Total Depreciation Expense	<u>\$ 286,749</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 8 - CAPITAL ASSETS (CONTINUED)

Business-type capital asset activity for the year ended December 31, 2008, was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciated assets:				
Land	\$ 252,595	\$ -	\$ -	\$ 252,595
Construction in Process	188,443	-	-	188,443
Capital assets, being depreciated:				
Buildings	5,802,395	-	-	5,802,395
Improvements Other than Buildings	1,028,634	-	-	1,028,634
Machinery and Equipment	5,738,408	36,920	-	5,775,328
Furniture and Fixtures	41,150	-	-	41,150
Computer Equipment	3,757	2,787	-	6,544
Vehicles	269,308	-	-	269,308
Infrastructure	6,094,477	38,532	-	6,133,009
Total Capital Assets	19,419,167	78,239	-	19,497,406
Less accumulated depreciation:	(13,484,481)	(886,741)	-	(14,371,222)
Total capital assets, net	<u>\$ 5,934,686</u>	<u>\$ (808,502)</u>	<u>\$ -</u>	<u>\$ 5,126,184</u>

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

Water	\$ 409,789
Sewer	476,236
Swimming Pool	716
Total	<u>\$ 886,741</u>

NOTE 9 – OPERATING LEASE

The City leases their municipal office space at 331 South Church Street under an operating lease agreement. The initial term of the lease was for one year commencing January 1, 2008 and expiring December 31, 2008. Beginning January 1, 2009, the lessor agreed to extend the duration of the lease for two consecutive six month extensions. Either the lessor or the City may terminate the extension period without cause by providing a written notification for a 90 day notice to the other. Total costs for this operating lease were \$22,440 (\$1,870 per month) for the fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 10 - LONG-TERM OBLIGATIONS

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due in One Year
Governmental Activities					
General Obligation Bonds/Notes					
2005 Medical Equipment					
4.90% maturing 2012	103,122	-	(18,711)	84,411	19,628
2003 Fire Truck					
4.86% maturing 2009	28,125	-	(13,724)	14,401	14,401
2006 Fire Truck					
5.25% maturing 2011	368,122	-	(19,112)	349,010	20,209
Roadway Repair Equipment					
5.20% maturing 2011	44,493	-	(10,292)	34,201	10,827
Twin Creeks Special Assessment					
4.50% maturing 2026	975,000	-	(30,000)	945,000	35,000
Twin Creeks Bonds Premium	54,867	-	(4,519)	50,348	-
Compensated Absences	51,433	42,487	(42,992)	50,928	21,648
Total Governmental Activities	<u>\$ 1,625,162</u>	<u>\$ 42,487</u>	<u>\$ (139,350)</u>	<u>\$ 1,528,299</u>	<u>\$ 121,713</u>

The government issued \$995,000 of special assessment debt in 2007 to provide funds for the Twin Creeks Subdivision improvement. These bonds will be repaid from amounts levied against property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent at the time a debt service payment is due, the government must provide resources to cover the deficiency.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 10 - LONG-TERM OBLIGATIONS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Business-type Activities					
Water Fund Loans:					
1994 OPWC Water Main 0% maturing 2014	\$ 93,962	\$ -	\$ (15,661)	\$ 78,301	\$ 15,661
1997 OWDA Water Main 4.12% maturing 2016	1,065	770	-	1,835	-
2004 OPWC YMCA 0% maturing 2025	121,610	-	(7,153)	114,457	7,153
2005 OWDA WTP Improve. 2.85% maturing 2026	3,106,842	-	(129,621)	2,977,221	133,342
Total Water Fund Loans	<u>3,323,479</u>	<u>770</u>	<u>(152,435)</u>	<u>3,171,814</u>	<u>156,156</u>
Sewer Fund Loans:					
1997 OWDA Honey Creek 4.56% maturing 2016	1,092,043	-	(115,958)	976,085	121,306
1995 OWDA Sewer Line 7.38% maturing 2016	110,150	-	(10,590)	99,560	11,372
1996 OPWC Filter Building 0% maturing 2014	104,000	-	(13,000)	91,000	13,000
2004 OPWC YMCA 0% maturing 2025	112,254	-	(6,603)	105,651	6,603
Total Sewer Fund Loans	<u>1,418,447</u>	<u>-</u>	<u>(146,151)</u>	<u>1,272,296</u>	<u>152,281</u>
Compensated Absences	49,586	45,909	(41,884)	53,611	10,647
Total Business-type Activities	<u>\$ 4,791,512</u>	<u>\$ 46,679</u>	<u>\$ (340,470)</u>	<u>\$ 4,497,721</u>	<u>\$ 319,084</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 10 - LONG-TERM OBLIGATIONS (CONTINUED)

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

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

Annual debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
Governmental Activities:		
2009	100,065	78,207
2010	88,292	73,294
2011	376,072	59,284
2012	62,594	49,876
2013	40,000	46,969
2014-2018	230,000	203,994
2019-2023	305,000	127,401
2024-2028	225,000	28,175
	<u>1,427,023</u>	<u>667,200</u>
Unamortized Bond Premium	50,348	
	<u>\$ 1,477,371</u>	
Business-Type Activities:		
2009	308,437	134,396
2010	318,697	124,136
2011	329,387	113,445
2012	340,527	102,304
2013	352,137	98,137
2014-2018	1,254,670	272,061
2019-2023	1,005,831	194,424
2024-2028	534,424	22,467
	<u>\$ 4,444,110</u>	<u>\$ 1,061,370</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 11 – SHORT-TERM OBLIGATIONS

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

Governmental Activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Anticipation Notes				
Street Improvement, 3.00%	\$ 416,100	\$ 401,850	\$ (416,100)	\$ 401,850
Facilities and Equipment Improvement, 3.00%	536,000	525,000	(536,000)	525,000
Government Center Improvement, 2.24%	313,900	303,150	(313,900)	303,150
Total Bond Anticipation Notes	<u>\$ 1,266,000</u>	<u>\$ 1,230,000</u>	<u>\$(1,266,000)</u>	<u>\$ 1,230,000</u>

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 12 - DEFINED BENEFIT PENSION PLANS

All full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Separate divisions for law enforcement and public safety exist only within the Traditional Plan.

The 2008 member contribution rate for City employees was 10.0% of covered payroll. The 2008 employer contribution rate for the City was 14.00% of covered payroll. The City's required contributions to OPERS for the years ended December 31, 2008, 2007, and 2006 were \$141,435, \$131,447, and \$126,656, respectively. The full amount has been contributed for 2008, 2007, and 2006.

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

In order to qualify for post-retirement health care coverage, age and service retirees must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the Retirement System is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2008 employer contribution rate was 14.00% of covered payroll, and 7.00% was used to fund health care from January 1 through December 31, 2008.

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

The assumptions and calculations below were based on the Retirement System's latest Actuarial Review performed as of December 31, 2007.

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

Assets Valuation Method - All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

Investment Return - The investment assumption rate for 2007 was 6.50%.

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

Health Care - Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.5% to 4% for the next 7 years. In subsequent years (8 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

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

At year-end 2008, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 363,503.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The contribution rates stated above are the actuarially determined contribution requirements for OPERS. The portion of the City's 2008 required contributions that are used to fund post-employment benefits were \$70,717.

\$12.8 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2007.

The actuarially accrued liability and the unfunded actuarially accrued liability, based on the actuarial cost method used, were \$29.8 billion and \$17.0 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

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

NOTE 14 - EMPLOYEE BENEFITS

A. Deferred Compensation Plan

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

B. Compensated Absences

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 15 - RISK MANAGEMENT

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

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

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

Coverage	Limit
Legal Liability	\$ 1,000,000
Automobile Liability	1,000,000
Wrongful Acts	1,000,000
Good Samaritan	1,000,000
Pollution for Automobiles	1,000,000
Stop Gap	1,000,000
Public Officials Liability	1,000,000
Building and Property	1,000,000
Public Health Department	1,000,000
Pollution Liability - Chlorine	1,000,000
Pollution Liability - Anti-Skid Storage	\$ 1,000,000
Real & Personal Property	20,811,113
Boiler & Equipment	20,811,113

The Public Entities Pool of Ohio insurance program includes numerous other coverages related to vehicles, miscellaneous property, electronic data processing equipment, dishonesty, earthquake damage, and flood damage. These additional coverages have coverage limits ranging from \$5,000 to \$1,000,000.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 16 – CONTINGENT LIABILITIES

A. Litigation

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

B. Federal and State Grants

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

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Regional Planning Commission

The Miami Valley Regional Planning Commission (the Commission) is a jointly governed organization composed of 54 political subdivisions (including the City of New Carlisle), 15 other governmental agencies, and 15 non-governmental entities in Montgomery, Greene, Miami, Darke, Preble, and Warren Counties. The Commission monitors and performs planning activities affecting present and future transportation, environmental, social, economic, physical and governmental characteristics of the region. The degree of control exercised by any participating government is limited to its representation on the Board of Directors. The members of the Board elect officers of the Commission and an executive committee, whom is responsible for handling "routine and emergency" matters. The executive committee consists of the following:

- Four appointees representing each of the member counties (one from each member county);
- Seven appointees chosen by caucus of the member cities and villages, one member of which is the largest city; one member chosen from each of the Metropolitan Planning Organization counties; and no more than 4 members from any one county;
- Three appointees chosen by caucus of the member townships (no more than one member per county); and
- Three appointees chosen by caucus on the non-governmental entities.

Financial information can be obtained from the Controller's Office at One South Main Street, Suite 260, Dayton, Ohio 45402.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 18 – INTERFUND TRANSFERS

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 99,729
Street Construction Fund	50,000	-
Other Non-major Governmental Funds	32,600	-
Water Fund	1,150	-
Sewer Fund	979	-
Swimming Pool Fund	15,000	-
	<u>\$ 99,729</u>	<u>\$ 99,729</u>

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

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

To the Honorable Mayor and City Council
of the City of New Carlisle
PO Box 419
331 S. Church Street
New Carlisle, Ohio 45344

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of New Carlisle (the "City"), Clark County, Ohio, as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 25, 2009, wherein, we noted that sufficient competent evidential matter supporting the City's capital asset balances in the City's basic financial statements could not be obtained and, we were unable to obtain assurance related to the recorded amount of accumulated depreciation and depreciation expense. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2008-02 through 2008-04.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not be prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings 2008-02 and 2008-04 are also material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-1 and 2008-2.

We also noted certain other matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated June 25, 2009.

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

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

KENNEDY COTTRELL RICHARDS LLC

A handwritten signature in cursive script that reads "Kennedy Cottrell Richards LLC".

June 25, 2009

CITY OF NEW CARLISLE, OHIO

SCHEDULE OF FINDINGS

DECEMBER 31, 2008

2008-1 NONCOMPLIANCE: EXPENDITURE OF MONEY

Ohio Revised Code Section 5705.41 states, in part:

No subdivision or taxing unit shall: ...

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

Of the 60 applicable expenditures tested, 23 had invoice/obligation dates prior to the purchase order date, which is in violation of the above statute.

We recommend the City ensure that purchase orders are completed prior to entering into commitments, obligations, or contracts involving the expenditure of money.

Views of Responsible Officials:

City of New Carlisle management agrees with the noncompliance finding related to expenditure of money. Management is reviewing current policy and procedure concerning the expenditure of money in order to implement additional review processes to help ensure purchase orders are issued prior to entering into orders or contracts involving the expenditure of money, and that the expense does not exceed the certified purchase order amount. Where appropriate, use of blanket and super blanket purchase orders for repetitive and recurring expenses, such as monthly contract and utility payments, will be implemented. In addition, management is reviewing current policy in order to overhaul and/or develop and implement policy and procedures concerning purchasing, including emergency purchases and use of "Then and Now" statements.

CITY OF NEW CARLISLE, OHIO

SCHEDULE OF FINDINGS

DECEMBER 31, 2008

2008-2 NONCOMPLIANCE/MATERIAL WEAKNESS: LACK OF DOCUMENTATION FOR CAPITAL ASSETS

Ohio Administrative Code Section 117-2-02 (D)(4)(c) states:

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

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

Also required by the policy and procedure manual is that, once purchased, all capital assets must be assigned a unique capital asset number that identifies the asset as property of the City, and accurate records of asset cost and accumulated depreciation must be maintained.

Through our review of the City's procedures relating to the acquisition, transfer, and disposal of capital assets, we noted the following deviations from the City's policy and procedure manual:

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

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

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

CITY OF NEW CARLISLE, OHIO

SCHEDULE OF FINDINGS

DECEMBER 31, 2008

Views of Responsible Officials:

City of New Carlisle management agrees with the finding concerning lack of fixed asset documentation. The City's fixed assets and infrastructure requires a complete inventory, including fixed asset tagging and computation of depreciation. During 2009, management plans to review the City's policy and procedures concerning capital assets for needed changes and improvements, including fixed asset valuation, depreciation, and threshold.

The City will also investigate the possibility of contracting with a company to perform a complete inventory of the City's capital assets and infrastructure, to include proper tagging of assets and computation of depreciation. During 2010, providing adequate funding is available, the City will pursue the purchase of a fixed asset inventory monitoring application.

2008-3 SIGNIFICANT DEFICIENCY: CEMETERY

It is management's responsibility to ensure that an adequate internal control structure is placed in operation to prevent or detect misstatements in the accounting records; safeguard the entity's assets against loss; help ensure compliance with laws and regulations; and, provide a basis for measuring whether operations are achieving management's objectives. An effective internal control structure requires that monitoring procedures be performed over all City procedures.

The Public Works Superintendent is responsible for all cemetery activities, which includes maintaining cemetery lot inventory, selling cemetery lots, opening/closing graves, and grounds-keeping. There is no monitoring of this process by the City Manager or Finance Director to ensure accuracy of the cemetery records. Additionally, there are several long outstanding receivables for the sale of grave sites.

We also noted the Public Works Superintendent receives cash collections, charges the fees, and deposits the cash to the City. It appears the City's Central Cashier copies all receipt documents (checks and/or documents related to the receipt) and affixes them to the daily batch report. Although we did not note any errors during our testing of cemetery receipts, the lack of oversight creates an unnecessary opportunity for an individual to commit fraud.

We recommend the City implement procedures requiring the monitoring of cemetery activities to prevent or detect misstatements in the accounting records; safeguard the entity's assets against loss; help ensure compliance with laws and regulations; and, provide a basis for measuring whether operations are achieving management's objectives.

Views of Responsible Officials:

City of New Carlisle management agrees with the finding related to Cemetery's significant deficiency. Management is reviewing current policy and procedure concerning the monitoring of cemetery activities in order to implement additional policies, procedures, and review processes that will aid in reducing the likelihood of misstatements in the accounting records, help safeguard the City's assets against possible loss, reduce the risk of fraud, and ensure compliance with applicable laws and regulations.

CITY OF NEW CARLISLE, OHIO

SCHEDULE OF FINDINGS

DECEMBER 31, 2008

2008-4 MATERIAL WEAKNESS: FINANCIAL STATEMENT PREPARATION

The compilation and presentation of materially correct financial statements and the related footnotes is the responsibility of management. It is important that management develop control procedures related to drafting financial statements and footnotes that enable management to prevent and detect potential misstatements in the financial statements and footnotes prior to audit. It is also important to note that independent auditors are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements.

We noted a misstatement in the Swimming Pool Fund where the pool refunds in the amount of \$5,485 were being expensed instead of applied as a reduction of revenue. We discussed the adjustment with management who subsequently corrected the misstatement.

We recommend the City implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes prior to the start of the audit. Control procedures could include a separate review and analysis of the financial statements and related journal entries by someone knowledgeable of generally accepted accounting principles. In addition, the review should be documented to provide sufficient evidence the control procedure has been performed.

Views of Responsible Officials:

City of New Carlisle management agrees with the finding related to financial reporting. Management is reviewing current policy and control procedures in order to overhaul and/or develop and implement new policy and control procedures in order to aide in prevention and detection of potential misstatements in the financial statements and footnotes, including additional review processes of draft financial reports prior to submission. The City will make every effort to ensure policy and control procedures related to financial statements will be in line with SAS 112 requirements.

CITY OF NEW CARLISLE, OHIO

STATUS OF PRIOR FINDINGS

DECEMBER 31, 2008

<u>Finding Number</u>	<u>Fully Corrected?</u>	<u>Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></u>
2007-1	No	Not corrected. Reported as finding 2008-1.
2007-2	No	Not corrected. Reported as finding 2008-2.
2007-3	No	Partially corrected. Reported as finding 2008-3.



Mary Taylor, CPA
Auditor of State

CITY OF NEW CARLISLE

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 6, 2009**