



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
General-Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types	6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budget Basis) and Actual - All Governmental Fund Types	8
Combined Statement of Revenues, Expenses, and Changes in Fund Equity - Proprietary Fund Type and Nonexpendable Trust Fund	10
Combined Statement of Revenue, Expenses, and Changes In Retained Earnings - Budget (Non-GAAP Budget Basis) to Actual - Proprietary Fund Type and Nonexpendable Trust Fund	11
Combined Statement of Cash Flows - Proprietary Fund Type and Nonexpendable Trust Fund	12
Notes to the Financial Statements	13
Report of Independent Accountants on Compliance and on Internal Control Required By <i>Government Auditing Standards</i>	37
Schedule of Findings	39
Schedule of Prior Audit Findings	43

THIS PAGE LEFT BLANK INTENTIONALLY



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Honorable Mayor and City Council
City of New Carlisle
432 North Main Street
New Carlisle, Ohio 45344

We have audited the accompanying general-purpose financial statements of the City of New Carlisle, Clark County, (the City) as of and for the year ended December 31, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards 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 opinion.

Because of inadequacies in the City's accounting records, we were unable to obtain sufficient documentation to support the amounts reported as compensated absences in the General, Special Revenue, Enterprise Funds, and the General Long-Term Debt Account Group and Charges for Services - Ambulance Receipts (stated as \$ 86,155) reported in the Special Revenue Fund Type. Without this evidential matter, we were unable to audit the amounts reported as compensated absences or charges for services - ambulance receipts or to satisfy ourselves through other auditing procedures.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding ambulance billing and receipts in the Special Revenue Fund and leave records for compensated absences, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of New Carlisle, Clark County, as of December 31, 1998, and the results of its operations and the cash flows of its proprietary fund type and the similar trust fund for the year then ended in conformity with generally accepted accounting principles.

As described in Note 3 to the accompanying general purpose financial statements, the City changed its method of accounting for Investments and Deferred Compensation Plans to conform with Government Accounting Standards Board (GASB) Statement No. 31 and No. 32, respectively.

Honorable Mayor and City Council
City of New Carlisle
Clark County
Report of Independent Accountants
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 1999 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.

Jim Petro
Auditor of State

December 9, 1999

THIS PAGE LEFT BLANK INTENTIONALLY

Combined Balance Sheet - All Fund Types and Account Groups
December 31, 1998

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$501,680	\$293,885	\$0	\$0
Investments	0	56,873	0	0
Receivables:				
Taxes	201,264	208,172	5,662	0
Accounts	5,524	46,379	0	0
Interfund	24,100	0	0	0
Special Assessments	2,157	1,662	0	0
Accrued Interest	0	1,066	0	0
Due from Other Governments	35,082	14,118	29	0
Materials and Supplies Inventory	7,833	8,200	0	0
Prepaid Items	12,516	17,921	0	0
Fixed Assets (Net, Where Applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount to be Provided From General Government Resources	0	0	0	0
Total Assets and Other Debits	\$790,156	\$648,276	\$5,691	\$0
	=====	=====	=====	=====
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$16,821	\$36,515	\$0	\$0
Accrued Wages	6,714	8,735	0	0
Compensated Absences Payable	960	920	0	0
Interfund Payable	0	0	9,077	5,250
Due to Other Governments	8,712	14,802	0	0
Deferred Revenue	155,154	253,298	5,662	0
Accrued Interest Payable	574	883	127	0
Notes Payable	27,000	20,000	0	0
WPCLF Loans Payable	0	0	0	0
OPWC Loans Payable	0	0	0	0
Total Liabilities	215,935	335,153	14,866	5,250
	-----	-----	-----	-----
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	100,586	5,710	1,596	0
Reserved for Inventory	7,833	8,200	0	0
Reserved for Perpetual Care	0	0	0	0
Unreserved:				
Undesignated (Deficit)	465,802	299,213	(10,771)	(5,250)
Total Fund Equity (Deficit) and Other Credits	574,221	313,123	(9,175)	(5,250)
	-----	-----	-----	-----
Total Liabilities, Fund Equity and Other Credits	\$790,156	\$648,276	\$5,691	\$0
	=====	=====	=====	=====

See Accompanying Notes to the General Purpose Financial Statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Nonexpendable Trust			
\$695,840	\$59	\$0	\$0	\$1,491,464
0	66,604	0	0	123,477
0	0	0	0	415,098
123,747	0	0	0	175,650
7,830	0	0	0	31,930
0	0	0	0	3,819
0	0	0	0	1,066
0	0	0	0	49,229
9,459	0	0	0	25,492
3,545	0	0	0	33,982
6,397,003	0	1,921,233	0	8,318,236
0	0	0	44,991	44,991
<u>\$7,237,424</u>	<u>\$66,663</u>	<u>\$1,921,233</u>	<u>\$44,991</u>	<u>\$10,714,434</u>
\$20,488	\$0	\$0	\$0	\$73,824
10,765	0	0	0	26,214
44,007	0	0	33,175	79,062
17,603	0	0	0	31,930
18,641	0	0	11,816	53,971
8,262	0	0	0	422,376
0	0	0	0	1,584
0	0	0	0	47,000
2,119,178	0	0	0	2,119,178
455,908	0	0	0	455,908
<u>2,694,852</u>	<u>0</u>	<u>0</u>	<u>44,991</u>	<u>3,311,047</u>
0	0	1,921,233	0	1,921,233
2,820,789	0	0	0	2,820,789
1,721,783	0	0	0	1,721,783
0	0	0	0	107,892
0	0	0	0	16,033
0	66,663	0	0	66,663
0	0	0	0	748,994
<u>4,542,572</u>	<u>66,663</u>	<u>1,921,233</u>	<u>0</u>	<u>7,403,387</u>
<u>\$7,237,424</u>	<u>\$66,663</u>	<u>\$1,921,233</u>	<u>\$44,991</u>	<u>\$10,714,434</u>

Combined Statement of Revenues, Expenditures
and Changes in Fund Balances - All Governmental Fund Types
For the Year Ended December 31, 1998

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Revenues:					
Property Taxes	\$114,226	\$185,176	\$0	\$0	\$299,402
Municipal Income Taxes	430,163	0	0	0	430,163
Other Local Taxes	0	39,007	0	0	39,007
Intergovernmental	194,022	183,002	0	38,000	415,024
Charges for Services	24,801	86,155	0	0	110,956
Licenses and Permits	782	4,987	0	0	5,769
Fines and Forfeitures	14,577	0	0	0	14,577
Special Assessments	5,944	11,887	0	0	17,831
Interest	79,839	4,413	0	0	84,252
Miscellaneous	48,347	15,157	0	0	63,504
Total Revenues	912,701	529,784	0	38,000	1,480,485
Expenditures:					
Current Operations and Maintenance:					
Security of Persons and Property	311,007	167,983	0	0	478,990
Public Health	0	189,164	0	0	189,164
Leisure Time Activities	18,506	0	0	0	18,506
Community Environment	39,864	0	0	0	39,864
Transportation	0	215,792	0	0	215,792
General Government	267,452	0	0	0	267,452
Capital Outlay	19,809	28,460	0	43,250	91,519
Debt Service:					
Principal Retirement	9,246	0	0	0	9,246
Interest and Fiscal Charges	8,054	1,193	133	0	9,380
Total Expenditures	673,938	602,592	133	43,250	1,319,913
Excess of Revenues Over (Under) Expenditures	238,763	(72,808)	(133)	(5,250)	160,572
Other Financing Sources (Uses):					
Proceeds From Sale of Fixed Assets	2,018	0	0	0	2,018
Operating Transfers - In	269,686	27,000	0	0	296,686
Operating Transfers - Out	(17,693)	0	(9,307)	(269,686)	(296,686)
Total Other Financing Sources (Uses)	254,011	27,000	(9,307)	(269,686)	2,018
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	492,774	(45,808)	(9,440)	(274,936)	162,590
Fund Balances (Deficit) at Beginning of Year (Restated - Note 3)	81,447	358,931	265	269,686	710,329
Fund Balances (Deficit) at End of Year	\$574,221	\$313,123	(\$9,175)	(\$5,250)	\$872,919

See Accompanying Notes to the General Purpose Financial Statements

THIS PAGE LEFT BLANK INTENTIONALLY

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Non-GAAP Budget Basis)
All Governmental Fund Types
For the Year Ended December 31, 1998

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$119,941	\$109,735	(\$10,206)	\$196,275	\$185,176	(\$11,099)
Municipal Income Taxes	428,251	429,622	1,371	0	0	0
Other Local Taxes	0	0	0	40,000	38,869	(1,131)
Intergovernmental	163,538	167,110	3,572	203,998	180,441	(23,557)
Charges for Services	20,000	24,502	4,502	96,823	88,199	(8,624)
Licenses and Permits	1,000	1,127	127	6,000	4,987	(1,013)
Fines and Forfeitures	5,000	13,092	8,092	0	0	0
Special Assessments	0	5,944	5,944	0	7,261	7,261
Interest	80,000	79,839	(161)	2,500	4,709	2,209
Miscellaneous	10,000	43,721	33,721	25,978	15,157	(10,821)
Total Revenues	827,730	874,692	46,962	571,574	524,799	(46,775)
Expenditures:						
Current Operations and Maintenance:						
Security of Persons and Property	361,904	313,517	48,387	218,295	160,046	58,249
Public Health	0	0	0	256,816	177,825	78,991
Leisure Time Activities	13,204	18,050	(4,846)	0	0	0
Community Environment	41,175	40,721	454	0	0	0
Transportation	0	0	0	216,876	208,317	8,559
General Government	321,097	279,349	41,748	0	0	0
Capital Outlay	122,480	122,309	171	82,368	32,960	49,408
Debt Service:						
Principal Retirement	61,000	33,314	27,686	45,875	40,000	5,875
Interest and Fiscal Charges	17,755	17,253	502	2,385	2,125	260
Total Expenditures	938,615	824,513	114,102	822,615	621,273	201,342
Excess of Revenues Over (Under) Expenditures	(110,885)	50,179	161,064	(251,041)	(96,474)	154,567
Other Financing Sources (Uses):						
Proceeds From Sale of Notes	28,000	13,000	(15,000)	20,000	20,000	0
Proceeds From Sale of Fixed Assets	0	2,018	2,018	0	0	0
Operating Transfers - In	4,000	0	(4,000)	27,000	27,000	0
Operating Transfers - Out	(32,000)	(27,000)	5,000	0	0	0
Total Other Financing Sources (Uses)	0	(11,982)	(11,982)	47,000	47,000	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(110,885)	38,197	149,082	(204,041)	(49,474)	154,567
Fund Balances at Beginning of Year	364,581	364,581	0	385,400	385,400	0
Prior Year Encumbrances Appropriated	1,583	1,583	0	976	976	0
Fund Balances (Deficit) at End of Year	\$255,279	\$404,361	\$149,082	\$182,335	\$336,902	\$154,567

See Accompanying Notes to the General Purpose Financial Statements

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$4,334	\$4,491	\$157	\$0	\$0	\$0
0	0	0	0	0	0
0	0	0	0	0	0
663	643	(20)	38,000	38,000	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	4,626	4,626	0	0	0
-----	-----	-----	-----	-----	-----
4,997	9,760	4,763	38,000	38,000	0
-----	-----	-----	-----	-----	-----
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	71,290	43,250	28,040
15,000	31,500	(16,500)	295,614	269,686	25,928
250	3,198	(2,948)	0	0	0
-----	-----	-----	-----	-----	-----
15,250	34,698	(19,448)	366,904	312,936	53,968
-----	-----	-----	-----	-----	-----
(10,253)	(24,938)	(14,685)	(328,904)	(274,936)	53,968
-----	-----	-----	-----	-----	-----
14,201	14,000	(201)	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
-----	-----	-----	-----	-----	-----
14,201	14,000	(201)	0	0	0
-----	-----	-----	-----	-----	-----
3,948	(10,938)	(14,886)	(328,904)	(274,936)	53,968
265	265	0	269,686	269,686	0
0	0	0	0	0	0
-----	-----	-----	-----	-----	-----
\$4,213	(\$10,673)	(\$14,886)	(\$59,218)	(\$5,250)	\$53,968
=====	=====	=====	=====	=====	=====

Combined Statement of Revenues,
Expenses and Changes in Fund Equity
Proprietary Fund Type and Nonexpendable Trust Fund
For the Year Ended December 31, 1998

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Revenues:			
Charges for Services	\$939,284	\$0	\$939,284
Tap-In Fees	5,270	0	5,270
Miscellaneous	828	0	828
	-----	-----	-----
Total Operating Revenues	945,382	0	945,382
	-----	-----	-----
Operating Expenses:			
Personal Services	449,116	0	449,116
Travel and Education	2,246	0	2,246
Contractual Services	169,784	0	169,784
Materials and Supplies	147,465	0	147,465
Miscellaneous	1,352	0	1,352
Depreciation	500,471	0	500,471
	-----	-----	-----
Total Operating Expenses	1,270,434	0	1,270,434
	-----	-----	-----
Operating Income (Loss)	(325,052)	0	(325,052)
	-----	-----	-----
Non-Operating Revenues (Expenses):			
Interest	13,783	0	13,783
Grants	72,470	0	72,470
Interest and Fiscal Charges	(105,809)	0	(105,809)
	-----	-----	-----
Total Non-Operating Revenues (Expenses)	(19,556)	0	(19,556)
	-----	-----	-----
Net Income (Loss)	(344,608)	0	(344,608)
	-----	-----	-----
Retained Earnings/Fund Balance at Beginning of Year (Restated - Note 3)	2,066,391	66,663	2,133,054
	-----	-----	-----
Retained Earnings/Fund Balance at End of Year	1,721,783	66,663	1,788,446
	-----	-----	-----
Contributed Capital at Beginning of Year	2,785,789	0	2,785,789
Contributions:			
Grants	35,000	0	35,000
	-----	-----	-----
Contributed Capital at End of Year	2,820,789	0	2,820,789
	-----	-----	-----
Fund Equity at End of Year	\$4,542,572	\$66,663	\$4,609,235
	=====	=====	=====

See Accompanying Notes to the General Purpose Financial Statements

Combined Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Non-GAAP Budget Basis)
Proprietary Fund Type and Nonexpendable Trust Fund
For the Year Ended December 31, 1998

	Enterprise Funds			Nonexpendable Trust Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Charges for Services	\$887,500	\$916,996	\$29,496	\$2,750	\$0	(\$2,750)
Tap-In Fees	0	5,270	5,270	0	0	0
Interest	9,000	13,783	4,783	0	0	0
Grants	72,470	72,470	0	0	0	0
Miscellaneous	500	828	328	0	0	0
Total Revenues	969,470	1,009,347	39,877	2,750	0	(2,750)
Expenses:						
Personal Services	474,271	449,029	25,242	0	0	0
Travel and Education	3,016	2,256	760	0	0	0
Contractual Services	199,348	171,709	27,639	0	0	0
Materials and Supplies	138,241	121,635	16,606	0	0	0
Miscellaneous	1,815	1,364	451	0	0	0
Capital Outlay	272,973	192,714	80,259	0	0	0
Debt Service:						
Principal Retirement	143,260	162,206	(18,946)	0	0	0
Interest and Fiscal Charges	163,620	162,705	915	0	0	0
Total Expenses	1,396,544	1,263,618	132,926	0	0	0
Excess of Revenues Over (Under) Expenses Before Operating Transfers	(427,074)	(254,271)	172,803	2,750	0	(2,750)
Operating Transfers - Out	0	(3,750)	(3,750)	0	0	0
Excess of Revenues Over (Under) Expenses and Operating Transfers	(427,074)	(258,021)	169,053	2,750	0	(2,750)
Fund Equity at Beginning of Year	821,380	821,380	0	66,663	66,663	0
Prior Year Encumbrances Appropriated	7,403	7,403	0	0	0	0
Fund Equity at End of Year	\$401,709	\$570,762	\$169,053	\$69,413	\$66,663	(\$2,750)

See Accompanying Notes to the General Purpose Financial Statements

Combined Statement of Cash Flows
Proprietary Fund Type and Nonexpendable Trust Fund
For the Year Ended December 31, 1998

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Nonexpendable Trust	(Memorandum Only)
Increases (Decreases) In Cash And Cash Equivalents:			
Cash Flows From Operating Activities:			
Cash Received From Customers	\$922,266	\$0	\$922,266
Cash Payments For Personal Services	(447,163)	0	(447,163)
Cash Payments For Contractual Services	(166,430)	0	(166,430)
Cash Payments To Vendors For			
Materials And Supplies	(140,442)	0	(140,442)
Other Operating Revenues	828	0	828
Other Operating Expenses	(1,352)	0	(1,352)
Net Cash Provided By Operating Activities	167,707	0	167,707
Cash Flows From Noncapital Financing Activities:			
Contributions	72,470	0	72,470
Cash Flows From Capital And Related Financing Activities:			
Acquisition of Capital Assets	(61,992)	0	(61,992)
Principal Paid on Ohio Water Pollution Control Loan Fund	(119,216)	0	(119,216)
Interest Paid on Ohio Water Pollution Control Loan Fund	(162,555)	0	(162,555)
Principal Paid On Ohio Public Works Commission Loan	(42,990)	0	(42,990)
Fiscal Charges Paid on Ohio Public Works Commission Loan	(150)	0	(150)
Net Cash Used For Capital And Related Financing Activities	(386,903)	0	(386,903)
Cash Flows From Investing Activities:			
Interest	13,783	0	13,783
Net Decrease In Cash And Cash Equivalents	(132,943)	0	(132,943)
Cash And Cash Equivalents At Beginning Of Year	828,783	59	828,842
Cash And Cash Equivalents At End Of Year	\$695,840	\$59	\$695,899
Reconciliation Of Operating Loss To Net Cash Provided by Operating Activities:			
Operating Income (Loss)	(\$325,052)	\$0	(325,052)
Adjustments to Reconcile Operating Loss To Net Cash Provided by Operating Activities:			
Depreciation	500,471	0	500,471
Changes In Assets And Liabilities:			
Increase In Accounts Receivable	(27,011)	0	(27,011)
Decrease In Prepaid Items	2,310	0	2,310
Increase In Accounts Payable	8,234	0	8,234
Increase In Deferred Revenue	4,723	0	4,723
Decrease In Due To Other Governments	(410)	0	(410)
Increase In Accrued Wages	2,574	0	2,574
Increase In Compensated Absences Payable	1,868	0	1,868
Net Cash Provided By Operating Activities	\$167,707	\$0	\$167,707

Non-Cash Transactions:

During 1998, the Water Enterprise Fund acquired assets from grants with a fair market value of \$35,000.

See Accompanying Notes to the General Purpose Financial Statements

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998**

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

The City of New Carlisle 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.

REPORTING ENTITY

The 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.

The City is associated with one jointly governed organization, the Miami Valley Fire/EMS Alliance. This organization is presented in Note 19 to the general purpose financial statements.

The City is a member of the Ohio Government Risk Management Plan (the "Pool"), an insurance purchasing pool which shops for insurance as a group with the intention of securing better rates than if each participant purchased insurance separately. The Pool, which commenced business on June 1, 1988, has 564 members consisting of various cities, villages and townships. The pool is governed by a Board of Directors consisting of nine directors. Directors of the Board assume the positions on a volunteer basis for a two year period. After two years, a Director can remain as a Director or choose to resign. The Board elects a chairman, a vice chairman and a secretary. The Board is responsible for its own financial matters, and the Pool maintains its own books of account. Budgeting and financing of the Pool is subject to the approval of the Board. The City has no explicit and measurable equity interest in the Pool.

BASIS OF PRESENTATION - FUND ACCOUNTING

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

A fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the enterprise funds and trust fund) are accounted for through governmental funds. The following are the City's governmental fund types.

General Fund

The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the Charter of the City of New Carlisle and/or the general laws of Ohio.

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditure for specific purposes.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds

The capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise funds and trust funds).

PROPRIETARY FUNDS

The proprietary funds are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The following is the City's only proprietary fund type:

Enterprise Funds

The enterprise funds are used to account for the City's swimming pool, water and sewer operations. They are financed and operated in a manner similar to private sector business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where it has been decided that a periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City's fiduciary fund is a nonexpendable trust fund. The nonexpendable trust fund is accounted for in essentially the same manner as proprietary funds.

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to a specific fund and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group

The General Fixed Assets Account Group is used to account for fixed assets other than those accounted for in the proprietary funds. These assets do not represent financial resources available for expenditure.

General Long-Term Obligations Account Group

The General Long-Term Obligations Account Group is used to account for all unmatured long-term obligations of the City that are not a specific liability of the proprietary funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of New Carlisle have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City applies Financial Accounting Standards Board Statements and Interpretations issued before November 30, 1989, to its proprietary activities unless they conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All enterprise funds and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Enterprise fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to the time when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

The modified accrual basis of accounting is used for reporting purposes by the governmental fund types. Under this basis of accounting, the City recognizes revenue when it becomes both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is considered to be thirty-one days after year end.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Unmatured principal and interest on general long-term debt is recognized when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period employees earn them. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Revenues accrued at the end of the year included income taxes withheld by employers, interest on investments, intergovernmental revenues (including motor vehicle license fees, gasoline tax, and local government assistance), grants, fines and forfeitures, and reimbursements due from federal and state funded projects for which corresponding expenditures have been made.

Other revenues, including licenses, permits, certain charges for services, income taxes other than those withheld by employers, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of December 31, 1998, and delinquent property taxes, whose availability is indeterminate and which are not intended to finance the current year, have been recorded as deferred revenue. Levied special assessments are measurable, and have been recorded as a receivable. Since all special assessments are due outside the available period, the entire amount has been deferred.

Enterprise and nonexpendable trust funds use the accrual basis of accounting for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred if measurable. Unbilled service charges receivable are recognized as revenue at year end.

BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level (personal services, materials and supplies, contractual services, capital outlay, principal retirement, interest and fiscal charges, operating transfers) within each department.

Tax Budget

A tax budget of estimated revenues and outstanding and projected debt for all budgeted funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BUDGETARY PROCESS (Continued)

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenues of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources requested during 1998.

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified with approval of the City Manager. All other modifications may only be made by ordinance of City Council. During the year, several supplemental appropriation measures were passed. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for the enterprise funds.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding calendar year and need not be reappropriated.

CASH AND CASH EQUIVALENTS

To improve cash management, cash received by the City is pooled and invested in short-term investments. Monies for all funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost. During fiscal year 1998, investments were limited to STAR Ohio and certificates of deposit.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH AND CASH EQUIVALENTS (Continued)

The City has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during fiscal year 1998. 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. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 1998.

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 1998 amounted to \$79,839, which includes \$23,959 assigned from other City funds. The Cemetery and Fire Operating special revenue funds and the Sewer and Water enterprise funds also earned interest in the amount of \$3,002, \$1,411, \$7,615 and \$6,168, respectively.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments, not part of the cash management pool, with an initial maturity of more than three months are reported as investments.

INVENTORY OF SUPPLIES

Inventories of governmental funds are stated at cost while inventories of enterprise funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in all funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of enterprise funds are expensed when used.

PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 1998, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

FIXED ASSETS

The fixed asset values were initially determined at December 31, 1992, assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency are capitalized at cost.

General Fixed Assets

General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. Assets in the General Fixed Assets Account Group are not depreciated.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FIXED ASSETS (Continued)

General Fixed Assets (Continued)

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported, as these assets are immovable and of value only to the City.

Proprietary Fund Fixed Assets

Fixed assets associated with the enterprise funds are accounted for in those funds. Depreciation is calculated using the straight line method over the estimated useful life of each asset. The assets of the enterprise funds are depreciated on the following basis:

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

Interest is capitalized on enterprise fund 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 the interest cost associated with the 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. For 1998, no material interest expense was incurred on enterprise fund construction projects.

COMPENSATED ABSENCES

The City accrues a liability for compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits and compensatory time are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time and compensatory time when earned for all employees. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy.

For governmental funds, the current portion of unpaid compensated absences is the amount to be paid using available expendable resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In enterprise funds, the entire amount of unpaid compensated absences is reported as a fund liability.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than thirty-one days after year end are generally considered not to have been paid with current available financial resources. Capital leases and long-term loans are recognized as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

CONTRIBUTED CAPITAL

Contributed capital represents donations by developers, other governments, contributions made by the City, tap-in fees which exceed the cost of physical connections to the system or are not remitted to another government, and assets whose construction was financed by special assessments. Donated assets are recorded at their fair market value on the date contributed and are not subject to repayment. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Because the City, prior to 1993, had not prepared its financial statements in accordance with generally accepted accounting principles, the exact amount of contributed capital pertaining to years prior to 1993 cannot be determined. In general, it has been the policy of the City to construct and acquire capital assets used in operations of the enterprise funds with revenue bonds and/or enterprise fund resources. These assets are recorded as retained earnings in the accompanying combined financial statements. All other fund equity amounts pertaining to the proprietary funds are classified as contributed capital.

RESERVES OF FUND EQUITY

Reservations of fund balance are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure or the portion of fund equity that is legally segregated for a specific future use. Fund balances are reserved for encumbrances and inventory in the governmental funds and for perpetual care of cemeteries in the nonexpendable trust fund.

INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All remaining interfund transfers are reported as operating transfers.

INTERGOVERNMENTAL REVENUES

In governmental funds, intergovernmental revenues, such as federal and state grants awarded on a non-reimbursement basis, shared revenues, and entitlements are recorded as intergovernmental receivables and revenues when measurable and available. Reimbursable grants are recorded as intergovernmental receivables and revenues when the related expenditures are made.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ESTIMATES

The preparation of financial statements in conformity with 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 could differ from those estimates.

MEMORANDUM ONLY - TOTAL COLUMNS ON COMBINED FINANCIAL STATEMENTS

Total columns on the Combined Statements Overview are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND EQUITY

For 1998, the City has implemented Statement No. 31 of the Governmental Accounting Standards Board, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." The statement establishes accounting and reporting guidelines for government investments and investment pools. The adoption of this statement required no change from prior years.

The City has also implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" for its deferred compensation plan through the Aetna Life Insurance and Annuity Company. On December 31, 1998, a new plan document was adopted for the city's deferred compensation plan through Aetna Insurance Company. Since this plan is an annuity contract, changes in the plan document were all that were needed to bring the plan into compliance with the new IRC regulations. Therefore the balance of the deferred compensation plan is no longer presented as part of the City's financial statements.

A restatement was done in the General Fund to adjust for municipal income taxes receivable that were understated in 1997. Restatements were done in the Water and Sewer Enterprise funds for utility receivables that were overstated in 1997. Restatements were also done in the Sewer Enterprise Fund for depreciation not taken on a 1996 addition to fixed assets, and to adjust the beginning balances of the WPCLF Loans. The effect of these changes on the excess of revenues and other financing sources under expenditures and other financing uses in the General Fund and on the net loss in the Enterprise Funds as previously reported for the year ended December 31, 1997, is as follows:

	General Fund	Enterprise Funds
Excess/net loss as previously reported	(\$126,750)	(\$337,992)
Restatement of municipal income tax receivable	13,350	0
Restatement of utility receivables	0	(65,555)
Restatement of depreciation expense	0	(5,065)
Restated excess/net loss	(\$113,400)	(\$408,612)

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND EQUITY
(Continued)

The restatements had the following effect on fund balance/retained earnings as it was previously reported as of December 31, 1997:

	<u>General</u>	<u>Enterprise</u>
Fund balance/retained earnings as previously reported	\$68,097	\$2,045,654
Restatement of municipal income taxes receivable	13,350	0
Restatement of utility receivables	0	(65,555)
Restatement of depreciation expense	0	(5,065)
Restatement of WPCLF loan payable	0	91,357
Restated fund balance/equity as of December 31, 1997	<u>\$81,447</u>	<u>\$2,066,391</u>

NOTE 4 - COMPLIANCE AND ACCOUNTABILITY

COMPLIANCE

EXCESS OF EXPENDITURES/EXPENSES PLUS ENCUMBRANCES OVER APPROPRIATIONS

<u>Fund/Program/Activity</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>GENERAL FUND</u>			
Leisure Time Activities			
Parks			
Personal Services	\$3,610	\$4,573	(\$963)
Materials and Supplies	6,094	6,788	(694)
Contractual Services	3,500	6,689	(3,189)
Community Development			
Planning			
Materials and Supplies	\$1,641	\$1,696	(\$55)
General Government			
Finance			
Personal Services	61,019	78,186	(17,167)
Materials and Supplies	16,867	18,838	(1,971)
Law			
Other Operating Charges	5,607	10,795	(5,188)
Lands and Buildings			
Materials and Supplies	7,050	7,153	(103)
<u>SPECIAL REVENUE FUND:</u>			
<u>SPECIAL ASSESSMENT STREET LIGHTING</u>			
Security of Persons and Property			
Contractual Services	0	654	(654)

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

NOTE 4 - COMPLIANCE AND ACCOUNTABILITY (Continued)

COMPLIANCE (Continued)

EXCESS OF EXPENDITURES/EXPENSES PLUS ENCUMBRANCES OVER APPROPRIATIONS
(Continued)

<u>Fund/Program/Activity</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>DEBT SERVICE FUND:</u>			
GENERAL BOND RETIREMENT			
Debt Service			
Principal Retirement	15,000	31,500	(16,500)
Interest and Fiscal Charges	250	3,198	(2,948)
 <u>ENTERPRISE FUND:</u>			
SEWER			
Debt Service			
Principal Retirement	127,600	146,546	(18,946)
Operating Transfers - Out	0	3,750	(3,750)

The following funds had appropriations in excess of estimated resources plus unencumbered cash:

	<u>Estimated Resources and</u> <u>Unencumbered Cash</u>	<u>Appropriations</u>	<u>Excess</u>
Capital Project Funds			
CDBG Project	\$38,000	\$71,290	(\$33,290)
OPWC/ODOT Project	269,686	295,614	(25,928)
Enterprise Fund			
Water Fund	477,091	501,355	(24,264)

ACCOUNTABILITY

The following funds had a deficit fund balance at December 31, 1998:

Health Levy Special Revenue Fund	(\$2,424)
General Bond Retirement Debt Service Fund	(9,175)
CDBG Project Capital Project Fund	(5,250)

The deficit in the Health Levy Special Revenue Fund was caused by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur. The deficits in the debt service and capital projects fund were the result of negative cash balances. An interfund receivable/payable was established to cover the negative balances. The deficits will be eliminated from transfers from the General Fund.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

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 that Council 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 pass book accounts.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the finance director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

State statute permits inactive monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities 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 two 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) of this section 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).

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Investments in stripped principal or interest obligation, 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 purchase with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the finance director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At year end, the City had \$250 in undeposited cash which is included on the balance sheet of the City as part of "Equity in Pooled Cash and Cash Equivalents."

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

Deposits: At year-end, the carrying amount of the City's deposits was \$882,020, and the bank balance was \$975,348. Of the bank balance:

1. \$256,873 was covered by federal depository insurance and savings and loan federal depository insurance company.
2. The remaining amounts were uninsured and uncollateralized. Although the balance was collateralized by securities held by the financial institutions' trust department in the City's name and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the City to a successful claim by the FDIC.

Investments: GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements," requires that local governments disclose the carrying amounts and market value of investments, classified by risk. The City's investments are categorized as either (1) insured or registered, or securities held by the City or its agent in the City's name, (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name or (3) uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name. STAR Ohio, an investment pool operated by the Ohio State Treasurer is unclassified since it is not evidenced by securities that exist in physical or book entry form. The carrying/fair value of the City's investment in STAR Ohio was \$732,671 at December 31, 1998.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$1,491,464	\$123,477
Investments:		
STAR Ohio	(732,671)	732,671
Cemetery CD	66,604	(66,604)
Fire CD	56,873	(56,873)
Cash on Hand	(250)	0
GASB Statement No. 3	<u>\$882,020</u>	<u>\$732,671</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

NOTE 6 - MUNICIPAL INCOME TAX

The City levies and collects a one half of 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 1998, income tax revenue of \$430,163 was allocated entirely to the General Fund.

NOTE 7 - PROPERTY TAX

The 1998 real property taxes are levied after October 1, 1998, on the assessed values as of January 1, 1998, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 1998 real property taxes are collected in and intended to finance 1999.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 88 percent of cost). The 1998 public utility property taxes became a lien December 31, 1997, are levied after October 1, 1998, and are collected in 1999 with real property taxes.

The 1998 tangible personal property taxes are levied after October 1, 1997, on the value as of December 31, 1997. Collections are made in 1998. Tangible personal property assessments are 25 percent of assessed valuations.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20.

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 in the County, including the City of New Carlisle. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represent real and tangible personal property taxes, public utility and outstanding delinquencies which are measurable as of December 31, 1998. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 1998 operations. The receivable is offset by deferred revenue.

The full tax rate for all City operations for the year ended December 31, 1998, was \$9.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which the 1998 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	\$46,767,600
Public Utility Property	724,230
Tangible Personal	2,483,640
Total Property Taxes	\$49,975,470

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

NOTE 8 - RECEIVABLES

Receivables at December 31, 1998, consisted of property and municipal income taxes, intergovernmental receivables, special assessments, charges for services, interfund, and interest. All receivables are considered fully collectible except for emergency medical service runs for which an allowance for doubtful accounts in the amount of \$42,545 has been established. A summary of the principal items of intergovernmental receivables follows:

Fund Type / Fund	Amount
General Fund:	
Local Government	\$4,585
Local Government Revenue Assistance	927
Fines and Forfeitures	1,485
Estate Tax Available for Advance	27,388
Personal Property Exemption	697
Total General Fund	35,082
Special Revenue Funds:	
Street Construction and Repair Fund	
Gasoline Tax	8,823
Motor Vehicle License Tax	2,489
Total Street Maintenance Fund	11,312
State Highway Fund	
Gasoline Tax	715
Motor Vehicle License Tax	202
Total State Highway Fund	917
EMS Operating Levy Fund	
Personal Property Exemption	581
Health Levy Fund	
Personal Property Exemption	291
Fire Operating Fund	
Personal Property Exemption	1,017
Total Special Revenue Funds	14,118
Debt Service Fund	
General Bond Retirement Fund	
Personal Property Exemption	29
Total Due From Other Governments	\$49,229

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

NOTE 9 - FIXED ASSETS

GENERAL FIXED ASSETS

Changes in general fixed assets during 1998 were as follows:

	Balance For the Year Ended	Additions	Deletions	Balance For the Year Ended
	12/31/97			12/31/98
Land	\$198,707	\$0	\$0	\$198,707
Buildings	293,656	16,080	0	309,736
Improvements Other Than Buildings	108,267	2,000	0	110,267
Machinery And Equipment	540,411	22,297	823	561,885
Furniture And Fixtures	47,406	3,770	0	51,176
Computer Equipment	2,945	0	0	2,945
Vehicles	659,522	26,995	0	686,517
Total General Fixed Assets	\$1,850,914	\$71,142	\$823	\$1,921,233

FUND FIXED ASSETS

All fund fixed assets relate to the water, sewer, and swimming pool enterprise funds. The balances as of December 31, 1998, were as follows:

	Balance For the Year Ended			
	Water	Sewer	Swimming Pool	12/31/98
Land	\$7,073	\$209,195	\$36,327	\$252,595
Buildings	554,365	1,459,521	5,319	2,019,205
Improvements Other Than Buildings	462,729	228,370	177,800	868,899
Machinery and Equipment	591,897	4,894,930	70,083	5,556,910
Furniture and Fixtures	2,191	17,730	0	19,921
Computer Equipment	2,488	0	0	2,488
Vehicles	60,362	163,901	0	224,263
Sewer and Water Lines	1,466,073	3,850,171	0	5,316,244
Total Fund Fixed Assets	3,147,178	10,823,818	289,529	14,260,525
 Less: Accumulated Depreciation	 (2,137,683)	 (5,509,634)	 (216,205)	 (7,863,522)
 Total Fund Fixed Assets (net of accumulated depreciation)	 \$1,009,495	 \$5,314,184	 \$73,324	 \$6,397,003

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS

PUBLIC EMPLOYEES RETIREMENT SYSTEM

All City full-time employees participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 9.35 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 1998, 1997, and 1996 were \$60,630, \$56,870, and \$55,991, respectively. The full amount has been contributed for 1997 and 1996. 78.03 percent has been contributed for 1998 with the remainder being reported as a fund liability and within the General Long-Term Obligations Account Group.

NOTE 11 - POSTEMPLOYMENT BENEFITS

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 1998 employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion that was used to fund health care for 1998.

For 1998, benefits were funded on a pay-as-you-go basis. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. During 1998, OPEB expenditures made by PERS were \$440,596,663. As of December 31, 1998, the unaudited estimated net assets available for future OPEB payments were \$9,447,325,318. At December 31, 1998, the total number of benefit recipients eligible for OPEB through PERS was 115,579. The City's actual contributions for 1998 which were used to fund OPEB were \$25,372.

NOTE 12 - EMPLOYEE BENEFITS

DEFERRED COMPENSATION PLAN

Employees of the City may elect to participate in the Aetna deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under this program, 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.

For 1998 the City has implemented GASB Statement No. 32, "Deferred Compensation Plans". This statement eliminates the requirement that the City report plan assets in an agency fund if the plan has established a trust fund whose assets are not held by the City in a fiduciary capacity. The plan offered established trusts by year end, and the amounts are no longer reported on the City's balance sheet as of December 31, 1998.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

NOTE 12 - EMPLOYEE BENEFITS

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.

Unpaid compensated absences of \$1,880 at December 31, 1998, were reported as an accrued liability in the governmental fund types. The balance of the liability is reported in the General Long-Term Obligations Account Group in the amount of \$33,175. The liability for compensated absences in the enterprise funds at December 31, 1998, was \$44,007 with \$3,269 representing the current liability and \$40,738 the noncurrent portion of accrued benefits.

NOTE 13 - NOTE DEBT AND LONG-TERM OBLIGATIONS

BOND ANTICIPATION NOTES

The City issues bond anticipation notes to provide funds for the acquisition and construction of capital facilities and purchase of vehicles. 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 notes have been recorded in the funds that received the note proceeds.

The bond anticipation note debt activity for the year ended December 31, 1998, consisted of the following:

<u>Fund/Issue</u>	<u>Balance at 12/31/97</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at 12/31/98</u>
<u>General Fund</u>				
5.50%				
Lake Avenue Improvement	\$280,000	\$0	\$280,000	\$0
5.50%				
Public Vehicle Notes	23,000	13,000	23,000	13,000
6.00%				
Swimming Pool Improvement	31,500	14,000	31,500	14,000
Total General Fund	<u>334,500</u>	<u>27,000</u>	<u>334,500</u>	<u>27,000</u>
<u>Special Revenue</u>				
<u>Fire Operating Levy Fund</u>				
5.50%				
Fire Emergency Vehicle	\$40,000	\$20,000	\$40,000	\$20,000
Total Bond Anticipation Notes	<u>\$374,500</u>	<u>\$47,000</u>	<u>\$374,500</u>	<u>\$47,000</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

NOTE 13 - NOTE DEBT AND LONG-TERM OBLIGATIONS (Continued)

LONG-TERM OBLIGATIONS

Changes in loan and other long-term obligations payable from enterprise fund revenues for the year ended December 31, 1998, were as follows:

<u>Fund/Issue</u>	<u>Balance at 12/31/97</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at 12/31/98</u>
<u>Loans</u>				
0.00% - 1994				
Ohio Public Works Commission	\$258,398	\$0	\$23,490	\$234,908
0.00% - 1996				
Ohio Public Works Commission	240,500	0	19,500	221,000
7.38 % - 1995				
Water Pollution Control	180,439	0	7,975	172,464
4.56 % - 1995				
Water Pollution Control	2,040,968	0	110,287	1,930,681
4.12% - 1997				
Water Pollution Control	16,987	0	954	16,033
Total Loans	<u>2,737,292</u>	<u>0</u>	<u>162,206</u>	<u>2,575,086</u>
<u>Other Long-Term Obligations</u>				
Compensated Absences	40,195	534	0	40,738
Capital Lease	9,246	0	9,246	0
Total Enterprise Fund Obligations	<u>\$2,786,733</u>	<u>\$534</u>	<u>\$171,452</u>	<u>\$2,615,824</u>

Changes in the general long-term obligations of the City for the year ended December 31, 1998, were as follows:

<u>Types/Issue</u>	<u>Balance at 12/31/97</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at 12/31/98</u>
<u>Other Long-Term Obligations</u>				
Capital Lease	\$9,246	\$0	\$9,246	\$0
Due to Other Governments	11,053	11,816	11,053	11,816
Compensated Absences	21,945	11,230	0	33,175
Total Other Long-Term Obligations	<u>\$42,244</u>	<u>\$23,046</u>	<u>\$20,299</u>	<u>\$44,991</u>

The City's overall legal debt margin (the ability to issue additional amounts of general obligation debt) was \$5,200,424 and the unvoted debt margin was \$2,701,651 at December 31, 1998.

Annual debt service requirements to maturity for the WPCLF and OPWC loans, for the enterprise funds, including interest of \$998,820 are:

<u>Year</u>	<u>OPWC Loans</u>	<u>WPCLF Loans</u>	<u>Total</u>
1999	\$14,330	\$82,885	\$97,215
2000	28,660	175,553	204,213
2001	28,661	184,488	213,149
2002	28,660	184,488	213,148
2003	28,661	184,488	213,149
2004 - 2008	143,303	922,439	1,065,742
2009 - 2013	143,303	922,439	1,065,742
2014 - 2016	40,330	461,218	501,548
Total	<u>\$455,908</u>	<u>\$3,117,998</u>	<u>\$3,573,906</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

NOTE 13 - NOTE DEBT AND LONG-TERM OBLIGATIONS (Continued)

LAKE AVENUE IMPROVEMENT

The Ohio Department of Transportation (ODOT) and the City entered into an agreement by which the ODOT spent federal and state money on behalf of the City regarding the improvements to Lake Avenue. This project was completed during fiscal year 1998. The City is responsible for paying ODOT back for these improvements. The City is paying the loan from the revenues of the sewer and water funds, with the final payment being made in 2016.

WATER POLLUTION CONTROL LOAN FUND (WPC) LOAN

The WPC loans consists of money owed to the Water Pollution Control Loan Fund for construction improvements at the wastewater treatment plant and the planning of the Sewer Line North project. WPC loans are payable solely from the gross revenues of the sewer operating fund.

OHIO PUBLIC WORKS COMMISSION (OPWC) LOANS

The OPWC loans consists of money owed to the Ohio Public Works Commission for construction of a 16-inch water main from Smith Park to White Pine Street and the addition of a filter building at the wastewater treatment plant. The OPWC loans are payable solely from the gross revenues of the sewer and water operating funds.

DEFEASED DEBT

In 1988, the City defeased the 1979 Waterworks System First Mortgage Wastewater System Revenue Bonds by placing monies in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At December 31, 1998, \$125,000 of bonds outstanding are considered defeased by assets of \$158,370 held in the irrevocable trust.

COMPENSATED ABSENCES/PENSION OBLIGATION

The compensated absences liability and the pension obligation will be paid from the fund which the employees are paid. Additions and deletions of accrued vacation and sick leave are shown net since it is impractical for the City to determine these amounts separately.

NOTE 14 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In 1993, the City entered into a capitalized lease for the acquisition of computer equipment to be paid from general fund and enterprise fund revenues (General - 50 percent, Sewer Operating - 25 percent, and Water Operating - 25 percent). The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The final payment on the lease was made during 1998. Capital lease payments have been reclassified and are reflected as debt service expenditures in the general purpose financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

General fixed assets acquired by lease have been capitalized in the general fixed assets account group at \$38,184, the amount equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group at the time of acquisition. \$44,824 was recorded as fixed assets at the time of acquisition in the enterprise funds, with a corresponding liability for capital leases payable. The assets acquired under this lease have been fully depreciated as of December 31, 1998.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

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 1998, the City was a member of the Ohio Government Risk Management Plan, an insurance purchasing pool. The Pool shops for insurance as a group with the intention of securing better rates than if each participant purchased insurance separately.

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

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Limit</u>
Public Officials Errors and Omissions		
Per Occurrence	\$2,500	\$1,000,000
Total Per Year	0	2,000,000
Automobile	500	1,000,000
Property	500	16,421,179
Crime	0	5,000
Earthquake	25,000	1,000,000
Boiler and Machinery	1,000	2,500,000
Inland Marine	100	1,224,789
General Liability		
Per Occurrence	1,000	1,000,000
Total Per Year	0	3,000,000

In addition, the City maintains separate coverage for the City's Public Health Agency. This coverage includes liability for bodily injury, property damage, clinic professional, and errors and omissions. The deductible is \$1,000 for each claim, with a limit of \$1,000,000 for each type of coverage. Settlements have not exceeded coverage in any of the last three fiscal years. There has been no significant reduction in coverage from the prior year.

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

NOTE 16 - INTERFUND RECEIVABLES/PAYABLES

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$24,100	\$0
Bond Retirement Debt Service Fund	0	9,077
CDBG Project Capital Projects Fund	0	5,250
Sewer Enterprise Fund	7,830	4,887
Water Enterprise Fund	0	12,716
Totals	<u>\$31,930</u>	<u>\$31,930</u>

NOTE 17 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The City maintains three enterprise funds which are intended to be self-supporting through user fees charged for services to the public. The swimming pool fund accounts for services provided to patrons of the City's swimming pool, but did not operate during 1998. The water and sewer funds account for the City's water and sewer services provided to its residents.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

NOTE 17 - SEGMENT INFORMATION - ENTERPRISE FUNDS (Continued)

Financial segment information as of and for the year ended December 31, 1998, is presented below:

	<u>Swimming Pool</u>	<u>Sewer Operating</u>	<u>Water Operating</u>	<u>Total</u>
Operating Revenues	\$0	\$583,385	\$361,997	\$945,382
Operating Expenses Before Depreciation	0	465,913	304,050	769,963
Depreciation Expense	3,645	423,682	73,144	500,471
Operating Loss	(3,645)	(306,210)	(15,197)	(325,052)
Net Loss	(3,645)	(331,521)	(9,442)	(344,608)
Grants	0	72,470	0	72,470
Net Non-Operating Revenues (Expenses)	0	(25,311)	5,755	(19,556)
Net Working Capital	767	580,346	127,415	708,528
Property, Plant And Equipment Additions	0	8,419	88,573	96,992
Total Assets	74,091	5,983,506	1,179,827	7,237,424
Bonds And Other Long-Term Liabilities Payable From Revenues	0	2,367,192	248,632	2,615,824
Total Fund Equity	74,091	3,572,372	896,109	4,542,572
Encumbrances Outstanding At December 31, 1998	0	80,053	45,025	125,078

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of 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, appropriations and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - All Enterprise Funds and the Nonexpendable Trust Fund 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 the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) 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).
- (d) Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP Basis).
- (e) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)**

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING (Continued)

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the governmental funds and proprietary funds are as follows:

	General <u>Fund</u>	Special <u>Revenue</u>	Debt <u>Service</u>	Capital <u>Projects</u>
GAAP Basis	\$492,774	(\$45,808)	(\$9,440)	(\$274,936)
Revenue Accruals	(28,220)	(4,985)	(29)	0
Prepaid Items	(836)	758	0	0
Note Proceeds	13,000	20,000	14,000	0
Expenditure Accruals	(4,779)	34,417	(1,469)	0
Principal Retirement	(33,314)	(40,000)	(31,500)	(269,686)
Reallocation of Debt Activity	(288,782)	0	19,096	269,686
Encumbrances	<u>(111,646)</u>	<u>(13,856)</u>	<u>(1,596)</u>	<u>0</u>
Budget Basis	<u>\$38,197</u>	<u>(\$49,474)</u>	<u>(\$10,938)</u>	<u>(\$274,936)</u>

Net Loss/Excess Of Revenues Under Expenses
Enterprise Funds and Nonexpendable Trust Fund

	<u>Enterprise</u>
GAAP Basis	(\$344,608)
Revenue Accruals	(22,288)
Expense Accruals	(163,994)
Prepaid Items	(2,310)
Capital Outlay	61,992
Depreciation Expense	500,471
Principal Retirement	(162,206)
Encumbrances	<u>(125,078)</u>
Budget Basis	<u>(\$258,021)</u>

NOTE 19 - JOINTLY GOVERNED ORGANIZATION

The Miami Valley Fire/EMS Alliance (the Alliance) is a jointly governed organization between municipal corporations and townships in Montgomery, Greene and Warren Counties. The purpose of the Alliance is to foster cooperation among the political subdivisions by promoting programs and recommending matters which will result in more efficient methods of delivering fire and emergency medical services in the region. The Board of the Alliance is made up of a representative appointed by the City of Dayton, a representative appointed by the members who are provided Fire/EMS Services by volunteers, two representatives appointed by the members who are provided Fire/EMS Services by a combination of full time employees and volunteers, and a representative appointed by the members who are provided Fire/EMS Services by full time employees. Payments to the Alliance are made from the Fire fund. The City contributed \$1,444 for the operation of the Alliance during 1998.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

NOTE 20 - CONTINGENT LIABILITIES

LITIGATION

The City of New Carlisle is party to various legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The ultimate disposition of such proceedings is not presently determinable, but will not, in the opinion of the City Law Director, have a material adverse effect on the financial condition of the City.

FEDERAL AND STATE GRANTS

For the period January 1, 1998, to December 31, 1998, 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 21 - SUBSEQUENT EVENTS

On April 5, 1999, the City authorized a contract with Ford Motor Credit for the leasing of three police cruisers at 5.4 percent interest. This is a three year lease, with principal payments of \$21,647 due annually on May 15, 1999, 2000, and 2001.

On May 6, 1999, the City signed a promissory note with Security National Bank in the principal amount of \$111,093 to purchase a fire truck. The entire amount of the note plus accrued interest at a rate of 4.79 percent is payable on May 6, 2000.

The City contracted with Kercon Roofing for \$185,000 on August 5, 1999 for roof replacement at the New Carlisle Government Building.

NOTE 22 - YEAR 2000

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal 1999.

The City of New Carlisle had completed an inventory of computer systems and other equipment necessary to conducting County operations.

The City has completed the remediation phase for financial reporting, income tax collection, utility and payroll systems as of December 31, 1998. Validation and testing of this system was not completed as of December 31, 1998; however, the City had software upgrades installed in September of 1999 which the company has stated "will be compliant software versions."

The City Water and Sewer department has obtained documentation from the vendor which states "all of these instruments controls are Y2K compliant."

Clark County collects property taxes for distribution to the City. The County is responsible for remediating that system, and is solely responsible for any costs associated with that project.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the City is, or will be, year 2000 ready; that the City's remediation efforts will be successful in whole or in part; or that parties with whom the City does business will be year 2000 ready.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
City of New Carlisle
432 North Main Street
New Carlisle, Ohio 45344

We have audited the financial statements of City of New Carlisle, Clark County (the City), as of and for the year ended December 31, 1998, and have issued our report thereon dated December 9, 1999 in which we qualified our opinion on the Compensated Absence Balance, in the General, Special Revenue, Enterprise Funds and the General Long-Term Debt Account Group and Charges for Services (Ambulance Revenue) in the Special Revenue Fund due to inadequacies in the City's accounting records. Additionally, the City changed its method of accounting for investments and deferred compensation to conform with GASB Statement No. 31 and 32. Except as previously discussed, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether City of New Carlisle's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1998-20312-001 and 1998-20312-002.

We also noted certain immaterial instances of noncompliance that we have reported to management of the City of New Carlisle in a separate letter dated December 9, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of New Carlisle's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect City of New Carlisle's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1998-20312-003 through 1998-20312-012.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 1998-20312-003 through 1998-20312-005 to be material weaknesses.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City of New Carlisle in a separate letter dated December 9, 1999.

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

Jim Petro
Auditor of State

December 9, 1999

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998**

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

Finding Number	1998-20312-001	Report Level Citation
-----------------------	-----------------------	------------------------------

Encumbering

Ohio Rev. Code Section 5705.41 (D), states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

Section 5705.41 (D), Revised Code, provides the following exception to this requirement:

If no certificate is issued at the time the contract or order is presented for payment, the fiscal officer may authorize the payment provided there is appropriated a sufficient sum for the purpose of such contract and is in the treasury or process of collection to the credit of an appropriate fund free from a previous encumbrance, and the amount involved is less than \$1,000. Amounts greater than \$1,000 must be approved by the taxing authority within 30 days from receipt of the fiscal officers certificate.

Seventeen percent of the vouchers tested were not certified before the purchase occurred. The City should develop and implement purchasing policies to ensure that the fiscal officer's is obtained in a timely manner.

Finding Number	1998-020312-002	Report Level Citation
-----------------------	------------------------	------------------------------

Records Destruction

Ohio Rev. Code Section 149.351 (A), states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under sections 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

Ambulance bills and receipts, leave sheets, 1099's and income tax logs could not be located for audit.

Lack of accounting records may adversely affect the decisions of management and could result in inaccurate financial reporting. The City should develop and adopt policies and procedures outlining the security of all records noting the records' description and location. All records should be maintained in a secure central location. Disposal of records should only be made in accordance with an approved records retention schedule.

Finding Number	1998-20312-003	Material Weakness
-----------------------	-----------------------	--------------------------

Cash Reconciliation

Monthly reconciliations from the City's ledgers to the City's depository accounts were not performed. As a result, adjustments were made to the City's year-end balances for the general, all except one special revenue, and three of the nine enterprise funds, totaling \$119,566. Further, the monthly payroll bank account was not reconciled. Bank reconciliations are tools to enable management to insure the accuracy and completeness of the City's financial statements. Failure to maintain complete accountability of public monies could increase the possibility of errors going undetected.

To maintain continuing accountability and to strengthen internal accounting controls over the cash reconciliation process, monthly bank reconciliations should be performed. Also, personnel independent of the reconciliation process should periodically review the records to determine accuracy and to assure themselves that proper procedures are followed by the fiscal officer. These periodic reviews should be noted in the minutes and/or documents reviewed should be initialed by the reviewer.

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998
(Continued)**

Finding Number	1998-20312-004	Material Weakness
-----------------------	-----------------------	--------------------------

Compensated Absences Vacation and Sick Leave Records

There were numerous errors noted in the sick and vacation leave balances. The actual number of leave days taken per approved leave sheet documentation did not agree with the City's vacation and sick leave records. The City could only locate the leave sheets for six employees from a sample of fifteen. Of these employees, there were variances as high as 135 hours between the two sets of records for vacation leave. Also, the City's year-end balances included employees who were hired after year-end. Furthermore, City Officials were unsure if the leave forms which were available for audit were complete and were unable to establish accurate leave balances. Failure to maintain the proper leave balances could result in the loss of public funds if an employee uses leave time which they are not entitled to. The City's leave records should be updated and reconciled on a monthly basis with the leave sheets approved by City officials to provide accurate leave balances for all employees, to reduce the potential of disagreement between the City and its employees, and to aid in accurate financial statement presentation.

Finding Number	1998-20312-005	Material Weakness
-----------------------	-----------------------	--------------------------

Ambulance - Charges for Services

Thirty-seven percent of the run sheets tested were not signed by the Senior EMS personnel. This signature signifies the review and accuracy of the procedures performed during the run which determines the amount the City should bill for services rendered. There were numerous run sheets that did not have the patient or guardian signature to indicate if they accepted or refused service. Moreover, the run sheets did not indicate whether a run was within or outside the City limits which determined the amount charged. Not properly performing these functions could allow the City to bill individuals an incorrect amount. Run sheets should be reviewed by appropriate personnel to ensure that all information is completed or marked properly for the City to bill patients the correct amount.

Finding Number	1998-20312-006	Reportable Condition
-----------------------	-----------------------	-----------------------------

Fixed Assets

Review of the City's fixed asset accounting system noted the following weaknesses:

- a. No written policy for the determination of the City's capitalization amount.
- b. No depreciation report by fixed asset.
- c. The fixed asset ledger did not agree to amounts reported on the financial statements.
- d. No documentation maintained for sale of assets.

These weaknesses resulted in an inaccurate listing of City property, and erroneous presentation of fixed assets on the City's financial statements. We recommend that:

- a. The City formally adopt and implement a fixed asset policy.
- b. All fixed asset activity above the capitalization threshold amount should be recorded on the fixed asset report and reconciled to the amount reported on the financial statements.
- c. A depreciation report by individual fixed asset should be maintained and reconciled to the amount reported on the financial statements.
- d. An annual inventory should be performed, reviewed, maintained, and reconciled to the City's fixed asset report.

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998
(Continued)**

Finding Number	1998-20312-007	Reportable Condition
-----------------------	-----------------------	-----------------------------

Contract Modification

The City Manager approved the payment of unearned vacation leave, continuation of work by resigned employees without written contracts, and the payment for this work by the former employee without Council approval which could result in unauthorized expenditures. To ensure proper approval, the City Manager should obtain the Council's approval for any changes to employee benefits, and any retention of resigned employees. The City Manager should obtain Council's approval for any changes to employee contracts/benefits, and have the new contracts signed by all parties involved. The City should develop and implement procedures to document how these situations are to be handled to provide consistency in application and reduce the possibility of unauthorized expenditures.

Finding Number	1998-20312-008	Reportable Condition
-----------------------	-----------------------	-----------------------------

Unauthorized Signatories

Two previous Finance Directors continued signing checks after their resignation date without Council approval. Such action could result in unauthorized expenditures. The City should implement policies and procedures concerning the resignation/termination of employees and their access to City assets including insuring that only authorized personnel sign any documents on behalf of the City and that its banks and vendors are immediately notified of changes in authorized signatories.

Finding Number	1998-20312-009	Reportable Condition
-----------------------	-----------------------	-----------------------------

Council Approval Over Expenditures

Council was not routinely receiving a list of City expenditures for review and /or approval which could result in unauthorized expenditures. To ensure proper authorization and purpose, all expenditures should be approved by the City Council. To strengthen internal accounting controls, Council's approval of the expenditures should be noted in the minutes and/or the monthly listing presented to Council should be reviewed and initialed by the reviewer.

Finding Number	1998-20312-010	Reportable Condition
-----------------------	-----------------------	-----------------------------

Posting of Records

Many transactions were not entered into the City's computer system when they occurred, numerous checks dated in 1997 and 1999 were posted in the 1998 records, and other receipts were double posted. These errors did not provide for an accurate presentation of the City's financial status during the year which could result in inaccuracies in the financial statements and erroneous management decisions. The City should post receipts and expenditures in a timely and accurate manner so the records properly reflect the financial position at all times. Checks should also be posted in the proper period and be properly dated to further improve the records of the City.

Finding Number	1998-20312-011	Reportable Condition
-----------------------	-----------------------	-----------------------------

Accounting Procedures

The City employed four finance directors during the year who performed accounting practices differently. This resulted in numerous accounting errors and inconsistencies in postings. The City did not have an accounting procedure manual to explain in detail how to process its various accounting cycles such as:

- income tax receipts
- water and sewer receipts
- cemetery receipts
- ambulance receipts
- tax and intergovernmental receipts

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998
(Continued)**

Finding Number	1998-20312-011	Reportable Condition
-----------------------	-----------------------	-----------------------------

Accounting Procedures (Continued)

miscellaneous receipts
income tax refunds
general expenditures
water and sewer expenditures
payroll expenditures

A comprehensive accounting policy manual should be developed, implemented, and approved by Council. The manual should include (but not be limited to) procedures concerning the various accounting cycles, record keeping procedures, preparation of financial statements and other related information.

Finding Number	1998-02312-012	Reportable Condition
-----------------------	-----------------------	-----------------------------

Year 2000 Compliance

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal 1999.

The City of New Carlisle had completed an inventory of computer systems and other equipment necessary to conducting County operations.

The City has completed the remediation phase for financial reporting, income tax collection, utility and payroll systems as of December 31, 1998. Validation and testing of this system was not completed as of December 31, 1998; however, the City had software upgrades installed in September of 1999 which the vendor has stated "will be compliant software versions."

The City Water and Sewer department has obtained documentation from the vendor which states "all of these instruments controls are Y2K compliant."

The City should institute necessary procedures to ensure that all systems are tested and validated for compliance, and maintain back-up records in case of system failures.

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 1998**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1997-20312-001	Finding for Recovery against Madge Sellhaas	Yes	Compromised on the amount of \$7,500. Approved by the City Council and Attorney General.
1997-20312-002	Finding for recovery against Deborah Swann	No	City Council has not yet determined whether or not to pursue recovery of these funds. D. Swann viewed as different than Mrs. Sellhaas.
1997-20312-003	Severance Pay - Union Employees	Yes	This Contract prevails, since 1/8/97, the contract has been followed absolutely with regard to union employees. Concerning exempt or management personnel all policies and procedures have been followed. However, with one such employee, an agreement was entered which resulted in his receiving less than provided for in relevant policies. Concerning union and management employees prior to 1/8/97, we are not convinced that deviations were errors. In other words, they may have been intentional.
1997-20312-004	Fixed Assets - Accountability	No	We agree with the finding. As stated earlier, this will be fully corrected during 1999.
1997-20312-005	Year 2000 Compliance	Not Sure	Neither the auditor or the City will know whether this is a problem until 1/1/00. We have installed a new computer system, and the finance director has shared certifications with the auditor's office. We are doing extensive planning with all departments and divisions, while there may be problems, we believe we are fully prepared to deal with any problem that may arise.

THIS PAGE LEFT BLANK INTENTIONALLY



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

CITY OF NEW CARLISLE

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 6, 2000**