



**Auditor of State  
Betty Montgomery**



**CITY OF CARLISLE  
WARREN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2002.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2001.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2001.....	6
Notes to the Financial Statements.....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings.....	17

**This page intentionally left blank.**



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the City of Carlisle, Warren County, Ohio (the City), as of and for the years ended December 31, 2002 and December 31, 2001. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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.

Ohio Administrative Code, Section 117-2-03 (B), requires the City to prepare its annual financial report in accordance with generally accepted accounting principles for 2002. However, as discussed in Note 1, the accompanying financial statements and notes for 2002 have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance in generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. For 2001 as discussed in Note 1, the City prepared its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the City as of December 31, 2002 and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, City Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 27, 2003

**CITY OF CARLISLE  
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$470,859	\$310,896	\$0	\$0	\$781,755
Special Assessments	11,719		58,168		69,887
Intergovernmental Receipts	159,051	173,616			332,667
Charges for Services		39,977		82,245	122,222
Fines, Licenses, and Permits	103,603	48,169			151,772
Miscellaneous	133,426	15,985		16,768	166,179
	<u>878,658</u>	<u>588,643</u>	<u>58,168</u>	<u>99,013</u>	<u>1,624,482</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	297,614	279,973			577,587
Leisure Time Activities	6,128				6,128
Community Environment	123,438			799,596	923,034
Transportation		128,502			128,502
General Government	397,872	5,790			403,662
Debt Service	99,220	364,571	52,570	1,594,859	2,111,220
Capital Outlay	25,889	31,390			57,279
	<u>950,161</u>	<u>810,226</u>	<u>52,570</u>	<u>2,394,455</u>	<u>4,207,412</u>
Total Receipts Over/(Under) Disbursements	<u>(71,503)</u>	<u>(221,583)</u>	<u>5,598</u>	<u>(2,295,442)</u>	<u>(2,582,930)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Notes	45,000	308,900		2,317,500	2,671,400
Sale of Fixed Assets				171,304	171,304
Transfers-In		2,000		52,000	54,000
Transfers-Out	(14,000)	(50,000)		(13,000)	(77,000)
	<u>31,000</u>	<u>260,900</u>	<u>0</u>	<u>2,527,804</u>	<u>2,819,704</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(40,503)	39,317	5,598	232,362	236,774
Fund Cash Balances, January 1	540,523	465,971	5,670	274,161	1,286,325
<b>Fund Cash Balances, December 31</b>	<b><u>\$500,020</u></b>	<b><u>\$505,288</u></b>	<b><u>\$11,268</u></b>	<b><u>\$506,523</u></b>	<b><u>\$1,523,099</u></b>
Reserves for Encumbrances, December 31	<u>\$8,446</u>	<u>\$1,983</u>	<u>\$0</u>	<u>\$216,609</u>	<u>\$227,038</u>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF CARLISLE  
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Enterprise</u>	<u>Agency</u>	<u>Totals (Memorandum Only)</u>
<b>Operating Cash Receipts:</b>			
Charges for Services	\$1,029,588	\$0	\$1,029,588
Miscellaneous	22,499		22,499
Total Operating Cash Receipts	<u>1,052,087</u>	<u>0</u>	<u>1,052,087</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	197,588		197,588
Fringe Benefits	9,186		9,186
Contractual Services	760,102		760,102
Supplies and Materials	14,199		14,199
Capital Outlay	4,893		4,893
Total Operating Cash Disbursements	<u>985,968</u>	<u>0</u>	<u>985,968</u>
Operating Income/(Loss)	<u>66,119</u>	<u>0</u>	<u>66,119</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts		99,845	99,845
Total Non-Operating Cash Receipts	<u>0</u>	<u>99,845</u>	<u>99,845</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	15,473		15,473
Other Non-Operating Cash Disbursements		103,303	103,303
Total Non-Operating Cash Disbursements	<u>15,473</u>	<u>103,303</u>	<u>118,776</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	50,646	(3,458)	47,188
Sale of Notes	10,900		10,900
Transfers-In	23,000		23,000
Net Receipts Over/(Under) Disbursements	84,546	(3,458)	81,088
Fund Cash Balances, January 1	<u>349,298</u>	<u>10,560</u>	<u>359,858</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$433,844</u></b>	<b><u>\$7,102</u></b>	<b><u>\$440,946</u></b>
Reserve for Encumbrances, December 31	<u>\$2,329</u>	<u>\$0</u>	<u>\$2,329</u>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF CARLISLE  
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$492,122	\$324,633	\$0	\$0	\$816,755
Special Assessments	14,039		42,623		56,662
Intergovernmental Receipts	212,317	228,288			440,605
Charges for Services		23,640		102,873	126,513
Fines, Licenses, and Permits	113,338	7,979			121,317
Miscellaneous	134,277	48,888		30,587	213,752
<b>Total Cash Receipts</b>	<b>966,093</b>	<b>633,428</b>	<b>42,623</b>	<b>133,460</b>	<b>1,775,604</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	284,197	337,041			621,238
Leisure Time Activities	8,221			23,189	31,410
Community Environment	76,658	8,429		178,137	263,224
Transportation		149,626		15,313	164,939
General Government	367,948	4,775			372,723
Debt Service	152,791	528,655	45,678	1,307,393	2,034,517
Capital Outlay	4,826	15,305			20,131
<b>Total Cash Disbursements</b>	<b>894,641</b>	<b>1,043,831</b>	<b>45,678</b>	<b>1,524,032</b>	<b>3,508,182</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>71,452</b>	<b>(410,403)</b>	<b>(3,055)</b>	<b>(1,390,572)</b>	<b>(1,732,578)</b>
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Notes	95,500	449,900		969,094	1,514,494
Sale of Fixed Assets		2,910			2,910
Transfers-In		28,320	3,000	421,000	452,320
Transfers-Out	(74,820)	(2,500)		(385,000)	(462,320)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>20,680</b>	<b>478,630</b>	<b>3,000</b>	<b>1,005,094</b>	<b>1,507,404</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>92,132</b>	<b>68,227</b>	<b>(55)</b>	<b>(385,478)</b>	<b>(225,174)</b>
<b>Fund Cash Balances, January 1</b>	<b>451,381</b>	<b>394,754</b>	<b>5,725</b>	<b>659,639</b>	<b>1,511,499</b>
<b>Fund Cash Balances, December 31</b>	<b>\$543,513</b>	<b>\$462,981</b>	<b>\$5,670</b>	<b>\$274,161</b>	<b>\$1,286,325</b>
Reserves for Encumbrances, December 31	\$0	\$0	\$0	\$0	\$0

*The notes to the financial statements are an integral part of this statement.*

**CITY OF CARLISLE  
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Enterprise</u>	<u>Agency</u>	<u>Totals (Memorandum Only)</u>
<b>Operating Cash Receipts:</b>			
Charges for Services	\$946,191	\$0	\$946,191
Miscellaneous	8,082		8,082
Total Operating Cash Receipts	<u>954,273</u>	<u>0</u>	<u>954,273</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	163,660		163,660
Fringe Benefits	7,423		7,423
Contractual Services	666,824		666,824
Supplies and Materials	14,880		14,880
Capital Outlay	10,426		10,426
Total Operating Cash Disbursements	<u>863,213</u>	<u>0</u>	<u>863,213</u>
Operating Income/(Loss)	<u>91,060</u>	<u>0</u>	<u>91,060</u>
<b>Non-Operating Cash Receipts:</b>			
Proceeds from Notes	12,400		12,400
Other Non-Operating Receipts		124,339	124,339
Total Non-Operating Cash Receipts	<u>12,400</u>	<u>124,339</u>	<u>136,739</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	17,238		17,238
Other Non-Operating Cash Disbursements		119,242	119,242
Total Non-Operating Cash Disbursements	<u>17,238</u>	<u>119,242</u>	<u>136,480</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	86,222	5,097	91,319
Transfers-In	<u>10,000</u>		<u>10,000</u>
Net Receipts Over/(Under) Disbursements	96,222	5,097	101,319
Fund Cash Balances, January 1	<u>253,076</u>	<u>5,463</u>	<u>258,539</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$349,298</u></b>	<b><u>\$10,560</u></b>	<b><u>\$359,858</u></b>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF CARLISLE  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The City of Carlisle, Warren County, Ohio (the City), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City reported as the Village of Carlisle for fiscal year 1999 and 2000 and is reporting as a City for 2001 and 2002. As a result of the census of 2000, the municipality received a proclamation to become a City on March 30, 2001. The City is directed by a publicly-elected six-member Council. The City provides water and sewer utilities, park operations, police services, and a planning and zoning department. The City contracts with the Franklin Township Fire Department to provide fire services.

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

**B. Basis of Accounting**

Although required by Ohio Administrative Code, Section 117-2-03 (B), to prepare its annual financial report in accordance with generally accepted accounting principles in 2002, the City chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting.

For 2001, the financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting.

For 2002 and 2001, receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

For 2002, the statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the above paragraph.

For 2001, the statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Deposits**

Certificates of deposit are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**CITY OF CARLISLE  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**2. Special Revenue Funds**

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

Street Construction, Maintenance and Repair Fund

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

Fire Fund

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

Police Services Fund

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

**3. Debt Service Fund**

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

**4. Capital Project Funds**

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

Capital Acquisition Capital Improvement Land (CACIL) Fund

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

**5. Enterprise Funds**

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

Sewer Fund

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

**CITY OF CARLISLE  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**6. Fiduciary Fund (Agency Fund)**

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

Mayor's Court Fund

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

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund or function level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end for 2002 and appropriations lapse at year end for 2001.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the City to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The City did not encumber all commitments required by Ohio law.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

**CITY OF CARLISLE  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

The City maintains a cash and deposits pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2002	2001
Demand deposits	\$964,045	\$646,183
Certificates of deposit	1,000,000	1,000,000
Total deposits	\$1,964,045	\$1,646,183

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

During 2002 and 2001, the City was not always properly collateralized.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$892,270	\$926,085	\$33,815
Special Revenue	850,785	897,116	46,331
Debt Service	52,833	58,168	5,335
Capital Projects	2,843,122	2,639,817	(203,305)
Enterprise	957,900	1,085,987	128,087
Total	\$5,596,910	\$5,607,173	\$10,263

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,064,568	\$972,607	\$91,961
Special Revenue	942,254	862,209	80,045
Debt Service	52,949	52,570	379
Capital Projects	2,779,161	2,624,064	155,097
Enterprise	1,052,726	1,003,770	48,956
Total	\$5,891,658	\$5,515,220	\$376,438

**CITY OF CARLISLE  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$930,940	\$1,072,282	\$141,342
Special Revenue	1,108,229	1,103,869	(4,360)
Debt Service	46,915	45,623	(1,292)
Capital Projects	1,611,356	1,523,554	(87,802)
Enterprise	939,400	976,673	37,273
Total	\$4,636,840	\$4,722,001	\$85,161

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,051,527	\$969,461	\$82,066
Special Revenue	1,117,641	1,046,331	71,310
Debt Service	45,677	45,678	(1)
Capital Projects	2,091,250	1,909,032	182,218
Enterprise	928,705	880,451	48,254
Total	\$5,234,800	\$4,850,953	\$383,847

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by City Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

**5. LOCAL INCOME TAX**

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

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

**CITY OF CARLISLE  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$2,390	N/A
Jamaica Road Improvement	\$30,735	6.00%
Bond Anticipation Notes	2,007,300	6.00%
Union Road Extension Bonds	171,000	6.25%
Street Construction Bonds	320,000	Various
Total	<u>\$2,531,425</u>	

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

	<u>OWDA Loan</u>	<u>Jamaica Road Improvement</u>	<u>Bond Anticipation Notes</u>	<u>Union Road Extension Bonds</u>	<u>Street Construction Bonds</u>
Year ending					
December 31:					
2003	2,390	2,755	2,127,738	13,344	31,038
2004	0	2,755	0	13,094	30,370
2005	0	2,755	0	13,844	29,688
2006	0	2,755	0	13,563	28,990
2007	0	2,755	0	14,281	28,278
2008-2012	0	13,772	0	77,281	148,958
2013-2017	0	13,772	0	71,313	147,395
2018-2021	0	11,018	0	0	31,605
Total	<u>\$2,390</u>	<u>\$52,337</u>	<u>\$2,127,738</u>	<u>\$216,720</u>	<u>\$476,322</u>

**7. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OP&F participants contributed 10% of their wages. The City contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The City contributed an amount equal to 13.55% of participants' gross salaries. The City has paid all contributions required through December 31, 2002.

**CITY OF CARLISLE  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**8. RISK MANAGEMENT**

The City has obtained commercial insurance for the following risks:

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

**9. CONTINGENT LIABILITIES**

The City is defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the City's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**10. MATERIAL NONCOMPLIANCE**

Certain deposits were not made in accordance with the time requirement set forth in Ohio law.

**This page intentionally left blank.**



## Auditor of State Betty Montgomery

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

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

To the City Council:

We have audited the accompanying financial statements of the City of Carlisle, Warren County, Ohio (the City), as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated February 27, 2003, which noted the City prepared its 2001 financial statements on a basis of accounting permitted by the Auditor of State and for 2002, on a basis other than that prescribed by Ohio Administrative Code, Section 117-2-03(B). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 several instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of finds as items 2002-30483-001 through 2002-30483-004.

We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated February 27, 2003.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide 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 the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2002-30483-003.

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.

250 W. Court St. / Suite 150 E / Cincinnati, OH 45202

Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577

[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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, we believe that the reportable condition described above is not a material weakness.

We also noted 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 in a separate letter dated February 27, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 27, 2003

**CITY OF CARLISLE  
WARREN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2002-30483-001**

**Noncompliance Citation**

Ohio Administrative Code, Section 117-2-03 (B), requires the City to prepare its annual financial report in accordance with generally accepted accounting principles for 2002. However, the City prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles in 2002. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The City can be fined and various other administrative remedies may be taken against the City.

We recommend that since the Village became a City in 2001, the City should obtain necessary training in order to prepare financial statements in accordance with GAAP.

**FINDING NUMBER 2002-30483-002**

**Noncompliance Citation**

Ohio Rev. Code, Section 9.38, provides that any public official and/or employee who receive public moneys shall deposit said moneys with the treasurer of the district or properly designated depository by the next business day. The City has established a policy which states that if the receipts are under \$1,000 they can have up to three days to deposit. Twelve percent of income tax receipts tested were not deposited by the next business day and were over \$1,000 with two collections not being deposited for almost two weeks. Thirteen percent of utility receipts tested were not deposited by the next business day and were over \$1,000 with three collections not being deposited for almost one week. Thirty percent of building and zoning receipts tested were not deposited by the next business day and were over \$1,000 with four collections not deposited for almost one week. The City's failure to deposit checks when received not only contradicts the Ohio Rev. Code, but also increases the risk of theft and misclassification of revenue. We recommend that the City deposit checks as they are received or if under \$1,000 the City follow their policy.

This was also reported in the audit of the financial statements for 1999 and 2000.

**FINDING NUMBER 2002-30483-003**

**Noncompliance Citation/Reportable Condition**

Ohio Rev. Code, Section 5705.41 (D), states that:

No subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the City Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such Certificate.

**FINDING NUMBER 2002-30483-003  
(Continued)**

- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the City Council, if such expenditure is otherwise valid.

In 26.9% of expenditures tested, there was no certification of funds made prior to the commitment of the funds and Then and Now Certificates were not utilized whether authorized by the Finance Director or City Council.

We recommend that the City certify all expenditures and if certification is not made before payment to utilize Then and Now Certificates. These Certificates can be authorized by the Finance Director if less than one thousand dollars and if over one thousand dollars the certificates must be approved by Council.

This was also reported in the audit of the financial statements for 1999 and 2000.

**FINDING NUMBER 2002-30483-004**

**Noncompliance Citation**

Ohio Rev. Code, Sections 135.18 and 135.181, states that the treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. The City did not have adequate collateral for seventeen out of the twenty-four months of the audit period. In 2001 the deposits not collateralized ranged from \$35,678 to \$502,707 and in 2002 the deposits not collateralized ranged from \$9,342 to \$792,872. At December 31, 2002 the City's funds were properly collateralized. Failure to require the depository to provide appropriate collateral could result in loss of funds. We recommend that the Finance Director monitor bank balances and amounts collateralized on a regular basis.



**Auditor of State  
Betty Montgomery**

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

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**CITY OF CARLISLE**

**WARREN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 20, 2003**