

**City of New Carlisle, Ohio**

Clark County

Basic Financial Statements and  
Independent Auditor's Reports

For the Year Ended December 31, 2005







**Auditor of State  
Betty Montgomery**

City Council  
City of New Carlisle  
331 S. Church Street  
P.O. Box 419  
New Carlisle, Ohio 45344

We have reviewed the *Independent Auditor's Report* of the City of New Carlisle, Clark County, prepared by Kennedy, Cottrell & Associates, LLC, for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

September 25, 2006

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

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## INDEPENDENT AUDITOR'S REPORT

City Council  
City of New Carlisle  
PO Box 419  
331 S. Church Street  
New Carlisle, Ohio 45344

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Carlisle, Clark County, Ohio (the City) as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

We were unable to obtain sufficient competent evidential matter supporting the City's capital assets balances reported in the City's basic financial statements; nor were we able to satisfy ourselves as to the reported accumulated depreciation and current period depreciation expense.

In our opinion, except for the effects of such adjustments, if any, as might have been determined necessary had we been able to examine evidence regarding the City's capital assets, accumulated depreciation, and current period depreciation expense, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, and the water, sewer, and swimming pool funds of the City as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the General, Street Construction, Emergency Ambulance, and Capital Projects funds, and the aggregate remaining fund information of the City as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general, street construction, and emergency ambulance funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2006 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.

The accompanying management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Kennedy, Cottrell + Associates LLC*

Kennedy, Cottrell + Associates  
Columbus, Ohio  
August 10, 2006

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

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)**

This discussion and analysis of the City of New Carlisle's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

**FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$4.3 million (net assets).
- The City's total net assets increased by \$294,659, or 7.3%.
- As of the close of the current fiscal year, the City's enterprise funds reported combined ending net assets of \$2.8 million, an increase of \$179,873 in comparison with the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

***Reporting the City of New Carlisle as a Whole***

*Statement of Net Assets and Statement of Activities*

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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



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

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)**

***Reporting the City of New Carlisle's Most Significant Funds***

*Fund Financial Statements*

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

*Governmental Funds*

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

The City maintains 15 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, for the general, street construction, emergency ambulance and capital projects funds, which are considered to be the City's major funds. Data from the other 11 governmental funds are combined into a single, aggregated presentation.

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

*Proprietary Funds*

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

*Fiduciary Funds*

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

*Notes to the basic financial statements*

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

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

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)**

**THE CITY OF NEW CARLISLE AS A WHOLE**

Recall that the Statement of Net Assets provides the perspective of the City as a whole. Table 1 provides a summary of the City's net assets for 2004 compared to 2005.

**TABLE 1**

**Net Assets**

	Governmental		Business-type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 1,701,135	\$ 1,537,218	\$ 630,364	\$ 346,144	\$ 2,331,499	\$ 1,883,362
Capital assets	3,093,454	3,003,513	6,820,639	4,704,974	9,914,093	7,708,487
Total Assets	<u>4,794,589</u>	<u>4,540,731</u>	<u>7,451,003</u>	<u>5,051,118</u>	<u>12,245,592</u>	<u>9,591,849</u>
Current liabilities	2,933,118	2,934,767	70,427	119,444	3,003,545	3,054,211
Long-term liabilities	269,773	129,052	4,629,271	2,360,242	4,899,044	2,489,294
Total Liabilities	<u>3,202,891</u>	<u>3,063,819</u>	<u>4,699,698</u>	<u>2,479,686</u>	<u>7,902,589</u>	<u>5,543,505</u>
Net Assets:						
Invested in capital assets, net of related debt	1,073,451	2,906,517	2,246,228	2,406,258	3,319,679	5,312,775
Restricted	301,183	81,702	-	-	301,183	81,702
Unrestricted	217,064	(1,511,307)	505,077	165,174	722,141	(1,346,133)
Total Net Assets	<u>\$ 1,591,698</u>	<u>\$ 1,476,912</u>	<u>\$ 2,751,305</u>	<u>\$ 2,571,432</u>	<u>\$ 4,343,003</u>	<u>\$ 4,048,344</u>

By far the largest portion of the City's net assets (76.4%) reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, etc.), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (6.1%) represents resources that are subject to external restrictions on how they may be used. The remaining net asset amount available to meet the ongoing obligations to citizens and creditors is \$722,141.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)**

Table 2 shows the changes in net assets for the year ended December 31, 2005.

**TABLE 2**

**Changes in Net Assets**

	Governmental		Business-type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
<b>Program Revenues:</b>						
Charges for Services	\$ 654,777	\$ 627,206	\$ 1,450,570	\$ 1,379,372	\$ 2,105,347	\$ 2,006,578
Grants and Contributions	316,599	295,453	350,000	484,916	666,599	780,369
<b>General Revenues:</b>						
Property Taxes	397,868	294,641	-	-	397,868	294,641
Income Taxes	951,841	852,811	-	-	951,841	852,811
Other Local Taxes	31,327	-	-	-	31,327	-
Payments in Lieu of Taxes	21,210	19,329	-	-	21,210	19,329
Unrestricted Grants	59,677	66,596	-	-	59,677	66,596
Other Unrestricted Revenues	104,384	35,425	26,640	174	131,024	35,599
<b>Total Revenues</b>	<b>2,537,683</b>	<b>2,191,461</b>	<b>1,827,210</b>	<b>1,864,462</b>	<b>4,364,893</b>	<b>4,055,923</b>
<b>Expenses:</b>						
General Government	644,519	637,587	-	-	644,519	637,587
Security of Persons and Property	584,769	363,007	-	-	584,769	363,007
Leisure Time Activities	70,160	40,833	-	-	70,160	40,833
Health	707,168	860,721	-	-	707,168	860,721
Community Environment	48,877	91,776	-	-	48,877	91,776
Transportation	212,245	144,685	-	-	212,245	144,685
Interest on Long-Term Debt	62,089	40,103	-	-	62,089	40,103
Water	-	-	573,781	536,461	573,781	536,461
Sewer	-	-	1,046,981	1,045,546	1,046,981	1,045,546
Swimming Pool	-	-	119,645	97,589	119,645	97,589
<b>Total Expenses</b>	<b>2,329,827</b>	<b>2,178,712</b>	<b>1,740,407</b>	<b>1,679,596</b>	<b>4,070,234</b>	<b>3,858,308</b>
<b>Increase in Net Assets</b>						
before Transfers	207,856	12,749	86,803	184,866	294,659	197,615
Transfers	(93,070)	(45,074)	93,070	45,074	-	-
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 114,786</b>	<b>\$ (32,325)</b>	<b>\$ 179,873</b>	<b>\$ 229,940</b>	<b>\$ 294,659</b>	<b>\$ 197,615</b>

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

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)**

*Governmental Activities*

Property and income taxes, charges for services, and operating grants are the biggest contributors of revenue for the City's governmental activities. General government, security of persons and property and health services are the major activities of the City accounting for 27.7%, 25.1% and 30.4% of governmental expenses, respectively.

During the fiscal year, net assets of the City's governmental activities increased by \$114,786, or 7.8%. This increase represents the degree to which taxes and unrestricted grants and entitlements has exceeded the net cost of providing services to citizens.

*Business-type Activities*

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

During the fiscal year, net assets of the City's business-type activities increased by \$179,873. The primary reason for this increase was the receipt of a \$350,000 grant from the Ohio Public Works Commission in relation to the Water Treatment Plant Improvement Project.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)**

**Total versus Net Cost of Services**

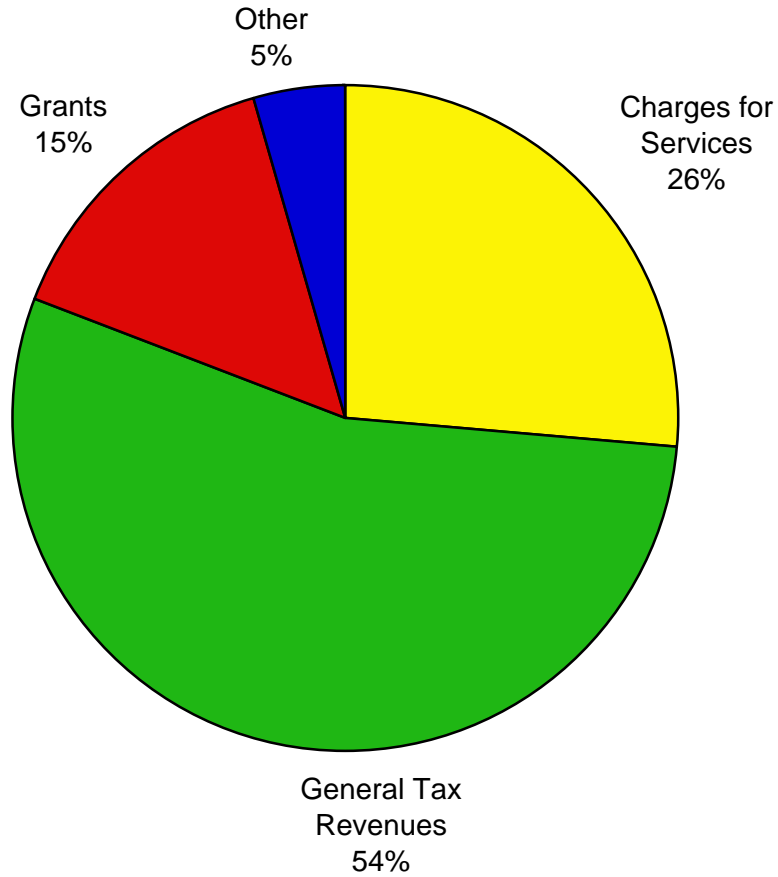
The Statement of Activities shows the cost of program services and the charges for services and grants associated with those services. Table 3 below reflects the cost of program services and the net cost of those services after taking into account the program revenues. When applicable, the net cost of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

**TABLE 3**

Functions/Programs	Total Cost		Net Cost	
	2005	2004	2005	2004
<b>Governmental Activities:</b>				
General government	\$ (644,519)	\$ (637,587)	\$ (620,883)	\$ (547,200)
Security of persons and property	(584,769)	(363,007)	(478,742)	(351,522)
Leisure-time activities	(70,160)	(40,833)	(70,160)	(40,833)
Health	(707,168)	(860,721)	(144,060)	(293,229)
Community environment	(48,877)	(91,776)	(48,877)	(91,776)
Transportation	(212,245)	(144,685)	66,360	108,610
Interest on long-term debt	(62,089)	(40,103)	(62,089)	(40,103)
<b>Total Governmental Activities</b>	<b>(2,329,827)</b>	<b>(2,178,712)</b>	<b>(1,358,451)</b>	<b>(1,256,053)</b>
<b>Business-Type Activities:</b>				
Water	(573,781)	536,461	349,979	261,794
Sewer	(1,046,981)	1,045,546	(231,649)	(76,598)
Swimming pool	(119,645)	97,589	(58,167)	(504)
<b>Total Business-Type Activities</b>	<b>\$ (1,740,407)</b>	<b>\$ 1,679,596</b>	<b>\$ 60,163</b>	<b>\$ 184,692</b>

CITY OF NEW CARLISLE, OHIO  
CLARK COUNTY

MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)



The City's reliance upon general tax revenues is demonstrated by the graph above indicating 54% of total governmental revenues from local taxes, as well as the net cost of services column on the preceding page reflecting the need for \$1.4 million of support.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)**

**THE CITY'S FUNDS**

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

*Governmental Funds*

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of negative \$1,633,064, a 5.2% increase from the previous year.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2005 and 2004.

	<u>Fund Balance 12/31/2005</u>	<u>Fund Balance 12/31/2004</u>	<u>Increase (Decrease)</u>
General fund	\$ (168,799)	\$ 951	\$ (169,750)
Street construction fund	(376,847)	(451,351)	74,504
Emergency ambulance fund	(1,584)	(58,586)	57,002
Capital projects fund	(1,310,374)	(1,293,468)	(16,906)
Other governmental funds	255,156	112,349	142,807
Total	<u>\$ (1,602,448)</u>	<u>\$ (1,690,105)</u>	<u>\$ 87,657</u>

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was negative \$201,275, while total fund balance was negative \$168,799. The \$169,750 fund balance decrease in the general fund is primarily the result of the operating transfers to various other programs which totaled \$400,492 during fiscal year 2005.

The street construction fund accounts for the City's street improvement and construction activities. The street construction fund's expenditures outstripped its revenues during the fiscal year, however a transfer in from the general fund resulted in the fund balance increase noted above.

The costs of providing ambulance services exceeded customer charges for service during the fiscal year, however, proceeds from the sale of bonds resulted in the fund balance increase noted above.

The fund balance of the capital projects fund decreased slightly during the fiscal year as a result of the interest on bond anticipation notes (\$24,911) exceeding the operating transfer received from the general fund (\$13,757).

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

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)**

*Proprietary Funds*

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

Unrestricted net assets in the water fund at the end of the year amounted to \$262,241. Total net assets increased \$387,411, or 42.2%, from the previous year. As stated previously, this increase is primarily the result of grant proceeds received from the Ohio Public Works Commission in relation to the Water Treatment Plant Improvement Project.

Unrestricted net assets in the sewer fund at the end of the year amounted to \$240,925. Total net assets decreased \$184,661, or 11.7%, from the previous year. Operating expenses exceeded operating revenues in the sewer fund, resulting in this decrease.



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

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)**

**General Fund Budgetary Information**

Variiances between the City's original and final revenue estimates and actual revenues were insignificant. Final appropriations exceeded the original resolution by \$34,482, or 2.1%. Final budgetary expenditures were \$89,563 less than final appropriations.

**Capital Assets**

At year-end, the City's investment in capital assets for governmental and business-type activities totaled \$3.1 million and \$6.8 million (net of accumulated depreciation), respectively. This investment in capital assets includes land, land improvements, buildings, equipment, furniture, vehicles, and infrastructure. Total acquisitions for the current fiscal year were \$3.3 million and depreciation on capital assets was \$1.1 million. Detailed information regarding capital asset activity is included in the Note 8 to the basic financial statements.

**Long-Term Debt**

At the end of the current fiscal year, the City had total long-term debt outstanding of \$ 4.8 million. Of this amount, \$225,003 represents bonds and notes backed by the full faith and credit of the City and \$4,574,411 represents OPWC and OWDA loans secured by specified revenue sources. Detailed information regarding long-term debt is included in Note 10 to the basic financial statements.

**Contacting the City**

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

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

STATEMENT OF NET ASSETS  
AS OF DECEMBER 31, 2005

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Pooled Cash and Cash Equivalents	\$ 384,476	\$ 395,699	\$ 780,175
Investments	60,472	-	60,472
Receivables:			
Taxes	820,392	-	820,392
Accounts	108,616	220,570	329,186
Due From Other Governments	195,062	-	195,062
Prepaid Items	49,117	14,095	63,212
Special Assessments Receivable	83,000	-	83,000
Capital Assets, Net	3,093,454	6,820,639	9,914,093
Total Assets	4,794,589	7,451,003	12,245,592
<b>Liabilities</b>			
Accounts Payable	16,532	47,296	63,828
Accrued Wages and Benefits	16,086	7,405	23,491
Due To Other Governments	26,217	15,726	41,943
Unearned Revenue	579,283	-	579,283
Notes Payable	2,295,000	-	2,295,000
Long-Term Liabilities			
Due Within One Year	63,770	91,203	154,973
Due in More Than One Year	206,003	4,538,068	4,744,071
Total Liabilities	3,202,891	4,699,698	7,902,589
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	1,073,451	2,246,228	3,319,679
Restricted For:			
Debt Service	37,578	-	37,578
Other Purposes	263,605	-	263,605
Unrestricted	217,064	505,077	722,141
Total Net Assets	\$1,591,698	\$ 2,751,305	\$4,343,003

See accompanying notes to the basic financial statements

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

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental Activities:</b>							
General Government	\$ 644,519	\$ 23,012	\$ 624	\$ -	\$ (620,883)	\$ -	\$ (620,883)
Security of Persons and Property	584,769	81,243	24,784	-	(478,742)	-	(478,742)
Leisure-Time Activities	70,160	-	-	-	(70,160)	-	(70,160)
Health	707,168	550,522	12,586	-	(144,060)	-	(144,060)
Community Environment	48,877	-	-	-	(48,877)	-	(48,877)
Transportation	212,245	-	278,605	-	66,360	-	66,360
Interest on Long-Term Debt	62,089	-	-	-	(62,089)	-	(62,089)
<b>Total Governmental Activities</b>	<b>2,329,827</b>	<b>654,777</b>	<b>316,599</b>	<b>-</b>	<b>(1,358,451)</b>	<b>-</b>	<b>(1,358,451)</b>
<b>Business-type Activities:</b>							
Water	573,781	573,760	-	350,000	-	349,979	349,979
Sewer	1,046,981	815,332	-	-	-	(231,649)	(231,649)
Swimming Pool	119,645	61,478	-	-	-	(58,167)	(58,167)
<b>Total Business-Type Activities</b>	<b>1,740,407</b>	<b>1,450,570</b>	<b>-</b>	<b>350,000</b>	<b>-</b>	<b>60,163</b>	<b>60,163</b>
<b>Total Government</b>	<b>\$ 4,070,234</b>	<b>\$ 2,105,347</b>	<b>\$ 316,599</b>	<b>\$ 350,000</b>	<b>\$ (1,358,451)</b>	<b>\$ 60,163</b>	<b>\$ (1,298,288)</b>
<b>General Revenues:</b>							
Property Taxes					397,868	-	397,868
Income Taxes					951,841	-	951,841
Other Local Taxes					31,327	-	31,327
Payments in Lieu of Taxes					21,210	-	21,210
Unrestricted Grants and Entitlements					59,677	-	59,677
Other Unrestricted Revenues					104,384	26,640	131,024
Transfers					(93,070)	93,070	-
<b>Total General Revenues and Transfers</b>					<b>1,473,237</b>	<b>119,710</b>	<b>1,592,947</b>
<b>Change in Net Assets</b>							
					114,786	179,873	294,659
Net Assets at Beginning of Year					1,476,912	2,571,432	4,048,344
Net Assets at End of Year					<b>\$ 1,591,698</b>	<b>\$ 2,751,305</b>	<b>\$ 4,343,003</b>

See accompanying notes to the basic financial statements.

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005

	General Fund	Street Construction	Emergency Ambulance	Capital Projects
<b>Assets:</b>				
Pooled Cash and Cash Equivalents	\$ 137,679	\$ 7,591	\$ (4,402)	\$ 59,626
Investments	-	-	-	-
Receivables:				
Taxes	491,893	-	95,954	-
Accounts	-	-	90,241	-
Due From Other Governments	43,236	96,027	5,023	-
Prepaid Items	32,476	9,163	-	-
Special Assessments Receivable	-	-	-	-
Total Assets	705,284	112,781	186,816	59,626
<b>Liabilities:</b>				
Accounts Payable	6,048	1,761	4,676	-
Accrued Wages and Benefits	5,613	1,873	7,259	-
Due To Other Governments	11,280	2,940	8,575	-
Unearned Revenue	351,142	58,054	167,890	-
Bond Anticipation Notes Payable	500,000	425,000	-	1,370,000
Total Liabilities	874,083	489,628	188,400	1,370,000
<b>Fund Balances:</b>				
Reserved for:				
Prepaid Items	32,476	9,163	-	-
Debt Service	-	-	-	-
Perpetual Care	-	-	-	-
Unreserved, Reported In:				
General Fund	(201,275)	-	-	-
Special Revenue Funds	-	(386,010)	(1,584)	-
Capital Project Funds	-	-	-	(1,310,374)
Total Fund Balances	(168,799)	(376,847)	(1,584)	(1,310,374)
Total Liabilities and Fund Balances	\$ 705,284	\$ 112,781	\$ 186,816	\$ 59,626

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See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 183,982	\$ 384,476
60,472	60,472
232,545	820,392
18,375	108,616
50,776	195,062
7,478	49,117
83,000	83,000
<u>636,628</u>	<u>1,701,135</u>
4,047	16,532
1,341	16,086
3,422	26,217
372,662	949,748
-	2,295,000
<u>381,472</u>	<u>3,303,583</u>
7,478	49,117
37,578	37,578
69,924	69,924
-	(201,275)
140,176	(247,418)
-	(1,310,374)
<u>255,156</u>	<u>(1,602,448)</u>
<u>\$ 636,628</u>	<u>\$ 1,701,135</u>

(Continued from previous page)

See accompanying notes to the basic financial statements.

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2005

<b>Total Governmental Fund Balances</b>	\$ (1,602,448)
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,093,454
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	370,465
Long-Term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences payable	(44,770)
General obligation debt	<u>(225,003)</u>
	<u>(269,773)</u>
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 1,591,698</u></u>

See accompanying notes to the basic financial statements.

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005

	General Fund	Street Construction	Emergency Ambulance	Capital Projects
<b>Revenues:</b>				
Property Taxes	\$ 150,071	\$ -	\$ 84,045	\$ -
Income Taxes	918,633	-	-	-
Charges for Services	-	-	450,841	-
Licenses, Permits, and Fees	7,663	-	-	-
Fines and Forfeitures	15,349	-	-	-
Intergovernmental	117,011	196,480	11,617	-
Special Assessments	-	-	-	-
Other	56,469	3,245	-	-
Total Revenues	1,265,196	199,725	546,503	-
<b>Expenditures:</b>				
Current Operations and Maintenance:				
General Government	551,954	-	-	-
Security of Persons and Property	344,552	-	-	-
Leisure-Time Activities	49,300	-	-	-
Health	-	-	484,981	-
Community Environment	34,126	-	-	573
Transportation	-	168,414	-	-
Capital Outlay	41,262	158,513	165,948	5,611
Debt Service:				
Principal Retirement	1,444	2,424	-	-
Interest and Fiscal Charges	20,323	11,362	-	24,911
Total Expenditures	1,042,961	340,713	650,929	31,095
Excess (Deficiency) of Revenues Over (Under) Expenditures	222,235	(140,988)	(104,426)	(31,095)
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	8,507	9,735	24,000	432
Proceeds of Loans	-	15,757	-	-
Proceeds from Sale of Bonds	-	-	137,428	-
Operating Transfers In	-	190,000	-	13,757
Operating Transfers Out	(400,492)	-	-	-
Total Other Financing Sources (Uses)	(391,985)	215,492	161,428	14,189
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(169,750)	74,504	57,002	(16,906)
Fund Balance at Beginning of Year	951	(451,351)	(58,586)	(1,293,468)
Fund Balance at End of Year	\$ (168,799)	\$ (376,847)	\$ (1,584)	\$ (1,310,374)

(Continued to next page)

See accompanying notes to the basic financial statements.



Other Governmental Funds	Total Governmental Funds
\$ 163,752	\$ 397,868
-	918,633
62,468	513,309
-	7,663
-	15,349
108,495	433,603
81,243	81,243
1,396	61,110
<u>417,354</u>	<u>2,428,778</u>

871	552,825
182,132	526,684
-	49,300
114,140	599,121
-	34,699
30,015	198,429
24,851	396,185
21,310	25,178
5,493	62,089
<u>378,812</u>	<u>2,444,510</u>

38,542 (15,732)

600	43,274
-	15,757
-	137,428
103,665	307,422
-	(400,492)
<u>104,265</u>	<u>103,389</u>

142,807	87,657
112,349	(1,690,105)
<u>\$ 255,156</u>	<u>\$ (1,602,448)</u>

(Continued from previous page)

See accompanying notes to the basic financial statements.

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

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 87,657</b>
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	
	89,941
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	65,631
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.	
Issuance of long-term debt	(153,185)
Repayment of long-term debt	25,178
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Compensated absences	(18,183)
Pension obligations	<u>17,747</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u><u>\$ 114,786</u></u></b>

See accompanying notes to the basic financial statements.

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Original Budget	Final Budget	Actual	Variance (Over)/Under
<b>Revenues</b>				
Property Taxes	\$ 153,656	\$ 140,000	\$ 151,046	\$ 11,046
Income tax	875,000	875,000	910,298	35,298
Licenses and Permits	4,500	4,500	7,663	3,163
Fines and Forfeitures	7,500	7,500	15,349	7,849
Intergovernmental	110,400	144,795	112,010	(32,785)
Other	61,529	38,300	56,473	18,173
Total Revenues	<u>1,212,585</u>	<u>1,210,095</u>	<u>1,252,839</u>	<u>42,744</u>
<b>Expenditures</b>				
General Government	531,891	590,387	562,095	28,292
Security of Persons and Property	350,899	347,413	346,756	657
Leisure-Time Activities	48,106	59,044	51,364	7,680
Community Environment	68,308	38,728	37,325	1,403
Capital Outlay	92,700	92,714	41,262	51,452
Debt Service:				
Principal Retirement	500,000	500,000	500,000	-
Interest and Fiscal Charges	22,200	20,300	20,222	78
Total Expenditures	<u>1,614,104</u>	<u>1,648,586</u>	<u>1,559,024</u>	<u>89,562</u>
Excess of Revenues Over/ (Under) Expenditures	(401,519)	(438,491)	(306,185)	132,306
<b>Other Financing Sources/(Uses)</b>				
Other Financing Sources	2,000	2,000	8,507	6,507
Proceeds from Notes	400,000	500,000	500,000	-
Operating Transfers In	67,000	66,000	-	(66,000)
Operating Transfers Out	(173,758)	(183,357)	(183,356)	(1)
Total Other Financing Sources/(Uses)	<u>295,242</u>	<u>384,643</u>	<u>325,151</u>	<u>(66,001)</u>
Net Change in Fund Balance	(106,277)	(53,847)	18,966	66,305
Fund Balances at Beginning of Year	102,712	102,712	102,712	-
Prior Year Encumbrances Appropriated	14,091	14,091	14,091	-
Fund Balances at End of Year	<u>\$ 10,526</u>	<u>\$ 62,956</u>	<u>\$ 135,769</u>	<u>\$ 66,305</u>

See accompanying notes to the basic financial statements.

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
STREET CONSTRUCTION FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Original Budget	Final Budget	Actual	Variance (Over)/Under
<b>Revenues</b>				
Intergovernmental	\$ 154,000	\$ 179,000	\$ 191,056	\$ 12,056
Other	2,000	17,756	19,002	1,246
Total Revenues	<u>156,000</u>	<u>196,756</u>	<u>210,058</u>	<u>13,302</u>
<b>Expenditures</b>				
Transportation	198,863	199,156	174,810	24,346
Capital Outlay	23,123	46,557	190,051	(143,495)
Debt Service:				
Principal Retirement	532,303	568,934	427,424	141,510
Interest and Fiscal Charges	-	-	11,362	(11,362)
Total Expenditures	<u>754,289</u>	<u>814,646</u>	<u>803,647</u>	<u>10,999</u>
Excess of Revenues Over/ (Under) Expenditures	(598,289)	(617,890)	(593,589)	24,301
<b>Other Financing Sources/(Uses)</b>				
Other Financing Sources	-	-	9,735	(9,735)
Proceeds from Notes	-	425,000	425,000	-
Transfers In	-	161,000	150,000	(11,000)
Total Other Financing Sources/(Uses)	<u>-</u>	<u>586,000</u>	<u>584,735</u>	<u>(20,735)</u>
Net Change in Fund Balance	(598,289)	(31,890)	(8,854)	3,566
Fund Balances at Beginning of Year, restated	1	1	1	-
Prior Year Encumbrances Appropriated	16,356	16,356	16,356	-
Fund Balances at End of Year	<u>\$ (581,932)</u>	<u>\$ (15,533)</u>	<u>\$ 7,503</u>	<u>\$ 3,566</u>

See accompanying notes to the basic financial statements.

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
EMERGENCY AMBULANCE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Original Budget	Final Budget	Actual	Variance (Over)/Under
<b>Revenues</b>				
Property Taxes	\$ 95,872	\$ 87,136	\$ 84,634	\$ (2,502)
Charges for Services	477,065	466,000	461,761	(4,239)
Intergovernmental	-	15,675	11,617	(4,058)
Other	1,000	-	-	-
Total Revenues	573,937	568,811	558,012	(10,799)
<b>Expenditures</b>				
Health	479,111	485,872	505,213	(19,341)
Capital Outlay	4,000	166,813	165,948	865
Total Expenditures	483,111	652,685	671,161	(18,476)
Excess of Revenues Over/ (Under) Expenditures	90,826	(83,874)	(113,149)	7,677
<b>Other Financing Sources/(Uses)</b>				
Other Financing Sources	-	24,000	24,000	-
Proceeds from Notes	-	137,428	137,428	-
Transfers In	-	9,000	-	9,000
Total Other Financing Sources/(Uses)	-	170,428	161,428	9,000
Net Change in Fund Balance	90,826	86,554	48,279	16,677
Fund Balances at Beginning of Year	(58,689)	(58,689)	(58,689)	-
Prior Year Encumbrances Appropriated	4,987	4,987	4,987	-
Fund Balances at End of Year	\$ 37,124	\$ 32,852	\$ (5,423)	\$ 16,677

See accompanying notes to the basic financial statements.

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

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
AS OF DECEMBER 31, 2005

	Water Fund	Sewer Fund	Swimming Pool	Total
<b>Assets</b>				
Pooled Cash and Cash Equivalents	\$ 237,112	\$ 158,454	\$ 133	\$ 395,699
Accounts Receivable	84,025	136,545	-	220,570
Prepaid Items	5,560	6,269	2,266	14,095
Capital Assets, Net	3,923,951	2,840,283	56,405	6,820,639
Total Assets	4,250,648	3,141,551	58,804	7,451,003
<b>Liabilities</b>				
Accounts Payable	34,821	12,448	27	47,296
Accrued Wages and Benefits	3,199	4,206	-	7,405
Due To Other Governments	6,574	8,691	461	15,726
Compensated Absences	19,862	34,998	-	54,860
Loans Payable	2,880,908	1,693,503	-	4,574,411
Total Liabilities	2,945,364	1,753,846	488	4,699,698
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	1,043,043	1,146,780	56,405	2,246,228
Restricted Net Assets	-	-	-	-
Unrestricted Net Assets	262,241	240,925	1,911	505,077
Total Net Assets	\$ 1,305,284	\$ 1,387,705	\$ 58,316	\$ 2,751,305

See accompanying notes to the basic financial statements.

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Water Fund	Sewer Fund	Swimming Pool	Total
<b>Operating Revenues</b>				
Charges for Services	\$ 573,760	\$ 815,332	\$ 61,478	1,450,570
Other Operating Revenue	22,463	888	3,243	26,594
Total Operating Revenues	<u>596,223</u>	<u>816,220</u>	<u>64,721</u>	<u>1,477,164</u>
<b>Operating Expenses</b>				
Personal Services	244,378	346,073	38,629	629,080
Contractual Services	68,882	131,752	12,004	212,638
Materials and Supplies	36,038	23,819	19,289	79,146
Depreciation	221,171	471,854	49,723	742,748
Other Operating Expenses	805	674	-	1,479
Total Operating Expenses	<u>571,274</u>	<u>974,172</u>	<u>119,645</u>	<u>1,665,091</u>
Operating Income (Loss)	<u>24,949</u>	<u>(157,952)</u>	<u>(54,924)</u>	<u>(187,927)</u>
<b>Nonoperating Revenues (Expenses)</b>				
Interest Income	24	22	-	46
Grants Income	350,000	-	-	350,000
Interest and Fiscal Charges	(2,507)	(72,809)	-	(75,316)
Total Non-Operating Revenues (Expenses)	<u>347,517</u>	<u>(72,787)</u>	<u>-</u>	<u>274,730</u>
Income Before Transfers	372,466	(230,739)	(54,924)	86,803
Transfers In	<u>14,945</u>	<u>46,078</u>	<u>32,047</u>	<u>93,070</u>
Change in Net Assets	387,411	(184,661)	(22,877)	179,873
Net Assets at Beginning of Year	917,873	1,572,366	81,193	2,571,432
Net Assets at End of Year	<u>\$ 1,305,284</u>	<u>\$ 1,387,705</u>	<u>\$ 58,316</u>	<u>\$ 2,751,305</u>

See accompanying notes to the basic financial statements.

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

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Water Fund	Sewer Fund	Swimming Pool	Total
<b>Cash Flows from Operating Activities</b>				
Cash Received From Customers	\$ 577,387	\$ 812,337	\$ 61,478	\$ 1,451,202
Other Operating Receipts	22,463	888	3,243	26,594
Cash Paid to Employees	(260,016)	(363,412)	(40,233)	(663,661)
Cash Paid to Suppliers	(106,801)	(156,528)	(31,348)	(294,677)
Cash Paid for Other Expenses	(805)	(674)	-	(1,479)
Net Cash Flows from Operating Activities	<u>232,228</u>	<u>292,611</u>	<u>(6,860)</u>	<u>517,979</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers In (Out)	-	-	8,400	8,400
Net Cash Flows From Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>8,400</u>	<u>8,416</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of Capital Assets	(2,777,892)	(42,038)	(1,407)	(2,821,337)
Proceeds From Capital Grants	350,000	-	-	350,000
Proceeds From Notes	2,584,913	-	-	2,584,913
Payment of Debt Principal	(213,429)	(129,531)	-	(342,939)
Payment of Debt Interest	(2,501)	(72,803)	-	(75,304)
Net Cash Flows From Capital and Related Financing Activities	<u>(58,909)</u>	<u>(244,372)</u>	<u>(1,407)</u>	<u>(304,667)</u>
<b>Cash Flows from Investing Activities</b>				
Cash Received from Interest	24	22	-	46
Net Cash Flows from Investing Activities	<u>24</u>	<u>22</u>	<u>-</u>	<u>46</u>
Net Change in Cash	173,343	48,261	133	221,774
Cash and Cash Equivalents at Beginning of Year	63,769	110,193	-	173,962
Cash and cash Equivalents at End of Year	<u>\$ 237,112</u>	<u>\$ 158,454</u>	<u>\$ 133</u>	<u>\$ 395,736</u>
<b>Reconciliation of Operating Income to Net Cash Flows from Operating Activities:</b>				
Operating Income (Loss)	\$ 24,949	\$ (157,952)	\$ (54,924)	\$ (187,927)
Add Depreciation Expense	221,171	471,854	49,723	742,748
(Increase)/Decrease in Current Assets				
Accounts Receivable	3,627	(2,995)	19,372	20,004
Prepaid Expenses	633	1,483	67	2,183
Increase/(Decrease) in Current Liabilities				
Accounts Payable	(8,462)	(7,506)	(20,493)	(36,461)
Accrued Wages	(280)	(481)	-	(761)
Compensated Absences	(2,605)	(4,061)	-	(6,666)
Intergovernmental Payable	(6,805)	(7,731)	(605)	(15,141)
Net Cash Flows from Operating Activities	<u>\$ 232,228</u>	<u>\$ 292,611</u>	<u>\$ (6,860)</u>	<u>\$ 517,979</u>

See accompanying notes to the basic financial statements.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 1 - REPORTING ENTITY**

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

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

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

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Government-wide and fund financial statements**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

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

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

The government reports the following major governmental funds:

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

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

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The government reports the following major proprietary funds:

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

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

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

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

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

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

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

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

**C. Deposits and Investments**

To improve cash management, cash received by the City is pooled, except as specifically stipulated by ordinance. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The City's pooled cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

**D. Receivables and Payables**

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

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

**E. Inventories and Prepaid Items**

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

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

**F. Restricted Assets**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Capital Assets and Depreciation**

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

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

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

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

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

Interest is capitalized on assets acquired with tax-exempt debt. The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between interest cost associated with tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. Capitalized interest recorded during the fiscal year totaled \$33,730.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Compensated Absences**

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

**I. Long-Term Obligations**

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

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

**J. Fund Equity**

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

**K. Interfund Transactions**

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

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

**L. Estimates**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE**

***Deficit Fund Balances***

The following funds had deficit cash balances at year-end contrary to Section 5705.10 of the Revised Code:

<u>Fund</u>	<u>Fund Balance</u>
Emergency Ambulance Operating	\$ (34,541)
Fire Operating Levy	(8,950)
YMCA Extension Project	(44,374)
Sewer	(182,475)

***Appropriations Exceeded Estimated Resources***

New Carlisle City Charter Section 7.04 states the total of proposed expenditures shall not exceed the total of estimated income. The following funds had appropriations in excess of total estimated resources at December 31, 2005:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Street Construction	\$ 782,756	\$ 797,933	\$ 15,177
Sewer	538,507	779,164	240,656

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

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

The adjustments necessary to convert the results of operations for the year ended December 31, 2005, on the GAAP basis to the budget basis are as follows:

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

	<b>General Fund</b>	<b>Street Construction</b>	<b>Emergency Ambulance</b>
GAAP basis	\$ (169,750)	\$ 74,504	\$ 57,002
Revenue accruals	(12,357)	(5,424)	11,509
Expenditure accruals	(14,153)	(37,846)	(19,209)
Advances Forgiven	217,136	(40,000)	0
Encumbrances	(1,910)	(88)	(1,023)
Budget basis	\$ 18,966	\$ (8,854)	\$ 48,279



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 5 - DEPOSITS AND INVESTMENTS**

Deposits - At year-end, the carrying amount of the City's deposits was \$837,778 and the bank balance was \$864,915. Of the bank balance, \$300,000 was covered by federal depository insurance and the remaining amount was covered by collateral held by third party trustees pursuant to Section 135.181 Revised Code, in collateralized pools securing all public funds on deposit with the specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments – At year-end, the City's only investment was with STAR Ohio totaling \$2,869. STAR Ohio maintains a AAAm investment rating. The City was not exposed to any other investment related risks.

**NOTE 6 – TAXES RECEIVABLE**

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

	Property Taxes	Income Taxes	Total
General Fund	\$ 167,784	\$ 324,109	\$ 491,893
Emergency Ambulance Fund	95,954	-	95,954
Other Governmental Funds	232,545	-	232,545
Totals	\$ 496,283	\$ 324,109	\$ 820,392

**NOTE 7 - TAXES**

**A. Municipal Income Tax**

The City levies and collects a one percent income tax on all income earned within the City as well as on incomes of residents earned outside the City.

Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. During the fiscal year, income tax revenue was allocated entirely to the General Fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 7 - TAXES (CONTINUED)**

**B. Property Taxes**

Property taxes are levied and assessed on a calendar year basis. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the City. All property is required to be revalued every six years.

Real property taxes are levied after April 1 on the assessed value listed as of the preceding January 1, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Public utility property taxes, attached as a lien on December 31 of the preceding year, are levied April 1 and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

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

The City receives property taxes from Clark County. The County Auditor periodically advances to the City its portion of the taxes collected. Accrued property taxes receivable represents real, public utility and tangible personal property taxes, as well as delinquent taxes outstanding, which are measurable as of December 31, 2005. However, since these tax collections will not be received during the available period, nor are they intended to finance 2005 operations, the receivable is offset by a credit to deferred revenue.

The assessed value upon which the fiscal year 2005 property taxes were collected was \$69,910,146. Real estate – residential/agricultural represented \$55,136,100, or 79% of this total, real estate – commercial/industrial represented 9,827,450, or 14%, public utility tangible personal property represented \$1,167,780, or 2%, and general tangible personal property represented \$3,778,816, or 5%.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 8 - CAPITAL ASSETS**

Governmental capital asset activity for the year ended December 31, 2005, was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
<i>Non-depreciated assets:</i>				
Land	\$ 203,707	\$ -	\$ -	\$ 203,707
Construction in Process	1,399,513	(1,399,513)	-	-
<i>Capital assets, being depreciated:</i>				
Buildings	629,787	6,290	-	636,077
Improvements Other than Buildings	236,703	-	-	236,703
Machinery and Equipment	880,933	80,196	-	961,129
Furniture and Fixtures	84,547	2,744	-	87,291
Computer Equipment	73,398	7,599	-	80,997
Vehicles	1,205,963	125,271	-	1,331,234
Infrastructure	<u>160,949</u>	<u>1,577,002</u>	-	<u>1,737,951</u>
Total Capital Assets	<u>4,875,500</u>	<u>399,589</u>	-	<u>5,275,089</u>
<i>Accumulated Depreciation:</i>				
Buildings	296,154	31,804	-	327,958
Improvements Other than Buildings	193,095	43,608	-	236,703
Machinery and Equipment	365,793	48,056	-	413,849
Furniture and Fixtures	34,535	4,365	-	38,900
Computer Equipment	67,064	13,933	-	80,997
Vehicles	912,127	133,123	-	1,045,250
Infrastructure	<u>3,219</u>	<u>34,759</u>	-	<u>37,978</u>
Total Accumulated Depreciation	<u>1,871,987</u>	<u>309,648</u>	-	<u>2,181,635</u>
Capital Assets, net	<u>\$ 3,003,513</u>	<u>\$ 89,941</u>	<u>\$ -</u>	<u>\$ 3,093,454</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 89,380
Security of Persons and Property	56,917
Leisure-Time Activities	22,878
Transportation	17,728
Public Health	110,897
Community Environment	<u>11,848</u>
Total Depreciation Expense	<u>\$ 309,648</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 8 - CAPITAL ASSETS (CONTINUED)**

Business-type capital asset activity for the year ended December 31, 2005, was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciated assets:				
Land	\$ 252,595	\$ -	\$ -	\$ 252,595
Construction in Process	252,425	2,815,833	-	3,068,258
Capital assets, being depreciated:				
Buildings	2,052,641	1,407	-	2,054,048
Improvements Other than Buildings	1,015,750	9,304	-	1,025,054
Machinery and Equipment	5,682,707	26,944	-	5,709,651
Furniture and Fixtures	41,150	-	-	41,150
Computer Equipment	3,757	-	-	3,757
Vehicles	264,383	4,925	-	269,308
Infrastructure	6,094,477	-	-	6,094,477
Total Capital Assets	15,659,885	2,858,413	-	18,518,298
Less accumulated depreciation:	(10,954,911)	(742,748)	-	(11,697,659)
Total capital assets, net	<u>\$ 4,704,974</u>	<u>\$ 2,115,665</u>	<u>\$ -</u>	<u>\$ 6,820,639</u>

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

Water	\$ 221,171
Sewer	471,854
Swimming Pool	49,723
Total	<u>\$ 742,748</u>

**NOTE 9 – LEASES**

**A. Operating Leases**

The city leases building and office facilities under an operating lease agreement. Total costs for this operating lease were \$21,900 for the fiscal year.

**B. Capital Leases**

The City has entered into a lease agreement to finance the acquisition of copy machines. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded in the entity-wide and proprietary fund financial statements at the present value of their future minimum lease payments, \$7,812, as of the inception date.

A corresponding liability is recorded in the entity-wide and proprietary fund financial statements and is reduced for each required principal payment. The copier lease was paid off during the fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 10 - LONG-TERM OBLIGATIONS**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
<b>Governmental Activities</b>					
2002 Health Department Bonds 5.50% maturing 2007	30,000	-	(10,000)	20,000	10,000
2005 Medical Equipment Acquisition Bonds 4.90% maturing 2012	-	137,428	-	137,428	16,469
2003 Fire Truck Note 4.86% maturing 2009	65,552	-	(11,310)	54,242	12,466
2005 Leaf Machine Note 3.90% maturing 2010	-	15,757	(2,424)	13,333	2,759
Capital Leases	1,444	-	(1,444)	-	
Compensated Absences	32,056	12,714	-	44,770	22,076
<b>Total Governmental Activities</b>	<u>\$ 129,052</u>	<u>\$ 165,899</u>	<u>\$ (25,178)</u>	<u>\$ 269,773</u>	<u>\$ 63,770</u>

The health department bonds were issued to generate operating funds for the City's health department as the result of a failed health operating levy.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 10 - LONG-TERM OBLIGATIONS (CONTINUED)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
<b>Business-type Activities</b>					
Water Fund Loans:					
1994 OPWC Water Main 0% maturing 2014	\$ 140,945	\$ -	\$ (15,661)	\$ 125,284	\$ 7,830
1997 OWDA Water Main 4.12% maturing 2016	11,589	-	(10,524)	1,065	869
2002 OWDA Water Main 3.20% maturing 2009	180,005	-	(180,005)	-	-
2004 OPWC YMCA 0% maturing 2025	143,069	-	(7,153)	135,916	3,577
2005 OWDA WTP Improve. 2.85% maturing 2026	-	2,618,643	-	2,618,643	-
<b>Total Water Fund Loans</b>	<u>475,608</u>	<u>2,618,643</u>	<u>(213,343)</u>	<u>2,880,908</u>	<u>12,276</u>
Sewer Fund Loans:					
1997 OWDA Honey Creek 4.56% maturing 2016	1,410,135	-	(101,288)	1,308,847	52,382
1995 OWDA Sewer Line 7.38% maturing 2016	137,749	-	(8,553)	129,196	4,592
1996 OPWC Filter Building 0% maturing 2014	143,000	-	(13,000)	130,000	6,500
2004 OPWC YMCA 0% maturing 2025	132,063	-	(6,603)	125,460	3,301
<b>Total Sewer Fund Loans</b>	<u>1,822,947</u>	<u>-</u>	<u>(129,444)</u>	<u>1,693,503</u>	<u>66,775</u>
Capital Leases	161	-	(161)	-	-
Compensated Absences	61,526	-	(6,666)	54,860	12,152
<b>Total Business-type Activities</b>	<u>\$ 2,360,242</u>	<u>\$ 2,618,643</u>	<u>\$ (349,614)</u>	<u>\$ 4,629,271</u>	<u>\$ 91,203</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 10 - LONG-TERM OBLIGATIONS (CONTINUED)**

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

Capital leases will be paid from revenues of the general, special revenue and enterprise funds. Compensated absences will be paid from general operating revenues of the fund from which the employees' salaries 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.

Annual debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
<b>Governmental Activities:</b>		
2006	\$ 41,694	\$ 11,472
2007	44,042	8,865
2008	35,685	6,672
2009	37,407	4,950
2010	21,982	3,179
2011-2015	44,193	3,272
	<u>\$ 225,003</u>	<u>\$ 38,410</u>
<b>Business-Type Activities:</b>		
2006	\$ 79,051	\$ 35,061
2007	160,512	65,269
2008	166,016	59,568
2009	171,998	53,585
2010	178,280	47,604
2011-2015	980,111	130,815
2016-2020	157,888	2,476
2021-2025	61,914	-
	<u>\$ 1,955,770</u>	<u>\$ 394,378</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 11 – SHORT-TERM OBLIGATIONS**

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

<b>Governmental Activities</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Anticipation Notes				
Street Improvement, 3.00%	\$ 425,000	\$ 425,000	\$ (425,000)	\$ 425,000
Facilities and Equipment Improvement, 3.00%	500,000	500,000	(500,000)	500,000
Government Center Improvement, 2.24%	320,000	320,000	(320,000)	320,000
Infrastructure Improvement, 1.65%	1,050,000	1,050,000	(1,050,000)	1,050,000
Total Bond Anticipation Notes	<u>\$ 2,295,000</u>	<u>\$ 2,295,000</u>	<u>\$ (2,295,000)</u>	<u>\$ 2,295,000</u>

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

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

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

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

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

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

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

The 2005 member contribution rate for City employees was 8.5% of covered payroll. The 2005 employer contribution rate for the City was 13.55% of covered payroll. The City's required contributions to OPERS for the years ended December 31, 2005, 2004, and 2003 were \$164,470, \$132,726, and \$138,368, respectively. The full amount has been contributed for 2004 and 2003. 83 percent has been contributed for 2005 with the remainder being reported as a fund liability.

**NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

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

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

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2005 employer contribution rate was 13.55% of covered payroll, and 4% was used to fund health care for the year.

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

The assumptions and calculations below were based on the Retirement System's latest Actuarial Review performed as of December 31, 2004.

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

Assets Valuation Method - All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

Investment Return - The investment assumption rate for 2004 was 8%.

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

Health Care - Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

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

At year-end 2005, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 376,109.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

The contribution rates stated above are the actuarially determined contribution requirements for OPERS. The portion of the City's 2005 required contributions that are used to fund post-employment benefits were \$48,552.

\$10.8 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2004.

The actuarially accrued liability and the unfunded actuarially accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

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

**NOTE 14 - EMPLOYEE BENEFITS**

**A. Deferred Compensation Plan**

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

**B. Compensated Absences**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 15 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year, the City was a member of the Public Entities Pool of Ohio, 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>Coverage</u>	<u>Limit</u>
General Liability	\$ 1,000,000
Automobile Liability	2,000,000
Public Officials Liability	1,000,000
Property	19,646,292
Boiler	20,084,115

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 – CONTINGENT LIABILITIES**

**A. Litigation**

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

**B. Federal and State Grants**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Miami Valley Regional Planning Commission**

The Miami Valley Regional Planning Commission (the Commission) is a jointly governed organization between Preble, Clark, Clinton, Darke, Greene, Miami, and Montgomery Counties, the City of Dayton, the City of Huber Heights, the City of Riverside, and the City of New Carlisle. The Commission prepares plans, including studies, maps, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the region. These reports show recommendations for systems of transportation, highways, parks and recreational facilities, water supply, sewage disposal, garbage disposal, civic centers, and other public improvements and land uses which affect the development of the region. The degree of control exercised by any participating government is limited to its representation on the Board. Members of the Board are as follows: the officers of the Commission (elected by member representatives), the immediate past Chair of the Commission, the Commission member representing the City of Dayton, the Commission member representing each of the respective member counties, the representatives selected by each county caucus, a nongovernmental member, and two at-large representatives. Payments to the Commission are made from the general fund. Financial information can be obtained from Mike Robinette, Executive Director, at One Dayton Center, One South Main Street, Suite 260, Dayton, Ohio 45402.

**B. Miami Valley Fire/EMS Alliance**

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 special revenue fund. Financial information can be obtained from Charles Wiltrout, Director, at 444 West Third Street, Suite 20-231, Dayton, Ohio 45402.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 18 – INTERFUND ASSETS, LIABILITIES AND TRANSFERS**

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 400,492
Street Construction Fund	190,000	-
Capital Project Fund	13,757	-
Other Governmental Funds	103,665	-
Swimming Pool Fund	32,047	-
Sewer Fund	46,078	-
Water Fund	14,945	-
	<u>\$ 400,492</u>	<u>\$ 400,492</u>

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

During fiscal year 2005, in addition to transferring funds to finance various programs, the City forgave all advances due the general fund. The amount of advances forgiven totaled \$217,136.



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

City Council  
City of New Carlisle  
PO Box 419  
331 S. Church Street  
New Carlisle, Ohio 45344

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of New Carlisle, Clark County, Ohio, (the City) as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 10, 2006. Except as discussed in that report, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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'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 2005-3.

A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 consider the reportable condition described above, item 2005-3, to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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.

City of New Carlisle  
Independent Auditor's Report on Compliance and on Internal Control  
Over Financial Reporting and on Compliance and Other Matters Based  
on an Audit of Financial Statements Performed In Accordance With  
*Government Auditing Standards*  
Page 2

The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings as items 2005-1 through 2005-2.

We also noted other matters that we have reported to the City in a separate letter dated August 10, 2006.

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

*Kennedy, Cottrell + Associates LLC*

Kennedy, Cottrell + Associates LLC  
Columbus, Ohio  
August 10, 2006



**CITY OF NEW CARLISLE, OHIO**

**SCHEDULE OF FINDINGS**

**DECEMBER 31, 2005**

**2005-1 NONCOMPLIANCE: APPROPRIATIONS EXCEEDED ESTIMATED RESOURCES**

New Carlisle City Charter Section 7.04 states the total of proposed expenditures shall not exceed the total of estimated income.

In our testing, we noted the following funds had appropriations in excess of total estimated resources at December 31, 2005:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Street Construction	\$ 782,756	\$ 797,933	\$ 15,177
Sewer	538,507	779,164	240,656

We recommend the City file an amended certificate of estimated resources when appropriations are expected to be greater than estimated resources to ensure that appropriations for the year does not exceed the estimated resources for the year.

OFFICIAL'S RESPONSE

City of New Carlisle management agrees with the noncompliance finding related to appropriations exceeding estimated resources. Additional review processes have been implemented to review and compare estimated resources to appropriations, and file amended certificates as required ensuring compliance with Section 7.04 of the City's Charter, as well as Ohio Revised Code requirements. In addition, when amendments to estimated resources or appropriations are required, thorough reviews will be accomplished to ensure compliance with applicable laws is maintained.

**CITY OF NEW CARLISLE, OHIO**

**SCHEDULE OF FINDINGS**

**DECEMBER 31, 2005**

**2005-2 NONCOMPLIANCE: NEGATIVE FUND BALANCES**

Ohio Rev. Code Section 5705.10 states, in part: "Money paid into any fund shall be used only for the purposes for which such fund is established." As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

During our testing we noted 10 funds had negative cash fund balances at various points throughout the calendar year. As of December 31, 2005 the City had the following negative cash fund balances:

<u>Fund</u>	<u>Fund Balance</u>
Emergency Ambulance Operating	\$(34,541)
Fire Operating Levy	(8,950)
YMCA Extension Project	(44,374)
Sewer	(182,475)

We recommend the City consider obtaining alternative funding sources or implementing cost cutting measures to ensure that monies paid into a fund are used for the purposes for which the fund has been established. Additionally, inter-fund transfers or advances, in certain circumstances, may be used as a means to subsidize or loan monies to these funds.

OFFICIAL'S RESPONSE

City of New Carlisle management agrees with the noncompliance finding related to negative fund balances. Management has implemented additional review processes to monitor fund balances, and ensure that funds are only used for the purpose intended and that expenses are properly posted to the correct fund. Fund transfers will be utilized where possible and lawful in order to remove negative fund balances. In addition, at the direction of the Auditor of State's Local Government Section, the City will develop and implement a fiscal watch recovery plan in 2006 that will eliminate all negative fund balances through alternative revenue sources and reductions of expenses.

**CITY OF NEW CARLISLE, OHIO**

**SCHEDULE OF FINDINGS**

**DECEMBER 31, 2005**

**2005-3 MATERIAL WEAKNESS: LACK OF DOCUMENTATION FOR FIXED ASSETS**

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

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

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

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

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

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

OFFICIAL'S RESPONSE

City of New Carlisle management agrees with the finding concerning lack of fixed asset documentation. The City's fixed asset and infrastructure requires a complete inventory, including fixed asset tagging and computation of depreciation. During 2006, management plans to review the City's policy and procedures concerning capital assets for needed changes and improvements, including fixed asset valuation, depreciation, and threshold. The City will also investigate the possibility of contracting with a company to perform a complete inventory of the City's capital assets and infrastructure, to include proper tagging of assets and computation of depreciation. In 2007, providing adequate funding is available, the City will pursue the purchase of a fixed asset inventory monitoring application.

CITY OF NEW CARLISLE, OHIO

STATUS OF PRIOR FINDINGS

DECEMBER 31, 2005

<u>Finding Number</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></u>
2004-001	No	Not corrected. Reported as finding number 2005-001
2004-002	No	Partially corrected. Reported in separate letter to management
2004-003	Yes	
2004-004	No	Not corrected. Reported as finding number 2005-002.
2004-005	No	Partially corrected. Reported in separate letter to management
2004-006	No	Not corrected. Reported as finding number 2005-003.



**Auditor of State  
Betty Montgomery**

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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  
OCTOBER 5, 2006**