

**City of New Carlisle, Ohio**

Clark County

Basic Financial Statements and  
Independent Auditor's Reports

For the Year Ended December 31, 2006







Mary Taylor, CPA  
Auditor of State

Members of Council  
City of New Carlisle  
331 South Church Street  
New Carlisle, Ohio 45344

We have reviewed the *Independent Auditor's Report* of the City of New Carlisle, Clark County, prepared by Kennedy Cottrell Richards LLC, for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

September 13, 2007

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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, 2006, 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 asset balances reported in the City's basic financial statements; nor were we able to satisfy ourselves as to the reported accumulated depreciation and current period depreciation expense.

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, 2006, 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, Fire and Twin Creeks Infrastructure funds, and the aggregate remaining fund information of the City as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, Street Construction, Fire, 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 9, 2007 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be 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.

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

Kennedy Cottrell Richards LLC  
August 9, 2007



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

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(UNAUDITED)**

This discussion and analysis of the City of New Carlisle's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2006. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

**FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$5.8 million (net assets), an increase of \$1.5 million, or 34%, from the previous fiscal year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of negative \$436,557, an increase of \$1.2 million in comparison with the prior year.
- At fiscal year-end, the City's general fund reported a fund balance of negative \$122,977, an increase of \$45,822, or 27%, 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 2006?" 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, 2006  
(UNAUDITED)**

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

*Fund Financial Statements*

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

*Governmental Funds*

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

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

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

*Proprietary Funds*

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

*Fiduciary Funds*

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

*Notes to the basic financial statements*

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

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

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(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 2005 compared to 2006.

**TABLE 1**

**Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 3,664,649	\$ 1,701,135	\$ 937,265	\$ 630,364	\$ 4,601,914	\$ 2,331,499
Capital assets	3,310,343	3,093,454	6,622,002	6,820,639	9,932,345	9,914,093
Total Assets	<u>6,974,992</u>	<u>4,794,589</u>	<u>7,559,267</u>	<u>7,451,003</u>	<u>14,534,259</u>	<u>12,245,592</u>
Current liabilities	1,884,896	2,933,118	30,956	70,427	1,915,852	3,003,545
Long-term liabilities	1,705,475	269,773	5,074,042	4,629,271	6,779,517	4,899,044
Total Liabilities	<u>3,590,371</u>	<u>3,202,891</u>	<u>5,104,998</u>	<u>4,699,698</u>	<u>8,695,369</u>	<u>7,902,589</u>
Net Assets:						
Invested in capital assets, net of related debt	425,905	1,073,451	1,596,700	2,246,228	2,022,605	3,319,679
Restricted	2,392,738	301,183	-	-	2,392,738	301,183
Unrestricted	<u>565,978</u>	<u>217,064</u>	<u>857,569</u>	<u>505,077</u>	<u>1,423,547</u>	<u>722,141</u>
Total Net Assets	<u>\$ 3,384,621</u>	<u>\$ 1,591,698</u>	<u>\$ 2,454,269</u>	<u>\$ 2,751,305</u>	<u>\$ 5,838,890</u>	<u>\$ 4,343,003</u>

A large portion of the City's net assets (35%) 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 (41%) 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 \$1.4 million.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(UNAUDITED)**

Table 2 shows the changes in net assets for the year ended December 31, 2006.

**TABLE 2**

**Change in Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Program Revenues:</b>						
Charges for Services	\$ 716,163	\$ 654,777	\$ 1,554,939	\$ 1,450,570	\$ 2,271,102	\$ 2,105,347
Operating Grants and Contributions	335,628	316,599	-	-	335,628	316,599
Capital Grants and Contributions	1,771,167	-	123,097	350,000	1,894,264	350,000
<b>General Revenues:</b>						
Property Taxes	443,856	397,868	-	-	443,856	397,868
Income Taxes	964,934	951,841	-	-	964,934	951,841
Other Local Taxes	26,082	31,327	-	-	26,082	31,327
Payments in Lieu of Taxes	11,161	21,210	-	-	11,161	21,210
Unrestricted Grants	119,439	59,677	-	-	119,439	59,677
Other Unrestricted Revenues	44,247	104,384	31,319	26,640	75,566	131,024
<b>Total Revenues</b>	<b>4,432,677</b>	<b>2,537,683</b>	<b>1,709,355</b>	<b>1,827,210</b>	<b>6,142,032</b>	<b>4,364,893</b>
<b>Expenses:</b>						
General Government	695,241	644,519	-	-	695,241	644,519
Security of Persons and Property	618,783	584,769	-	-	618,783	584,769
Leisure-Time Activities	77,685	70,160	-	-	77,685	70,160
Health	696,461	707,168	-	-	696,461	707,168
Community Environment	34,482	48,877	-	-	34,482	48,877
Transportation	365,882	212,245	-	-	365,882	212,245
Interest on Long-Term Debt	131,220	62,089	-	-	131,220	62,089
Water	-	-	908,629	573,781	908,629	573,781
Sewer	-	-	1,026,491	1,046,981	1,026,491	1,046,981
Swimming Pool	-	-	91,271	119,645	91,271	119,645
<b>Total Expenses</b>	<b>2,619,754</b>	<b>2,329,827</b>	<b>2,026,391</b>	<b>1,740,407</b>	<b>4,646,145</b>	<b>4,070,234</b>
<b>Increase in Net Assets</b>						
before Transfers	1,812,923	207,856	(317,036)	86,803	1,495,887	294,659
Transfers	(20,000)	(93,070)	20,000	93,070	-	-
<b>Increase(Decrease) in Net Assets</b>	<b>\$ 1,792,923</b>	<b>\$ 114,786</b>	<b>\$ (297,036)</b>	<b>\$ 179,873</b>	<b>\$ 1,495,887</b>	<b>\$ 294,659</b>

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

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(UNAUDITED)**

*Governmental Activities*

Property and income taxes, charges for services, capital grants and operating grants are the biggest contributors of revenue for the City's governmental activities. General government, security of persons and property and health services are the major activities of the City accounting for 27%, 24% and 27% of governmental expenses, respectively.

During the fiscal year, net assets of the City's governmental activities increased by \$1.8 million, or 111%. This increase is primarily the result of special assessments related to the twin creeks development, totaling \$1.7 million.

*Business-type Activities*

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

During the fiscal year, net assets of the City's business-type activities decreased by \$297,036. Two factors contributing to this decrease were a reduction in capital grants from the Ohio Public Works Commission and an increase in capital asset depreciation as a result of the new water treatment plant being placed in operation.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(UNAUDITED)**

**Total versus Net Cost of Services**

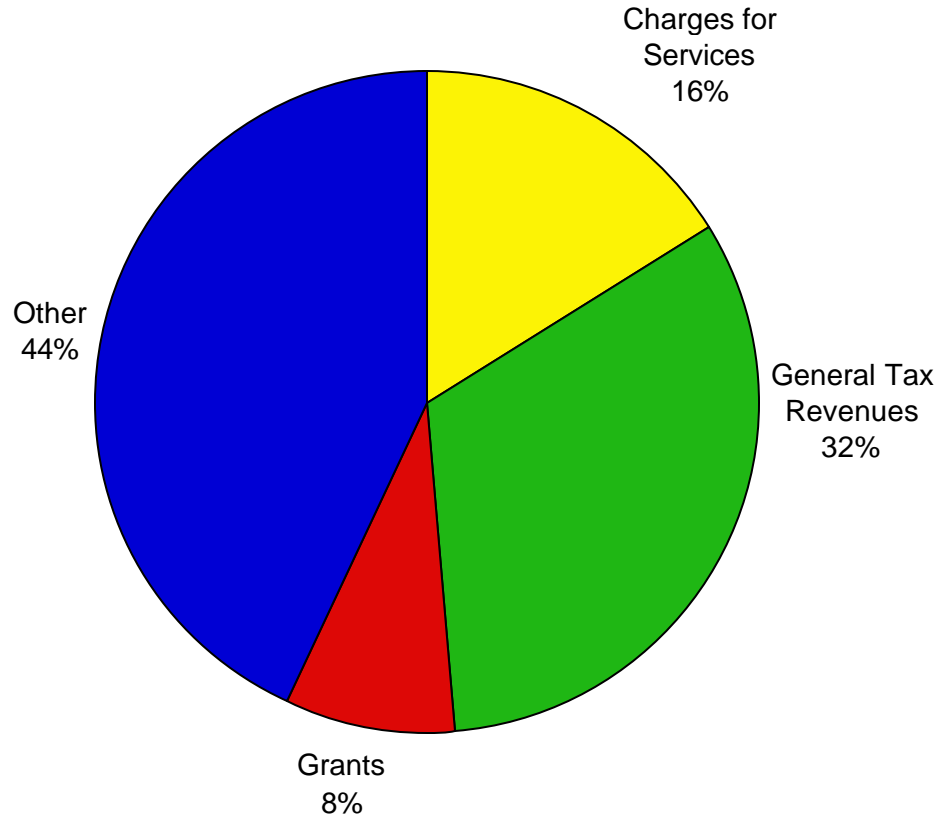
The Statement of Activities shows the cost of program services and the charges for services and grants associated with those services. Table 3 below reflects the cost of program services and the net cost of those services after taking into account the program revenues. When applicable, the net cost of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

**TABLE 3**

Functions/Programs	Total Cost		Net Cost	
	2006	2005	2006	2005
Governmental Activities:				
General Government	\$ 695,241	\$ 644,519	\$ 660,357	\$ 620,883
Security of Persons and Property	618,783	584,769	498,786	478,742
Leisure-Time Activities	77,685	70,160	42,618	70,160
Health	696,461	707,168	108,147	144,060
Community Environment	34,482	48,877	26,782	48,877
Transportation	365,882	212,245	64,986	(66,360)
Interest on Long-Term Debt	131,220	62,089	(1,604,880)	62,089
Total Governmental Activities	<u>2,619,754</u>	<u>2,329,827</u>	<u>(203,204)</u>	<u>1,358,451</u>
Business-Type Activities:				
Water	908,629	573,781	213,810	(349,979)
Sewer	1,026,491	1,046,981	96,569	231,649
Swimming Pool	91,271	119,645	37,976	58,167
Total Business-Type Activities	<u>2,026,391</u>	<u>1,740,407</u>	<u>348,355</u>	<u>(60,163)</u>

CITY OF NEW CARLISLE, OHIO  
CLARK COUNTY

MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(UNAUDITED)



The City's reliance upon general tax revenues is demonstrated by the graph above indicating 32% of total governmental revenues from local taxes, as well as the net cost of services column on the preceding page reflecting the need for \$1.5 million of support (excluding the one-time special assessment revenue of \$1.7 million).

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

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(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 \$436,557, a 73% increase from the previous year.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2006 and 2005.

	<u>Fund Balance 12/31/2006</u>	<u>Fund Balance 12/31/2005</u>	<u>Increase (Decrease)</u>
General fund	\$ (122,977)	\$ (168,799)	\$ 45,822
Street construction fund	(359,234)	(376,847)	17,613
Emergency ambulance fund	24,517	(1,584)	26,101
Emergency fire fund	68,889	38,737	30,152
Twin Creeks Infrastructure Bond fund	-	-	-
Other governmental funds	<u>(47,752)</u>	<u>(1,093,955)</u>	<u>1,046,203</u>
Total	<u>\$ (436,557)</u>	<u>\$ (1,602,448)</u>	<u>\$ 1,165,891</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 \$162,898, while total fund balance was negative \$122,977. The \$45,822 increase in fund balance represents the amount by which revenues exceeded expenditures and operating transfers to other funds.

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 street construction fund's general fund subsidy was significantly reduced in fiscal year 2006 in comparison with the previous year.

The fund balance in the emergency ambulance fund increased \$26,101 during the fiscal year. This is the amount by which customer charges for services exceeded costs of providing ambulance services during the fiscal year.

The fund balance in the emergency fire fund increased \$30,152 during the fiscal year. This is the amount by which property tax receipts and note proceeds exceeded operating and capital costs of providing fire services during the fiscal year.

The fund balance of the twin creeks infrastructure bond fund was created in 2006 and therefore had no fund balance to begin the year. There was no activity in the Statement of Revenues, Expenditures and Changes in Fund Balances during 2006, therefore, the fund did not have a fund balance at year end.



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

**MANAGEMENT'S DISCUSSION & ANALYSIS  
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(UNAUDITED)**

The significant fund balance increase in the Other Government Funds is primarily the result of general obligation bond note proceeds to replace the twin creeks bond anticipation note.

*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 \$385,290. Total water fund net assets decreased \$186,444, or 14%, from the previous year. Two factors contributing to this decrease were a reduction in capital grants from the Ohio Public Works Commission and an increase in capital asset depreciation as a result of the new water treatment plant being placed in operation.

Unrestricted net assets in the sewer fund at the end of the year amounted to \$469,131. Total net assets decreased \$94,615, or 7%, from the previous year. This decrease represents the amount by which operating and debt service expenses exceeded operating revenues during the fiscal year.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(UNAUDITED)**

**General Fund Budgetary Information**

Variiances between the City's original and final revenue estimates and actual revenues were insignificant. The City's final appropriations exceeded their original by \$116,256, or 7%. Final budgetary expenditures were \$65,532 less than final appropriations.

**Capital Assets**

At year-end, the City's investment in capital assets for governmental and business-type activities totaled \$3.3 million and \$6.6 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 \$1.3 million and depreciation on capital assets was \$1.3 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 \$ 6.6 million. Of this amount, \$1,596,291 represents bonds and notes backed by the full faith and credit of the City and \$5,025,302 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, 2006

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Pooled Cash and Cash Equivalents	\$ 508,957	\$ 623,077	\$ 1,132,034
Investments	62,780	-	62,780
Receivables:			
Taxes	816,531	-	816,531
Accounts	188,454	289,322	477,776
Due From Other Governments	195,461	-	195,461
Prepaid Items	57,288	24,866	82,154
Special Assessments Receivable	1,818,100	-	1,818,100
Bond Issuance Costs	17,078	-	17,078
NonDepreciable Capital Assets	258,502	252,595	511,097
Depreciable Capital Assets, Net	3,051,841	6,369,407	9,421,248
Total Assets	6,974,992	7,559,267	14,534,259
<b>Liabilities</b>			
Accounts Payable	22,527	2,609	25,136
Accrued Wages and Benefits	15,138	7,391	22,529
Due To Other Governments	33,157	20,956	54,113
Unearned Revenue	569,074	-	569,074
Notes Payable	1,245,000	-	1,245,000
Long-Term Liabilities			
Due Within One Year	101,436	292,610	394,046
Due in More Than One Year	1,604,039	4,781,432	6,385,471
Total Liabilities	3,590,371	5,104,998	8,695,369
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	425,905	1,596,700	2,022,605
Restricted For:			
Capital Projects	6,128	-	6,128
Debt Service	1,781,666	-	1,781,666
Highways and Streets	188,456	-	188,456
Public Safety	304,426	-	304,426
Other Purposes	112,062	-	112,062
Unrestricted	565,978	857,569	1,423,547
Total Net Assets	\$3,384,621	\$ 2,454,269	\$ 5,838,890

See accompanying notes to the basic financial statements

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

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General Government	\$ 695,241	\$ 34,053	\$ 831	\$ -
Security of Persons and Property	618,783	102,434	17,563	-
Leisure-Time Activities	77,685	-	-	35,067
Health	696,461	566,359	21,955	-
Community Environment	34,482	-	7,700	-
Transportation	365,882	13,317	287,579	-
Interest on Long-Term Debt	131,220	-	-	1,736,100
<b>Total Governmental Activities</b>	<b>2,619,754</b>	<b>716,163</b>	<b>335,628</b>	<b>1,771,167</b>
<b>Business-type Activities:</b>				
Water	908,629	571,722	-	123,097
Sewer	1,026,491	929,922	-	-
Swimming Pool	91,271	53,295	-	-
<b>Total Business-Type Activities</b>	<b>2,026,391</b>	<b>1,554,939</b>	<b>-</b>	<b>123,097</b>
<b>Total Government</b>	<b>\$ 4,646,145</b>	<b>\$ 2,271,102</b>	<b>\$ 335,628</b>	<b>\$ 1,894,264</b>

General Revenues:  
Property Taxes  
Income Taxes  
Other Local Taxes  
Payments in Lieu of Taxes  
Unrestricted Grants and Entitlements  
Other Unrestricted Revenues  
Transfers  
**Total General Revenues and Transfers**

Change in Net Assets  
Net Assets at Beginning of Year  
Net Assets at End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (660,357)	\$ -	\$ (660,357)
(498,786)	-	(498,786)
(42,618)	-	(42,618)
(108,147)	-	(108,147)
(26,782)	-	(26,782)
(64,986)	-	(64,986)
1,604,880	-	1,604,880
<u>203,204</u>	<u>-</u>	<u>203,204</u>
-	(213,810)	(213,810)
-	(96,569)	(96,569)
-	(37,976)	(37,976)
<u>-</u>	<u>(348,355)</u>	<u>(348,355)</u>
<u>\$ 203,204</u>	<u>\$ (348,355)</u>	<u>\$ (145,151)</u>
443,856	-	443,856
964,934	-	964,934
26,082	-	26,082
11,161	-	11,161
119,439	-	119,439
44,247	31,319	75,566
(20,000)	20,000	-
<u>1,589,719</u>	<u>51,319</u>	<u>1,641,038</u>
1,792,923	(297,036)	1,495,887
1,591,698	2,751,305	4,343,003
<u>\$ 3,384,621</u>	<u>\$ 2,454,269</u>	<u>\$ 5,838,890</u>

See accompanying notes to the basic financial statements

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006

	General Fund	Street Construction	Emergency Ambulance	Emergency Fire
<b>Assets:</b>				
Pooled Cash and Cash Equivalents	\$ 201,772	\$ 22,952	\$ 23,282	\$ 66,742
Investments	-	-	-	-
Receivables:				
Taxes	494,841	-	93,371	161,738
Accounts	-	-	164,712	-
Due From Other Governments	42,809	98,790	4,904	8,478
Prepaid Items	39,921	9,366	-	5,426
Special Assessments Receivable	-	-	-	-
Total Assets	779,343	131,108	286,269	242,384
<b>Liabilities:</b>				
Accounts Payable	19,527	-	1,500	1,500
Accrued Wages and Benefits	5,036	1,228	6,990	777
Due To Other Governments	16,457	3,297	8,862	1,002
Deferred Revenue	361,300	60,817	244,400	170,216
Bond Anticipation Notes Payable	500,000	425,000	-	-
Total Liabilities	902,320	490,342	261,752	173,495
<b>Fund Balances:</b>				
Reserved for:				
Prepaid Items	39,921	9,366	-	5,426
Perpetual Care	-	-	-	-
Unreserved, Reported In:				
General Fund	(162,898)	-	-	-
Special Revenue Funds	-	(368,600)	24,517	63,463
Debt service fund	-	-	-	-
Capital Project Funds	-	-	-	-
Total Fund Balances	(122,977)	(359,234)	24,517	68,889
Total Liabilities and Fund Balances	\$ 779,343	\$ 131,108	\$ 286,269	\$ 242,384

(Continued to next page)

Twin Creeks Infrastructure Bonds	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 194,209	\$ 508,957
-	62,780	62,780
-	66,581	816,531
-	23,742	188,454
-	40,480	195,461
-	2,575	57,288
<u>1,736,100</u>	<u>82,000</u>	<u>1,818,100</u>
<u>1,736,100</u>	<u>472,367</u>	<u>3,647,571</u>
-	-	22,527
-	1,107	15,138
-	3,539	33,157
1,736,100	195,473	2,768,306
-	320,000	1,245,000
<u>1,736,100</u>	<u>520,119</u>	<u>4,084,128</u>
-	2,575	57,288
-	72,122	72,122
-	-	(162,898)
-	151,807	(128,813)
-	45,309	45,309
-	(319,565)	(319,565)
<u>-</u>	<u>(47,752)</u>	<u>(436,557)</u>
<u>\$ 1,736,100</u>	<u>\$ 472,367</u>	<u>\$ 3,647,571</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, 2006

<b>Total Governmental Fund Balances</b>	\$ (436,557)
<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.	3,310,343
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	2,199,232
Governmental funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net assets.	
Unamortized Bond Issuance Costs	17,078
Unamortized Premium on Bonds	(60,225)
Long-Term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences payable	(48,959)
General obligation debt	<u>(1,596,291)</u>
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 3,384,621</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, 2006

	General Fund	Street Construction	Emergency Ambulance	Emergency Fire
<b>Revenues:</b>				
Property Taxes	\$ 152,407	\$ -	\$ 85,116	\$ 147,152
Income Taxes	956,949	-	-	-
Other Local Taxes	26,082	-	-	-
Charges for Services	6,814	-	429,069	-
Licenses, Permits, and Fees	3,251	-	-	-
Fines and Forfeitures	30,802	-	-	-
Intergovernmental	161,094	209,160	15,017	17,767
Special Assessments	-	-	-	-
Other	36,445	13,317	-	2,030
Total Revenues	<u>1,373,844</u>	<u>222,477</u>	<u>529,202</u>	<u>166,949</u>
<b>Expenditures:</b>				
Current Operations and Maintenance:				
General Government	590,324	-	-	-
Security of Persons and Property	362,003	-	-	90,662
Leisure-Time Activities	66,302	-	-	-
Health	-	-	477,922	-
Community Environment	31,905	-	-	-
Transportation	-	124,818	-	-
Capital Outlay	82,697	201,787	1,508	403,685
Debt Service:				
Principal Retirement	-	13,333	16,469	23,186
Interest and Fiscal Charges	24,557	14,202	7,202	14,264
Total Expenditures	<u>1,157,788</u>	<u>354,140</u>	<u>503,101</u>	<u>531,797</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	216,056	(131,663)	26,101	(364,848)
<b>Other Financing Sources (Uses):</b>				
Premium on Bonds	-	-	-	-
Proceeds of Notes	-	-	-	395,000
Proceeds from Sale of Bonds	-	54,276	-	-
Operating Transfers In	2,114	95,000	-	-
Operating Transfers Out	(172,348)	-	-	-
Total Other Financing Sources (Uses)	<u>(170,234)</u>	<u>149,276</u>	<u>-</u>	<u>395,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	45,822	17,613	26,101	30,152
Fund Balance at Beginning of Year	(168,799)	(376,847)	(1,584)	38,737
Fund Balance at End of Year	<u>\$ (122,977)</u>	<u>\$ (359,234)</u>	<u>\$ 24,517</u>	<u>\$ 68,889</u>

(Continued to next page)

See accompanying notes to the basic financial statements

Twin Creeks Infrastructure Bonds	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 59,181	\$ 443,856
-	-	956,949
-	-	26,082
-	51,364	487,247
-	-	3,251
-	-	30,802
-	92,687	495,725
-	102,434	102,434
-	5,772	57,564
-	<u>311,438</u>	<u>2,603,910</u>
-	887	591,211
-	78,362	531,027
-	-	66,302
-	110,478	588,400
-	606	32,511
-	67,237	192,055
-	10,051	699,728
-	20,000	72,988
-	88,073	148,298
-	<u>375,694</u>	<u>2,922,520</u>
-	(64,256)	(318,610)
-	60,225	60,225
-	-	395,000
-	995,000	1,049,276
-	57,348	154,462
-	(2,114)	(174,462)
-	<u>1,110,459</u>	<u>1,484,501</u>
-	1,046,203	1,165,891
-	(1,093,955)	(1,602,448)
<u>\$ -</u>	<u>\$ (47,752)</u>	<u>\$ (436,557)</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, 2006

**Net Change in Fund Balances - Total Governmental Funds** \$ 1,165,891

*Amounts reported for governmental activities in the  
statement of activities are different because:*

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

216,889

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

1,828,767

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	(1,444,276)
Repayment of long-term debt	72,988

Governmental funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Bond Issuance Costs	17,078
Premium on Bonds	(60,225)

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	(4,189)
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**Change in Net Assets of Governmental Activities** \$ 1,792,923

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, 2006

	Original Budget	Final Budget	Actual	Variance (Over)/Under
<b>Revenues</b>				
Property Taxes	\$ 167,784	\$ 167,784	\$ 152,407	\$ (15,377)
Income tax	910,000	910,000	959,586	49,586
Other Local Taxes	28,325	28,325	26,082	(2,243)
Charges for Services	5,000	5,000	6,814	1,814
Licenses and Permits	6,500	6,500	3,251	(3,249)
Fines and Forfeitures	14,000	24,000	30,802	6,802
Intergovernmental	69,608	160,418	166,094	5,676
Other	20,100	35,546	36,445	899
Total Revenues	<u>1,221,317</u>	<u>1,337,573</u>	<u>1,381,481</u>	<u>43,908</u>
<b>Expenditures</b>				
General Government	584,586	619,852	597,754	22,098
Security of Persons and Property	359,566	368,691	366,768	1,923
Leisure-Time Activities	53,967	60,117	47,216	12,901
Community Environment	34,725	34,525	32,204	2,321
Capital Outlay	39,600	96,615	82,697	13,918
Debt Service:				
Principal Retirement	500,000	500,000	500,000	-
Interest and Fiscal Charges	24,900	24,900	24,557	343
Total Expenditures	<u>1,597,344</u>	<u>1,704,700</u>	<u>1,651,196</u>	<u>53,504</u>
Excess of Revenues Over/ (Under) Expenditures	(376,027)	(367,127)	(269,715)	97,412
<b>Other Financing Sources/(Uses)</b>				
Other Financing Sources	5,000	5,000	-	(5,000)
Proceeds from Notes	500,000	500,000	500,000	-
Operating Transfers In	2,114	2,114	2,114	-
Operating Transfers Out	(175,476)	(184,376)	(172,348)	12,028
Total Other Financing Sources/(Uses)	<u>331,638</u>	<u>322,738</u>	<u>329,766</u>	<u>7,028</u>
Net Change in Fund Balance	(44,389)	(44,389)	60,051	104,440
Fund Balances at Beginning of Year	135,769	135,769	135,769	-
Prior Year Encumbrances Appropriated	1,910	1,910	1,910	-
Fund Balances at End of Year	<u>\$ 93,290</u>	<u>\$ 93,290</u>	<u>\$ 197,730</u>	<u>\$ 104,440</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, 2006

	Original Budget	Final Budget	Actual	Variance (Over)/Under
<b>Revenues</b>				
Intergovernmental	\$ 192,059	\$ 194,059	\$ 209,160	\$ 15,101
Other	1,500	12,500	13,317	817
Total Revenues	<u>193,559</u>	<u>206,559</u>	<u>222,477</u>	<u>15,918</u>
<b>Expenditures</b>				
Transportation	117,202	130,298	127,070	3,228
Capital Outlay	177,994	222,179	201,943	20,236
Debt Service:				
Principal Retirement	428,482	438,477	438,333	144
Interest and Fiscal Charges	14,375	14,375	14,202	173
Total Expenditures	<u>738,053</u>	<u>805,329</u>	<u>781,548</u>	<u>23,781</u>
Excess of Revenues Over/ (Under) Expenditures	(544,494)	(598,770)	(559,071)	39,699
<b>Other Financing Sources/(Uses)</b>				
Proceeds from Notes	425,000	479,276	479,276	-
Transfers In	112,000	112,000	95,000	(17,000)
Total Other Financing Sources/(Uses)	<u>537,000</u>	<u>591,276</u>	<u>574,276</u>	<u>(17,000)</u>
Net Change in Fund Balance	(7,494)	(7,494)	15,205	22,699
Fund Balances at Beginning of Year	7,503	7,503	7,503	-
Prior Year Encumbrances Appropriated	88	88	88	-
Fund Balances at End of Year	<u>\$ 97</u>	<u>\$ 97</u>	<u>\$ 22,796</u>	<u>\$ 22,699</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, 2006

	Original Budget	Final Budget	Actual	Variance (Over)/Under
<b>Revenues</b>				
Property Taxes	\$ 95,954	\$ 95,954	\$ 85,116	\$ (10,838)
Charges for Services	460,000	460,000	433,810	(26,190)
Intergovernmental	12,312	12,312	15,017	2,705
Total Revenues	<u>568,266</u>	<u>568,266</u>	<u>533,943</u>	<u>(34,323)</u>
<b>Expenditures</b>				
Health	495,246	495,246	481,436	13,810
Capital Outlay	8,450	8,450	1,508	6,942
Debt Service:				
Principal Retirement	16,500	16,500	16,469	31
Interest and Fiscal Charges	7,300	7,300	7,202	98
Total Expenditures	<u>527,496</u>	<u>527,496</u>	<u>506,615</u>	<u>20,881</u>
Net Change in Fund Balance	40,770	40,770	27,328	(13,442)
Fund Balances at Beginning of Year	(5,423)	(5,423)	(5,423)	-
Prior Year Encumbrances Appropriated	1,023	1,023	1,023	-
Fund Balances at End of Year	<u>\$ 36,370</u>	<u>\$ 36,370</u>	<u>\$ 22,928</u>	<u>\$ (13,442)</u>

See accompanying notes to the basic financial statements

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
EMERGENCY FIRE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006

	Original Budget	Final Budget	Actual	Variance (Over)/Under
<b>Revenues</b>				
Property Taxes	\$ 165,864	\$ 165,864	\$ 147,152	\$ (18,712)
Intergovernmental	13,000	13,000	17,767	4,767
Other	-	-	2,030	2,030
Total Revenues	<u>178,864</u>	<u>178,864</u>	<u>166,949</u>	<u>(11,915)</u>
<b>Expenditures</b>				
Security of Persons and Property	91,143	91,143	93,990	(2,847)
Capital Outlay	63,700	436,350	403,685	32,665
Debt Service:	-			
Principal Retirement	13,037	23,191	23,186	5
Interest and Fiscal Charges	2,073	14,269	14,264	5
Total Expenditures	<u>169,953</u>	<u>564,953</u>	<u>535,125</u>	<u>29,823</u>
Excess of Revenues Over/ (Under) Expenditures	8,911	(386,089)	(368,176)	17,913
<b>Other Financing Sources/(Uses)</b>				
Proceeds from Bonds	-	395,000	395,000	-
Total Other Financing Sources/(Uses)	<u>-</u>	<u>395,000</u>	<u>395,000</u>	<u>-</u>
Net Change in Fund Balance	8,911	8,911	26,824	17,913
Fund Balances at Beginning of Year	39,306	39,306	39,306	-
Prior Year Encumbrances Appropriated	-	-	-	-
Fund Balances at End of Year	<u>\$ 48,217</u>	<u>\$ 48,217</u>	<u>\$ 66,130</u>	<u>\$ 17,913</u>

See accompanying notes to the basic financial statements



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

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
AS OF DECEMBER 31, 2006**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Swimming Pool</u>	<u>Total</u>
<b>Assets</b>				
Current Assets:				
Pooled Cash and Cash Equivalents	\$ 315,256	\$ 306,792	\$ 1,029	\$ 623,077
Accounts Receivable	87,261	202,061	-	289,322
Prepaid Items	12,244	10,094	2,528	24,866
Noncurrent Assets:				
NonDepreciable Capital Assets	7,073	209,195	36,327	252,595
Depreciable Capital Assets, Net	4,193,021	2,173,522	2,864	6,369,407
Total Assets	<u>4,614,855</u>	<u>2,901,664</u>	<u>42,748</u>	<u>7,559,267</u>
<b>Liabilities</b>				
Current Liabilities				
Accounts Payable	1,916	693	-	2,609
Accrued Wages and Benefits	3,211	4,180	-	7,391
Due To Other Governments	8,916	11,631	409	20,956
Compensated Absences	4,011	5,223	-	9,234
Loans Payable-current	143,065	140,311	-	283,376
Noncurrent Liabilities				
Loans Payable	3,323,479	1,418,447	-	4,741,926
Compensated Absences	11,417	28,089	-	39,506
Total Liabilities	<u>3,496,015</u>	<u>1,608,574</u>	<u>409</u>	<u>5,104,998</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	733,550	823,959	39,191	1,596,700
Unrestricted Net Assets	385,290	469,131	3,148	857,569
Total Net Assets	<u>\$ 1,118,840</u>	<u>\$ 1,293,090</u>	<u>\$ 42,339</u>	<u>\$ 2,454,269</u>

See accompanying notes to the basic financial statements

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006

	Water Fund	Sewer Fund	Swimming Pool	Total
<b>Operating Revenues</b>				
Charges for Services	\$ 571,722	\$ 929,922	\$ 53,295	1,554,939
Other Operating Revenue	27,334	1,924	1,999	31,257
Total Operating Revenues	599,056	931,846	55,294	1,586,196
<b>Operating Expenses</b>				
Personal Services	238,135	321,236	35,320	594,691
Contractual Services	89,350	144,146	15,181	248,677
Materials and Supplies	81,865	19,455	19,976	121,296
Depreciation	408,425	474,036	20,794	903,255
Other Operating Expenses	1,487	84	-	1,571
Total Operating Expenses	819,262	958,957	91,271	1,869,490
Operating Income (Loss)	(220,206)	(27,111)	(35,977)	(283,294)
<b>Nonoperating Revenues (Expenses)</b>				
Interest Income	32	30	-	62
Grants Income	123,097	-	-	123,097
Interest and Fiscal Charges	(89,367)	(67,534)	-	(156,901)
Total Non-Operating Revenues (Expenses)	33,762	(67,504)	-	(33,742)
Income Before Transfers	(186,444)	(94,615)	(35,977)	(317,036)
Transfers In	-	-	20,000	20,000
Change in Net Assets	(186,444)	(94,615)	(15,977)	(297,036)
Net Assets at Beginning of Year	1,305,284	1,387,705	58,316	2,751,305
Net Assets at End of Year	\$ 1,118,840	\$ 1,293,090	\$ 42,339	\$ 2,454,269

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, 2006

	Water Fund	Sewer Fund	Swimming Pool	Total
<b>Cash Flows from Operating Activities</b>				
Cash Received From Customers	\$ 568,486	\$ 864,406	\$ 53,295	\$ 1,486,187
Other Operating Receipts	27,334	1,924	1,999	31,257
Cash Paid to Employees	(246,899)	(323,833)	(35,634)	(606,366)
Cash Paid to Suppliers	(204,120)	(175,356)	(35,184)	(414,660)
Cash Paid for Other Expenses	(1,487)	(84)	-	(1,571)
Net Cash Flows from Operating Activities	<u>143,314</u>	<u>367,057</u>	<u>(15,524)</u>	<u>494,847</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers In	-	-	20,000	20,000
Net Cash Flows From Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of Capital Assets	(684,568)	(16,470)	(3,580)	(704,618)
Proceeds From Capital Grants	123,097	-	-	123,097
Proceeds From Notes	704,243	-	-	704,243
Payment of Debt Principal	(118,607)	(134,745)	-	(253,352)
Payment of Debt Interest	(89,367)	(67,534)	-	(156,901)
Net Cash Flows From Capital and Related Financing Activities	<u>(65,202)</u>	<u>(218,749)</u>	<u>(3,580)</u>	<u>(287,531)</u>
<b>Cash Flows from Investing Activities</b>				
Cash Received from Interest	32	30	-	62
Net Cash Flows from Investing Activities	<u>32</u>	<u>30</u>	<u>-</u>	<u>62</u>
Net Change in Cash	78,144	148,338	896	227,378
Cash and Cash Equivalents at Beginning of Year	237,112	158,454	133	395,699
Cash and cash Equivalents at End of Year	<u>\$ 315,256</u>	<u>\$ 306,792</u>	<u>\$ 1,029</u>	<u>\$ 623,077</u>
<b>Reconciliation of Operating Income to Net Cash Flows from Operating Activities:</b>				
Operating Loss	\$ (220,206)	\$ (27,111)	\$ (35,977)	\$ (283,294)
Add Depreciation Expense	408,425	474,036	20,794	903,255
(Increase)/Decrease in Current Assets				
Accounts Receivable	(3,236)	(65,516)	-	(68,752)
Prepaid Expenses	(6,684)	(3,825)	(262)	(10,771)
Increase/(Decrease) in Current Liabilities				
Accounts Payable	(32,905)	(11,755)	(27)	(44,687)
Accrued Wages	12	(26)	-	(14)
Compensated Absences	(4,434)	(1,686)	-	(6,120)
Intergovernmental Payable	2,342	2,940	(52)	5,230
Net Cash Flows from Operating Activities	<u>\$ 143,314</u>	<u>\$ 367,057</u>	<u>\$ (15,524)</u>	<u>\$ 494,847</u>

See accompanying notes to the basic financial statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**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, 2006

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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

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

**D. Receivables and Payables**

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

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

**E. Inventories and Prepaid Items**

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

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

**F. Restricted Net Assets**

This category is designed to reflect net assets whose use is not subject solely to the government's own discretion. This category naturally would include resources subject to externally imposed restrictions (creditors, grantors, contributors, laws/regulations of other governments, constitutional provisions). It also would normally, but not always, include resources from enabling legislation (i.e. legislation authorizing the raising of resources for a specific purpose). At fiscal year-end, the portion of restricted net assets which resulted from enabling legislation totaled \$2,228,882.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**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 \$42,147 for Business Type Activities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**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, 2006

**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE**

***Deficit Fund Balances***

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

<u>Fund</u>	<u>Balance</u>
Community Center	\$ (319,565)

**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, 2006, on the GAAP basis to the budget basis are as follows:

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

	<u>General Fund</u>	<u>Street Construction</u>	<u>Emergency Ambulance</u>	<u>Emergency Fire</u>
GAAP basis	\$ 45,822	\$ 17,613	\$ 26,101	\$ 30,152
Revenue accruals	7,637	0	4,741	0
Expenditure accruals	10,634	(2,252)	(3,158)	(2,718)
Encumbrances	(4,042)	(156)	(356)	(610)
Budget basis	<u>\$ 60,051</u>	<u>\$ 15,205</u>	<u>\$ 27,328</u>	<u>\$ 26,824</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

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

Deposits - At year-end, the carrying amount of the City's deposits was \$1,191,801, which includes a certificate of deposit totaling \$62,780, and the bank balance was \$1,237,071. Of the bank balance, \$263,299 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 \$3,012. 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	\$ 165,384	\$ 329,457	\$ 494,841
Emergency Ambulance Fund	93,371	-	93,371
Emergency Fire Fund	161,738	-	161,738
Other Governmental Funds	66,581	-	66,581
Totals	\$ 487,074	\$ 329,457	\$ 816,531

**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, 2006

**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, 2006. However, since these tax collections will not be received during the available period, nor are they intended to finance 2006 operations, the receivable is offset by a credit to deferred revenue.

The assessed value upon which the fiscal year 2006 property taxes were collected was \$73,979,235. Real estate – residential/agricultural represented \$57,418,780, or 78% of this total, real estate – commercial/industrial represented 12,418,310, or 17%, public utility tangible personal property represented \$1,130,610, or 1%, and general tangible personal property represented \$3,011,535, or 4%.

House Bill 66 phases out the tax on tangible personal property. The tax is phased out by reducing the assessment rate on the property each year. In the first five years, the City is fully reimbursed for the lost revenue. Reimbursements to the City are then phased out over the next seven years.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**NOTE 8 - CAPITAL ASSETS**

Governmental capital asset activity for the year ended December 31, 2006, was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
<i>Non-depreciated assets:</i>				
Land	\$ 203,707	\$ -	\$ -	\$ 203,707
Construction in Process	-	54,795	-	54,795
<i>Capital assets, being depreciated:</i>				
Buildings	636,077	-	-	636,077
Improvements Other than Buildings	236,703	44,439	-	281,142
Machinery and Equipment	961,129	457,547	-	1,418,676
Furniture and Fixtures	87,291	-	-	87,291
Computer Equipment	80,997	7,820	-	88,817
Vehicles	1,331,234	-	-	1,331,234
Infrastructure	<u>1,737,951</u>	<u>1,290</u>	-	<u>1,739,241</u>
Total Capital Assets	<u>5,275,089</u>	<u>565,891</u>	-	<u>5,840,980</u>
<i>Accumulated Depreciation:</i>				
Buildings	327,958	31,804	-	359,762
Improvements Other than Buildings	236,703	56,228	-	292,931
Machinery and Equipment	413,849	70,934	-	484,783
Furniture and Fixtures	38,900	4,365	-	43,265
Computer Equipment	80,997	17,763	-	98,760
Vehicles	1,045,250	133,123	-	1,178,373
Infrastructure	<u>37,978</u>	<u>34,785</u>	-	<u>72,763</u>
Total Accumulated Depreciation	<u>2,181,635</u>	<u>349,002</u>	-	<u>2,530,637</u>
Capital Assets, net	<u>\$ 3,093,454</u>	<u>\$ 216,889</u>	<u>\$ -</u>	<u>\$ 3,310,343</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 99,204
Security of Persons and Property	89,961
Leisure-Time Activities	10,799
Transportation	108,847
Public Health	7,522
Community Environment	<u>32,669</u>
Total Depreciation Expense	<u>\$ 349,002</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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

Business-type capital asset activity for the year ended December 31, 2006, was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciated assets:				
Land	\$ 252,595	\$ -	\$ -	\$ 252,595
Construction in Process	3,068,258	-	(3,068,258)	-
Capital assets, being depreciated:				
Buildings	2,054,048	3,742,979	-	5,797,027
Improvements Other than Buildings	1,025,054	3,580	-	1,028,634
Machinery and Equipment	5,709,651	26,317	-	5,735,968
Furniture and Fixtures	41,150	-	-	41,150
Computer Equipment	3,757	-	-	3,757
Vehicles	269,308	-	-	269,308
Infrastructure	<u>6,094,477</u>	<u>-</u>	<u>-</u>	<u>6,094,477</u>
Total Capital Assets	18,518,298	3,772,876	(3,068,258)	19,222,916
Less accumulated depreciation:	<u>(11,697,659)</u>	<u>(903,255)</u>	<u>-</u>	<u>(12,600,914)</u>
Total capital assets, net	<u>\$ 6,820,639</u>	<u>\$ 2,869,621</u>	<u>\$ (3,068,258)</u>	<u>\$ 6,622,002</u>

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

Water	\$ 408,425
Sewer	474,036
Swimming Pool	<u>20,794</u>
Total	<u>\$ 903,255</u>

**NOTE 9 – OPERATING LEASES**

The city leases building and office facilities under an operating lease agreement. Total costs for this operating lease were \$22,400 for the fiscal year.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**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	20,000	-	(20,000)	-	-
2005 Medical Equipment Acquisition Bonds 4.90% maturing 2012	137,428	-	(16,469)	120,959	17,837
2003 Fire Truck Note 4.86% maturing 2009	54,242	-	(13,037)	41,205	12,466
2005 Leaf Machine Note 3.90% maturing 2010	13,333	-	(13,333)	-	-
2006 Fire Truck Note 5.25% maturing 2011	-	395,000	(10,149)	384,851	18,257
Roadway Repair Equipment Bonds 5.20% maturing 2011	-	54,276	-	54,276	9,783
Twin Creeks General Obligation Bonds 4.50% maturing 2026	-	995,000	-	995,000	20,000
Twin Creeks Bonds Premium	-	60,225	-	60,225	-
Compensated Absences	44,770	43,813	(39,624)	48,959	23,093
<b>Total Governmental Activities</b>	<u>\$ 269,773</u>	<u>\$ 1,548,314</u>	<u>\$ (112,612)</u>	<u>\$ 1,705,475</u>	<u>\$ 101,436</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due in One Year
<b>Business-type Activities</b>					
Water Fund Loans:					
1994 OPWC Water Main 0% maturing 2014	\$ 125,284	\$ -	\$ (15,661)	\$ 109,623	\$ 15,661
1997 OWDA Water Main 4.12% maturing 2016	1,065	-	-	1,065	-
2004 OPWC YMCA 0% maturing 2025	135,916	-	(7,153)	128,763	7,153
2005 OWDA WTP Improve. 2.85% maturing 2026	2,618,643	704,243	(95,793)	3,227,093	120,251
<b>Total Water Fund Loans</b>	<u>2,880,908</u>	<u>704,243</u>	<u>(118,607)</u>	<u>3,466,544</u>	<u>143,065</u>
Sewer Fund Loans:					
1997 OWDA Honey Creek 4.56% maturing 2016	1,308,847	-	(105,958)	1,202,889	110,846
1995 OWDA Sewer Line 7.38% maturing 2016	129,196	-	(9,184)	120,012	9,862
1996 OPWC Filter Building 0% maturing 2014	130,000	-	(13,000)	117,000	13,000
2004 OPWC YMCA 0% maturing 2025	125,460	-	(6,603)	118,857	6,603
<b>Total Sewer Fund Loans</b>	<u>1,693,503</u>	<u>-</u>	<u>(134,745)</u>	<u>1,558,758</u>	<u>140,311</u>
Compensated Absences	54,860	40,780	(46,900)	48,740	9,234
<b>Total Business-type Activities</b>	<u>\$ 4,629,271</u>	<u>\$ 745,023</u>	<u>\$ (300,252)</u>	<u>\$ 5,074,042</u>	<u>\$ 292,610</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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

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

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

Annual debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
<b>Governmental Activities:</b>		
2007	78,957	95,854
2008	91,926	82,696
2009	100,156	78,115
2010	88,387	73,198
2011	374,271	59,782
2012-2016	232,594	226,727
2017-2021	270,000	161,395
2022-2026	<u>360,000</u>	<u>68,294</u>
	1,596,291	846,061
Unamortized Bond Premium	<u>60,225</u>	
	<u>\$ 1,656,516</u>	
<b>Business-Type Activities:</b>		
2007	283,376	153,704
2008	298,586	144,247
2009	308,437	134,396
2010	318,697	124,136
2011	329,388	113,445
2012-2016	1,579,819	392,261
2017-2021	954,269	200,756
2022-2026	<u>952,730</u>	<u>66,165</u>
	<u>\$ 5,025,302</u>	<u>\$ 1,329,110</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**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:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
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%	<u>1,050,000</u>	<u>1,050,000</u>	<u>(2,100,000)</u>	<u>-</u>
Total Bond Anticipation Notes	<u>\$ 2,295,000</u>	<u>\$ 2,295,000</u>	<u>\$ (3,345,000)</u>	<u>\$ 1,245,000</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, 2006

**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 2006 member contribution rate for City employees was 9.0% of covered payroll. The 2006 employer contribution rate for the City was 13.70% of covered payroll. The City's required contributions to OPERS for the years ended December 31, 2006, 2005, and 2004 were \$126,656, \$164,470, and \$132,726, respectively. The full amount has been contributed for 2005 and 2004. 75 percent has been contributed for 2006 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, 2006

**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 2006 employer contribution rate was 13.70% of covered payroll, and 4.50% 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, 2006.

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

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

**Investment Return** - The investment assumption rate for 2005 was 6.50%.

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

**Health Care** - Health care costs were assumed to increase at the projected wage inflation rate plus and additional factor ranging from 0.5% to 6% for the next 9 years. In subsequent years (10 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 2006, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 369,214.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**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 2006 required contributions that are used to fund post-employment benefits were \$41,607.

\$11.1 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2005.

The actuarially accrued liability and the unfunded actuarially accrued liability, based on the actuarial cost method used, were \$31.2 billion and \$20.2 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, 2006**

**NOTE 15 - RISK MANAGEMENT**

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

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

The type of coverage, 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	2,000,000
Property	20,578,681
Boiler	19,833,047

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, 2006

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

**Miami Valley Regional Planning Commission**

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

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

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

**NOTE 18 – INTERFUND TRANSFERS**

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 2,114	\$ 172,348
Street Construction Fund	95,000	-
Other Governmental Funds	57,348	2,114
Swimming Pool Fund	<u>20,000</u>	<u>-</u>
	<u>\$ 174,462</u>	<u>\$ 174,462</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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**NOTE 19 – FUND RECLASSIFICATION**

In fiscal year 2006, the City's Capital Improvement Fund did not meet the major fund reporting criteria outlined in Governmental Accounting Standards Board (GASB) Statement No. 34. In that the Capital Improvement Fund is not expected to meet the minimum criteria in future periods, the City has elected to reclassify the Capital Improvement Fund as an Other Governmental Fund. In addition, in fiscal year 2006, the City's Emergency Fire Fund, previously reported as an Other Governmental Fund, met the minimum criteria for mandatory major fund reporting and needed to be reclassified accordingly. The impact of these fund reclassifications on beginning fund balance is presented below:

	<u>Capital Improvement Fund</u>	<u>Emergency Fire Fund</u>	<u>Other Governmental Funds</u>
Fund Balance as of December 31, 2005	(1,310,374)	-	\$ 255,156
<u>Fund Reclassifications:</u>			
Capital Improvements Fund	1,310,374	-	(1,310,374)
Emergency Fire Fund	-	38,737	(38,737)
Fund Balance as of January 1, 2006	<u>-</u>	<u>38,737</u>	<u>(1,093,955)</u>

**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, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 9, 2007. 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 the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2006-2 through 2006-4 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we consider that significant deficiencies 2006-2 and 2006-3, described above, are material weaknesses.

### **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.

The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards, which is described in the accompanying schedule of findings as item 2006-1.

We also noted other matters that we have reported to the City in a separate letter dated August 9, 2007.

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

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.

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

Kennedy Cottrell Richards LLC  
August 9, 2007

**CITY OF NEW CARLISLE, OHIO**

**SCHEDULE OF FINDINGS**

**DECEMBER 31, 2006**

**2006-1 NONCOMPLIANCE: EXPENDITURE OF MONEY**

Ohio Revised Code Section 5705.41 states, in part:

No subdivision or taxing unit shall: ...

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

Of the 119 expenditures we tested, 19 had invoice/obligation dates that preceded the purchase order date, which is in violation of the above statute.

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

OFFICIAL'S RESPONSE

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

**CITY OF NEW CARLISLE, OHIO**

**SCHEDULE OF FINDINGS**

**DECEMBER 31, 2006**

**2006-2 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 assess and infrastructure requires a complete inventory, including fixed asset tagging and computation of depreciation. During 2007, 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 2008, providing adequate funding is available, the City will pursue the purchase of a fixed asset inventory monitoring application.

**CITY OF NEW CARLISLE, OHIO**

**SCHEDULE OF FINDINGS**

**DECEMBER 31, 2006**

**2006-3 MATERIAL WEAKNESS: FINANCIAL REPORTING**

The compilation and presentation of materially correct financial statements and the related footnotes is the responsibility of management of the City. This responsibility remains intact, even if management decides to outsource this function for efficiency purposes, or any other reason, to another accountant or consultant. It is also important to note that independent auditors are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements in the financial statements.

Thus, it is important that management develop control procedures related to drafting financial statements and footnotes that enable management to prevent and detect potential misstatements in the financial statements and footnotes prior to audit.

As a result of our audit, we identified material misstatements in the City's financial statements, as well as other misstatements that were not necessarily material, but were more than inconsequential. We provided adjusting entries to the City and the misstatements were subsequently corrected.

We recommend the City implement sufficient control procedures over the financial reporting process in order to enable management to prevent and detect potential misstatements in the financial statements and footnotes.

**OFFICIAL'S RESPONSE**

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

**CITY OF NEW CARLISLE, OHIO**

**SCHEDULE OF FINDINGS**

**DECEMBER 31, 2006**

**2006-4 SIGNIFICANT DEFICIENCY: CEMETERY**

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

The Public Works Superintendent is responsible for all cemetery activities, which include maintaining cemetery lot inventory, selling cemetery lots, opening/closing graves, and grounds-keeping. There is no monitoring of this process by the City Manager or Finance Director to ensure accuracy of the cemetery records. This is evidenced by a lack of adequate support documentation provided to the Finance Director for eight out of the ten receipts we tested and there being several long outstanding receivables for the sale of grave sites.

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

**OFFICIAL'S RESPONSE**

City of New Carlisle management agrees with the finding related to Cemetery's significant deficiency. Management has implemented additional review processes to monitor Cemetery activities to help ensure the accuracy of Cemetery records. The City's Central Cashier has been instructed to copy all receipt documents (i.e. copies of checks and/or documents related to the receipt) and affix them to the daily batch report. In addition, management is reviewing current policy in order to overhaul and/or develop and implement new policy and control procedures concerning Cemetery activities, including receipt documentation, the safeguarding of City assets, and compliance with applicable laws and regulations.



CITY OF NEW CARLISLE, OHIO

STATUS OF PRIOR FINDINGS

DECEMBER 31, 2005

<b><u>Finding Number</u></b>	<b><u>Fully Corrected?</u></b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b>
2005-1	No	Partially corrected. Reported in separate letter to management
2005-2	No	Partially corrected. Reported in separate letter to management
2005-3	No	Not corrected. Reported as finding number 2006-2.





**Mary Taylor, CPA**  
Auditor of State

**CITY OF NEW CARLISLE**

**CLARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 25, 2007**