

***CITY OF CARLISLE
WARREN COUNTY, OHIO***

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2010

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

City Council
City of Carlisle
760 W. Central Avenue
Carlisle, Ohio 45005

We have reviewed the *Report of Independent Accountants* of the City of Carlisle, Warren County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2010. 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 Carlisle is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 11, 2012

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**CITY OF CARLISLE
WARREN COUNTY
AUDIT REPORT
For the Year Ended December 31, 2010**

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Charles E. Harris & Associates, Inc.
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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Members of City Council:

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 Carlisle, Warren County, Ohio (the "City"), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Carlisle, Warren County, Ohio, as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund and each major special revenue fund thereof 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 March 21, 2012 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 18 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.

March 21, 2012

CITY OF CARLISLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 (UNAUDITED)

The management's discussion and analysis of the City of Carlisle's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2010. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- The total net assets of the City decreased \$568,665. Net assets of governmental activities decreased \$336,930 or 9.06% from 2009 and net assets of business-type activities decreased \$231,735 or 3.49% from 2009.
- General revenues accounted for \$1,293,622 or 59.64% of total governmental activities revenue. Program specific revenues accounted for \$875,375 or 40.36% of total governmental activities revenue.
- The City had \$2,523,937 in expenses related to governmental activities; \$875,375 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$1,648,562 were offset partially by general revenues (primarily income taxes, property taxes and unrestricted grants and entitlements) of \$1,293,622.
- The general fund had revenues of \$962,356 in 2010. This represents a decrease of \$117,213 from 2009. The expenditures and other financing uses of the general fund, which totaled \$951,874 in 2010, decreased \$355,259 from 2009. The net increase in fund balance for the general fund was \$10,482 or 1.61 %.
- The county vehicle tax fund had revenues of \$191,416 in 2010. The expenditures of the county vehicle tax fund totaled \$500,960 in 2010. The net decrease in fund balance for the county vehicle tax fund was \$309,544 or 247.89%.
- The police services fund had revenues and of \$278,194 in 2010. The expenditures of the police services fund totaled \$400,372 in 2010. The net decrease in fund balance for the police services fund was \$122,178 or 34.30%.
- The fire fund had revenues and other financing sources of \$177,740 in 2010. The expenditures of the fire fund totaled \$154,908 in 2009. The net increase in fund balance for the fire fund was \$22,832 or 100.34%.
- The Carlisle Business Park fund had other financing sources of \$1,184,200 in 2010. The expenditures of the Carlisle Business Park fund totaled \$1,175,464 in 2010. The net increase in fund balance for the Carlisle Business Park fund was \$8,736 or 95.33%.
- Net assets for the business-type activities, which are made up of the sewer, water and refuse enterprise funds, decreased in 2010 by \$231,735. This decrease in net assets was due primarily to expenses exceeding revenues.
- In the general fund, the actual revenues came in \$41,954 lower than they were in the final budget and actual expenditures and other financing uses were \$193,433 lower than the amount in the final budget. Budgeted expenditures and other financing uses were increased \$257,066 from the original to the final budget. Budgeted revenues remained the same in the original and final budget.

CITY OF CARLISLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 (UNAUDITED)

Using this Annual Financial Report

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

The statement of net assets and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. 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 remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take 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 that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net assets and the statement of activities, the City is divided into two distinct kinds of activities:

Governmental activities - Most of the City's programs and services are reported here including police, fire, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's sewer, water and refuse operations are reported here.

The City's statement of net assets and statement of activities can be found on pages 19-21 of this report

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

CITY OF CARLISLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 (UNAUDITED)

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 10.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, county vehicle tax fund, police services fund, fire fund, and the Carlisle Business Park fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 22-31 of this report.

Proprietary Funds

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer, water and refuse management functions. All of the City's enterprise funds are considered major funds. The basic proprietary fund financial statements can be found on pages 32-34 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. An agency fund is the City's only fiduciary fund type. The statement of fiduciary net assets can be found on page 35.

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. These notes to the basic financial statements can be found on pages 36-62 of this report.

CITY OF CARLISLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)

Government-Wide Financial Analysis

The table below provides a summary of the City's net assets at December 31, 2010 and 2009:

	Governmental Activities 2010	Business-type Activities 2010	Governmental Activities 2009	Business-type Activities 2009	2010 Total	2009 Total
<u>Assets</u>						
Current and other assets	\$ 2,052,476	\$ 1,861,413	\$ 2,486,571	\$ 1,758,619	\$ 3,913,889	\$ 4,245,190
Capital assets, net	<u>4,548,318</u>	<u>4,867,864</u>	<u>4,536,263</u>	<u>5,210,377</u>	<u>9,416,182</u>	<u>9,746,640</u>
Total assets	<u>6,600,794</u>	<u>6,729,277</u>	<u>7,022,834</u>	<u>6,968,996</u>	<u>13,330,071</u>	<u>13,991,830</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	2,844,804	4,856	3,041,794	3,808	2,849,660	3,045,602
Other liabilities	<u>373,095</u>	<u>85,624</u>	<u>261,215</u>	<u>94,656</u>	<u>458,719</u>	<u>355,871</u>
Total liabilities	<u>3,217,899</u>	<u>90,480</u>	<u>3,303,009</u>	<u>98,464</u>	<u>3,308,379</u>	<u>3,401,473</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	2,310,620	4,867,864	2,150,263	5,210,377	7,178,484	7,360,640
Restricted	1,040,482	-	1,450,523	-	1,040,482	1,450,523
Unrestricted (deficit)	<u>31,793</u>	<u>1,770,933</u>	<u>119,039</u>	<u>1,660,155</u>	<u>1,802,726</u>	<u>1,779,194</u>
Total net assets	<u>\$ 3,382,895</u>	<u>\$ 6,638,797</u>	<u>\$ 3,719,825</u>	<u>\$ 6,870,532</u>	<u>\$ 10,021,692</u>	<u>\$ 10,590,357</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2010, the City's assets exceeded liabilities by \$10,021,692. At year-end, net assets were \$3,382,895 and \$6,638,797 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 69.66% of total assets. Capital assets include land, construction in progress, buildings and improvements, furniture and equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2010, were \$2,310,620 and \$4,867,864 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$1,040,482, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets is \$31,793.

CITY OF CARLISLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

The table below shows the changes in net assets for 2010 and 2009.

	Governmental Activities <u>2010</u>	Business-type Activities <u>2010</u>	Governmental Activities <u>2009</u>	Business-type Activities <u>2009</u>	2010 Total	2009 Total
Revenues						
Program revenues:						
Charges for services	\$ 251,884	\$ 1,853,630	\$ 286,538	\$ 1,965,018	\$ 2,105,514	\$ 2,251,556
Operating grants and contributions	595,763	-	362,906	-	595,763	362,906
Capital grants and contributions	<u>27,728</u>	<u>-</u>	<u>21,235</u>	<u>-</u>	<u>27,728</u>	<u>21,235</u>
Total program revenues	<u>875,375</u>	<u>1,853,630</u>	<u>670,679</u>	<u>1,965,018</u>	<u>2,729,005</u>	<u>2,635,697</u>
General revenues:						
Property taxes	185,139	-	188,906	-	185,139	188,906
Income taxes	856,863	-	828,658	-	856,863	828,658
Unrestricted grants and entitlements	124,645	-	131,752	-	124,645	131,752
Payment in lieu of taxes	94,283	-	210,852	-	94,283	210,852
Investment earnings	3,473	-	48,870	-	3,473	48,870
Miscellaneous	<u>29,219</u>	<u>-</u>	<u>37,276</u>	<u>-</u>	<u>29,219</u>	<u>37,276</u>
Total general revenues	<u>1,293,622</u>	<u>-</u>	<u>1,446,314</u>	<u>-</u>	<u>1,293,622</u>	<u>1,446,314</u>
Total revenues	<u>2,168,997</u>	<u>1,853,630</u>	<u>2,116,993</u>	<u>1,965,018</u>	<u>4,022,627</u>	<u>4,082,011</u>
Expenses:						
General government	641,370	-	675,559	-	641,370	675,559
Security of persons and property	794,958	-	745,329	-	794,958	745,329
Transportation	829,359	-	272,018	-	829,359	272,018
Community environment	118,694	-	133,369	-	118,694	133,369
Leisure time activity	8,905	-	19,482	-	8,905	19,482
Interest and fiscal charges	130,651	-	96,962	-	130,651	96,962
Sewer	-	1,534,302	-	1,528,992	1,534,302	1,528,992
Refuse	-	215,609	-	299,417	215,609	299,417
Water	<u>-</u>	<u>317,444</u>	<u>-</u>	<u>236,856</u>	<u>317,444</u>	<u>236,856</u>
Total expenses	<u>2,523,937</u>	<u>2,067,355</u>	<u>1,942,719</u>	<u>2,065,265</u>	<u>4,591,292</u>	<u>4,007,984</u>
Increase (decrease) in net assets before transfers	(354,940)	(213,725)	174,274	(100,247)	(568,665)	74,027
Transfers	<u>18,010</u>	<u>(18,010)</u>	<u>(18,069)</u>	<u>18,069</u>	<u>-</u>	<u>-</u>
Change in net assets	(336,930)	(231,735)	156,205	(82,178)	(568,665)	74,027
Net assets at beginning of year	<u>3,719,825</u>	<u>6,870,532</u>	<u>3,563,620</u>	<u>6,952,710</u>	<u>10,590,357</u>	<u>10,516,330</u>
Net assets at end of year	<u>\$ 3,382,895</u>	<u>\$ 6,638,797</u>	<u>\$ 3,719,825</u>	<u>\$ 6,870,532</u>	<u>\$ 10,021,692</u>	<u>\$ 10,590,357</u>

CITY OF CARLISLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

Governmental Activities

Governmental activities net assets decreased \$336,930 in 2010.

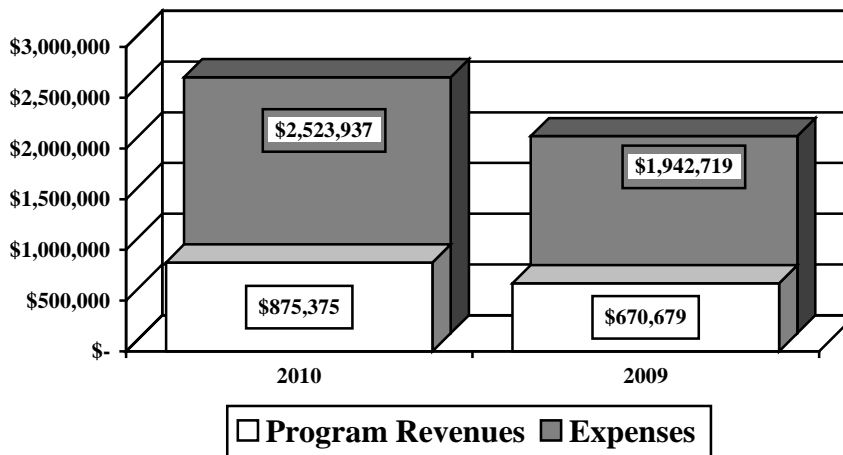
Security of persons and property which primarily supports the operation of police and fire services accounted for \$794,958 or 17.57% of the total expenses of the City. Security of persons and property expenses were partially funded by \$7,646 in operating grants and contributions. General government expenses totaled \$641,370. General government expenses were partially funded by \$99,399 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$595,763 in operating grants and contributions and \$27,728 in capital grants and contributions. These revenues are restricted to a particular program or purpose. All of the capital grants and contributions subsidized community environment programs.

General revenues totaled \$1,293,622, and amounted to 59.64% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$1,042,002. The other primary sources of general revenues are grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$124,645 and payment in lieu of taxes of \$94,283.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon general revenues (primarily property and income taxes as well as unrestricted grants and entitlements) to support its governmental activities as program revenues are not sufficient to cover total governmental expenses for 2010.

Governmental Activities - Program Revenues vs. Total Expenses



CITY OF CARLISLE, OHIO

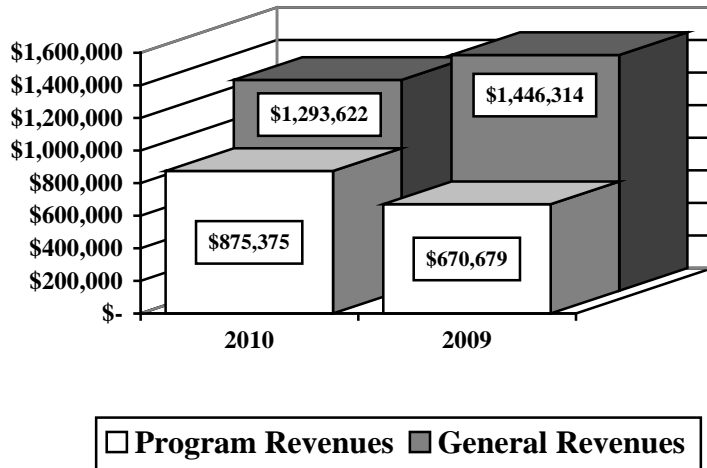
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)

Governmental Activities

	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>
Program expenses:				
General government	\$ 641,370	\$ 401,200	\$ 675,559	\$ 476,997
Security of persons and property	794,958	787,312	745,329	735,178
Transportation	829,359	382,013	272,018	(20,328)
Community environment	118,694	(8,389)	133,369	12,330
Leisure time activity	8,905	8,905	19,482	19,482
Interest and fiscal charges	<u>130,651</u>	<u>77,521</u>	<u>96,962</u>	<u>48,381</u>
Total	<u>\$ 2,523,937</u>	<u>\$ 1,648,562</u>	<u>\$ 1,942,719</u>	<u>\$ 1,272,040</u>

The dependence upon general revenues for governmental activities is apparent, with 65.32% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2010 and 2009.

Governmental Activities - General and Program Revenues

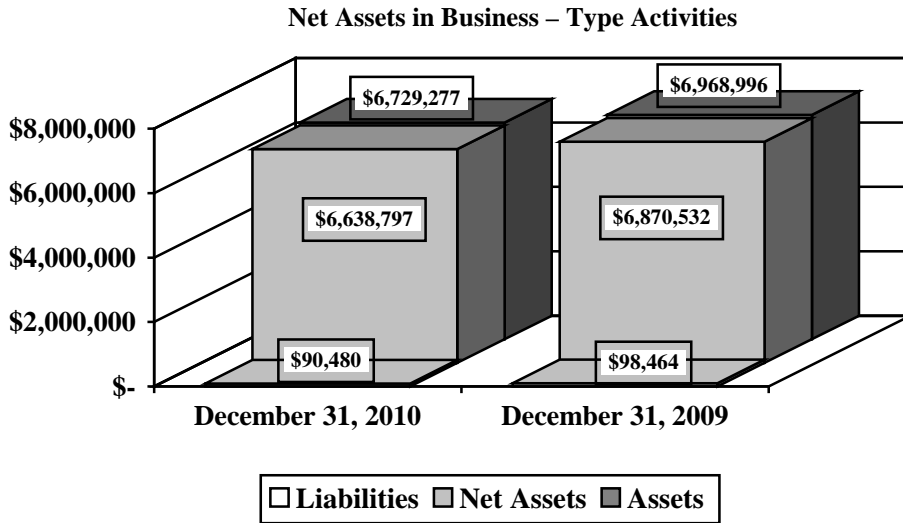


CITY OF CARLISLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

Business-type Activities

Business-type activities include the sewer, water and refuse enterprise funds. These programs had program revenues of \$1,853,630 and expenses of \$2,067,355 for 2010. The graph below shows the business-type activities assets, liabilities and net assets at year-end.



Financial Analysis of the Government'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 the City's net resources available for spending at year-end.

The City's governmental funds (as presented on the balance sheet on pages 22-23) reported a combined fund balance of \$1,387,861 which is \$562,819 lower than last year's balance of \$1,950,680.

CITY OF CARLISLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)

The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2010 and 2009 for all major and non-major governmental funds.

	Fund Balances (Deficit) <u>12/31/10</u>	Fund Balances (Deficit) <u>12/31/09</u>	Increase/ (Decrease) <u></u>
Major funds:			
General	\$ 660,241	\$ 649,759	\$ 10,482
County Vehicle Tax	(184,674)	124,870	(309,544)
Police Services	234,004	356,182	(122,178)
Fire	45,586	22,754	22,832
Carlisle Business Park	17,900	9,164	8,736
Other nonmajor governmental funds	<u>614,804</u>	<u>787,951</u>	<u>(173,147)</u>
Total	<u>\$ 1,387,861</u>	<u>\$ 1,950,680</u>	<u>\$ (562,819)</u>

General Fund

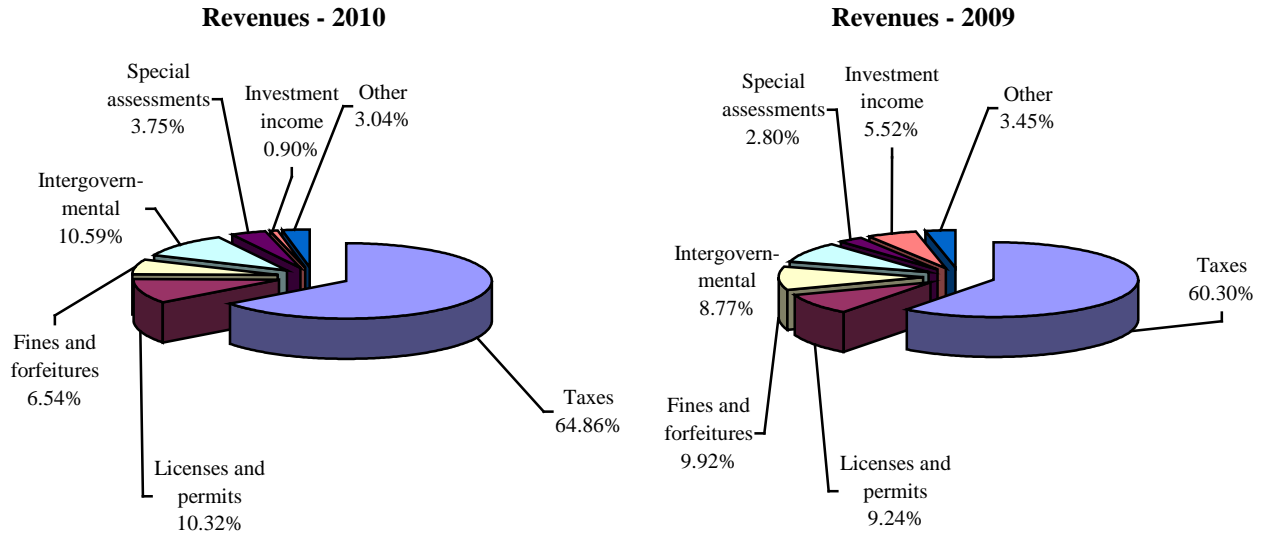
The City's general fund balance increased \$10,482. The table that follows assists in illustrating the revenues of the general fund.

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Revenues			
Taxes	\$ 624,066	\$ 651,009	(4.14) %
Licenses and permits	99,355	99,804	(0.45) %
Fines and forfeitures	62,972	107,050	(41.18) %
Intergovernmental	101,942	94,554	7.81 %
Special assessments	36,109	30,278	19.26 %
Investment income	8,693	59,598	(85.41) %
Other	<u>29,219</u>	<u>37,276</u>	(21.61) %
Total	<u>\$ 962,356</u>	<u>\$ 1,079,569</u>	(10.86) %

Tax revenue represents 64.85% of all general fund revenue. Tax revenue decreased 3.40% from prior year. The 85.41% decrease in investment income was primarily due to the declining interest rates in 2010. All other revenues remained comparable to 2009.

CITY OF CARLISLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**



The table that follows assists in illustrating the expenditures of the general fund.

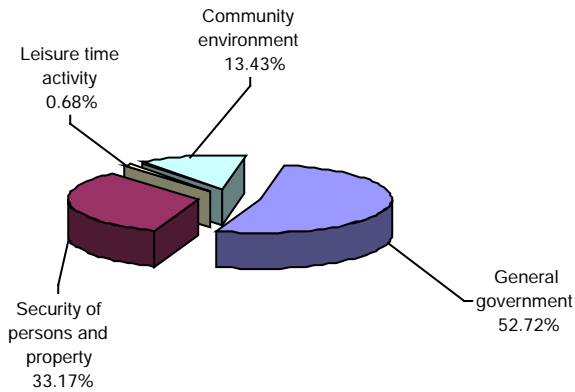
	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 435,684	\$ 514,989	(15.40) %
Security of persons and property	274,117	284,922	(3.79) %
Community environment	110,947	133,719	(17.03) %
Leisure time activity	<u>5,626</u>	<u>16,203</u>	(65.28) %
 Total	 <u>\$ 826,374</u>	 <u>\$ 949,833</u>	 (13.00) %

The City decreased total expenditures by 13.00%, as the City carefully monitored spending. Expenditures remained comparable from 2010 to 2009.

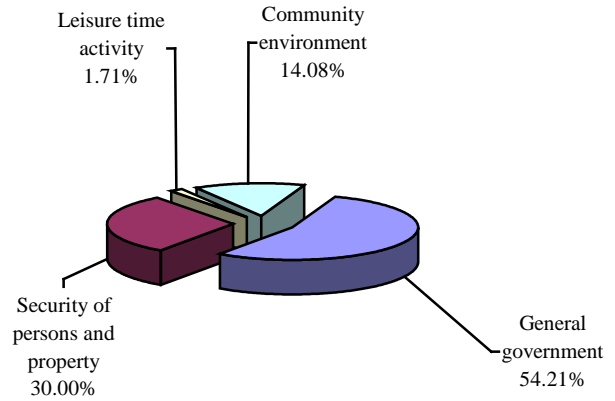
CITY OF CARLISLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

Expenditures - 2010



Expenditures - 2009



Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the general fund, county vehicle tax fund, police services fund, and fire fund. In the general fund, the actual revenues came in \$41,954 lower than they were in the final budget and actual expenditures and other financing uses were \$193,433 less than the amount in the final budget. Budgeted expenditures and other financing uses were increased \$257,066 from the original to the final budget. Budgeted revenues remained the same in the original and final budget.

County Vehicle Tax Fund

The county vehicle tax fund had revenues of \$191,416 in 2010. The expenditures of the county vehicle tax fund totaled \$500,960 in 2010. The net decrease in fund balance for the county vehicle tax fund was \$309,544 or 247.89%.

Police Services Fund

The police services fund had revenues of \$278,194 in 2010. The expenditures of the police services fund totaled \$400,372 in 2010. The net decrease in fund balance for the police services fund was \$122,178 or 34.30%.

Fire Fund

The fire fund had revenues and other financing sources of \$177,740 in 2010. The expenditures of the fire fund totaled \$154,908 in 2010. The net increase in fund balance for the fire fund was \$22,832 or 100.34%.

CITY OF CARLISLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

Carlisle Business Park Fund

The Carlisle Business Park fund had other financing sources of \$1,184,200 in 2010. The expenditures of the Carlisle Business Park fund totaled \$1,175,464 in 2010. The net increase in fund balance for the Carlisle Business Park fund was \$8,736 or 95.33%.

Proprietary Funds

The City's enterprise funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The City has three major enterprise funds, the sewer fund, water fund, and refuse fund.

Sewer Fund

The sewer fund had operating revenues of \$1,287,130 in 2010. The operating expenses of the sewer fund, totaled \$1,534,302 in 2010. The net decrease in net assets for the sewer fund was \$265,182 or 4.90%.

Water Fund

The water fund had operating revenues of \$240,221 in 2010. The operating expenses of the water fund, totaled \$215,609 in 2010. The net increase in net assets for the water fund was \$24,612 or 1.92%.

Refuse Fund

The refuse fund had operating revenues of \$326,279 in 2010. The operating expenses of the refuse fund totaled \$317,444 in 2010. The net increase in net assets for the refuse fund was \$8,835 or 4.96%.

Capital Assets and Debt Administration

Capital Assets

At the end of 2010, the City had \$9,416,182 (net of accumulated depreciation) invested in land, construction in progress, buildings and improvements, furniture and equipment, vehicles, and infrastructure. Of this total, \$4,548,318 was reported in governmental activities and \$4,867,864 was reported in business-type activities. See Note 9 for further description of capital assets.

CITY OF CARLISLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)

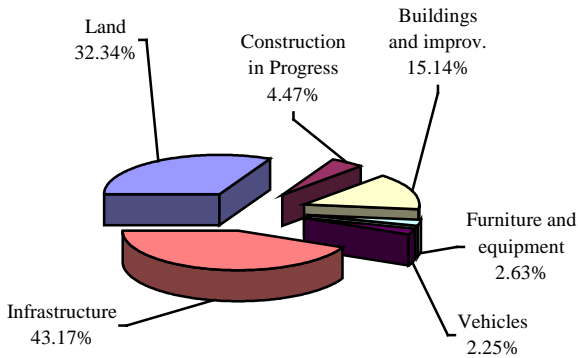
The following table shows December 31, 2010 balances compared to December 31, 2009:

**Capital Assets at December 31
(Net of Depreciation)**

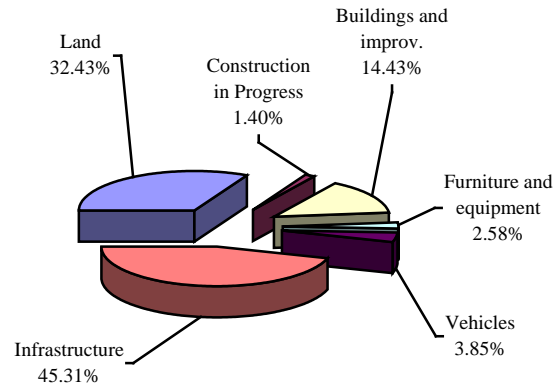
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 1,471,040	\$ 1,471,040	\$ -	\$ -	\$ 1,471,040	\$ 1,471,040
Construction in progress	203,275	63,613	-	-	203,275	63,613
Buildings and improvements	688,563	654,777	-	-	688,563	654,777
Furniture and equipment	119,457	116,836	58,013	69,517	177,470	186,353
Vehicles	102,522	174,870	19,918	28,390	122,440	203,260
Infrastructure	1,963,461	2,055,127	4,789,933	5,112,470	6,753,394	7,167,597
Totals	\$ 4,548,318	\$ 4,536,263	\$ 4,867,864	\$ 5,210,377	\$ 9,416,182	\$ 9,746,640

The following graphs show the breakdown of governmental capital assets by category for 2010 and 2009.

Capital Assets - Governmental Activities 2010



Capital Assets - Governmental Activities 2009



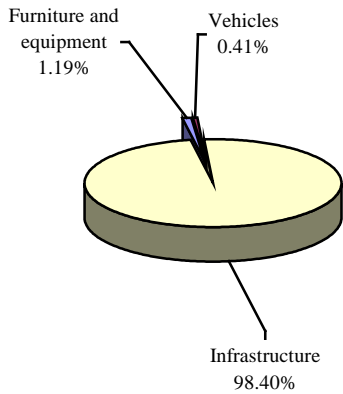
The City's infrastructure is the largest capital asset category. The net book value of the City's infrastructure represents approximately 43.17% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2010 and 2009.

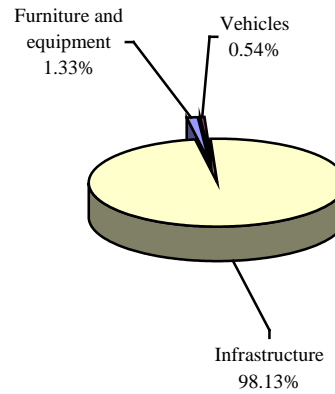
CITY OF CARLISLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)

Capital Assets - Business-Type Activities 2010



Capital Assets - Business-Type Activities 2009



The City's largest business-type capital asset category is infrastructure, which include water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 98.40% of the City's total business-type capital assets.

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2010 and 2009:

	Governmental Activities	
	<u>2010</u>	<u>2009</u>
General obligation bonds	\$ 2,532,700	\$ 2,696,000
Special assessment bonds	304,725	338,094
Compensated absences	<u>7,379</u>	<u>7,700</u>
Total long-term obligations	<u>\$ 2,844,804</u>	<u>\$ 3,041,794</u>

Further detail on the City's long-term obligations can be found in Note 11 to the financial statements.

CITY OF CARLISLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 (UNAUDITED)

Economic Conditions and Outlook

Located in the northernmost corner of Warren County and spreading into southern Montgomery, Carlisle is a community with over 4,900 residents. It is conveniently located within driving distance of two major cities – Cincinnati (approx. 30 mi. south) and Dayton (approx. 15 mi. north). The area is served by both state and U.S. highways. State Route 123 travels through the heart of Carlisle with State Routes 4 and 73 being located just outside its borders and Interstate Route 75 is just three miles from the downtown area. Carlisle's early growth stemmed from the still active railroad community. This combination of geographical location and transportation convenience makes Carlisle an attractive site for both families and business alike. The 2010 census indicated that Carlisle had a population of 4,915 thus reverting back to "village" status. With the exception of minor changes to stationary and signage, this moniker change is not expected to have a significant impact to the fiscal health of the community. There is even a possible financial advantage to losing city status with regards to the maintenance of State Route 123. This major road will once again be under the care of the Ohio Department of Transportation thus reducing the expense of maintenance and repair for the municipality.

Although Carlisle is often thought of as a quiet bedroom community, the municipality has taken active steps to secure its financial future by the development of two business parks within the city limits. The Carlisle Industrial Park has been an established industrial base providing an excellent location for numerous manufacturing and service industries. This park offers direct access to SR-123 as well as connection to the CSX railroad system. The Carlisle Business Park is a newer development that offers over 88 acres of gently rolling land which is an excellent site for manufacturing, warehousing, service business or office needs. Given the current economic climate, development of this shovel-ready business park has been slow. However, there is continuing interest shown by both current and prospective businesses.

Carlisle has continued to seek funding for community improvement projects and was awarded both Federal and State grant monies to begin working on two significant city projects: Colonial Gardens Road Reconstruction and SR-123 Reconstruction – Phase X. The Colonial Gardens project was completed in 2010 and provided road resurfacing, curb, sidewalk, and handicap accessibility to a network of streets that house a city apartment complex. This is a project that utilizes ARRA proceeds through the Ohio Public Works Commission as well as CDGB and local funds.

The City also continued preliminary engineering work in 2010 for Phase X of the on-going SR-123 Reconstruction project. This phase of the project focuses on revamping the downtown area of the City between Park Avenue and Jamaica Road. Plans include road widening with center turn lane, curbs, gutters and sidewalks. Funding for this phase will be a combination of Federal, State and local funding.

Despite the uncertainty surrounding the economy, the Municipality continues to carefully monitor two primary sources of revenue—local income taxes and shared intergovernmental (state) revenue. In order to stabilize the impact of the fluctuations in these revenue sources, Council continues to pursue economic development and job creation; maintain the community's reputation for high public safety standards; and adoption of a budget designed to promote long-term fiscal stability. In order to meet the objectives of the 2010 budget, the City utilizes a basic philosophy to submit a balanced budget to Council for the operations of the Municipality. Local income tax collections for 2010 was approximately 3% lower than 2009 levels but were within projected revenues.

The Municipality has not been immune to the slowdown in the overall economy. Decreased funding from both the State and Federal level and general downsizing in overall industry has created an economic challenge for the Municipality. However, the number of new residential housing increased significantly in 2010 as compared to 2009 indicating the beginning of economic recovery for the area. The Municipality continues to prepare itself financially for future lean revenue years with minimal disruption in local services. The City will prepare and utilize financial investment and debt policies in FY2011 to strengthen the City's economic position for the future health of the community.

CITY OF CARLISLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

These economic factors were considered in preparing the Municipality's budget for fiscal year 2011. Budgeted revenues and other financing sources in the general fund for fiscal year 2011 budget are \$1,167,881. With the continuation of conservative budgeting practices, the Municipality should be able to maintain its current financial position.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information please contact: Julie Duffy, Finance Director, 760 West Central Avenue, Carlisle, Ohio 45005.

CITY OF CARLISLE, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents.	\$ 1,209,791	\$ 1,660,073	\$ 2,869,864
Receivables (net of allowances for uncollectibles):			
Income taxes	237,136	-	237,136
Property and other taxes	157,990	-	157,990
Payment in lieu of taxes	113,608	-	113,608
Accounts	65,444	156,086	221,530
Accrued interest	10,234	-	10,234
Special assessments	2,578	38,336	40,914
Due from other governments	221,076	-	221,076
Materials and supplies inventory.	16,813	852	17,665
Prepayments	17,806	6,066	23,872
Capital assets:			
Land and construction in progress.	1,674,315	-	1,674,315
Depreciable capital assets, net	2,874,003	4,867,864	7,741,867
Total capital assets.	4,548,318	4,867,864	9,416,182
Total assets.	6,600,794	6,729,277	13,330,071
Liabilities:			
Accounts payable.	9,907	67,089	76,996
Accrued wages and benefits	7,601	5,162	12,763
Due to other governments	51,202	13,373	64,575
Unearned revenue	257,330	-	257,330
Accrued interest payable	47,055	-	47,055
Long-term liabilities:			
Due within one year	2,293,480	3,773	2,297,253
Due in more than one year	551,324	1,083	552,407
Total liabilities	3,217,899	90,480	3,308,379
Net assets:			
Invested in capital assets, net of related debt	2,310,620	4,867,864	7,178,484
Restricted for:			
Capital projects.	116,005	-	116,005
Transportation projects	359,019	-	359,019
Public safety.	541,137	-	541,137
Other purposes	24,321	-	24,321
Unrestricted (deficit)	31,793	1,770,933	1,802,726
Total net assets	\$ 3,382,895	\$ 6,638,797	\$ 10,021,692

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CARLISLE, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 641,370	\$ 99,399	\$ 140,771	\$ -
Security of persons and property.	794,958	-	7,646	-
Transportation	829,359	-	447,346	-
Community environment.	118,694	99,355	-	27,728
Leisure time activity.	8,905	-	-	-
Interest and fiscal charges.	130,651	53,130	-	-
Total governmental activities	<u>2,523,937</u>	<u>251,884</u>	<u>595,763</u>	<u>27,728</u>
Business-type activities:				
Sewer	1,534,302	1,287,130	-	-
Water	215,609	240,221	-	-
Refuse.	317,444	326,279	-	-
Total business-type activities	<u>2,067,355</u>	<u>1,853,630</u>	<u>-</u>	<u>-</u>
Total primary government.	<u>\$ 4,591,292</u>	<u>\$ 2,105,514</u>	<u>\$ 595,763</u>	<u>\$ 27,728</u>

General revenues:

Property taxes levied for:	
General purposes.	
Fire.	
Income taxes levied for:	
General purposes.	
Police services	
Grants and entitlements not restricted to specific programs	
Payment in lieu of taxes	
Investment earnings	
Miscellaneous	
Total general revenues.	
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
\$ (401,200)	\$ -	\$ (401,200)
(787,312)	-	(787,312)
(382,013)	-	(382,013)
8,389	-	8,389
(8,905)	-	(8,905)
(77,521)	-	(77,521)
<u>(1,648,562)</u>	<u>-</u>	<u>(1,648,562)</u>
-	(247,172)	(247,172)
-	24,612	24,612
-	8,835	8,835
<u>-</u>	<u>(213,725)</u>	<u>(213,725)</u>
<u>(1,648,562)</u>	<u>(213,725)</u>	<u>(1,862,287)</u>
70,205	-	70,205
114,934	-	114,934
570,671	-	570,671
286,192	-	286,192
124,645	-	124,645
94,283	-	94,283
3,473	-	3,473
29,219	-	29,219
<u>1,293,622</u>	<u>-</u>	<u>1,293,622</u>
<u>18,010</u>	<u>(18,010)</u>	<u>-</u>
(336,930)	(231,735)	(568,665)
<u>3,719,825</u>	<u>6,870,532</u>	<u>10,590,357</u>
<u>\$ 3,382,895</u>	<u>\$ 6,638,797</u>	<u>\$ 10,021,692</u>

CITY OF CARLISLE, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	<u>General</u>	<u>County Vehicle Tax</u>	<u>Police Services</u>	<u>Fire</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 286,560	\$ 62,937	\$ 225,794	\$ 48,147
Receivables (net of allowance for uncollectibles):				
Income taxes	158,099	-	79,037	-
Property and other taxes	60,171	-	-	97,819
Payment in lieu of taxes	-	-	-	-
Accounts	65,083	-	167	-
Special assessments	2,578	-	-	-
Interfund loans.	257,066	-	-	-
Accrued interest.	8,970	313	-	-
Due from other governments	35,864	60,581	-	11,103
Materials and supplies inventory	6,172	-	-	616
Prepayments	10,326	-	3,921	1,829
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 890,889</u>	<u>\$ 123,831</u>	<u>\$ 308,919</u>	<u>\$ 159,514</u>
Liabilities:				
Accounts payable.	\$ 8,448	\$ -	\$ 293	\$ 954
Accrued wages and benefits	4,344	-	2,467	-
Due to other governments	23,023	-	21,862	4,052
Interfund loans payable.	-	257,066	-	-
Deferred revenue.	139,905	51,439	50,293	20,128
Unearned revenue	54,928	-	-	88,794
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>230,648</u>	<u>308,505</u>	<u>74,915</u>	<u>113,928</u>
Fund balances:				
Reserved for encumbrances	3,742	57,564	7,013	2,544
Reserved for materials and supplies inventory	6,172	-	-	616
Reserved for prepayments	10,326	-	3,921	1,829
Reserved for debt service.	-	-	-	-
Unreserved, undesignated (deficit), reported in:				
General fund	640,001	-	-	-
Special revenue funds.	-	(242,238)	223,070	40,597
Capital projects funds.	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances (deficits)	<u>660,241</u>	<u>(184,674)</u>	<u>234,004</u>	<u>45,586</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 890,889</u>	<u>\$ 123,831</u>	<u>\$ 308,919</u>	<u>\$ 159,514</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Carlisle Business Park	Other Governmental Funds	Total Governmental Funds
\$ 17,900	\$ 568,453	\$ 1,209,791
-	-	237,136
-	-	157,990
-	113,608	113,608
-	194	65,444
-	-	2,578
-	-	257,066
-	951	10,234
-	113,528	221,076
-	10,025	16,813
-	1,730	17,806
<u>\$ 17,900</u>	<u>\$ 808,489</u>	<u>\$ 2,309,542</u>
\$ -	\$ 212	\$ 9,907
-	790	7,601
-	2,265	51,202
-	-	257,066
-	76,810	338,575
-	113,608	257,330
-	193,685	921,681
-	44,880	115,743
-	10,025	16,813
-	1,730	17,806
-	6,077	6,077
-	-	640,001
-	480,734	502,163
17,900	71,358	89,258
<u>17,900</u>	<u>614,804</u>	<u>1,387,861</u>
<u>\$ 17,900</u>	<u>\$ 808,489</u>	<u>\$ 2,309,542</u>

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CITY OF CARLISLE, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2010

Total governmental fund balances		\$ 1,387,861
<i>Amounts reported for governmental activities on 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.		4,548,318
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Income taxes receivable	\$ 150,895	
Property taxes receivable	14,268	
Accrued interest receivable	10,233	
Special assessments receivable	2,578	
Intergovernmental receivable	160,601	
Total		338,575
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:		
Accrued interest payable	(47,055)	
Special assessment bonds	(304,725)	
General obligation bonds	(295,000)	
General obligation notes	(332,000)	
Bond anticipation notes	(1,905,700)	
Compensated absences	(7,379)	
Total		(2,891,859)
Net assets of governmental activities		\$ 3,382,895

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CARLISLE, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>General</u>	<u>County Vehicle Tax</u>	<u>Police Services</u>	<u>Fire</u>
Revenues:				
Income taxes	\$ 553,246	\$ -	\$ 276,625	\$ -
Property and other taxes	70,820	-	-	114,934
Licenses and permits	99,355	-	-	-
Fines and forfeitures	62,972	-	-	-
Intergovernmental	101,942	91,047	-	19,729
Special assessments.	36,109	-	-	-
Investment income	8,693	369	-	-
Payment in lieu of taxes	-	-	-	-
Other	29,219	100,000	1,569	6,077
Total revenues	<u>962,356</u>	<u>191,416</u>	<u>278,194</u>	<u>140,740</u>
Expenditures:				
Current:				
General government.	435,684	-	-	-
Security of persons and property	274,117	-	400,372	78,688
Transportation.	-	500,960	-	-
Community environment	110,947	-	-	-
Leisure time activity.	5,626	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement.	-	-	-	74,000
Interest and fiscal charges.	-	-	-	2,220
Total expenditures	<u>826,374</u>	<u>500,960</u>	<u>400,372</u>	<u>154,908</u>
Excess (deficiency) of revenues over (under) expenditures	<u>135,982</u>	<u>(309,544)</u>	<u>(122,178)</u>	<u>(14,168)</u>
Other financing sources (uses):				
Note issuance	-	-	-	37,000
Transfers in	-	-	-	-
Transfers out	(125,500)	-	-	-
Total other financing sources (uses)	<u>(125,500)</u>	<u>-</u>	<u>-</u>	<u>37,000</u>
Net change in fund balances	10,482	(309,544)	(122,178)	22,832
Fund balances (deficit) at beginning of year. .	<u>649,759</u>	<u>124,870</u>	<u>356,182</u>	<u>22,754</u>
Fund balances (deficit) at end of year	<u>\$ 660,241</u>	<u>\$ (184,674)</u>	<u>\$ 234,004</u>	<u>\$ 45,586</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Carlisle Business Park	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 829,871
-	-	185,754
-	-	99,355
-	2,481	65,453
-	254,358	467,076
-	-	36,109
-	1,029	10,091
-	213,335	213,335
-	86,331	223,196
<u>-</u>	<u>557,534</u>	<u>2,130,240</u>
-	142,394	578,078
-	-	753,177
-	267,484	768,444
1,075	14,979	127,001
-	-	5,626
-	155,326	155,326
1,138,750	1,221,619	2,434,369
35,639	70,879	108,738
<u>1,175,464</u>	<u>1,872,681</u>	<u>4,930,759</u>
<u>(1,175,464)</u>	<u>(1,315,147)</u>	<u>(2,800,519)</u>
1,058,700	1,142,000	2,237,700
125,500	49,000	174,500
-	(49,000)	(174,500)
<u>1,184,200</u>	<u>1,142,000</u>	<u>2,237,700</u>
8,736	(173,147)	(562,819)
9,164	787,951	1,950,680
<u>\$ 17,900</u>	<u>\$ 614,804</u>	<u>\$ 1,387,861</u>

CITY OF CARLISLE, OHIO

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, 2010

Net change in fund balances - total governmental funds \$ (562,819)

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

Government funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.

Capital asset additions	\$	286,279	
Current year depreciation		(189,106)	
Total		97,173	97,173

The effect of various miscellaneous transactions involving capital assets (i.e., disposals, sales, trade-ins and donations) is to decrease net assets (85,118)

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

Income taxes		26,136	
Property taxes		241	
Special assessments		318	
Investment income		(5,955)	
Intergovernmental		18,017	
Total		38,757	38,757

The issuance of notes provides current financial resources to governmental funds, but issuing debt increases long-term liabilities on the statement of net assets. (2,237,700)

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 2,434,369

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (21,913)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 321

Change in net assets of governmental activities \$ (336,930)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CARLISLE, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Income taxes	\$ 560,000	\$ 560,000	\$ 558,113	\$ (1,887)
Property and other taxes	74,400	74,400	70,820	(3,580)
Licenses and permits	87,500	87,500	96,166	8,666
Fines and forfeitures	111,000	111,000	65,814	(45,186)
Intergovernmental	95,610	95,610	103,277	7,667
Special assessment	27,020	27,020	36,109	9,089
Investment income	28,500	28,500	8,695	(19,805)
Other	30,000	30,000	33,082	3,082
Total revenues	<u>1,014,030</u>	<u>1,014,030</u>	<u>972,076</u>	<u>(41,954)</u>
Expenditures:				
Current:				
General government	480,996	484,546	425,108	59,438
Security of persons and property	368,691	367,691	265,820	101,871
Community environment	136,974	146,074	118,695	27,379
Leisure time activity	8,000	9,350	8,605	745
Total expenditures	<u>994,661</u>	<u>1,007,661</u>	<u>818,228</u>	<u>189,433</u>
Excess of revenues over expenditures	<u>19,369</u>	<u>6,369</u>	<u>153,848</u>	<u>147,479</u>
Other financing uses:				
Advance out	-	(257,066)	(257,066)	-
Transfers out	(142,500)	(129,500)	(125,500)	4,000
Total other financing uses	<u>(142,500)</u>	<u>(386,566)</u>	<u>(382,566)</u>	<u>4,000</u>
Net change in fund balance	(123,131)	(380,197)	(228,718)	151,479
Fund balance at beginning of year	<u>504,095</u>	<u>504,095</u>	<u>504,095</u>	<u>-</u>
Prior year encumbrances appropriated	<u>7,441</u>	<u>7,441</u>	<u>7,441</u>	<u>-</u>
Fund balance at end of year	<u>\$ 388,405</u>	<u>\$ 131,339</u>	<u>\$ 282,818</u>	<u>\$ 151,479</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CARLISLE, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 COUNTY VEHICLE TAX FUND
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 381,190	\$ 381,190	\$ 90,581	\$ (290,609)
Investment income	900	900	369	(531)
Other	100,000	100,000	100,000	-
Total revenues	<u>482,090</u>	<u>482,090</u>	<u>190,950</u>	<u>(291,140)</u>
Expenditures:				
Current:				
Transportation	571,790	571,790	558,524	13,266
Total expenditures.	<u>571,790</u>	<u>571,790</u>	<u>558,524</u>	<u>13,266</u>
Excess of expenditures over revenues.	<u>(89,700)</u>	<u>(89,700)</u>	<u>(367,574)</u>	<u>(277,874)</u>
Other financing sources:				
Advance in.	-	-	257,066	257,066
Total other financing sources	<u>-</u>	<u>-</u>	<u>257,066</u>	<u>257,066</u>
Net change in fund balance	(89,700)	(89,700)	(110,508)	(20,808)
Fund balance at beginning of year.	<u>115,881</u>	<u>115,881</u>	<u>115,881</u>	<u>-</u>
Fund balance at end of year	<u>\$ 26,181</u>	<u>\$ 26,181</u>	<u>\$ 5,373</u>	<u>\$ (20,808)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CARLISLE, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 POLICE SERVICES FUND
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Income taxes	\$ 275,265	\$ 275,265	\$ 279,058	\$ 3,793
Other	-	-	1,554	1,554
Total revenues	<u>275,265</u>	<u>275,265</u>	<u>280,612</u>	<u>5,347</u>
Expenditures:				
Current:				
Security of persons and property	336,240	410,980	398,385	12,595
Total expenditures	<u>336,240</u>	<u>410,980</u>	<u>398,385</u>	<u>12,595</u>
 Net change in fund balance	 (60,975)	 (135,715)	 (117,773)	 17,942
 Fund balance at beginning of year	 331,089	 331,089	 331,089	 -
Prior year encumbrances appropriated	<u>5,465</u>	<u>5,465</u>	<u>5,465</u>	<u>-</u>
 Fund balance at end of year	 <u>\$ 275,579</u>	 <u>\$ 200,839</u>	 <u>\$ 218,781</u>	 <u>\$ 17,942</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CARLISLE, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FIRE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Property and other taxes	\$ 110,000	\$ 110,000	\$ 114,934	\$ 4,934
Intergovernmental	17,500	17,500	19,729	2,229
Other	-	-	1,984	1,984
Total revenues	127,500	127,500	136,647	9,147
Expenditures:				
Current:				
Security of persons and property	113,901	114,891	95,481	19,410
Debt service:				
Principal retirement	74,757	74,000	74,000	-
Interest and fiscal charges	2,243	3,000	2,220	780
Total expenditures	190,901	191,891	171,701	20,190
Excess of expenditures over revenues	(63,401)	(64,391)	(35,054)	29,337
Other financing sources:				
Sale of capital assets	-	-	4,621	4,621
Note issuance	37,000	37,000	37,000	-
Total other financing sources	37,000	37,000	41,621	4,621
Net change in fund balance	(26,401)	(27,391)	6,567	33,958
Fund balance at beginning of year	38,046	38,046	38,046	-
Prior year encumbrances appropriated	990	990	990	-
Fund balance at end of year	\$ 12,635	\$ 11,645	\$ 45,603	\$ 33,958

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CARLISLE, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds			
	Sewer	Water	Refuse	Total
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 1,321,657	\$ 184,765	\$ 153,651	\$ 1,660,073
Receivables (net of allowance for uncollectibles):				
Accounts	112,541	10,754	32,791	156,086
Special assessments	35,758	-	2,578	38,336
Materials and supplies inventory	807	-	45	852
Prepayments	4,779	217	1,070	6,066
Total current assets	<u>1,475,542</u>	<u>195,736</u>	<u>190,135</u>	<u>1,861,413</u>
Noncurrent assets:				
Capital assets:				
Depreciable capital assets, net	3,753,465	1,114,399	-	4,867,864
Total capital assets	<u>3,753,465</u>	<u>1,114,399</u>	<u>-</u>	<u>4,867,864</u>
Total noncurrent assets	<u>3,753,465</u>	<u>1,114,399</u>	<u>-</u>	<u>4,867,864</u>
Total assets	<u>5,229,007</u>	<u>1,310,135</u>	<u>190,135</u>	<u>6,729,277</u>
Liabilities:				
Current liabilities:				
Accounts payable	67,089	-	-	67,089
Accrued wages and benefits	4,209	319	634	5,162
Compensated absences	3,014	252	507	3,773
Due to other governments	10,700	754	1,919	13,373
Total current liabilities	<u>85,012</u>	<u>1,325</u>	<u>3,060</u>	<u>89,397</u>
Long-term liabilities:				
Compensated absences	1,066	-	17	1,083
Total long-term liabilities	<u>1,066</u>	<u>-</u>	<u>17</u>	<u>1,083</u>
Total liabilities	<u>86,078</u>	<u>1,325</u>	<u>3,077</u>	<u>90,480</u>
Net assets:				
Invested in capital assets	3,753,465	1,114,399	-	4,867,864
Unrestricted	<u>1,389,464</u>	<u>194,411</u>	<u>187,058</u>	<u>1,770,933</u>
Total net assets	<u>\$ 5,142,929</u>	<u>\$ 1,308,810</u>	<u>\$ 187,058</u>	<u>\$ 6,638,797</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CARLISLE, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds			
	Sewer	Water	Refuse	Total
Operating revenues:				
Charges for services	\$ 1,244,184	\$ 208,439	\$ 326,232	\$ 1,778,855
Tap-in fees.	35,286	30,918	-	66,204
Other.	7,660	864	47	8,571
Total operating revenues	1,287,130	240,221	326,279	1,853,630
Operating expenses:				
Personal services	253,879	14,069	59,857	327,805
Contract services	980,306	-	257,392	1,237,698
Materials and supplies	8,357	148,451	120	156,928
Transportation	978	270	75	1,323
Depreciation	289,714	52,799	-	342,513
Other	59	20	-	79
Total operating expenses.	1,534,302	215,609	317,444	2,067,355
Operating income (loss)	(247,172)	24,612	8,835	(213,725)
Nonoperating expenses:				
Transfer Out	(18,010)	-	-	(18,010)
Total nonoperating expenses.	(18,010)	-	-	(18,010)
Changes in net assets	(265,182)	24,612	8,835	(231,735)
Net assets at beginning of year.	5,408,111	1,284,198	178,223	6,870,532
Net assets at end of year	\$ 5,142,929	\$ 1,308,810	\$ 187,058	\$ 6,638,797

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CARLISLE, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds			
	Sewer	Water	Refuse	Total
Cash flows from operating activities:				
Cash received from customers	\$ 1,295,224	\$ 247,862	\$ 331,747	\$ 1,874,833
Cash received from other operations.	58,323	862	43	59,228
Cash payments for personal services	(249,113)	(15,900)	(59,716)	(324,729)
Cash payments for contract services	(986,862)	(6,102)	(257,615)	(1,250,579)
Cash payments for materials and supplies	(7,829)	(148,451)	(165)	(156,445)
Cash payments for transportation	(978)	(270)	(75)	(1,323)
Cash payments for other expenses.	(59)	(20)	-	(79)
Net cash provided by operating activities.	<u>108,706</u>	<u>77,981</u>	<u>14,219</u>	<u>200,906</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(18,010)	-	-	(18,010)
Net cash used in capital and related financing activities	<u>(18,010)</u>	<u>-</u>	<u>-</u>	<u>(18,010)</u>
Net increase in cash and cash equivalents.	90,696	77,981	14,219	182,896
Cash and cash equivalents at beginning of year.	<u>1,230,961</u>	<u>106,784</u>	<u>139,432</u>	<u>1,477,177</u>
Cash and cash equivalents at end of year	<u>\$ 1,321,657</u>	<u>\$ 184,765</u>	<u>\$ 153,651</u>	<u>\$ 1,660,073</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (247,172)	\$ 24,612	\$ 8,835	\$ (213,725)
Adjustments:				
Depreciation	289,714	52,799	-	342,513
Changes in assets and liabilities:				
(Increase) decrease in materials and supplies inventory	1,537	-	(45)	1,492
Decrease in accounts receivable	70,827	8,503	5,829	85,159
Increase in special assessments	(4,410)	-	(318)	(4,728)
Increase in prepayments	(1,541)	(57)	(223)	(1,821)
Decrease in accounts payable.	(5,315)	-	-	(5,315)
Increase in accrued wages and benefits	1,739	241	194	2,174
Increase (decrease) in due to other governments.	2,422	(8,222)	(91)	(5,891)
Increase in compensated absences payable.	905	105	38	1,048
Net cash provided by operating activities	<u>\$ 108,706</u>	<u>\$ 77,981</u>	<u>\$ 14,219</u>	<u>\$ 200,906</u>

The sewer fund contributed \$18,010 for capital assets which were capitalized in the governmental activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CARLISLE, OHIO

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
DECEMBER 31, 2010**

	<u>Agency</u>
Assets:	
Cash in segregated accounts	\$ 6,789
Total assets	<u>\$ 6,789</u>
Liabilities:	
Undistributed monies.	\$ 6,789
Total liabilities	<u>\$ 6,789</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 1 - DESCRIPTION OF THE CITY

The City of Carlisle, Warren County, Ohio (the “City”), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City is directed by a publicly-elected Mayor and six-member Council. The City provides water and sewer utilities, park operations, police services and a planning and zoning department. The City contracts with the Franklin Township Fire Department to provide fire services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has the option to also apply FASB guidance issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The City has elected not to apply these FASB guidance. The City’s significant accounting policies are described below.

A. Reporting Entity

The City’s reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity”, and as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units”. The City’s BFS include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization’s Governing Board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected Governing Board, a Governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s basic financial statements to be misleading or incomplete.

The City provides various services including fire protection and prevention, water and sewer services, street maintenance and repairs, planning and zoning, building inspection, parks and recreation, refuse collection and general administrative services. The operation of each of these activities is directly controlled by the Council through the budgetary process. None of these services are provided by a legally separate organization; therefore, these operations are included in the primary government.

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the City has no component units. The basic financial statements of the reporting entity include only those of the City (the primary government).

B. Basis of Presentation - Fund Accounting

The City's BFS consists of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental functions are self-financing or draw from the general revenues of the City.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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 operation. The principal operating revenues of the City's proprietary funds are charges for sales and services. Operating expenses for the enterprise fund include personnel and other expenses related to sewer, water and refuse operations. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General fund - The general fund accounts for all financial resources except those required to be accounted for in another fund.

County vehicle tax fund - The county vehicle tax fund receives money from county permissive tag fees and county grants.

Police services fund - The police services fund receives money from income taxes to provide and improve police services in the City.

Fire fund - The fire fund receives money from property taxes to provide and improve fire services in the City.

Carlisle business park fund - The Carlisle business park fund receives money from the sale of notes earmarked for business park improvements.

Other governmental funds of the City are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds; and (c) grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds - Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City does not have any internal services funds. The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Sewer fund - This fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

Water fund - This fund accounts for the operations of providing water treatment and distribution to the residents and commercial users located within the City.

Refuse fund - This fund accounts for the operations of providing refuse removal to its residential and commercial users located within the City.

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City does not have any trust funds. The City's only agency fund accounts for monies collected and distributed for court fines and forfeitures. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the financial statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Agency funds do not report a measurement focus as they do not report operations.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days of year end.

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 8). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, State-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, fees and special assessments.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance year 2011 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2010, are recorded as deferred revenue on the fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

F. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are required to be budgeted and appropriated. The legal level of budgetary control is at the object level for all funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Tax Budget - During the first Council meeting in July, the Mayor presents the following year's annual operating budget to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to January 1, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that estimates need to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the first and final amended official certificate of estimated resources issued during 2010.

Appropriations - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The appropriations for a fund may only be modified during the year by an ordinance of Council. The amounts on the budgetary statement reflect the final appropriation amounts, including all amendments and modifications legally enacted by Council.

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are not reappropriated as part of the subsequent year appropriations.

G. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented as "cash and cash equivalents in segregated accounts" since they are not required to be deposited in the City treasury.

During 2010, investments were limited to nonnegotiable certificates of deposit which are reported at cost.

CITY OF CARLISLE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2010 amount to \$8,693 which includes \$7,376 assigned from other City funds.

For purposes of the statement of cash flows and for presentation on the statement of net assets, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

An analysis of the City's investment account at year end is provided in Note 4.

H. Inventories of Materials and Supplies

On government-wide financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of the proprietary funds are expensed when used.

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of storm sewers, streets, and water and sewer lines. The City did not retroactively report governmental activities infrastructure, in accordance with Phase III implementation of GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement.

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Buildings and improvements	50 years	50 years
Furniture and equipment	10 years	10 years
Vehicles	5 - 15 years	5 - 15 years
Infrastructure	25 - 50 years	40 years

J. Compensated Absences

Compensated absences of the City consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

In conformity with GASB Statement No. 16, "Accounting for Compensated Absences", vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

CITY OF CARLISLE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the BFS.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

M. Prepayments

Payments made to vendors for services that will benefit beyond December 31, 2010, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

N. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The City reports a reservation of fund balance for amounts representing encumbrances outstanding, materials and supplies inventory, prepayments, and debt service in the governmental fund financial statements.

O. Estimates

The preparation of the BFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the BFS and accompanying notes. Actual results may differ from those estimates.

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes consist of funds restricted for the mayor's court improvement fund (a nonmajor governmental fund).

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

CITY OF CARLISLE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. During 2010, the City had no extraordinary or special items.

R. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable/payable". These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

For fiscal year 2010, the City has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the City.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the City.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the City.

CITY OF CARLISLE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at December 31, 2010, included the following individual fund deficits:

<u>Major governmental fund:</u>	<u>Deficit</u>
County vehicle tax	\$ 184,674

This fund complied with Ohio State law, which does not permit a cash basis deficit at year end. The general fund is liable for any deficits and provides transfers when cash is required, not when accruals occur. The deficit fund balance in this fund is attributable to the reporting of an interfund loan liability.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the City Council has identified as not required for use within the current five 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 Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

CITY OF CARLISLE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2 above, of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

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 investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

A. Cash in Segregated Accounts

At December 31, 2010, \$6,789 was deposited in a segregated account for the City's Mayor's Court. This amount is excluded from the internal cash pool and is reported on the statement of fiduciary net assets as "cash in segregated accounts".

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At December 31, 2010, the carrying amount of all City deposits was \$2,869,864. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2010, \$1,766,653 of the City's bank balance of \$3,023,442 was exposed to custodial risk as discussed below, while \$1,256,789 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

C. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,869,864
Cash in segregated accounts	6,789
Total	<u>\$ 2,876,653</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 1,209,791
Business type activities	1,660,073
Agency funds	6,789
Total	<u>\$ 2,876,653</u>

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended December 31, 2010, consisted of the following, as reported on the fund financial statements:

<u>Transfers to</u>	<u>Transfers from</u>
	<u>General</u>
Carlisle business park	\$ 125,500
Total	<u>\$ 125,500</u>
	<u>Nonmajor governmental funds</u>
Nonmajor governmental funds	\$ 49,000
	<u>\$ 49,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

The Eagle Ridge tax incremental financing fund (a nonmajor governmental fund) transferred \$49,000 to nonmajor capital projects funds to finance capital improvements made in accordance with the TIF agreement.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- B.** Interfund loans consisted of the following at December 31, 2010, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	County vehicle tax fund	\$ 257,066

The interfund loan balances result from resources provided by the receivable fund to the payable fund to provide cash flow resources until anticipated revenues are received. Interfund loans payable/receivable between governmental funds are eliminated on the government-wide financial statements.

CITY OF CARLISLE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2009-2010, the City was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Carlisle. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, tangible personal property taxes and outstanding delinquencies which are measurable as of December 31, 2010 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2010 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 6 - PROPERTY TAXES – (Continued)

The full tax rate for all City operations for the year ended December 31, 2010 was \$3.81 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 73,973,720
Commercial/industrial/mineral	25,240
 <u>Public utility</u>	
Real	5,970
Personal	<u>1,921,360</u>
Total assessed value	<u><u>\$ 75,926,290</u></u>

NOTE 7 - RECEIVABLES

Receivables at December 31, 2010, consisted of taxes, accounts (billings for user charged services), accrued interest, special assessments and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as “due from other governments” on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2010.

A summary of the principal items of receivables reported on the statement of net assets follows:

<u>Governmental activities:</u>	
Income taxes	\$ 237,136
Property and other taxes	157,990
Payment in lieu of taxes	113,608
Accounts	65,444
Accrued interest	10,234
Special assessments	2,578
Due from other governments	221,076
 <u>Business-type activities:</u>	
Accounts	156,086
Special assessments	38,336

Receivables have been disaggregated on the face of the financial statements. The only receivable not expected to be collected within the subsequent year is the special assessments which are collected over the life of the assessment.

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 8 - MUNICIPAL INCOME TAXES

The City levies a 1.5 percent income tax on substantially all income earned in the City. In addition, City residents employed in municipalities having an income tax less than 1.5 percent must pay the difference to the City. Additional increases in the income tax rate require voter approval. Employers within the City withhold income tax on employee compensation and remit at least quarterly and file an annual declaration.

The City's income tax ordinance requires a portion of the income tax receipts to be used to finance public safety forces. As a result, this portion of the receipts is allocated to the police services special revenue fund each year. The remaining income tax receipts are to be used to pay the cost of administering the tax and general fund operations, as determined by Council. Income tax revenue for 2010 was \$829,871 as reported in the fund financial statements.

NOTE 9 - CAPITAL ASSETS

A. Governmental Activities

Capital asset activity for the governmental activities for the year ended December 31, 2010, was as follows:

<u>Governmental activities:</u>	<u>Balance</u> <u>12/31/09</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/10</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,471,040	\$ -	\$ -	\$ 1,471,040
Construction in progress	<u>63,613</u>	<u>139,662</u>	<u>-</u>	<u>203,275</u>
Total capital assets, not being depreciated	<u>1,534,653</u>	<u>139,662</u>	<u>-</u>	<u>1,674,315</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	1,161,641	57,595	-	1,219,236
Furniture and equipment	219,035	21,985	-	241,020
Vehicles	877,751	67,037	(281,555)	663,233
Infrastructure	<u>2,275,057</u>	<u>-</u>	<u>-</u>	<u>2,275,057</u>
Total capital assets, being depreciated	<u>4,533,484</u>	<u>146,617</u>	<u>(281,555)</u>	<u>4,398,546</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(506,864)	(23,809)	-	(530,673)
Furniture and equipment	(102,199)	(19,364)	-	(121,563)
Vehicles	(702,881)	(54,267)	196,437	(560,711)
Infrastructure	<u>(219,930)</u>	<u>(91,666)</u>	<u>-</u>	<u>(311,596)</u>
Total accumulated depreciation	<u>(1,531,874)</u>	<u>(189,106)</u>	<u>196,437</u>	<u>(1,524,543)</u>
Total capital assets, being depreciated, net	<u>3,001,610</u>	<u>(42,489)</u>	<u>(85,118)</u>	<u>2,874,003</u>
Governmental activities capital assets, net	<u>\$ 4,536,263</u>	<u>\$ 97,173</u>	<u>\$ (85,118)</u>	<u>\$ 4,548,318</u>

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:

General government	\$ 15,194
Security of persons and property	62,373
Community environment	7,386
Transportation	100,874
Leisure time activity	<u>3,279</u>
Total depreciation expense - governmental activities	<u>\$ 189,106</u>

B. Business-type activities

Capital asset activity for the business-type activities for the year ended December 31, 2010, was as follows:

	<u>Balance</u> <u>12/31/09</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/10</u>
<u>Business-type activities:</u>				
<i>Capital assets, being depreciated</i>				
Furniture and equipment	\$ 166,537	\$ -	\$ -	\$ 166,537
Vehicles	207,410	-	(24,266)	183,144
Infrastructure	<u>12,901,514</u>	<u>-</u>	<u>-</u>	<u>12,901,514</u>
Total capital assets, being depreciated	<u>13,275,461</u>	<u>-</u>	<u>(24,266)</u>	<u>13,251,195</u>
<i>Less: accumulated depreciation:</i>				
Furniture and equipment	(97,020)	(11,504)	-	(108,524)
Vehicles	(179,020)	(8,472)	24,266	(163,226)
Infrastructure	<u>(7,789,044)</u>	<u>(322,537)</u>	<u>-</u>	<u>(8,111,581)</u>
Total accumulated depreciation	<u>(8,065,084)</u>	<u>(342,513)</u>	<u>24,266</u>	<u>(8,383,331)</u>
Business-type activities capital assets, net	<u>\$ 5,210,377</u>	<u>\$ (342,513)</u>	<u>\$ -</u>	<u>\$ 4,867,864</u>

Depreciation was charged to departments of the City as follows:

Business-type activities:

Sewer	\$ 289,714
Water	<u>52,799</u>
Total depreciation expense - business-type activities	<u>\$ 342,513</u>

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 10 - OTHER EMPLOYEE BENEFITS - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn ten to thirty days of vacation per year, depending upon length of service. Earned, unused vacation time is paid upon termination of employment. Employees earn sick leave at different rates depending upon length of service and type of employment. Sick leave accrual is continuous, without limit. Upon retirement or death, an employee can be paid a maximum of one-half of the 960 hours maximum of accumulated, unused sick leave. As of December 31, 2010, the liability for unpaid compensated absences was \$12,235 for the entire City.

NOTE 11 - LONG-TERM OBLIGATIONS

During 2010, the following changes occurred in the City's long-term obligations:

<u>Governmental activities:</u>	<u>Balance</u> <u>12/31/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/10</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<u>General obligation bonds and notes:</u>					
Road Improvements - 4.26%	\$ 310,000	\$ -	\$ (15,000)	\$ 295,000	\$ 15,000
Real Estate Acquisition - 2.50%	325,000	-	(325,000)	-	-
Real Estate Acquisition - 2.25%	-	295,000	-	295,000	295,000
Equipment Acquisition - 3.40%	74,000	-	(74,000)	-	-
Equipment Acquisition - 3.40%	-	37,000	-	37,000	37,000
Business Park Improvements - 3.40%	813,750	-	(813,750)	-	-
Business Park Improvements - 2.25%	-	763,700	-	763,700	763,700
Bond Anticipation Notes - 2.50%	840,750	-	(840,750)	-	-
Bond Anticipation Notes - 2.25%	-	814,500	-	814,500	814,500
Road Improvement Note - 2.50%	332,500	-	(332,500)	-	-
Road Improvement Note - 2.25%	-	327,500	-	327,500	327,500
Total general obligation bonds	<u>2,696,000</u>	<u>2,237,700</u>	<u>(2,401,000)</u>	<u>2,532,700</u>	<u>2,252,700</u>
<u>Special assessment bonds:</u>					
Jamaica Road Improvements - 6.00%	23,094	-	(1,369)	21,725	1,451
Union Road Extension - 6.25%	105,000	-	(12,000)	93,000	13,000
Road Improvements - 4.15%	210,000	-	(20,000)	190,000	20,000
Total special assessment bonds	<u>338,094</u>	<u>-</u>	<u>(33,369)</u>	<u>304,725</u>	<u>34,451</u>
<u>Other long-term obligations:</u>					
Compensated absences	<u>7,700</u>	<u>6,335</u>	<u>(6,656)</u>	<u>7,379</u>	<u>6,329</u>
Total other long-term obligations	<u>7,700</u>	<u>6,335</u>	<u>(6,656)</u>	<u>7,379</u>	<u>6,329</u>
Total governmental activities long-term obligations	<u>\$ 3,041,794</u>	<u>\$ 2,244,035</u>	<u>\$ (2,441,025)</u>	<u>\$ 2,844,804</u>	<u>\$ 2,293,480</u>

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

<u>Business-type activities:</u>	<u>Balance</u> <u>12/31/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/10</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<u>Other long-term obligations:</u>					
Compensated absences	\$ 3,808	\$ 3,927	\$ (2,879)	\$ 4,856	\$ 3,773
Total business-type activities long-term obligations	<u>\$ 3,808</u>	<u>\$ 3,927</u>	<u>\$ (2,879)</u>	<u>\$ 4,856</u>	<u>\$ 3,773</u>

General obligation bond - On July 1, 2003, the City issued \$400,000 in roadway improvement bonds. These bonds were issued for the purpose of making road improvements within the City. The bonds bear interest rates ranging from 3.0% to 5.1%. The bonds mature on December 1, 2023.

Special assessment bonds - The special assessment bonds are for road extensions and improvements. The special assessment bond issues are backed by the full faith and credit of the City. In the event that an assessed property owner fails to make payments, the City will be required to pay the related debt. The Union Road extension bonds were issued for \$208,000 on July 19, 1996, bear an interest rate of 6.25%, and mature on December 1, 2016. The Jamaica Road improvement bonds were issued on May 3, 2001, bear an interest rate of 6.00% and mature on May 3, 2021. The road improvement bonds were issued to improve Eagle Court. These bonds were issued on August 13, 1998 for \$360,000, bear an interest rates ranging from 4.00% to 5.35%, and mature on December 1, 2018.

General obligation notes - The real estate acquisition notes were issued for \$295,000 on March 25, 2010, bear an interest rate of 2.25% and mature on March 25, 2011. These notes were used to retire the \$325,000 real estate acquisition notes which matured on March 26, 2010. The equipment acquisition notes were issued for \$37,000 on January 6, 2010, bear an interest rate of 3.40% and mature on January 6, 2011. These notes were used to retire the \$74,000 equipment acquisition notes which matured on January 6, 2010. The business park improvement notes were issued for \$763,700 on December 9, 2010, bear an interest rate of 2.25% and mature on December 9, 2011. These notes were used to retire the \$813,750 business park improvement notes which matured on December 9, 2010. The bond anticipation notes were issued for \$814,500 on May 21, 2010, bear an interest rate of 2.25% and mature on May 20, 2011. These notes were used to retire the \$840,750 bond anticipation notes which matured on May 20, 2010. The road improvement notes were issued for \$327,500 on June 17, 2010, bear an interest rate of 2.25% and mature on June 17, 2011. These notes were used to retire the \$332,500 road improvement notes which matured on June 17, 2010.

Compensated absences - will be paid from the fund from which the employees' salaries are paid which for the City is primarily the general fund, road, fire and police services special revenue funds and the sewer fund.

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Debt margin - The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2010, the City's total debt margin was \$7,683,337 and the unvoted debt margin was \$4,175,946.

Principal and interest requirements to retire the City's bonds outstanding at December 31, 2010 were:

Year Ending December 31,	Jamaica Road Improvements			Union Road Extension		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 1,451	\$ 1,303	\$ 2,754	\$ 13,000	\$ 5,813	\$ 18,813
2012	1,538	1,216	2,754	14,000	5,000	19,000
2013	1,631	1,124	2,755	15,000	4,125	19,125
2014	1,728	1,026	2,754	16,000	3,188	19,188
2015	1,832	923	2,755	17,000	2,188	19,188
2016 - 2020	10,947	2,827	13,774	18,000	1,125	19,125
2021	2,598	156	2,754	-	-	-
Total	<u>\$ 21,725</u>	<u>\$ 8,575</u>	<u>\$ 30,300</u>	<u>\$ 93,000</u>	<u>\$ 21,439</u>	<u>\$ 114,439</u>

Year Ending December 31,	Eagle Court			General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 20,000	\$ 9,860	\$ 29,860	\$ 15,000	\$ 13,425	\$ 28,425
2012	20,000	8,860	28,860	20,000	12,870	32,870
2013	20,000	7,850	27,850	20,000	12,100	32,100
2014	25,000	6,830	31,830	20,000	11,300	31,300
2015	25,000	5,543	30,543	20,000	10,480	30,480
2016 - 2020	80,000	8,778	88,778	115,000	38,348	153,348
2021 - 2023	-	-	-	85,000	8,828	93,828
Total	<u>\$ 190,000</u>	<u>\$ 47,721</u>	<u>\$ 237,721</u>	<u>\$ 295,000</u>	<u>\$ 107,351</u>	<u>\$ 402,351</u>

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2010, the City contracted with several companies for various types of insurance as follows. The risk of loss transfers to the insurance carrier upon payment of the premium. The following is a summary of the City's insurance coverage:

<u>Company</u>	<u>Type</u>	<u>Deductible</u>	<u>Coverage</u>
The Ohio Plan	Commercial Property	\$ 1,000	\$ 2,988,126
The Ohio Plan	Scheduled & Misc. Equipment	1,000	537,454
The Ohio Plan	Auto Comprehensive & Collision	500	ACV
The Ohio Plan	Emergency Auto Comprehensive & Collision	500	957,187
The Ohio Plan	Auto Liability	-	5,000,000
The Ohio Plan	General Liability	-	5,000,000
The Ohio Plan	Public Officials Liability	1,000	5,000,000
The Ohio Plan	Employee Bonding		
	- City Manager	-	35,000
	- Finance Director	-	35,000
	- Public Employee	-	35,000
The Ohio Plan	Law Enforcement Operations	1,000	5,000,000
The Ohio Plan	Wrongful Acts	5,000	5,000,000

There have been no material changes in this coverage for the prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

Health insurance is provided to eligible employees through a commercial carrier.

NOTE 13 - PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is 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 the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 13 - PENSION PLANS - (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2010 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.5% and 11.1%, respectively. The City's contribution rate for 2010 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2010 was 8.50% from January 1 through February 28, 2010 and 9.00% from March 1 through December 31, 2010. The City's contribution rate for pension benefits for members in the Combined Plan for 2010 was 9.27% from January 1 through February 28, 2010 and 9.77% from March 1 through December 31, 2010. For those plan members in law enforcement and public safety pension contributions were 12.37% from January 1 through February 28, 2010 and 12.87% from March 1 through December 31, 2010. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008 were \$41,367, \$52,461, and \$34,595, respectively; 89.16% has been contributed for 2010 and 100% has been contributed for 2009 and 2008. Contributions to the member-directed plan for 2010 were \$4,607 made by the City and \$3,291 made by the plan members.

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2010, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers was \$33,601 for the year ended December 31, 2010, \$37,782 for the year ended December 31, 2009, and \$48,545 for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. 39.87% has been contributed for police for 2010.

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 14 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010, local government employers contributed 14.00% of covered payroll (17.87% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2010 was 5.50% from January 1 through February 28, 2010 and 5.00% from March 1 through December 31, 2010. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2010 was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$23,583, \$37,933, and \$34,595, respectively; 89.16% has been contributed for 2010 and 100% has been contributed for 2009 and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 14 - POSTRETIREMENT BENEFIT PLANS - (Continued)

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers was \$17,789 for the year ended December 31, 2010, \$20,002 for the year ended December 31, 2009, and \$25,700 for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. 39.87% has been contributed for 2010.

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balances - budget and actual (non-GAAP budgetary basis) presented for the general fund, county vehicle tax fund, police services fund, and fire fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
2. Expenditures and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP); and,
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for the general fund and the police services fund.

Net Change in Fund Balance

	County			
	General	Vehicle Tax	Police	Fire
Budget basis	\$ (228,718)	\$ (110,508)	\$ (117,773)	\$ 6,567
Net adjustment for revenue accruals	(30,684)	466	(2,418)	4,093
Net adjustment for expenditure accruals	(11,888)	-	(9,000)	14,249
Net adjustment for other financing sources/uses	257,066	(257,066)	-	(4,621)
Adjustment for encumbrances	<u>3,742</u>	<u>57,564</u>	<u>7,013</u>	<u>2,544</u>
GAAP basis	<u>\$ (10,482)</u>	<u>\$ (309,544)</u>	<u>\$ (122,178)</u>	<u>\$ 22,832</u>

NOTE 16 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2010.

CITY OF CARLISLE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 16 – CONTINGENCIES – (Continued)

B. Litigation

The City is currently not involved in litigation for which the City's legal counsel anticipates a loss.

NOTE 17 - SIGNIFICANT SUBSEQUENT EVENTS

On March 25, 2011, the City issued a \$265,000 general obligation note to retire a portion of the \$295,000 general obligation note used for real estate acquisition that was issued on March 25, 2010 (See Note 11). This note bears an interest rate of 2.25% and matures on March 25, 2012.

On May 20, 2011, the City issued an \$795,250 general obligation note to retire a portion of the \$814,500 general obligation note used for road improvements that was issued on May 21, 2010 (See Note 11). This note bears an interest rate of 2.50% and matures on May 18, 2012.

On June 17, 2011, the City issued \$316,500 general obligation note to retire a portion of the \$327,500 general obligation note used for road improvements that was issued on June 18, 2010 (See Note 11). This note bears an interest rate of 2.50% and matures on June 17, 2012.

On December 8, 2011, the City issued \$713,700 general obligation note to retire a portion of the \$763,700 general obligation note used for road improvements that was issued on December 9, 2010 (See Note 11). This note bears an interest rate of 2.25% and matures on December 7, 2012.

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INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

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

To the Members of City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Carlisle, Warren County (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated March 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a deficiency in internal control over financial reporting that we consider to a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and timely corrected. We consider finding 2010-CARL-01 as described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2010-CARL-01.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. 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 the audit committee, management and City Council and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris

Charles E. Harris and Associates, Inc.

March 21, 2012

CITY OF CARLISLE
WARREN COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2010

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

Finding Number: 2010-CARL-01 – Material Weakness/Noncompliance Citation

Ohio Admin. Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The City maintains its records on the cash basis throughout the year and contracts with an outside consultant to convert its year end statements to conform to GAAP.

An error in the conversion process understated accounts payable in the amount of \$66,943 and accounts receivable in the amount of \$58,971. In addition, a 2009 error in the accrual of income taxes caused an understatement in the beginning governmental net assets in the amount of \$68,720. The financial statements have been adjusted to reflect the proper presentation and management has agreed to those adjustments.

We recommend that the City perform certain analytical procedures on the GAAP statements to assist them in determining the accuracy of statements as prepared by their outside consultant.

Management Response:

We will work closely with our convertor to insure that the errors don't occur in the future.

CITY OF CARLISLE
WARREN COUNTY, OHIO
For the Year Ended December 31, 2010

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-CARL-01	Financial Statements Misstated	No	Repeated as 2010- CARL-01



Dave Yost • Auditor of State

CITY OF CARLISLE

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 24, 2012