

CITY OF NEW CARLISLE

Clark County, Ohio

**Basic Financial Statements and
Independent Accountants' Reports**

For the Year Ended December 31, 2009



Mary Taylor, CPA
Auditor of State

City Council
City of New Carlisle
P.O. Box 419
New Carlisle, Ohio 45344

We have reviewed the *Independent Accountants' Report* of the City of New Carlisle, Clark County, prepared by Kennedy Cottrell Richards LLC, for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 27, 2010

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

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Honorable Mayor and 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 New Carlisle (the "City"), Clark County, Ohio as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as disclosed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 opinions.

We were unable to obtain sufficient competent evidential matter supporting the City's capital asset balances reported in the City's basic financial statements; nor were we able to satisfy ourselves as to the reported accumulated depreciation and current period depreciation expense. We cannot reasonably determine the amount by which this departure would affect these assets, net assets, and expenses.

In our opinion, except for the effects of not being able to obtain sufficient competent evidential matter supporting the City's capital asset balances and not being able to satisfy ourselves as to the reported accumulated depreciation and current period depreciation expense, as described in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, and the water, sewer, and swimming pool funds of the City as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General, Street Construction, Emergency Ambulance, Emergency Fire, and Twin Creeks Infrastructure Bond funds, and the aggregate remaining fund information of the City as of December 31, 2009, and the respective changes in financial position, thereof and the respective budgetary comparison for the General, Street Construction, Emergency Ambulance, and Emergency Fire funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2010, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The accompanying management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

KENNEDY COTTRELL RICHARDS LLC

June 21, 2010

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)**

This discussion and analysis of the City of New Carlisle's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by approximately \$5.6 million (net assets), an increase of \$414,346 from the prior year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$588,154, an increase of \$869,386 from the prior year.
- At fiscal year-end, the City's general fund reported a fund balance of \$536,369, an increase of \$708,382 in comparison with the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Reporting the City of New Carlisle as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)**

Reporting the City of New Carlisle's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

The City maintains 18 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general, street construction, emergency ambulance, emergency fire, and twin creeks infrastructure bond fund, which are considered to be the City's major funds. Data from the other 13 governmental funds are combined into a single, aggregated presentation.

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the basic financial statements

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

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)**

THE CITY OF NEW CARLISLE AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the City as a whole. Table 1 provides a summary of the City's net assets for 2008 compared to 2009.

TABLE 1

Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 4,235,241	\$ 3,914,147	\$ 1,112,127	\$ 978,980	\$ 5,347,368	\$ 4,893,127
Capital assets	3,589,970	3,151,752	4,271,229	5,126,184	7,861,199	8,277,936
Total Assets	<u>7,825,211</u>	<u>7,065,899</u>	<u>5,383,356</u>	<u>6,105,164</u>	<u>13,208,567</u>	<u>13,171,063</u>
Current liabilities	1,423,025	1,916,843	48,997	50,637	1,472,022	1,967,480
Long-term liabilities	1,953,819	1,528,299	4,190,817	4,497,721	6,144,636	6,026,020
Total Liabilities	<u>3,376,844</u>	<u>3,445,142</u>	<u>4,239,814</u>	<u>4,548,358</u>	<u>7,616,658</u>	<u>7,993,500</u>
Net Assets:						
Invested in capital assets, net of related debt	1,015,100	458,659	136,485	682,074	1,151,585	1,140,733
Restricted	2,597,420	2,389,411	-	-	2,597,420	2,389,411
Unrestricted	835,847	772,687	1,007,057	874,732	1,842,904	1,647,419
Total Net Assets	<u>\$ 4,448,367</u>	<u>\$ 3,620,757</u>	<u>\$ 1,143,542</u>	<u>\$ 1,556,806</u>	<u>\$ 5,591,909</u>	<u>\$ 5,177,563</u>

A large portion of the City's net assets (21%) reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (46%) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net asset amount available to meet the ongoing obligations to citizens and creditors is \$1.8 million.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)**

Table 2 shows the changes in net assets for the year ended December 31, 2009.

TABLE 2

Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Program Revenues:						
Charges for Services	\$ 728,927	\$ 553,238	\$ 1,598,863	\$ 1,393,491	\$ 2,327,790	\$ 1,946,729
Operating Grants and Contributions	419,312	398,540	-	-	419,312	398,540
Capital Grants and Contributions	550,607	54,726	16,351	38,209	566,958	92,935
General Revenues:						
Property Taxes	530,757	551,892	-	-	530,757	551,892
Income Taxes	834,521	995,941	-	-	834,521	995,941
Other Local Taxes	96,843	7,014	-	-	96,843	7,014
Payments in Lieu of Taxes	41,459	26,978	-	-	41,459	26,978
Unrestricted Grants	118,121	109,198	-	-	118,121	109,198
Other Unrestricted Revenues	146,912	70,642	23,373	22,782	170,285	93,424
Total Revenues	3,467,459	2,768,169	1,638,587	1,454,482	5,106,046	4,222,651
Expenses:						
General Government	737,385	863,397	-	-	737,385	863,397
Security of Persons and Property	647,715	628,671	-	-	647,715	628,671
Leisure-Time Activities	57,047	54,735	-	-	57,047	54,735
Health	758,905	774,044	-	-	758,905	774,044
Community Environment	14,211	14,401	-	-	14,211	14,401
Transportation	240,019	293,586	-	-	240,019	293,586
Interest on Long-Term Debt	152,567	150,330	-	-	152,567	150,330
Water	-	-	929,089	976,210	929,089	976,210
Sewer	-	-	1,078,854	1,081,016	1,078,854	1,081,016
Swimming Pool	-	-	75,908	17,844	75,908	17,844
Total Expenses	2,607,849	2,779,164	2,083,851	2,075,070	4,691,700	4,854,234
Increase in Net Assets						
before Transfers	859,610	(10,995)	(445,264)	(620,588)	414,346	(631,583)
Transfers	(32,000)	(17,129)	32,000	17,129	-	-
Increase(Decrease) in Net Assets	827,610	(28,124)	(413,264)	(603,459)	414,346	(631,583)
Net Assets at Beginning of Year	3,620,757	3,648,881	1,556,806	2,160,265	5,177,563	5,809,146
Net Assets at End of Year	\$ 4,448,367	\$ 3,620,757	\$ 1,143,542	\$ 1,556,806	\$ 5,591,909	\$ 5,177,563

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)**

Governmental Activities

Property and income taxes, charges for services, capital grants and operating grants are the biggest contributors of revenue for the City's governmental activities. General government, security of persons and property, health services, and transportation are the major activities of the City accounting for 28%, 25%, 29% and 9% of governmental expenses, respectively.

During the fiscal year, net assets of the City's governmental activities increased by \$827,610, or 23%.

Business-type Activities

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

During the fiscal year, net assets of the City's business-type activities decreased by \$413,264. This is the amount by which total expenses, including depreciation on capital assets totaling \$890,510, exceeded revenues during the fiscal year.

Total versus Net Cost of Services

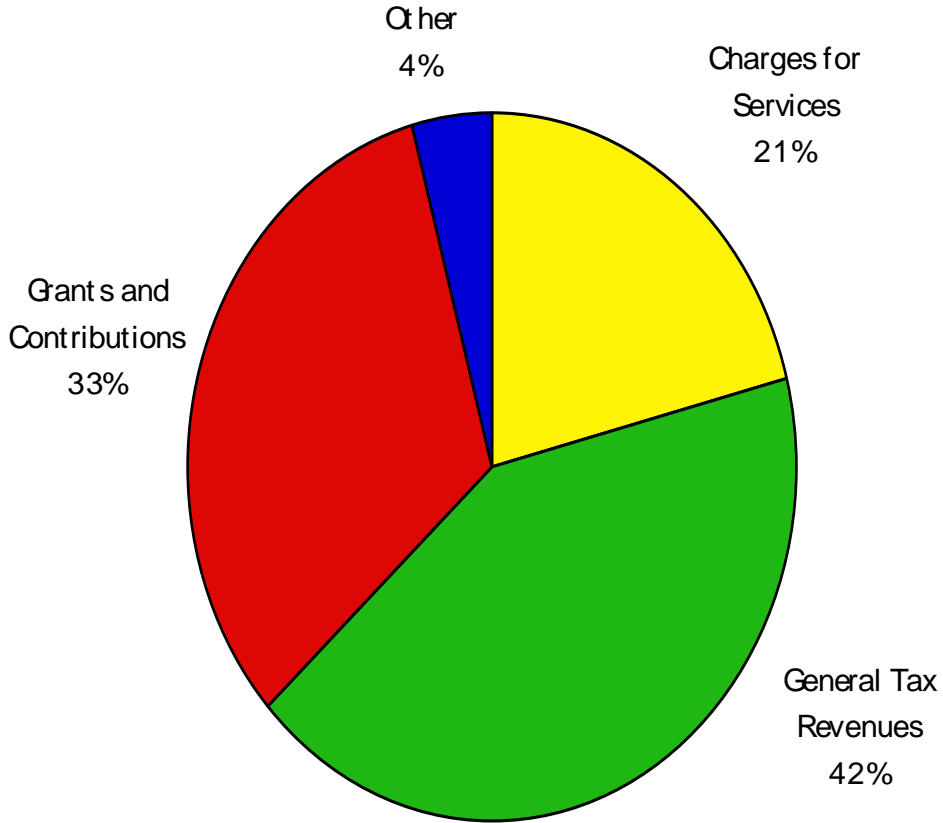
The Statement of Activities shows the cost of program services and the charges for services and grants associated with those services. Table 3 below reflects the cost of program services and the net cost of those services after taking into account the program revenues. When applicable, the net cost of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

TABLE 3

Functions/Programs	Total Cost		Net Cost	
	2009	2008	2009	2008
Governmental Activities:				
General Government	\$ 737,385	\$ 863,397	\$ 719,716	\$ 831,431
Security of Persons and Property	647,715	628,671	483,344	494,819
Leisure-Time Activities	57,047	54,735	(397,991)	9
Health	758,905	774,044	101,368	283,690
Community Environment	14,211	14,401	14,211	14,401
Transportation	240,019	293,586	(164,212)	(2,020)
Interest on Long-Term Debt	152,567	150,330	152,567	150,330
Total Governmental Activities	\$ 2,607,849	\$ 2,779,164	\$ 909,003	\$ 1,772,660
Business-Type Activities:				
Water	\$ 929,089	\$ 976,210	\$ 231,210	\$ 387,279
Sewer	1,078,854	1,081,016	199,949	243,732
Swimming Pool	75,908	12,359	37,478	12,359
Total Business-Type Activities	\$ 2,083,851	\$ 2,069,585	\$ 468,637	\$ 643,370

CITY OF NEW CARLISLE, OHIO
CLARK COUNTY

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)



The City's reliance upon general tax revenues is demonstrated by the graph above indicating 42% of total governmental revenues from local taxes, as well as the net cost of services column for governmental activities on the preceding page reflecting the need for \$909,003 of support.

THE CITY'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$588,154, a significant increase from the previous year.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)**

THE CITY'S FUNDS (CONTINUED)

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2009 and 2008.

	<u>Fund Balance 12/31/2009</u>	<u>Fund Balance 12/31/2008</u>	<u>Increase (Decrease)</u>
General fund	\$ 536,369	\$ (172,013)	\$ 708,382
Street construction fund	(327,247)	(347,880)	20,633
Emergency ambulance fund	153,087	117,597	35,490
Emergency fire fund	186,977	127,982	58,995
Twin Creeks Infrastructure Bond fund	10,283	8,187	2,096
Other governmental funds	28,685	(15,105)	43,790
Total	<u>\$ 588,154</u>	<u>\$ (281,232)</u>	<u>\$ 869,386</u>

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$497,846, while total fund balance was \$536,369. The \$708,382 increase in fund balance is primarily the result of the City issuing long-term debt to replace short-term bond anticipation notes (\$525,000). In addition, the City established and sold a cell phone tower easement during the fiscal year (\$120,000).

The Street Construction Fund accounts for the City's street repair, maintenance and improvement activities. The Street Construction Funds' expenditures (\$220,792) outstripped its revenues (\$211,425) during the fiscal year; however a transfer in from the general fund (\$30,000) resulted in the fund balance increase noted above.

The fund balance increase in the Emergency Ambulance Fund represents the amount by which property tax revenues and customer charges exceeded costs of providing services during the fiscal year.

The fund balance increase in the Emergency Fire Fund represents the amount by which property tax revenues exceeded costs of providing fire services during the fiscal year.

The fund balance increase in the Twin Creeks Infrastructure Bond Fund is the amount by which special assessment revenues exceeded debt service expenditures during the fiscal year.

Revenues in the Other Government Funds (\$384,309) slightly outstripped expenditures (\$383,652); however, a transfer in from the General Fund (\$31,063) resulted in the fund balance increase noted above.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)**

THE CITY'S FUNDS (CONTINUED)

Proprietary Funds

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

At fiscal year-end, unrestricted net assets in the water fund amounted to \$211,213. Total water fund net assets decreased \$215,263, or 41%, from the previous year. This decrease in net assets is the result of an operating loss of \$136,769 coupled with debt interest payments totaling \$84,078.

At fiscal year-end, unrestricted net assets in the sewer fund amounted to \$793,597. Total sewer fund net assets decreased \$193,368, or 20%, from the previous year. This decrease in net assets is the result of an operating loss of \$153,626 coupled with debt interest payments totaling \$50,509.

GENERAL FUND BUDGETARY INFORMATION

The City's final revenues estimate was \$126,000, or 7% more than the original estimate. This increase is primarily the result of City's establishment and sale of the cell phone tower easement during the fiscal year (\$120,000).

The amount by which the City's final revenues estimate exceeded actual revenues was insignificant.

The variance between original and final appropriations and final appropriations and actual expenditures were both insignificant.

CAPITAL ASSETS

At year-end, the City's investment in capital assets for governmental and business-type activities totaled \$3.6 million and \$4.3 million (net of accumulated depreciation), respectively. This investment in capital assets includes land, land improvements, buildings, equipment, furniture, vehicles, and infrastructure.

Total acquisitions for the current fiscal year were \$628,353 and depreciation was approximately \$1 million.

Detailed information regarding capital asset activity is included in the Note 8 to the basic financial statements.

LONG-TERM DEBT

At the end of the current fiscal year, the City had total long-term debt outstanding of approximately \$6 million. Of this amount, \$1.9 million represents bonds and notes backed by the full faith and credit of the City and \$4.1 million represents OPWC and OWDA loans secured by specified revenue sources.

Detailed information regarding long-term debt is included in Note 10 to the basic financial statements.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)**

CONTACTING THE CITY

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

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

**STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2009**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Pooled Cash and Cash Equivalents	\$ 842,472	\$ 837,378	\$ 1,679,850
Investments	70,619	-	70,619
Receivables:			
Taxes	1,030,940	-	1,030,940
Accounts	225,975	246,896	472,871
Other	120,000	-	120,000
Due From Other Governments	308,713	1,136	309,849
Prepaid Items	57,412	26,717	84,129
Special Assessments Receivable	1,557,262	-	1,557,262
Bond Issuance Costs	21,848	-	21,848
NonDepreciable Capital Assets	856,334	288,150	1,144,484
Depreciable Capital Assets, Net	<u>2,733,636</u>	<u>3,983,079</u>	<u>6,716,715</u>
Total Assets	<u>7,825,211</u>	<u>5,383,356</u>	<u>13,208,567</u>
Liabilities			
Accounts Payable	39,783	12,875	52,658
Accrued Wages and Benefits	28,690	14,008	42,698
Due To Other Governments	55,676	22,114	77,790
Unearned Revenue	608,876	-	608,876
Notes Payable	690,000	-	690,000
Long-Term Liabilities			
Due Within One Year	119,757	330,931	450,688
Due in More Than One Year	<u>1,834,062</u>	<u>3,859,886</u>	<u>5,693,948</u>
Total Liabilities	<u>3,376,844</u>	<u>4,239,814</u>	<u>7,616,658</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,015,100	136,485	1,151,585
Restricted For:			
Debt Service	1,518,645	-	1,518,645
Highways and Streets	222,511	-	222,511
Public Safety	685,640	-	685,640
Other Purposes	170,624	-	170,624
Unrestricted	835,847	1,007,057	1,842,904
Total Net Assets	<u>\$ 4,448,367</u>	<u>\$ 1,143,542</u>	<u>\$ 5,591,909</u>

See accompanying notes to the basic financial statements

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 737,385	\$ 16,225	\$ 1,444	\$ -
Security of Persons and Property	647,715	84,539	79,832	-
Leisure-Time Activities	57,047	12,150	-	442,888
Health	758,905	611,165	46,372	-
Community Environment	14,211	-	-	-
Transportation	240,019	4,848	291,664	107,719
Interest on Long-Term Debt	152,567	-	-	-
Total Governmental Activities	2,607,849	728,927	419,312	550,607
Business-type Activities:				
Water	929,089	692,295	-	5,584
Sewer	1,078,854	868,138	-	10,767
Swimming Pool	75,908	38,430	-	-
Total Business-Type Activities	2,083,851	1,598,863	-	16,351
Total Government	\$ 4,691,700	\$ 2,327,790	\$ 419,312	\$ 566,958

General Revenues:

- Property Taxes
- Income Taxes
- Other Local Taxes
- Payments in Lieu of Taxes
- Unrestricted Grants and Entitlements
- Other Unrestricted Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (719,716)	\$ -	\$ (719,716)
(483,344)	-	(483,344)
397,991	-	397,991
(101,368)	-	(101,368)
(14,211)	-	(14,211)
164,212	-	164,212
(152,567)	-	(152,567)
<u>(909,003)</u>	<u>-</u>	<u>(909,003)</u>
-	(231,210)	(231,210)
-	(199,949)	(199,949)
-	(37,478)	(37,478)
<u>-</u>	<u>(468,637)</u>	<u>(468,637)</u>
<u>\$ (909,003)</u>	<u>\$ (468,637)</u>	<u>\$ (1,377,640)</u>
530,757	-	530,757
834,521	-	834,521
96,843	-	96,843
41,459	-	41,459
118,121	-	118,121
146,912	23,373	170,285
(32,000)	32,000	-
<u>1,736,613</u>	<u>55,373</u>	<u>1,791,986</u>
827,610	(413,264)	414,346
3,620,757	1,556,806	5,177,563
<u>\$ 4,448,367</u>	<u>\$ 1,143,542</u>	<u>\$ 5,591,909</u>

See accompanying notes to the basic financial statements

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

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	General Fund	Street Construction	Emergency Ambulance	Emergency Fire
Assets:				
Pooled Cash and Cash Equivalents	\$ 193,757	\$ 33,028	\$ 172,587	\$ 186,117
Investments	-	-	-	-
Receivables:				
Taxes	520,586	-	177,116	257,099
Accounts	49,351	-	158,164	-
Other Receivable	120,000			
Due From Other Governments	101,575	107,794	11,608	16,860
Prepaid Items	38,395	8,758	431	5,889
Special Assessments Receivable	3,300	-	-	-
Total Assets	1,026,964	149,580	519,906	465,965
Liabilities:				
Accounts Payable	4,168	1,125	2,871	540
Accrued Wages and Benefits	8,553	2,930	13,428	1,492
Due To Other Governments	17,797	4,530	26,973	2,997
Deferred Revenue	311,117	74,942	192,795	84,166
Unearned Revenue	148,960	-	130,752	189,793
Bond Anticipation Notes Payable	-	393,300	-	-
Total Liabilities	490,595	476,827	366,819	278,988
Fund Balances:				
Reserved for:				
Encumbrances	128	32	400	15,306
Prepaid Items	38,395	8,758	431	5,889
Perpetual Care	-	-	-	-
Unreserved, Reported In:				
General Fund	497,846	-	-	-
Special Revenue Funds	-	(336,037)	152,256	165,782
Debt service fund	-	-	-	-
Capital Project Funds	-	-	-	-
Total Fund Balances	536,369	(327,247)	153,087	186,977
Total Liabilities and Fund Balances	\$ 1,026,964	\$ 149,580	\$ 519,906	\$ 465,965

See accompanying notes to the basic financial statements

Twin Creeks Infrastructure Bonds	Other Governmental Funds	Total Governmental Funds
\$ 10,283	\$ 246,700	\$ 842,472
-	70,619	70,619
-	76,139	1,030,940
-	18,460	225,975
-	-	120,000
-	70,876	308,713
-	3,939	57,412
1,470,836	83,126	1,557,262
<u>1,481,119</u>	<u>569,859</u>	<u>4,213,393</u>
-	31,079	39,783
-	2,287	28,690
-	3,379	55,676
1,470,836	68,358	2,202,214
-	139,371	608,876
-	296,700	690,000
<u>1,470,836</u>	<u>541,174</u>	<u>3,625,239</u>
-	12	15,878
-	3,939	57,412
-	93,009	93,009
-	-	497,846
-	158,167	140,168
10,283	70,958	81,241
-	(297,400)	(297,400)
<u>10,283</u>	<u>28,685</u>	<u>588,154</u>
<u>\$ 1,481,119</u>	<u>\$ 569,859</u>	<u>\$ 4,213,393</u>

See accompanying notes to the basic financial statements

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009

Total Governmental Fund Balances	\$ 588,154
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,589,970
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Delinquent Property Taxes	186,165
Income Taxes	162,878
EMS Receivables	134,823
Cemetery Receivables	18,460
Intergovernmental Receivables	225,752
Special Assessment Receivables	1,474,136
Governmental funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net assets.	
Unamortized Bond Issuance Costs	21,848
Unamortized Premium on Bonds	(58,010)
Long-Term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences payable	(43,851)
General obligation debt	<u>(1,851,958)</u>
 Net Assets of Governmental Activities	 <u><u>\$ 4,448,367</u></u>

See accompanying notes to the basic financial statements

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>General Fund</u>	<u>Street Construction</u>	<u>Emergency Ambulance</u>	<u>Emergency Fire</u>
Revenues:				
Property Taxes	\$ 224,561	\$ -	\$ 125,955	\$ 182,829
Income Taxes	847,473	-	-	-
Other Local Taxes	96,843	-	-	-
Charges for Services	15,433	-	492,857	-
Licenses, Permits, and Fees	4,290	-	-	-
Fines and Forfeitures	11,935	-	-	-
Intergovernmental	106,599	206,577	33,669	44,123
Special Assessments	-	-	-	-
Other	26,912	4,848	102	103
Total Revenues	<u>1,334,046</u>	<u>211,425</u>	<u>652,583</u>	<u>227,055</u>
Expenditures:				
Current Operations and Maintenance:				
General Government	683,024	-	-	-
Security of Persons and Property	376,042	-	-	106,299
Leisure-Time Activities	54,216	-	-	-
Health	-	-	592,496	-
Community Environment	13,110	-	-	-
Transportation	-	157,225	-	-
Capital Outlay	17,956	26,219	858	8,369
Debt Service:				
Principal Retirement	-	10,827	19,628	34,610
Interest and Fiscal Charges	33,253	26,521	4,111	18,782
Total Expenditures	<u>1,177,601</u>	<u>220,792</u>	<u>617,093</u>	<u>168,060</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	156,445	(9,367)	35,490	58,995
Other Financing Sources (Uses):				
Proceeds from Sale of Investment	120,000	-	-	-
Premium on Bonds	-	-	-	-
Proceeds from Sale of Bonds	525,000	-	-	-
Operating Transfers In	-	30,000	-	-
Operating Transfers Out	(93,063)	-	-	-
Total Other Financing Sources (Uses)	<u>551,937</u>	<u>30,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	708,382	20,633	35,490	58,995
Fund Balance at Beginning of Year	(172,013)	(347,880)	117,597	127,982
Fund Balance at End of Year	<u>\$ 536,369</u>	<u>\$ (327,247)</u>	<u>\$ 153,087</u>	<u>\$ 186,977</u>

See accompanying notes to the basic financial statements

Twin Creeks Infrastructure Bonds	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 54,296	\$ 587,641
-	-	847,473
-	-	96,843
-	73,856	582,146
-	-	4,290
-	-	11,935
-	169,412	560,380
91,361	84,436	175,797
-	2,309	34,274
<u>91,361</u>	<u>384,309</u>	<u>2,900,779</u>
-	-	683,024
-	117,599	599,940
-	-	54,216
-	120,100	712,596
-	-	13,110
-	66,070	223,295
-	52,270	105,672
35,000	-	100,065
54,265	27,613	164,545
<u>89,265</u>	<u>383,652</u>	<u>2,656,463</u>
2,096	657	244,316
-	-	120,000
-	12,070	12,070
-	-	525,000
-	31,063	61,063
-	-	(93,063)
<u>-</u>	<u>43,133</u>	<u>625,070</u>
2,096	43,790	869,386
8,187	(15,105)	(281,232)
<u>\$ 10,283</u>	<u>\$ 28,685</u>	<u>\$ 588,154</u>

See accompanying notes to the basic financial statements

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

Net Change in Fund Balances - Total Governmental Funds \$ 869,386

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

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their
estimated useful lives as depreciation expense.

Capital Outlay	84,074
Depreciation	(154,580)

The Donation of Capital Assets is reported on the statement of activities statements.
and is not reported in governmental fund 508,724

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

Delinquent Property Taxes	(56,884)
Income Taxes	(12,952)
EMS Charges	42,041
Intergovernmental Revenues	60,395
Special Assessments	(94,644)

The issuance of long-term debt (e.g., bonds, leases) provides current financial
resources to governmental funds, while the repayment of the principle of
long-term debt consumes the current financial rresources of governmental
funds. Neither transaction, however, has any effect on net assets.

Issuance of long-term debt	(525,000)
Repayment of long-term debt	100,065

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

Bond Issuance Costs	7,570
Premium on Bonds	(7,662)

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

Compensated absences	7,077
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Change in Net Assets of Governmental Activities \$ 827,610

See accompanying notes to the basic financial statements

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property Taxes	\$ 177,419	\$ 177,419	\$ 231,793	\$ 54,374
Income tax	970,000	970,000	906,882	(63,118)
Other Local Taxes	27,825	27,825	47,492	19,667
Charges for Services	7,500	7,500	15,433	7,933
Licenses and Permits	2,500	2,500	4,290	1,790
Fines and Forfeitures	20,000	20,000	11,935	(8,065)
Intergovernmental	50,769	68,769	107,768	38,999
Other	35,140	143,140	26,912	(116,228)
Total Revenues	<u>1,291,153</u>	<u>1,417,153</u>	<u>1,352,505</u>	<u>(64,648)</u>
Expenditures				
General Government	751,060	758,868	733,030	25,838
Security of Persons and Property	387,005	386,295	378,688	7,607
Leisure-Time Activities	49,094	58,269	55,160	3,109
Community Environment	11,807	13,707	13,265	442
Capital Outlay	36,450	19,076	17,956	1,120
Debt Service:				
Principal Retirement	525,000	525,000	525,000	-
Interest and Fiscal Charges	34,031	45,323	33,253	12,070
Total Expenditures	<u>1,794,447</u>	<u>1,806,538</u>	<u>1,756,352</u>	<u>50,186</u>
Excess of Revenues Over/ (Under) Expenditures	(503,294)	(389,385)	(403,847)	(14,462)
Other Financing Sources/(Uses)				
Sale of Assets	5,000	5,000	-	(5,000)
Proceeds from Bonds	525,000	525,000	525,000	-
Operating Transfers Out	(66,810)	(99,750)	(93,063)	6,687
Total Other Financing Sources/(Uses)	<u>463,190</u>	<u>430,250</u>	<u>431,937</u>	<u>1,687</u>
Net Change in Fund Balance	(40,104)	40,865	28,090	(12,775)
Fund Balances at Beginning of Year	162,660	162,660	162,660	-
Prior Year Encumbrances Appropriated	2,090	2,090	2,090	-
Fund Balances at End of Year	<u>\$ 124,646</u>	<u>\$ 205,615</u>	<u>\$ 192,840</u>	<u>\$ (12,775)</u>

See accompanying notes to the basic financial statements

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
STREET CONSTRUCTION FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Intergovernmental	\$ 218,000	\$ 218,000	\$ 209,349	\$ (8,651)
Other	1,200	1,200	4,848	3,648
Total Revenues	<u>219,200</u>	<u>219,200</u>	<u>214,197</u>	<u>(5,003)</u>
Expenditures				
Transportation	181,172	196,822	158,311	38,511
Capital Outlay	32,000	37,350	26,219	11,131
Debt Service:				
Principal Retirement	412,677	412,677	412,677	-
Interest and Fiscal Charges	31,929	31,929	26,521	5,408
Total Expenditures	<u>657,778</u>	<u>678,778</u>	<u>623,728</u>	<u>55,050</u>
Excess of Revenues Over/ (Under) Expenditures	(438,578)	(459,578)	(409,531)	50,047
Other Financing Sources/(Uses)				
Sale of Assets	500	500	-	(500)
Proceeds from Notes	405,000	405,000	393,300	(11,700)
Transfers In	15,000	36,000	30,000	(6,000)
Total Other Financing Sources/(Uses)	<u>420,500</u>	<u>441,500</u>	<u>423,300</u>	<u>(18,200)</u>
Net Change in Fund Balance	(18,078)	(18,078)	13,769	31,847
Fund Balances at Beginning of Year	19,222	19,222	19,222	-
Prior Year Encumbrances Appropriated	5	5	5	-
Fund Balances at End of Year	<u>\$ 1,149</u>	<u>\$ 1,149</u>	<u>\$ 32,996</u>	<u>\$ 31,847</u>

See accompanying notes to the basic financial statements

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
EMERGENCY AMBULANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property Taxes	\$ 154,194	\$ 154,194	\$ 132,241	\$ (21,953)
Charges for Services	470,000	470,000	488,606	18,606
Intergovernmental	6,060	25,160	33,841	8,681
Other	-	-	102	102
Total Revenues	<u>630,254</u>	<u>649,354</u>	<u>654,790</u>	<u>5,436</u>
Expenditures				
Health	614,025	614,025	590,631	23,394
Capital Outlay	9,100	9,100	858	8,242
Debt Service:				
Principal Retirement	19,628	19,628	19,628	-
Interest and Fiscal Charges	4,172	4,172	4,111	61
Total Expenditures	<u>646,925</u>	<u>646,925</u>	<u>615,228</u>	<u>31,697</u>
Net Change in Fund Balance	(16,671)	2,429	39,562	37,133
Fund Balances at Beginning of Year	130,394	130,394	130,394	-
Prior Year Encumbrances Appropriated	2,233	2,233	2,233	-
Fund Balances at End of Year	<u>\$ 115,956</u>	<u>\$ 135,056</u>	<u>\$ 172,189</u>	<u>\$ 37,133</u>

See accompanying notes to the basic financial statements

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
EMERGENCY FIRE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property Taxes	\$ 223,849	\$ 223,849	\$ 191,953	\$ (31,896)
Intergovernmental	7,800	35,800	44,371	8,571
Other	-	-	103	103
Total Revenues	<u>231,649</u>	<u>259,649</u>	<u>236,427</u>	<u>(23,222)</u>
Expenditures				
Security of Persons and Property	126,302	126,302	107,276	19,026
Capital Outlay	23,000	23,000	23,000	-
Debt Service:				
Principal Retirement	34,701	34,701	34,610	91
Interest and Fiscal Charges	20,449	20,449	18,782	1,667
Total Expenditures	<u>204,452</u>	<u>204,452</u>	<u>183,668</u>	<u>20,784</u>
Net Change in Fund Balance	27,197	55,197	52,759	(2,438)
Fund Balances at Beginning of Year	116,502	116,502	116,502	-
Prior Year Encumbrances Appropriated	1,548	1,548	1,548	-
Fund Balances at End of Year	<u>\$ 145,247</u>	<u>\$ 173,247</u>	<u>\$ 170,809</u>	<u>\$ (2,438)</u>

See accompanying notes to the basic financial statements

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

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2009**

	Water Fund	Sewer Fund	Swimming Pool	Total
Assets				
Current Assets:				
Pooled Cash and Cash Equivalents	\$ 121,754	\$ 714,873	\$ 751	\$ 837,378
Accounts Receivable	110,298	136,598	-	246,896
Due from Other Governments	398	738	-	1,136
Prepaid Items	14,848	9,287	2,582	26,717
Total Current Assets	<u>247,298</u>	<u>861,496</u>	<u>3,333</u>	<u>1,112,127</u>
Noncurrent Assets:				
NonDepreciable Capital Assets	19,517	232,306	36,327	288,150
Depreciable Capital Assets, Net	3,095,754	886,609	716	3,983,079
Total Noncurrent Assets	<u>3,115,271</u>	<u>1,118,915</u>	<u>37,043</u>	<u>4,271,229</u>
Total Assets	<u>3,362,569</u>	<u>1,980,411</u>	<u>40,376</u>	<u>5,383,356</u>
Liabilities				
Current Liabilities				
Accounts Payable	1,742	11,098	35	12,875
Accrued Wages and Benefits	5,631	8,377	-	14,008
Due To Other Governments	8,978	12,085	1,051	22,114
Compensated Absences	5,318	6,916	-	12,234
Loans Payable	159,983	158,714	-	318,697
Total Current Liabilities	<u>181,652</u>	<u>197,190</u>	<u>1,086</u>	<u>379,928</u>
Noncurrent Liabilities				
Loans Payable	2,855,846	961,301	-	3,817,147
Compensated Absences	14,416	28,323	-	42,739
Total Noncurrent Liabilities	<u>2,870,262</u>	<u>989,624</u>	<u>-</u>	<u>3,859,886</u>
Total Liabilities	<u>3,051,914</u>	<u>1,186,814</u>	<u>1,086</u>	<u>4,239,814</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	99,442	-	37,043	136,485
Unrestricted Net Assets	211,213	793,597	2,247	1,007,057
Total Net Assets	<u>\$ 310,655</u>	<u>\$ 793,597</u>	<u>\$ 39,290</u>	<u>\$ 1,143,542</u>

See accompanying notes to the basic financial statements

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Water Fund	Sewer Fund	Swimming Pool	Total
Operating Revenues				
Charges for Services	\$ 692,295	\$ 868,138	\$ 38,430	\$ 1,598,863
Other Operating Revenue	15,947	6,581	845	23,373
Total Operating Revenues	<u>708,242</u>	<u>874,719</u>	<u>39,275</u>	<u>1,622,236</u>
Operating Expenses				
Personal Services	258,969	343,066	26,714	628,749
Contractual Services	92,677	166,197	30,037	288,911
Materials and Supplies	72,426	18,900	11,874	103,200
Depreciation	411,824	477,970	716	890,510
Other Operating Expenses	9,115	22,212	6,567	37,894
Total Operating Expenses	<u>845,011</u>	<u>1,028,345</u>	<u>75,908</u>	<u>1,949,264</u>
Operating Income (Loss)	<u>(136,769)</u>	<u>(153,626)</u>	<u>(36,633)</u>	<u>(327,028)</u>
Nonoperating Revenues (Expenses)				
Grants Income	5,584	10,767	-	16,351
Interest and Fiscal Charges	(84,078)	(50,509)	-	(134,587)
Total Non-Operating Revenues (Expenses)	<u>(78,494)</u>	<u>(39,742)</u>	<u>-</u>	<u>(118,236)</u>
Income Before Transfers	(215,263)	(193,368)	(36,633)	(445,264)
Transfers In	<u>-</u>	<u>-</u>	<u>32,000</u>	<u>32,000</u>
Change in Net Assets	(215,263)	(193,368)	(4,633)	(413,264)
Net Assets at Beginning of Year	525,918	986,965	43,923	1,556,806
Net Assets at End of Year	<u>\$ 310,655</u>	<u>\$ 793,597</u>	<u>\$ 39,290</u>	<u>\$ 1,143,542</u>

See accompanying notes to the basic financial statements

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Water Fund	Sewer Fund	Swimming Pool	Total
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 691,013	\$ 853,264	\$ 38,430	\$ 1,582,707
Other Operating Receipts	15,947	6,581	845	23,373
Cash Paid to Employees	(264,624)	(346,279)	(25,804)	(636,707)
Cash Paid to Suppliers	(176,687)	(206,657)	(48,402)	(431,746)
Cash Paid for Other Expenses	(1,080)	(403)	(241)	(1,724)
Net Cash Flows from Operating Activities	<u>264,569</u>	<u>306,506</u>	<u>(35,172)</u>	<u>535,903</u>
Cash Flows from Noncapital Financing Activities				
Transfers In	-	-	32,000	32,000
Net Cash Flows from Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>32,000</u>	<u>32,000</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	(11,633)	(21,603)	-	(33,236)
Proceeds from Capital Grants	5,187	9,630	-	14,817
Payment of Debt Principal	(156,156)	(152,281)	-	(308,437)
Payment of Debt Interest	(83,907)	(50,111)	-	(134,018)
Net Cash Flows from Capital and Related Financing Activities	<u>(246,509)</u>	<u>(214,365)</u>	<u>-</u>	<u>(460,874)</u>
Net Change in Cash	18,060	92,141	(3,172)	107,029
Cash and Cash Equivalents, Beginning of Year	103,694	622,732	3,923	730,349
Cash and Cash Equivalents, End of Year	<u>\$ 121,754</u>	<u>\$ 714,873</u>	<u>\$ 751</u>	<u>\$ 837,378</u>
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities:				
Operating Loss	\$ (136,769)	\$ (153,626)	\$ (36,633)	\$ (327,028)
Add Depreciation Expense	411,824	477,970	716	890,510
(Increase)/Decrease in Current Assets				
Accounts Receivable	(1,282)	(14,874)		(16,156)
Intergovernmental Receivable				-
Prepaid Expenses	(4,625)	(4,039)	(162)	(8,826)
Increase/(Decrease) in Current Liabilities				
Accounts Payable	(3,567)	200	(3)	(3,370)
Accrued Wages	(228)	660		432
Compensated Absences	253	1,109		1,362
Intergovernmental Payable	(1,037)	(894)	910	(1,021)
Net Cash Flows from Operating Activities	<u>\$ 264,569</u>	<u>\$ 306,506</u>	<u>\$ (35,172)</u>	<u>\$ 535,903</u>

Noncash Transactions - During the fiscal year, the City received capital asset donations from Clark County and the Ohio Department of Transportation totaling \$79,016 and \$429,708, respectively.

See accompanying notes to the basic financial statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 1 - REPORTING ENTITY

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-wide and fund financial statements

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

Property taxes and special assessments for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance fiscal year 2010 operations, and grants and entitlements received before eligibility requirements are met, are recorded as unearned revenue on both the governmental fund and government-wide financial statements.

Revenues earned but not received within the City's availability period are recorded as deferred revenue on the fund financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government reports the following major governmental funds:

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

The *Street Construction Fund* accounts for street improvement and construction activities.

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

The *Emergency Ambulance Fund* accounts for ambulance services provided by the City.

The *Emergency Fire Fund* accounts for fire services provided by the City.

The government reports the following major proprietary funds:

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

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

The *Swimming Pool Fund* accounts for the activities of the City's swimming pool.

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

C. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled, except as specifically stipulated by ordinance. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. The City's pooled cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

D. Receivables and Payables

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Inventories and Prepaid Items

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

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

F. Restricted Net Assets

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

G. Capital Assets and Depreciation

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

H. Compensated Absences

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

I. Long-Term Obligations

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

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

J. Fund Balance Reserves

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Interfund Transactions

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

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

L. Estimates

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

NOTE 3 – DEFICIT FUND BALANCES

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

<u>Fund</u>	<u>Deficit Balance</u>
Community Center	\$295,826
St. Rt. 235 Construction	\$1,574

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations, and changes in fund balances on the basis of United States generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual – for the General Fund and the Street Construction, Emergency Ambulance and Emergency Fire special revenue funds 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 are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

3. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds and note disclosure for proprietary funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year ended December 31, 2009, on the GAAP basis to the budget basis are as follows:

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

	<u>General Fund</u>	<u>Street Construction</u>	<u>Emergency Ambulance</u>	<u>Emergency Fire</u>
GAAP basis	\$ 708,382	\$ 20,633	\$ 35,490	\$ 58,995
Revenue accruals	(146,145)	396,072	2,207	9,372
Expenditure accruals	(533,230)	(402,904)	2,265	(303)
Encumbrances	(917)	(32)	(400)	(15,305)
Budget basis	<u>\$ 28,090</u>	<u>\$ 13,769</u>	<u>\$ 39,562</u>	<u>\$ 52,759</u>

Contrary to Ohio law, actual receipts collected were less than the amount certified in the official certificate and were below the level of appropriations in the Street Fund by \$22,054 for the year ended December 31, 2009.

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 5 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

Deposits - At year-end, the carrying amount of the City's deposits was \$1,486,862, which includes a certificate of deposit totaling \$70,619, and the bank balance was \$1,557,723. Of the bank balance, \$544,448 was covered by federal depository insurance and the remaining amount was covered by collateral held by third party trustees pursuant to Section 135.181 Revised Code, in collateralized pools securing all public funds on deposit with the specific depository institutions.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 5 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments – At year-end, the City’s only investment was with STAR Ohio totaling \$263,607. The City has no deposit policy for custodial risk beyond the requirements of State statute.

Interest Rate Risk - The City’s investment policy does not address interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation of debt of the City. The City’s policy also states that, to the extent possible and prudent, the City will attempt to match its investment maturities with anticipated cash flow requirements. At fiscal year-end, the City’s investments were not exposed to interest rate risk.

Credit Risk - Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The City’s investment policy states that credit risk will be minimized by diversifying assets and ensuring that the minimum credit quality ratings required by Ohio Law exist. STAROhio carries a rating of AAAM by Standard and Poor’s.

NOTE 6 – TAXES RECEIVABLE

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

	Property Taxes	Income Taxes	Total
General Fund	\$ 201,561	\$ 319,025	\$ 520,586
Emergency Ambulance Fund	177,116	-	177,116
Emergency Fire Fund	257,099	-	257,099
Other Governmental Funds	76,139	-	76,139
Totals	\$ 711,915	\$ 319,025	\$ 1,030,940

NOTE 7 - TAXES

A. Municipal Income Tax - The City levies and collects a one percent income tax on all income earned within the City as well as on incomes of residents earned outside the City. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. During the fiscal year, income tax revenue was allocated entirely to the General Fund.

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

Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 7 – TAXES (CONTINUED)

Public utility property taxes are assessed on tangible personal property as well as land and improvements at 88% of true value (50% of cost) with certain exceptions. Public utility property taxes, attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes.

Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes.

The Clark County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of New Carlisle. The County Auditor periodically advances to the City its portion of the taxes collected. Property taxes may be paid on either an annual or semi-annual basis.

The assessed values upon which the fiscal year 2009 property taxes were collected are as follows:

	<u>Amount</u>	<u>Percent</u>
Real Estate (Other Than Public Utility)	\$61,184,100	82.9%
Commercial / Industrial	11,642,410	16%
Public Utility Personal Property	970,870	1%
Tangible Personal	<u>84,153</u>	<u>.01%</u>
Total Assessed Value	<u>\$73,881,533</u>	<u>100%</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 8 - CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2009, was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
<i>Non-depreciated assets:</i>				
Land	\$ 229,952	\$ -	\$ -	\$ 229,952
Construction in Process	195,899	473,166	(42,683)	626,382
Total Non-depreciable assets	<u>425,851</u>	<u>473,166</u>	<u>(42,683)</u>	<u>856,334</u>
<i>Capital assets, being depreciated:</i>				
Buildings	636,077	-	-	636,077
Improvements Other than Buildings	281,142	-	-	281,142
Machinery and Equipment	1,442,344	-	-	1,442,344
Furniture and Fixtures	87,291	-	-	87,291
Computer Equipment	96,247	14,062	-	110,309
Vehicles	1,411,139	-	-	1,411,139
Infrastructure	1,867,512	148,253	-	2,015,765
Total Depreciable Capital Assets	<u>5,821,752</u>	<u>162,315</u>	<u>-</u>	<u>5,984,067</u>
<i>Accumulated Depreciation:</i>				
Buildings	423,370	31,804	-	455,174
Improvements Other than Buildings	292,931	-	-	292,931
Machinery and Equipment	628,728	72,117	-	700,845
Furniture and Fixtures	51,995	4,365	-	56,360
Computer Equipment	98,760	2,812	-	101,572
Vehicles	1,455,169	-	-	1,455,169
Infrastructure	144,898	43,482	-	188,380
Total Accumulated Depreciation	<u>3,095,851</u>	<u>154,580</u>	<u>-</u>	<u>3,250,431</u>
Depreciable Capital Assets, net	<u>2,725,901</u>	<u>7,735</u>	<u>-</u>	<u>2,733,636</u>
Total Capital Assets, net	<u>\$ 3,151,752</u>	<u>\$ 480,901</u>	<u>\$ (42,683)</u>	<u>\$ 3,589,970</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 50,769
Security of Persons and Property	36,967
Leisure-Time Activities	3,219
Public Health	45,515
Community Environment	847
Transportation	17,263
Total Depreciation Expense	<u>\$ 154,580</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 8 - CAPITAL ASSETS (CONTINUED)

Business-type capital asset activity for the year ended December 31, 2009, was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciated assets:				
Land	\$ 252,595	\$ -	\$ -	\$ 252,595
Construction in Process	188,443	35,555	(188,443)	35,555
Total Non-depreciable assets	<u>441,038</u>	<u>35,555</u>	<u>(188,443)</u>	<u>288,150</u>
Capital assets, being depreciated:				
Buildings	5,802,395	-	-	5,802,395
Improvements Other than Buildings	1,028,634	-	-	1,028,634
Machinery and Equipment	5,775,328	-	-	5,775,328
Furniture and Fixtures	41,150	-	-	41,150
Computer Equipment	6,544	-	-	6,544
Vehicles	269,308	-	-	269,308
Infrastructure	6,133,009	188,443	-	6,321,452
Total Depreciable Capital Assets	<u>19,056,368</u>	<u>188,443</u>	<u>-</u>	<u>19,244,811</u>
Less accumulated depreciation:	<u>(14,371,222)</u>	<u>(890,510)</u>	<u>-</u>	<u>(15,261,732)</u>
Total Depreciable capital assets, net	<u>4,685,146</u>	<u>(702,067)</u>	<u>-</u>	<u>3,983,079</u>
Total Capital Assets, net	<u>\$ 5,126,184</u>	<u>\$ (666,512)</u>	<u>\$ (188,443)</u>	<u>\$ 4,271,229</u>

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

Water	\$ 411,824
Sewer	477,970
Swimming Pool	716
Total	<u>\$ 890,510</u>

NOTE 9 – OPERATING LEASE

The City leases their municipal office space at 331 South Church Street under an operating lease agreement. The initial term of the lease was for one year commencing January 1, 2008 and expiring December 31, 2008. Beginning January 1, 2009, the City and the lessor agreed to two consecutive six month lease terms. The City is currently paying month to month and has yet to reach an agreement with the lessor. Total costs for this operating lease were \$22,440 (\$1,870 per month) for the fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 10 - LONG-TERM OBLIGATIONS

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due in One Year
Governmental Activities					
General Obligation Bonds/Notes					
2005 Medical Equipment 4.90% maturing 2012	84,411	-	(19,628)	64,783	20,590
2003 Fire Truck 4.86% maturing 2009	14,401	-	(14,401)	-	-
2006 Fire Truck 5.25% maturing 2011	349,010	-	(20,209)	328,801	21,311
Roadway Repair Equipment 5.20% maturing 2011	34,201	-	(10,827)	23,374	11,391
2009 Facilities and Equipment Bonds 4.50%-6.75% maturing 2022	-	525,000	-	525,000	15,000
Facilities and Equipment Bonds Premium	-	12,070	-	12,070	-
Twin Creeks Special Assessment 4.50% maturing 2026	945,000	-	(35,000)	910,000	35,000
Twin Creeks Bonds Premium	50,348	-	(4,408)	45,940	-
Compensated Absences	50,928	24,365	(31,442)	43,851	16,465
Total Governmental Activities	<u>\$ 1,528,299</u>	<u>\$ 561,435</u>	<u>\$ (135,915)</u>	<u>\$ 1,953,819</u>	<u>\$ 119,757</u>

On September 1, 2006, the City issued Infrastructure Improvement Bonds totaling \$955,000 to payoff bond anticipation notes issued to provide funds for the Twin Creeks Subdivision improvements, consisting of streets, bridge, water, gas, electric, sanitary and storm sewers, curbing, gutters, storm water detention, and other improvements. These bonds will be repaid from special assessments levied against property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent at the time a debt service payment is due, the government must provide resources to cover the deficiency.

On May 5, 2009, the City issued general obligation bonds totaling \$525,000 to pay off bond anticipation notes issued for facilities and equipment. The bonds serial bonds have interest rates ranging from 4.5% - 6.75% and mature on December 1, 2022. The bonds were sold at a premium of \$12,070 and bond issuance costs totaled \$8,020. The general obligation bonds will be paid from the City's General Fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 10 - LONG-TERM OBLIGATIONS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Business-type Activities					
Water Fund Loans:					
1994 OPWC Water Main 0% maturing 2014	\$ 78,301	\$ -	\$ (15,661)	\$ 62,640	\$ 15,661
1997 OWDA Water Main 4.12% maturing 2016	1,835	171	-	2,006	-
2004 OPWC YMCA 0% maturing 2025	114,457	-	(7,153)	107,304	7,153
2005 OWDA WTP Improve. 2.85% maturing 2026	2,977,221	-	(133,342)	2,843,879	137,169
Total Water Fund Loans	<u>3,171,814</u>	<u>171</u>	<u>(156,156)</u>	<u>3,015,829</u>	<u>159,983</u>
Sewer Fund Loans:					
1997 OWDA Honey Creek 4.56% maturing 2016	976,085	-	(121,306)	854,779	126,900
1995 OWDA Sewer Line 7.38% maturing 2016	99,560	-	(11,372)	88,188	12,211
1996 OPWC Filter Building 0% maturing 2014	91,000	-	(13,000)	78,000	13,000
2004 OPWC YMCA 0% maturing 2025	105,651	-	(6,603)	99,048	6,603
Total Sewer Fund Loans	<u>1,272,296</u>	<u>-</u>	<u>(152,281)</u>	<u>1,120,015</u>	<u>158,714</u>
Compensated Absences	53,611	(24,866)	26,228	54,973	12,234
Total Business-type Activities	<u>\$ 4,497,721</u>	<u>\$ (24,695)</u>	<u>\$ (282,209)</u>	<u>\$ 4,190,817</u>	<u>\$ 330,931</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 10 - LONG-TERM OBLIGATIONS (CONTINUED)

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

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

Annual debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
Governmental Activities:		
2010	103,292	120,577
2011	406,072	90,947
2012	97,594	78,301
2013	75,000	73,819
2014	75,000	70,444
2015-2019	460,000	285,488
2020-2024	480,000	130,657
2025-2026	155,000	14,394
	<u>1,851,958</u>	<u>864,627</u>
Unamortized Bond Premium	58,010	
	<u>\$ 1,909,968</u>	
Business-Type Activities:		
2010	318,697	124,136
2011	329,387	113,445
2012	340,528	102,305
2013	352,137	97,098
2014	348,580	78,593
2015-2019	1,096,973	256,224
2020-2024	1,032,740	108,900
2025-2026	316,802	9,071
	<u>\$ 4,135,844</u>	<u>\$ 889,772</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 11 – SHORT-TERM OBLIGATIONS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Bond Anticipation Notes				
Street Improvement, 2.60%	\$ 401,850	\$ 393,300	\$ (401,850)	\$ 393,300
Facilities and Equipment, 2.60%	525,000	-	(525,000)	-
Government Center, 2.24%	303,150	296,700	(303,150)	296,700
Total Bond Anticipation Notes	<u>\$ 1,230,000</u>	<u>\$ 690,000</u>	<u>\$ (1,230,000)</u>	<u>\$ 690,000</u>

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

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Separate divisions for law enforcement and public safety exist only within the Traditional Plan.

The 2009 member contribution rate for City employees was 10.0% of covered payroll. The 2009 employer contribution rate for the City was 14.00% of covered payroll. The City's required contributions to OPERS for the years ended December 31, 2009, 2008, and 2007 were \$147,176, \$141,435, and \$131,447, respectively. The full amount has been contributed for 2009, 2008, and 2007.

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS

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

OPERS provides 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 and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees under the Traditional and the Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by the Retirement System meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

The Ohio Revised Code provides statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care was 7.00% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's contributions to OPERS for post-employment benefits for the years ending December 31, 2009, 2008, and 2007 were \$61,766, \$70,717, and \$52,260, respectively. The full amount has been contributed for 2009, 2008, and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for employers increased on January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

NOTE 14 - EMPLOYEE BENEFITS

A. Deferred Compensation Plan

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

NOTE 14 - EMPLOYEE BENEFITS (CONTINUED)

B. Compensated Absences

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

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

NOTE 15 - RISK MANAGEMENT

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 15 - RISK MANAGEMENT (CONTINUED)

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

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

Coverage	Limit
Legal Liability	\$ 1,000,000
Automobile Liability	1,000,000
Wrongful Acts	1,000,000
Good Samaritan	1,000,000
Pollution for Automobiles	1,000,000
Stop Gap	1,000,000
Public Officials Liability	1,000,000
Public Health Department	1,000,000
Pollution Liability - Chlorine	1,000,000
Pollution Liability - Anti-Skid Storage	\$ 1,000,000
Real & Personal Property	20,811,113

The Public Entities Pool of Ohio insurance program includes numerous other coverages related to vehicles, miscellaneous property, electronic data processing equipment, dishonesty, earthquake damage, and flood damage. These additional coverages have coverage limits ranging from \$500 to \$250,000 and some cover actual costs.

Settlements have not exceeded coverage in any of the last three fiscal years. There has been no significant reduction in coverage from the prior year.

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

NOTE 16 – CONTINGENT LIABILITIES

A. Litigation

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 16 – CONTINGENT LIABILITIES (CONTINUED)

B. Twin Creeks Subdivision

In September 2006, the City certified to the Clark County Auditor special assessments to be placed on the tax duplicate of the 50 improved lots in Phase 1 and the unimproved parcel, known as Phase 2 of the Twin Creeks Development. The assessments were levied in order to meet the City's annual debt service of the Twin Creeks Infrastructure Bonds. The special assessments were certified for a period of 20 years, the first payment being due in February of 2007.

In order to protect the City for non-payment of the assessments, Twin Creeks Subdivision, LLC (the Developer) was required to obtain an irrevocable letter of credit, in the amount of \$240,000, covering a three year period beginning January 1, 2007, naming the City of New Carlisle as beneficiary. Between January 1, 2006 and December 31, 2009, only the owners of the purchased lots in Phase 1 of the Twin Creeks Development paid their annual assessments, requiring the City to draw from the letter of credit twice annually for the three year period in order to meet the debt service payments of the Twin Creeks Infrastructure bonds.

During 2007, due to unforeseen circumstances, the development of Twin Creeks Subdivision ended and unpaid assessments on the parcels owned by the developer continue to increase annually. Additionally, even though the special assessments of the Twin Creeks Subdivision LLC owned parcels were in fact paid through the periodic draws from the Developer's irrevocable letter of credit, the Clark County Auditor is unable to remove the delinquent special assessments due to the decision and recommendations of the County's legal representative, the Clark County Prosecutor.

As of December 31, 2009, the special assessment receivable related to the Twin Creeks Subdivision amounted to \$1,470,836. On April 18, 2010, the City entered into a contract with an outside legal firm of Newhouse to assist in determining viable remedies and to work with the Clark County Auditor and Treasurer to conclude the situation. At this point, the outcome or potential loss related to this situation cannot be determined.

C. Federal and State Grants

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 17 – INTERFUND TRANSFERS

Fund	Transfer In	Transfer Out
General Fund	\$ -	\$ 93,063
Street Construction Fund	30,000	-
Other Governmental Funds:		
Community Center Fund	26,000	-
Bikeway Project Fund	63	-
Cemetery Fund	5,000	-
Swimming Pool Fund	32,000	-
	<u>\$ 93,063</u>	<u>\$ 93,063</u>

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

NOTE 18 – OTHER RECEIVABLE

On October 29, 2009, City Council approved the establishment of a cell phone tower easement and subsequent sale of the easement to a telecommunication provider for \$120,000. The terms of the agreement state that the use of the easement by the buyer lasts in perpetuity; however once the easement is no longer utilized by the buyer it reverts back to the City. The City and the telecommunication provider closed on the sale on December 14, 2009 and the City received payment of \$120,000 on January 5, 2010.

NOTE 19 – SUBSEQUENT EVENTS

On June 15, 2010 City Council approved the issuance of not to exceed \$690,000 various purpose bonds for the purpose of paying outstanding notes. The notes were issued for the purpose of paying a portion of the total reconstruction of Kennison Avenue and Pease Drive, storm sewer extension, and paying preliminary costs for the Government Center Improvement Project. The bonds are expected to be issued in the subsequent months.

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

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

To the Honorable Mayor and 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 City of New Carlisle (the "City"), Clark County, Ohio, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 21, 2010, wherein, we noted that sufficient competent evidential matter supporting the City's capital asset balances in the City's basic financial statements could not be obtained and, we were unable to obtain assurance related to the recorded amount of accumulated depreciation and depreciation expense. Except as discussed in that report, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit 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 certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

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 2009-01 described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2009-03, 2009-04, and 2009-05 described in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2009-01 and 2009-02.

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated June 21, 2010.

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

We intend this report solely for the information and use of management, City Council, and others within the City. We intend it for no one other than these specified parties.

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

KENNEDY COTTRELL RICHARDS LLC

June 21, 2010

CITY OF NEW CARLISLE, OHIO

SCHEDULE OF FINDINGS

DECEMBER 31, 2009

2009-01 NONCOMPLIANCE/MATERIAL WEAKNESS: CAPITAL ASSETS

Ohio Administrative Code Section 117-2-02 (D)(4)(c) states:

Capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data. Capital assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items.

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

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

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

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

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

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

CITY OF NEW CARLISLE, OHIO

SCHEDULE OF FINDINGS

DECEMBER 31, 2009

2009-01 NONCOMPLIANCE/MATERIAL WEAKNESS: CAPITAL ASSETS (continued)

Views of Responsible Officials:

City of New Carlisle management agrees with the finding concerning lack of fixed asset documentation. The City's fixed asset and infrastructure requires a complete inventory, including fixed asset tagging and computation of depreciation. During 2010, management plans to review the City's policy and procedures concerning capital assets for needed changes and improvements, including fixed asset valuation, depreciation, and threshold.

The City will also investigate the possibility of contracting with a company to perform a complete inventory of the City's capital assets and infrastructure, to include proper tagging of assets and computation of depreciation. During 2011, providing adequate funding is available, the City will pursue the purchase of a fixed asset inventory monitoring application.

2009-02 NONCOMPLIANCE – AMENDED CERTIFICATES OF ESTIMATED RESOURCES

Ohio Revised Code Section 5705.36 (A)(4) states, in part, upon determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

During our review, we noted that the actual receipts collected by the City in the Street Fund were less than the amounts included in the certificate of estimated resources and the amount of the deficiency caused the available resources to be below the level of current appropriations.

Actual		
<u>Resouces</u>	<u>Appropriations</u>	<u>Variance</u>
\$ 656,719	\$ 678,773	\$ (22,054)

To ensure compliance with Ohio Revised Code Chapter 5705.36, we recommend the City amend the Certificate of Estimated Resources if it is believed that the revenue to be collected by the City will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations.

Views of Responsible Officials:

City of New Carlisle management agrees with the noncompliance finding related to amended certificates of estimated resources and Ohio Revised Code Section 5705.36 (A)(4) requirements. Management has implemented additional periodic review processes to compare estimated resources to actual amounts collected in order to file amended certificates or reduce authorized appropriation as required to help ensure compliance with Ohio Revised Code requirements.

CITY OF NEW CARLISLE, OHIO

SCHEDULE OF FINDINGS

DECEMBER 31, 2009

2009-03 SIGNIFICANT DEFICIENCY: CEMETERY

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

The Public Works Superintendent is responsible for all cemetery activities, which includes maintaining cemetery lot inventory, selling cemetery lots, opening/closing graves, and grounds-keeping. There is no monitoring of this process by the City Manager or Finance Director to ensure accuracy of the cemetery records. Additionally, there are several long outstanding receivables for the sale of grave sites.

We also noted the Public Works Superintendent receives cash collections, charges the fees, and deposits the cash to the City. It appears the City's Central Cashier copies all receipt documents (checks and/or documents related to the receipt) and affixes them to the daily batch report. Although we did not note any errors during our testing of cemetery receipts, the lack of oversight creates an unnecessary opportunity for an individual to commit fraud.

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

Views of Responsible Officials:

City of New Carlisle management agrees with the finding related to Cemetery's significant deficiency. During October 2009, the New Carlisle City Council adopted a Funds Receipts Policy to help ensure proper accountability and security of all funds received by the City. In January of 2010, management further enhanced this policy by designing and implementing a new Cemetery receipts collection document, and required all Cemetery receipts to be collected at the City Offices for processing through the central cash register system. In addition, management has initiated collection processes of Cemetery's outstanding accounts receivable lot sales balances. These actions, coupled with continual review of the revenue collection process, will aid in reducing the likelihood of misstatements in the accounting records, as well as reducing the risk of fraud and possible loss of City assets.

2009-04 SIGNIFICANT DEFICIENCY: FINANCIAL STATEMENT PREPARATION

The compilation and presentation of materially correct financial statements and the related footnotes is the responsibility of management. It is important that management develop control procedures related to drafting financial statements and footnotes that enable management to prevent and detect potential misstatements in the financial statements and footnotes prior to audit. It is also important to note that independent auditors are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements.

We noted a certain misstatement that was not necessarily material, but was more than inconsequential. The misstatement is a strong indicator that the City does not have sufficient internal control procedures in place related to financial reporting.

CITY OF NEW CARLISLE, OHIO

SCHEDULE OF FINDINGS

DECEMBER 31, 2009

2009-04 SIGNIFICANT DEFICIENCY: FINANCIAL STATEMENT PREPARATION (continued)

We recommend the City implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes prior to the start of the audit. Control procedures could include a separate review and analysis of the financial statements and related journal entries by someone knowledgeable of generally accepted accounting principles. In addition, the review should be documented to provide sufficient evidence the control procedure has been performed.

Views of Responsible Officials:

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

2009-05 SIGNIFICANT DEFICIENCY: INCOME TAX

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

The Income Tax Administrator is responsible for all income tax activities, except for cash collection, which includes ensuring all required individuals/business file, auditing remittances, entering and maintaining the income tax database, assessing penalties and interest, and submitting delinquent balances to collections. There is no monitoring of this process by the City Manager or Finance Director to ensure accuracy and completeness of income tax collections. Though there were no errors noted during our review of income tax cash collections, we did note several instances where required filers had not filed and there was no documentation support any type of follow-up. Also, we noted several long outstanding receivables (including penalties and interest) that had not been submitted to collections.

We recommend the City implement procedures requiring the monitoring of income tax activities to prevent or detect misstatements in the accounting records; help ensure compliance with laws and regulations; help ensure all required filers are filing; help ensure delinquent balances are being submitted to collections; and, provide a basis for measuring whether operations are achieving management's objectives.

CITY OF NEW CARLISLE, OHIO

SCHEDULE OF FINDINGS

DECEMBER 31, 2009

2009-05 SIGNIFICANT DEFICIENCY: INCOME TAX (continued)

Views of Responsible Officials:

City of New Carlisle management agrees with the finding related to income tax. Management is reviewing current processes in order to overhaul current or implement new policy and control procedures concerning income tax activities that would include monitoring of such activities to prevent or detect misstatements in accounting records and compliance with applicable laws and regulations; aid in ensuring all required filers are filing and that required penalty and interest are computed and properly charged to late and non filers; collection of delinquent balances are pursued; and provide a mechanism to determine if management's objectives are being met. In addition, management will review and update current City income tax legislation in the Codified City Ordinances.

CITY OF NEW CARLISLE, OHIO

STATUS OF PRIOR FINDINGS

DECEMBER 31, 2009

<u>Finding Number</u>	<u>Description</u>	<u>Fully Corrected?</u>	<u>Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></u>
2008-1	Noncompliance with Ohio Revised Code Section 5705.41, Expenditure of Money	No	Partially Corrected. Reported in letter to management dated June 25, 2010.
2008-2	Noncompliance/ Material Weakness with Ohio Administrative Code Section 117-2-02, Lack of Documentation for Capital Assets	No	Not corrected. Reported as finding 2009-01.
2008-3	Significant Deficiency, Cemetery	No	Not corrected. Reported as finding 2009-03.
2008-4	Material Weakness, Financial Reporting	No	Partially corrected. Reported as finding 2009-04 (significant deficiency).



Mary Taylor, CPA
Auditor of State

CITY OF NEW CARLISLE

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 10, 2010**