

**City of New Carlisle, Ohio**

Clark County

General Purpose Financial Statements

For the Year Ended December 31, 2003







**Auditor of State  
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the City of New Carlisle, Clark County, prepared by Kennedy, Cottrell & Associates LLC, for the audit period January 1, 2003 through December 31, 2003. 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.

Check Number 21137, for two hundred twenty one dollars and ninety cents (\$221.90), was issued to the former finance director on April 1, 2003 for reimbursement of personal items stolen from the former finance directors' car while attending a City function. Supporting documentation detailing the stolen items, or a police report was not provided to the City. The City does not have a policy allowing this type of reimbursement and there is no documentation that Council approved this reimbursement. Therefore, a finding for recovery in the amount of two hundred twenty one dollars and ninety cents (\$221.90) is hereby issued against the former finance director and Public Entities Pool of Ohio in favor of the general fund.

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.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

November 16, 2004

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*City of New Carlisle, Ohio*  
General Purpose Financial Statements  
For the Year Ended December 31, 2003

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general purpose financial statements of the City of New Carlisle, Clark County, Ohio (the City) as of and for the year ended December 31, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of New Carlisle, Clark County, as of December 31, 2003, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund 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 July 29, 2004 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Kennedy, Cottrell + Associates LLC*

Kennedy, Cottrell + Associates LLC  
Columbus, Ohio  
July 29, 2004

**CITY OF NEW CARLISLE, OHIO**  
**Combined Balance Sheet - All Fund Types and Account Groups**  
**December 31, 2003**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Assets and Other Debits:</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 0	\$ 70,483	\$ 24,287	\$ 24,270
Investments	0	0	0	0
Receivables:				
Taxes	640,301	198,596	5,473	0
Accounts	8,400	65,498	0	0
Due from Other Funds	217,136	105,665	0	0
Special Assessments	0	82,720	0	0
Due from Other Governments	42,925	128,802	450	0
Prepaid Items	3,425	2,647	0	0
Fixed Assets (Net, Where Applicable, of Accumulated Depreciation)	0	0	0	0
<b>Other Debits:</b>				
Amount to be Provided From General Government Resources	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$ 912,187</b>	<b>\$ 654,411</b>	<b>\$ 30,210</b>	<b>\$ 24,270</b>
<b>Liabilities, Fund Equity and Other Credits:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 5,871	\$ 104,289	\$ 0	\$ 7,464
Accrued Wages	10,664	30,845	0	0
Compensated Absences Payable	0	0	0	0
Due to Other Funds	105,665	109,096	17,769	5,601
Due to Other Governments	0	0	0	0
Deferred Revenue	480,473	367,684	5,923	0
Loan Payable	0	76,862	0	0
Bond Anticipation Notes Payable	500,000	425,000	0	320,000
Bonds Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
OWDA Loans Payable	0	0	0	0
OPWC Loans Payable	0	0	0	0
<b>Total Liabilities</b>	<b>1,102,673</b>	<b>1,113,776</b>	<b>23,692</b>	<b>333,065</b>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings (Deficit):				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	3,984	137,048	0	0
Reserved for Prepays	3,425	2,647	0	0
Reserved for Perpetual Care	0	0	0	0
Unreserved (Deficit)	(197,895)	(599,060)	6,518	(308,795)
<b>Total Fund Equity (Deficit) and Other Credits</b>	<b>(190,486)</b>	<b>(459,365)</b>	<b>6,518</b>	<b>(308,795)</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$ 912,187</b>	<b>\$ 654,411</b>	<b>\$ 30,210</b>	<b>\$ 24,270</b>

The accompanying notes are an integral part of these financial statements



Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Nonexpendable Trust			
\$ 200,594	\$ 328	\$ 0	\$ 0	\$ 319,962
0	67,628	0	0	67,628
0	0	0	0	844,370
179,985	0	0	0	253,883
0	0	0	0	322,801
0	0	0	0	82,720
0	0	0	0	172,177
8,136	0	0	0	14,208
4,424,527	0	3,756,128	0	8,180,655
0	0	0	287,021	287,021
<u>\$ 4,813,242</u>	<u>\$ 67,956</u>	<u>\$ 3,756,128</u>	<u>\$ 287,021</u>	<u>\$ 10,545,425</u>
\$ 7,240	\$ 0	\$ 0	\$ 0	\$ 124,864
22,053	0	0	0	63,562
59,728	0	0	20,724	80,452
84,670	0	0	0	322,801
32,097	0	0	50,178	82,275
0	0	0	0	854,080
0	0	0	0	76,862
0	0	0	0	1,245,000
0	0	0	121,000	121,000
347	0	0	95,119	95,466
1,938,679	0	0	0	1,938,679
<u>326,936</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>326,936</u>
<u>2,471,750</u>	<u>0</u>	<u>0</u>	<u>287,021</u>	<u>5,331,977</u>
0	0	3,756,128	0	3,756,128
2,893,219	0	0	0	2,893,219
(551,727)	0	0	0	(551,727)
0	0	0	0	141,032
0	0	0	0	6,072
0	67,956	0	0	67,956
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,099,232)</u>
<u>2,341,492</u>	<u>67,956</u>	<u>3,756,128</u>	<u>0</u>	<u>5,213,448</u>
<u>\$ 4,813,242</u>	<u>\$ 67,956</u>	<u>\$ 3,756,128</u>	<u>\$ 287,021</u>	<u>\$ 10,545,425</u>

**CITY OF NEW CARLISLE, OHIO**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - All Governmental Fund Types**  
**For the Year Ended December 31, 2003**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Revenues:</b>					
Property Taxes	\$ 167,843	\$ 240,211	\$ 5,639	\$ 0	\$ 413,693
Municipal Income Taxes	832,595	0	0	0	832,595
Intergovernmental	161,832	255,797	773	0	418,402
Charges for Services	0	392,124	0	0	392,124
Licenses and Permits	30,180	9,022	0	0	39,202
Fines and Forfeitures	15,875	0	0	0	15,875
Special Assessments	0	39,648	0	0	39,648
Interest	203	0	0	196	399
Rent	22,508	0	0	0	22,508
Miscellaneous	<u>13,790</u>	<u>14,058</u>	<u>0</u>	<u>0</u>	<u>27,848</u>
<b>Total Revenues</b>	<u>1,244,826</u>	<u>950,860</u>	<u>6,412</u>	<u>196</u>	<u>2,202,294</u>
<b>Expenditures:</b>					
Current Operations and Maintenance:					
Security of Persons and Property	601,168	173,805	0	0	774,973
Public Health	0	573,264	0	0	573,264
Leisure Time Activities	52,628	0	0	0	52,628
Community Environment	55,167	0	0	0	55,167
Transportation	0	332,760	0	0	332,760
General Government	497,136	0	147	0	497,283
Capital Outlay	15,416	9,429	0	80,673	105,518
Debt Service:					
Principal Retirement	59,583	94,858	0	0	154,441
Interest and Fiscal Charges	<u>11,065</u>	<u>21,911</u>	<u>0</u>	<u>7,168</u>	<u>40,144</u>
<b>Total Expenditures</b>	<u>1,292,163</u>	<u>1,206,027</u>	<u>147</u>	<u>87,841</u>	<u>2,586,178</u>
Excess of Revenues Over (Under) Expenditures	(47,337)	(255,167)	6,265	(87,645)	(383,884)
<b>Other Financing Sources (Uses):</b>					
Other Financing Sources	<u>4,867</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,867</u>
<b>Total Other Financing Sources (Uses)</b>	<u>4,867</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,867</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(42,470)	(255,167)	6,265	(87,645)	(379,017)
Fund Balances (Deficit) at Beginning of Year	(140,183)	(195,998)	253	(221,150)	(557,078)
Increase/(Decrease) in Inventory	<u>(7,833)</u>	<u>(8,200)</u>	<u>0</u>	<u>0</u>	<u>(16,033)</u>
<b>Fund Balances (Deficit) at End of Year</b>	<u>\$ (190,486)</u>	<u>\$ (459,365)</u>	<u>\$ 6,518</u>	<u>\$ (308,795)</u>	<u>\$ (952,128)</u>

The accompanying notes are an integral part of these financial statements.

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**CITY OF NEW CARLISLE, OHIO**  
**Combined Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2003**

	<b>General Fund</b>			<b>Special Revenue Funds</b>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$ 140,000	\$ 141,093	\$ 1,093	\$ 205,078	\$ 202,908	\$ (2,170)
Municipal Income Taxes	860,000	824,727	(35,273)	0	0	0
Intergovernmental	119,790	79,258	(40,532)	239,561	243,793	4,232
Charges for Services	0	0	0	362,976	375,445	12,469
Licenses and Permits	26,000	29,948	3,948	7,384	9,022	1,638
Fines and Forfeitures	16,000	15,530	(470)	0	0	0
Special Assessments	0	0	0	82,600	82,026	(574)
Interest	75	152	77	1,200	0	(1,200)
Rent	26,748	24,612	(2,136)	0	0	0
Donations and Contributions	83,346	83,396	50	0	0	0
Other Revenue	10,000	13,790	3,790	6,050	14,050	8,000
<b>Total Revenues</b>	<u>1,281,959</u>	<u>1,212,506</u>	<u>(69,453)</u>	<u>904,849</u>	<u>927,244</u>	<u>22,395</u>
<b>Expenditures:</b>						
Current Operations and Maintenance:						
Security of Persons and Property	620,018	659,046	(39,028)	164,581	185,506	(20,925)
Public Health	0	0	0	535,221	632,365	(97,144)
Leisure Time Activities	52,340	60,192	(7,852)	0	0	0
Community Environment	53,162	59,493	(6,331)	0	0	0
Transportation	0	0	0	261,398	269,703	(8,305)
General Government	526,085	573,396	(47,311)	0	0	0
Capital Outlay	16,077	15,416	661	147,829	155,401	(7,572)
Debt Service:						
Principal Retirement	59,583	59,583	0	274,311	304,118	(29,807)
Interest and Fiscal Charges	11,065	11,065	0	16,638	19,345	(2,707)
<b>Total Expenditures</b>	<u>1,338,330</u>	<u>1,438,191</u>	<u>(99,861)</u>	<u>1,399,978</u>	<u>1,566,438</u>	<u>(166,460)</u>
Excess of Revenues Over (Under) Expenditures	(56,371)	(225,685)	(169,314)	(495,129)	(639,194)	(144,065)
<b>Other Financing Sources (Uses):</b>						
Proceeds of Notes	500,051	500,051	0	425,000	425,008	8
Other Financing Sources	500	4,867	4,367	0	0	0
Operating Transfers - In	111,000	27,750	(83,250)	0	0	0
Operating Transfers - Out	(68,989)	0	68,989	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>542,562</u>	<u>532,668</u>	<u>(9,894)</u>	<u>425,000</u>	<u>425,008</u>	<u>8</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	486,191	306,983	(179,208)	(70,129)	(214,186)	(144,057)
Fund Balances (Deficits) at Beginning of Year	(593,077)	(581,313)	11,764	183,377	183,377	0
Prior Year Encumbrances Appropriated	160,712	160,712	0	58,951	58,951	0
<b>Fund Balances (Deficit) at End of Year</b>	<u>\$ 53,826</u>	<u>\$ (113,618)</u>	<u>\$ (167,444)</u>	<u>\$ 172,199</u>	<u>\$ 28,142</u>	<u>\$ (144,057)</u>

The accompanying notes are an integral part of these financial statements.

<b>Debt Service Fund</b>			<b>Capital Projects Fund</b>			<b>Total (Memorandum Only)</b>		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 12,590	\$ 5,639	\$ (6,951)	\$ 0	\$ 0	\$ 0	\$ 357,668	\$ 349,640	\$ (8,028)
0	0	0	0	0	0	860,000	824,727	(35,273)
0	819	819	0	0	0	359,351	323,870	(35,481)
0	0	0	0	0	0	362,976	375,445	12,469
0	0	0	0	0	0	33,384	38,970	5,586
0	0	0	0	0	0	16,000	15,530	(470)
0	0	0	0	0	0	82,600	82,026	(574)
0	0	0	200	187	(13)	1,475	339	(1,136)
0	0	0	0	0	0	26,748	24,612	(2,136)
0	0	0	165,000	0	(165,000)	248,346	83,396	(164,950)
0	0	0	0	0	0	16,050	27,840	11,790
<u>12,590</u>	<u>6,458</u>	<u>(6,132)</u>	<u>165,200</u>	<u>187</u>	<u>(165,013)</u>	<u>2,364,598</u>	<u>2,146,395</u>	<u>(218,203)</u>
0	0	0	0	0	0	784,599	844,552	(59,953)
0	0	0	0	0	0	535,221	632,365	(97,144)
0	0	0	0	0	0	52,340	60,192	(7,852)
0	0	0	0	0	0	53,162	59,493	(6,331)
0	0	0	0	0	0	261,398	269,703	(8,305)
150	147	3	0	0	0	526,235	573,543	(47,308)
0	0	0	252,200	128,569	123,631	416,106	299,386	116,720
0	0	0	260,000	320,000	(60,000)	593,894	683,701	(89,807)
0	0	0	7,168	7,168	0	34,871	37,578	(2,707)
<u>150</u>	<u>147</u>	<u>3</u>	<u>519,368</u>	<u>455,737</u>	<u>63,631</u>	<u>3,257,826</u>	<u>3,460,513</u>	<u>(202,687)</u>
12,440	6,311	(6,129)	(354,168)	(455,550)	(101,382)	(893,228)	(1,314,118)	(420,890)
0	0	0	320,009	320,009	0	1,245,060	1,245,068	8
0	0	0	0	0	0	500	4,867	4,367
0	0	0	0	0	0	111,000	27,750	(83,250)
0	0	0	0	0	0	(68,989)	0	68,989
<u>0</u>	<u>0</u>	<u>0</u>	<u>320,009</u>	<u>320,009</u>	<u>0</u>	<u>1,287,571</u>	<u>1,277,685</u>	<u>(9,886)</u>
12,440	6,311	(6,129)	(34,159)	(135,541)	(101,382)	394,343	(36,433)	(430,776)
17,976	17,976	0	14,293	14,293	0	(377,431)	(365,667)	11,764
0	0	0	145,518	145,518	0	365,181	365,181	0
<u>\$ 30,416</u>	<u>\$ 24,287</u>	<u>\$ (6,129)</u>	<u>\$ 125,652</u>	<u>\$ 24,270</u>	<u>\$ (101,382)</u>	<u>\$ 382,093</u>	<u>\$ (36,919)</u>	<u>\$ (419,012)</u>

**CITY OF NEW CARLISLE, OHIO**  
**Combined Statement of Revenues,**  
**Expenses and Changes in Fund Equity**  
**Proprietary Fund Type and Nonexpendable Trust Fund**  
**For the Year Ended December 31, 2003**

	<b>Proprietary Fund Type</b>	<b>Fiduciary Fund Type</b>	<b>Totals (Memorandum Only)</b>
	<b>Enterprise</b>	<b>Nonexpendable Trust</b>	
<b>Operating Revenues:</b>			
Charges for Services	\$ 1,225,188	\$ 0	\$ 1,225,188
Interest	0	730	730
Miscellaneous	6,122	0	6,122
Total Operating Revenues	<u>1,231,310</u>	<u>730</u>	<u>1,232,040</u>
<b>Operating Expenses:</b>			
Personal Services	699,889	0	699,889
Contractual Services	240,952	683	241,635
Materials and Supplies	54,416	0	54,416
Miscellaneous	7,717	0	7,717
Depreciation	530,786	0	530,786
Total Operating Expenses	<u>1,533,760</u>	<u>683</u>	<u>1,534,443</u>
Operating Income (Loss)	(302,450)	47	(302,403)
<b>Non-Operating Revenues (Expenses):</b>			
Interest and Fiscal Charges	<u>(86,955)</u>	<u>0</u>	<u>(86,955)</u>
Total Non-Operating Revenues (Expenses)	<u>(86,955)</u>	<u>0</u>	<u>(86,955)</u>
<b>Net Income (Loss)</b>	(389,405)	47	(389,358)
Retained Earnings/Fund Balance at Beginning of Year	<u>(162,322)</u>	<u>67,909</u>	<u>(94,413)</u>
Retained Earnings/Fund Balance at End of Year	(551,727)	67,956	(483,771)
Contributed Capital at Beginning of Year	<u>2,893,219</u>	<u>0</u>	<u>2,893,219</u>
Contributed Capital at End of Year	<u>2,893,219</u>	<u>0</u>	<u>2,893,219</u>
<b>Fund Equity at End of Year</b>	<u>\$ 2,341,492</u>	<u>\$ 67,956</u>	<u>\$ 2,409,448</u>

The accompanying notes are an integral part of these financial statements

**CITY OF NEW CARLISLE, OHIO**  
**Combined Statement of Cash Flows**  
**Proprietary Fund Type and Nonexpendable Trust Fund**  
**For the Year Ended December 31, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>(Memorandum Only)</u>
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 1,220,400	\$ 0	\$ 1,220,400
Other Cash Payments Received	0	0	0
Interest Received	0	730	730
Cash Payments for Personal Services	(713,443)	0	(713,443)
Cash Payments for Contractual Services	(272,990)	(683)	(273,673)
Cash Payments for Material and Supplies	(91,789)	0	(91,789)
Other Cash Payments	<u>2,544</u>	<u>0</u>	<u>2,544</u>
Net Cash Provided by Operating Activities	<u>144,722</u>	<u>47</u>	<u>144,769</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition of Capital Assets	(226,058)	0	(226,058)
Interfund Loans	289,234	0	289,234
Proceeds from Loans	219,500	0	219,500
Principal Paid on Loans	(127,084)	0	(127,084)
Principal Paid on Capital Leases	(12,765)	0	(12,765)
Interest and Fiscal Charges	<u>(86,955)</u>	<u>0</u>	<u>(86,955)</u>
Net Cash Used for Capital And Related Financing Activities	55,872	0	55,872
Net Increase In Cash And Cash Equivalents	200,594	47	200,641
Cash And Cash Equivalents At Beginning Of Year	<u>0</u>	<u>281</u>	<u>281</u>
<b>Cash And Cash Equivalents At End Of Year</b>	<u>\$ 200,594</u>	<u>\$ 328</u>	<u>\$ 200,922</u>
<b>Reconciliation Of Operating Income (Loss) To Net Cash Provided By Operating Activities:</b>			
Operating Income (Loss)	\$ (302,450)	\$ 47	\$ (302,403)
<b>Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities:</b>			
Depreciation	530,786	0	530,786
(Increase)/Decrease in Assets			
Accounts Receivable	(4,788)	0	(4,788)
Prepaid Items	(7,522)	0	(7,522)
Inventory	9,459	0	9,459
Increase/(Decrease) in Liabilities			
Accounts Payable	(75,345)	0	(75,345)
Accrued Wages	2,235	0	2,235
Compensated Absences	3,144	0	3,144
Due to Other Governments	<u>(10,797)</u>	<u>0</u>	<u>(10,797)</u>
Net Cash Provided By Operating Activities	<u>\$ 144,722</u>	<u>\$ 47</u>	<u>\$ 144,769</u>

The accompanying notes are an integral part of these financial statements.

**City of New Carlisle**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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**NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION**

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**

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.

The City is associated with two jointly governed organizations, the Miami Valley Regional Planning Commission (the Commission) and the Miami Valley Fire/EMS Alliance (the Alliance). A jointly governed organization is governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility on the part of the participating governments. These organizations are presented in Note 19 to the general purpose financial statements.

The City is a member of the Ohio Government Risk Management Plan (the "Pool"), an insurance purchasing pool which shops for insurance as a group with the intention of securing better rates than if each participant purchased insurance separately. The Pool, which commenced business on June 1, 1988, has 625 members consisting of various cities, villages and townships. The pool is governed by a Board of Directors consisting of nine directors. Directors of the Board assume the positions on a volunteer basis for a two year period. After two years, a Director can remain as a Director or choose to resign. The Board elects a chairman, a vice chairman and a secretary. The Board is responsible for its own financial matters, and the Pool maintains its own books of account. Budgeting and financing of the Pool is subject to the approval of the Board. The City has no explicit and measurable equity interest in the Pool.



**City of New Carlisle**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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**NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (CONTINUED)**

**B. Basis of Presentation - Fund Accounting**

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

A fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the enterprise funds and the nonexpendable trust fund) are accounted for through governmental funds. The following are the City's governmental fund types.

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the Charter of the City of New Carlisle and/or the general laws of Ohio.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditure for specific purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs.

Capital Projects Fund - The capital projects fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise funds and the nonexpendable trust fund).

Proprietary Fund Type

The proprietary funds are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The following is the City's only proprietary fund type:

**City of New Carlisle**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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**NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (CONTINUED)**

Enterprise Funds - The enterprise funds are used to account for the City's swimming pool, sewer, and water operations. They are financed and operated in a manner similar to private sector business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where it has been decided that a periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Type

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City's fiduciary fund is a nonexpendable trust fund. The nonexpendable trust fund is accounted for in essentially the same manner as proprietary funds.

Account Groups

To make a clear distinction between fixed assets related to a specific fund and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - The General Fixed Assets Account Group is used to account for fixed assets other than those accounted for in the enterprise funds. These assets do not represent financial resources available for expenditure.

General Long-Term Obligations Account Group - The General Long-Term Obligations Account Group is used to account for all unmatured long-term obligations of the City that are not a specific liability of the enterprise funds.

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

The financial statements of the City of New Carlisle have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City applies Financial Accounting Standards Board Statements and Interpretations issued before November 30, 1989, to its enterprise activities unless they conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

**A. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**City of New Carlisle**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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

All enterprise funds and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Enterprise fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to the time when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

All governmental fund types are accounted for using the modified accrual basis of accounting. Under this basis of accounting, the City recognizes revenue when it becomes both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current year. The available period for the City is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available; income taxes withheld by employers, interest on investments, intergovernmental revenues (including motor vehicle license fees, gasoline tax, and local government assistance), fines and forfeitures and amounts due from other funds for goods, services, or prior advances.

Other revenues, including licenses and permits, certain charges for services, income taxes other than those withheld by employers, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Accounts receivable, in some instances, are recorded as deferred revenue because they do not meet the availability criteria. Property taxes measurable as of December 31, 2003, and delinquent property taxes, whose availability is indeterminate and which are not intended to finance the current year, have been recorded as deferred revenue. Levied special assessments are measurable, and have been recorded as a receivable. Special assessments received during the available period have been recorded as revenue, with remainder deferred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period employees earn them. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the enterprise and nonexpendable trust funds. Revenues are recognized when they are earned, and expenses are recognized when they are incurred if measurable. Unbilled service charges receivable are recognized as revenue at year end.

**City of New Carlisle**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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

**B. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level (personal services, materials and supplies, contractual services, capital outlay, principal retirement, interest and fiscal charges, operating transfers) within each department. All budgetary modifications at this level may only be made by resolution of the City Council. The allocation of appropriations between line items within an object may be modified with the approval of the city manager.

Advances in and advances out are not budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget

A tax budget of estimated revenues and outstanding and projected debt for all budgeted funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. Budgetary modifications may only be made by ordinance of City Council.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenues of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources requested during 2003.

**City of New Carlisle**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. During the year, the original appropriation measure was not changed. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for the enterprise funds.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding calendar year and need not be re-appropriated.

**C. Cash and Cash Equivalents**

Cash balances of the City's funds are pooled and invested in short-term investments in order to provide improved cash management. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During 2003, the General Fund expended more than its share of pooled cash and cash equivalents and therefore had a negative cash balance at year-end. However, cash was advanced at year-end from the special revenue funds to eliminate the negative balance. A corresponding asset and liability (due to and due from other funds) were recorded in the respective funds.

During 2003, investments were limited to STAR Ohio and certificates of deposit. Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements which are reported at cost.

**City of New Carlisle**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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

The City has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during 2003. 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.

Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2003.

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. During 2003, interest revenue of \$203, \$196 and \$730 was credited to the general fund, capital projects fund, and nonexpendable trust fund, respectively.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, funds included within the City's cash management pool and investments with original maturities of three months or less are considered to be cash and cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

**D. Inventory of Supplies**

Inventories of governmental funds are stated at cost while inventories of enterprise funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in all funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of enterprise funds are expensed when used.

**E. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**F. Fixed Assets**

The fixed asset values were initially determined at December 31, 1992, assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at fair market value on the date donated. The City maintains a capitalization threshold of five hundred dollars.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency are capitalized at cost.

**City of New Carlisle**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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

General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. Assets in the General Fixed Assets Account Group are not depreciated.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported, as these assets are immovable and of value only to the City.

Fixed assets associated with the enterprise funds are accounted for in those funds. Depreciation is calculated using the straight line method over the estimated useful life of each asset. The assets of the enterprise funds are depreciated on the following basis:

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

Interest is capitalized on enterprise fund 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 the interest cost associated with the 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. For 2003, no material interest expense was incurred on enterprise fund construction projects.

**G. Compensated Absences**

The City accrues a liability for compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits and compensatory time are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time and compensatory time when earned for all employees. Accumulated unused sick leave is accrued as a liability for all employees. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy.

**City of New Carlisle**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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

For governmental funds, the current portion of unpaid compensated absences is the amount to be paid using available expendable resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In enterprise funds, the entire amount of unpaid compensated absences is reported as a fund liability.

**H. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required contributions are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current expendable available financial resources. Payments made more than sixty days after year end are generally considered not to have been paid with current available financial resources. Capital leases are recognized as a liability of the General Long-Term Obligations Account Group until due.

Long-term obligations financed by enterprise funds are reported as liabilities in the appropriate enterprise funds.

**I. Contributed Capital**

Contributed capital represents donations by developers, other governments, contributions made by the City, tap-in fees which exceed the cost of physical connections to the system or are not remitted to another government, and assets whose construction was financed by special assessments. Donated assets are recorded at their fair market value on the date contributed and are not subject to repayment. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Because the City, prior to 1992, had not prepared its financial statements in accordance with U.S. generally accepted accounting principles, the exact amount of contributed capital pertaining to years prior to 1992 cannot be determined. In general, it has been the policy of the City to construct and acquire capital assets used in operations of the enterprise funds with revenue bonds and/or enterprise fund resources. These assets are recorded as retained earnings in the accompanying combined financial statements. All other fund equity amounts pertaining to the enterprise funds are classified as contributed capital.

**J. Reserves of Fund Balance**

The City records reservations for portions of fund balance which are legally segregated for specific future use or which do not represent available expendable financial resources and, therefore, are not available for expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and prepaid items in the governmental funds and for perpetual care of cemeteries in the nonexpendable trust fund.



**City of New Carlisle**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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

**K. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All remaining interfund transfers are reported as operating transfers.

**L. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, entitlements and shared revenues, are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants and entitlements received for enterprise fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. Such resources restricted for the construction of capital assets are recorded as contributed capital.

**M. Use of 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.

**N. Interfund Assets and Liabilities**

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Due from Other Funds" or "Due to Other Funds" on the balance sheet. Short-term interfund loans are classified as "Interfund Receivable" and "Interfund Payable".

**O. Memorandum Only - Total Columns on Combined Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**City of New Carlisle**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE**

**A. Fund Deficits**

The following funds had deficit fund balances/retained earnings at December 31, 2003:

	<u>Deficit Fund Balance</u>
General Fund	\$ (190,486)
Special Revenue Funds:	
Street Construction Fund	(441,077)
Fire Capital Equipment Levy Fund	(21,399)
Fire Operating Levy Fund	(7,187)
Federal COPS Grant Fund	(9,058)
Cemetery Fund	(68,039)

The deficits in the governmental funds were the result of the application of U.S. generally accepted accounting principals. The General Fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur.

**B. Legal Compliance**

The following funds had appropriations in excess of total estimated resources contrary to Section 5705.36 of the Revised Code:

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Street Construction	\$ 550,761	\$ 570,559	\$ 19,798
Water	736,092	751,957	15,865
Sewer	626,635	637,327	10,692
Emergency Ambulance Operating	365,060	365,160	100
Fire Operating Levy	82,355	83,218	863

**City of New Carlisle**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE (CONTINUED)**

The following funds had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41 of the Revised Code:

	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
General Fund	\$ 1,407,319	\$ 1,438,191	\$ 30,872
Special Revenue Funds:			
Street Construction Fund	570,559	609,866	39,307
State Highway Fund	9,650	9,823	173
Emergency Ambulance Operating Fund	365,160	454,864	89,704
Fire Operating Levy Fund	83,218	90,267	7,049
Health Levy Fund	87,130	94,878	7,748
Cemetery Fund	106,358	118,394	12,036
Street Lighting Fund	82,500	94,737	12,237
Enterprise Funds:			
Sewer	637,327	693,025	55,698
Swimming Pool Fund	73,761	90,890	17,129
Nonexpendable Trust Fund:			
Cemetery Perpetual Care Fund	0	683	683

**City of New Carlisle**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of U.S. 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, appropriations and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - All Enterprise Funds and the Nonexpendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds and note disclosure for proprietary funds (GAAP basis).
4. Proceeds from and principal payments on short-term note and loan obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP Basis).
5. For enterprise funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. The City does not budget for the activity of the various grants administered by the fiscal agent who collects and holds the assets. However, the activities of the fiscal agent that pertain to the City are included in the Special Revenue and Capital Project Funds for GAAP reporting purposes.

The adjustments necessary to convert the results of operations for the year ended December 31, 2003, on the GAAP basis to the budget basis are as follows:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$ (42,470)	\$ (255,167)	\$ 6,265	\$ (87,645)
Revenue Accruals	(32,050)	(23,616)	46	-
Expenditure Accruals	(110,595)	16,594	-	(47,896)
Debt Proceeds	500,051	425,000	-	320,000
Principal Payments	-	(235,490)	-	(320,000)
Encumbrances	(7,953)	(141,507)	-	-
Budgetary Basis	\$ 306,983	\$ (214,186)	\$ 6,311	\$ (135,541)

**City of New Carlisle**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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**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 that Council 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 pass book accounts.

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

State statute permits inactive monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

**City of New Carlisle**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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**NOTE 5 - DEPOSITS AND INVESTMENTS (CONTINUED)**

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

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

Investments in stripped principal or interest obligation, 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 purchase with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the finance director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classified deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits: At year-end, the carrying amount of the City's deposits was \$384,843, and the bank balance was \$454,480. Of the bank balance, \$191,813 was covered by federal depository insurance and the remaining amount was covered by collateral held by third party trustees pursuant to Section 135.181 Revised Code, in collateralized pools securing all public funds on deposit with the specific depository institutions. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments: GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements," requires that local governments disclose the carrying amounts and market value of investments, classified by risk. The City's investments are categorized as either (1) insured or registered, or securities held by the City or its agent in the City's name, (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name or (3) uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name. STAR Ohio, an investment pool operated by the Ohio State Treasurer is unclassified since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
STAROhio		2,747	2,747
		\$ 2,747	\$ 2,747

**City of New Carlisle**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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**NOTE 5 - DEPOSITS AND INVESTMENTS (CONTINUED)**

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 319,962	\$ 67,628
Investments which are part of		
STAROhio	(2,747)	2,747
Certificates of deposit with original maturities greater than ninety days	67,628	(67,628)
GASB Statement No. 3	\$ 384,843	\$ 2,747

**NOTE 6 - 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 2003, income tax revenue of \$832,595 was allocated entirely to the General Fund.

**NOTE 7 - PROPERTY TAX**

Property taxes include amounts levied against all real and public utility property, and tangible personal (used in business) property located in the City. Real property taxes are levied after October 1, 2002, on assessed value as of January 1, 2002, the lien date, and were collected in 2003. Assessed values are established by the State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes received in 2003 attached as a lien on December 31, 2002, were levied after October 1, 2002, and are collected with real property taxes. Public utility property taxes were assessed on tangible personal property at 88 percent of the true value. 2003 tangible personal property taxes were levied after October 1, 2002, on the value listed as of December 31, 2002, and were collected in 2003. Tangible personal property assessments are 25 percent of true value.

The assessed value upon which the 2003 taxes were collected was \$66,900,948. Real estate represented 88% (\$58,735,000) of this total, public utility tangible personal property represented 2% (\$1,246,130), and general tangible personal property represented 10% (\$6,919,818).

**City of New Carlisle**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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**NOTE 7 - PROPERTY TAX (CONTINUED)**

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The Clark County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of New Carlisle. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility and outstanding delinquencies which are measurable as of December 31, 2003. However, since these tax collections will not be received during the available period, nor are they intended to finance 2003 operations, the receivable is offset by a credit to deferred revenue.

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2003, consisted of taxes, accounts (billed and unbilled user charged services), special assessments, and intergovernmental receivables arising from grants and shared revenues. All receivables are deemed collectible in full.

The City's receivables at December 31, 2003, by fund type, consist of the following:

	General	Special Revenue	Debt Service	Enterprise	Total
Income Taxes	\$ 508,019	\$ -	\$ -	\$ -	\$ 508,019
Property Taxes	132,282	198,596	5,473	-	336,351
Accounts	8,400	65,498		179,985	253,883
Due from Other Funds	217,136	105,665	-	-	322,801
Special Assessments		82,720	-	-	82,720
Due from Other Governments	42,925	128,802	450		172,177
Totals	<u>\$ 908,762</u>	<u>\$ 581,281</u>	<u>\$ 5,923</u>	<u>\$ 179,985</u>	<u>\$ 1,675,951</u>



**City of New Carlisle**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

**NOTE 9 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at December 31, 2003 follows:

	<u>Water</u>	<u>Sewer</u>	<u>Swimming Pool</u>	<u>Totals</u>
Land	\$ 7,073	\$ 209,195	\$ 36,327	\$ 252,595
Buildings	554,365	1,459,521	16,605	2,030,491
Improvements Other than Buildings	557,802	228,370	220,523	1,006,695
Machinery and Equipment	646,852	4,959,118	74,036	5,680,006
Furniture and Fixtuures	2,656	18,195	20,299	41,150
Computer Equipment	2,488	1,269		3,757
Vehicles	87,208	177,175		264,383
Sewer and Water Lines	1,466,073	3,850,171		5,316,244
Construction in Progress	<u>252,425</u>	<u>0</u>		<u>252,425</u>
Total Fixed Assets	3,576,942	10,903,014	367,790	14,847,746
Less: Accumulated Depreciation	<u>(2,564,491)</u>	<u>(7,586,004)</u>	<u>(272,724)</u>	<u>(10,423,219)</u>
Total Fixed Assets (Net of Accumulated Depreciation)	<u>\$ 1,012,451</u>	<u>\$ 3,317,010</u>	<u>\$ 95,066</u>	<u>\$ 4,424,527</u>

A summary of changes in general fixed assets during the year ended December 31, 2003 follows:

	<u>Balance 12/31/02</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/03</u>
Land	\$ 198,707	\$ 5,000	\$ 0	\$ 203,707
Buildings	809,792	0	0	809,792
Improvements Other than Buildings	234,724		0	234,724
Machinery and Equipment	844,969	13,475	0	858,444
Furniture and Fixtures	80,547	4,000	0	84,547
Computer Equipment	69,459	2,940	0	72,399
Vehicles	1,205,963		0	1,205,963
Construction in Progress	<u>214,840</u>	<u>71,712</u>	<u>0</u>	<u>286,552</u>
Totals	<u>\$ 3,659,001</u>	<u>\$ 97,127</u>	<u>\$ 0</u>	<u>\$ 3,756,128</u>

**City of New Carlisle**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

All full-time employees, other than non-administrative full-time police officers and firefighters, 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 thereon.
3. The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2003, 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 2003 member contribution rate for City employees was 8.5% of covered payroll. The 2003 employer contribution rate for the City was 13.55% of covered payroll. The City's required contributions to OPERS for the years ended December 31, 2003, 2002, and 2001 were \$138,368, \$141,124, and \$126,791, respectively. The full amount has been contributed for 2002 and 2001. 75 percent has been contributed for 2003 with the remainder being reported as a liability in the general long-term debt account group.

**NOTE 11 - POSTEMPLOYMENT 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 retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

**City of New Carlisle**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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**NOTE 11 - POSTEMPLOYMENT BENEFITS (CONTINUED)**

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

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2003 employer contribution rate was 13.55% of covered payroll, and 5% was used to fund health care.

The assumptions and calculations below were based on the Retirement System's latest Actuarial Review performed as of December 31, 2002.

An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

The investment assumption rate for 2002 was 8%. An annual increase of 4%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4% base increase, were assumed to range from .5% to 6.3%. Health care costs were assumed to increase 4.00% annually.

OPEB's are advance-funded on an actuarially determined basis. At year-end 2003, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881. The contribution rates stated above are the actuarially determined contribution requirements for OPERS. The portion of the City's 2003 contributions that were used to fund post-employment benefits were \$51,058.

\$10 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired in an OPERS-covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

**City of New Carlisle**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

**NOTE 12 - OTHER EMPLOYEE BENEFITS**

**A. Deferred Compensation Plan**

Employees of the City may elect to participate in the Aetna deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under this program, employees elect to defer a portion of their pay. The deferred pay and any income earned on it is not subject to federal and state income taxation until actually received by the employee. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

**B. Compensated Absences**

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

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

**NOTE 13 – SHORT-TERM DEBT**

The City's short-term debt activity for 2003, including amounts outstanding, interest rates, and the purpose for which the debt was issued, is as follows:

	Balance 12/31/02	Additions	Deletions	Balance 12/31/03
<b>Loan Payable</b>				
Fire Capital Equipment Levy Fund:				
Fire Truck, 4.86%	\$ 87,652	\$ 0	\$ (10,790)	\$ 76,862
<b>Bond Anticipation Notes</b>				
Street Construction Fund:				
Street Improvement, 3.00%	224,700	425,000	(224,700)	425,000
Facilities and Equipment				
Improvement, 3.00%	0	500,000	0	500,000
Capital Projects Fund:				
Government Center Improvement, 2.24%	320,000	320,000	(320,000)	320,000
Totals	\$ 632,352	\$ 1,245,000	\$ (555,490)	\$ 1,321,862

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 receives the proceeds and which will repay the debt.

**City of New Carlisle**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

**NOTE 14 - LONG-TERM OBLIGATIONS**

Changes in the long-term obligations of the City for the year ended December 31, 2003, were as follows:

	Balance 12/31/02	Additions	Deletions	Balance 12/31/03
<b>Enterprise Fund Obligations:</b>				
Ohio Public Works Commission (OPWC) Loans:				
1994 Water Main - 0.00%, maturing January 2014	\$ 180,096		\$ (15,661)	\$ 164,435
1996 Filter Building 0.00%, maturing January 2014	175,500		(13,000)	162,500
Ohio Water Development Authority (OWDA) Loans:				
1995 Sewer Line - 7.38%, maturing January 2016	156,586		(7,163)	149,423
1997 Honey Creek Interceptor - 4.56%, maturing January 2016	1,644,246		(90,490)	1,553,756
2002 Water Main - 3.2%, maturing January 2009	3,197	219,500		222,697
1997 Water Main - 4.12%, maturing January 2016	13,574		(770)	12,804
Other Long-Term Obligations:				
Capital Leases Payable	13,112		(13,112)	0
<b>Total Enterprise Fund Obligations</b>	<b><u>2,186,311</u></b>	<b><u>219,500</u></b>	<b><u>(140,196)</u></b>	<b><u>2,265,615</u></b>
<b>General Long-Term Obligations:</b>				
Bond Anticipation Notes:				
2001 Municipal Building - 6.94%, maturing November 2006	108,000		(27,000)	81,000
2002 Health Department - 5.50%, maturing April 2007	50,000		(10,000)	40,000
Other Long-Term Obligations:				
Capital Leases Payable	212,560		(117,441)	95,119
Due to Other Governments	39,154	11,024		50,178
Compensated Absences Payable	30,197		(9,473)	20,724
<b>Total General Long-Term Obligations</b>	<b><u>439,911</u></b>	<b><u>11,024</u></b>	<b><u>(163,914)</u></b>	<b><u>287,021</u></b>
<b>Totals</b>	<b><u>\$ 2,626,222</u></b>	<b><u>\$ 230,524</u></b>	<b><u>\$ (304,110)</u></b>	<b><u>\$ 2,552,636</u></b>

**City of New Carlisle**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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**NOTE 14 - LONG-TERM OBLIGATIONS (CONTINUED)**

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

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

The new OWDA loan was issued for the new water treatment plant. The total amount authorized for this loan was \$236,482, and as of December 31, 2003, the City had drawn \$222,697.

The City issues bond anticipation notes to provide funds for the acquisition and construction of capital facilities and purchase of vehicles. 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.

Capital leases will be paid from revenues of the general, special revenue and enterprise funds. Compensated absences and due to other governments, which represents contractually required pension contributions, will be paid from general operating revenues of the fund from which the employees' salaries are paid. Additions and deletions of accrued vacation and sick leave are shown net since it is impractical for the City to determine these amounts separately.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2003 are as follows:

		OPWC	OWDA	Bond	
		Loans	Loans	Anticipation	Total
		_____	_____	Notes	_____
Year ending December 31,	2004	\$ 28,661	\$ 236,420	\$ 44,821	\$ 309,902
	2005	28,661	236,420	42,398	307,479
	2006	28,661	236,420	39,974	305,055
	2007	28,661	236,420	10,550	275,631
	2008	28,661	236,420	0	265,081
	2009-2013	143,308	922,440	0	1,065,748
	2014-2016	<u>40,330</u>	<u>461,220</u>	<u>0</u>	<u>501,550</u>
		<u>\$ 326,943</u>	<u>\$ 2,565,760</u>	<u>\$ 137,743</u>	<u>\$ 3,030,446</u>

The City's overall legal debt margin (the ability to issue additional amounts of general obligation debt) was \$7,024,600 and the unvoted debt margin was \$3,345,048 at December 31, 2003.

**City of New Carlisle**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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**NOTE 15 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In prior years, the City entered into capitalized leases for copy machines, vehicles and equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements in the governmental funds. These expenditures are also reflected as debt service expenditures on the budgetary statements.

The fixed assets acquired by the leases have been capitalized in the General Fixed Assets Account Group and the enterprise funds in the amounts of \$343,457 and \$51,502, respectively, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the General Long-Term Obligations Account Group and the enterprise funds, and is reduced for each required principal payment.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2003:

		<u>Copy Machine</u>	<u>2001 Vehicles</u>	<u>Total</u>
Year ending December 31,	2004	\$ 2,290	\$ 95,988	\$ 98,278
	2005	<u>1,718</u>	<u>0</u>	<u>1,718</u>
Total		4,008	95,988	99,996
Less: Amount Representing Interest		<u>(540)</u>	<u>(4,337)</u>	<u>(4,877)</u>
Present Value of Minimum Lease Payments		<u>\$ 3,468</u>	<u>\$ 91,651</u>	<u>\$ 95,119</u>

**City of New Carlisle**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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**NOTE 16 - 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 2003, the City was a member of the Ohio Government Risk Management Plan, an insurance purchasing pool. The Pool shops for insurance as a group with the intention of securing better rates than if each participant purchased insurance separately.

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

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Limit</u>
Public Officials Errors and Omissions		
Per Occurrence	\$1,000	\$1,000,000
Total Per Year	0	Unlimited
Automobile	250	1,000,000
Property	500	16,925,862
Earthquake	25,000	1,000,000
Boiler and Machinery	1,000	2,500,000
Inland Marine	100	1,224,789
General Liability		
Per Occurrence	1,000	1,000,000
Total Per Year	0	None

The City also maintains separate coverage for the City's public health agency. This coverage includes liability for bodily injury, property damage, clinic professional, and errors and omissions. The deductible is \$1,000 for each claim, with a limit of \$1,000,000 for each type of coverage.

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.



**City of New Carlisle**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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**NOTE 17 - INTERFUND ASSETS AND LIABILITIES**

As of December 31, 2003, receivables and payables that resulted from various interfund transactions were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 217,136	\$ 105,665
Special Revenue Funds:		
Street Construction Fund	84,651	40,000
State Permissive Tax Fund	0	12,442
Fire Capital Equipment Levy Fund	21,014	9,154
Cemetery Fund	0	15,845
Federal COPS Grant Fund	0	11,172
Street Lighting Fund	0	20,483
Debt Service Fund	0	17,769
Capital Projects Fund	0	5,601
Enterprise Funds:		
Water Fund	0	14,945
Sewer Fund	0	46,078
Swimming Pool Fund	0	23,647
	<u>\$ 322,801</u>	<u>\$ 322,801</u>

**City of New Carlisle**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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**NOTE 18 - SEGMENT INFORMATION**

The City maintains three enterprise funds which are intended to be self-supporting through user fees charged for services to the public. The City's enterprise funds consist of the Swimming Pool, Water and Sewer funds. The Swimming Pool Fund accounts for the activity of the City's swimming pool. The Sewer and Water funds account for sewer and water services provided to City residents. Financial segment information as of and for the year ended December 31, 2003, is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Swimming Pool</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$ 523,052	\$ 638,995	\$ 69,263	\$ 1,231,310
Operating expenses, less depreciation	(419,266)	(487,834)	(95,874)	(1,002,974)
Depreciation expense	(102,926)	(415,365)	(12,495)	(530,786)
Interest expense	(1,403)	(85,552)	0	(86,955)
Operating income (loss)	860	(264,204)	(39,106)	(302,450)
Net income	(543)	(349,756)	(39,106)	(389,405)
Net working capital	43,475	197,549	(58,443)	182,581
Total assets	1,126,190	3,624,926	62,126	4,813,242
Total equity	655,988	1,648,881	36,623	2,341,492

**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Miami Valley Regional Planning Commission**

The Miami Valley Regional Planning Commission (the Commission) is a jointly governed organization between Preble, Clark, Clinton, Darke, Greene, Miami, and Montgomery Counties, the City of Dayton, the City of Huber Heights, the City of Riverside, and the City of New Carlisle. The Commission prepares plans, including studies, maps, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the region. These reports show recommendations for systems of transportation, highways, parks and recreational facilities, water supply, sewage disposal, garbage disposal, civic centers, and other public improvements and land uses which affect the development of the region. The degree of control exercised by any participating government is limited to its representation on the Board. Members of the Board are as follows: the officers of the Commission (elected by member representatives), the immediate past Chair of the Commission, the Commission member representing the City of Dayton, the Commission member representing each of the respective member counties, the representatives selected by each county caucus, a nongovernmental member, and two at-large representatives. Payments to the Commission are made from the General Fund. Financial information can be obtained from Nora Lake, Executive Director, at 40 West Fourth Street, Dayton, Ohio 45402.

**City of New Carlisle**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)**

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

The Miami Valley Fire/EMS Alliance (the Alliance) is a jointly governed organization between municipal corporations and townships in Montgomery, Greene and Warren Counties. The purpose of the Alliance is to foster cooperation among the political subdivisions by promoting programs and recommending matters which will result in more efficient methods of delivering fire and emergency medical services in the region. The Board of the Alliance is made up of a representative appointed by the City of Dayton, a representative appointed by the members who are provided Fire/EMS Services by volunteers, two representatives appointed by the members who are provided Fire/EMS Services by a combination of full time employees and volunteers, and a representative appointed by the members who are provided Fire/EMS Services by full time employees. Payments to the Alliance are made from the Fire Special Revenue Fund. Financial information can be obtained from Mike Haverland, Director, at 444 West Third Street, Suite 13-204, Dayton, Ohio 45402.

**NOTE 20 - CONTINGENT LIABILITIES**

**A. Litigation**

The City is party to legal proceedings involving a pension liability for a former City employee. In the opinion of the City's Law Director, there is a reasonable possibility the City will be held liable. The City's estimate of this potential liability is \$160,000.

**B. Federal and State Grants**

For the period January 1, 2003, to December 31, 2003, 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.



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND  
ON INTERNAL CONTROLS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

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

We have audited the general purpose financial statements of the City of New Carlisle, Clark County, Ohio, (the City) as of and for the year ended December 31, 2003, and have issued our report thereon dated July 29, 2004. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly we do not express such an opinion. The results of our tests disclosed three instances of noncompliance that are required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated July 29, 2004.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting, that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2003-4 and 2003-5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2003-4 to be a material

City Council  
City of New Carlisle  
Independent Auditors' Report on Compliance and on Internal Control Over Financial  
Reporting Based on an Audit of Financial Statements Performed  
In Accordance with *Government Auditing Standards*  
Page 2

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

*Kennedy, Cottrell + Associates LLC*

Kennedy, Cottrell + Associates LLC  
Columbus, Ohio  
July 29, 2004

**SCHEDULE OF FINDINGS**

**2003-1 NONCOMPLIANCE – EXPENDITURES EXCEEDED APPROPRIATIONS**

Ohio Revised Code Section 5705.41(B) provides, in part, that no subdivision or taxing unit shall “make any expenditure of money unless it has been appropriated as provided in such chapter.”

In our testing, we noted various funds for 2003 had an excess of expenditures (total disbursements plus encumbrances) over appropriations at the fund, program, and object level, which is the legal level of budgetary control adopted by the City Council. The funds are as follows:

	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
General Fund	\$ 1,407,319	\$ 1,438,191	\$ 30,872
Special Revenue Funds:			
Street Construction Fund	570,559	609,866	39,307
State Highway Fund	9,650	9,823	173
Emergency Ambulance Operating Fund	365,160	454,864	89,704
Fire Operating Levy Fund	83,218	90,267	7,049
Health Levy Fund	87,130	94,878	7,748
Cemetery Fund	106,358	118,394	12,036
Street Lighting Fund	82,500	94,737	12,237
Enterprise Funds:			
Wastewater Fund	637,327	693,025	55,698
Swimming Pool Fund	73,761	90,890	17,129
Nonexpendable Trust Fund:			
Cemetery Perpetual Care Fund	-	683	683

Noncompliance with this Ohio Revised Code requirement can result in deficit spending and increases the risk that the City may not be able to continue as a going concern. We recommend City management take appropriate steps to ensure that adequate internal controls are in place to prevent these instances from occurring again in future periods.

**2003-2 NONCOMPLIANCE – APPROPRIATIONS EXCEEDING TOTAL ESTIMATED RESOURCES**

Ohio Revised Code Section 5705.39 states, “The total appropriation from each fund should not exceed the total estimated revenue”.

In our testing, we noted the following funds for 2003 had appropriations in excess of total estimated resources:

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Special Revenue Funds:			
Street Construction	\$550,761	\$570,559	\$19,798
Emergency Ambulance Operating	365,060	365,160	100
Fire Operating Levy	82,355	83,218	863
Enterprise Funds:			
Water	736,092	751,957	15,865
Sewer	626,635	637,327	10,692

### **2003-3 NONCOMPLIANCE – NEGATIVE CASH BALANCE**

Ohio Revised Code Section 5705.10 states, in part that “Money paid into any fund shall be used only for the purposes for which such fund is established.”

As of December 31, 2003, the City's General Fund contained a negative cash balance of \$105,664. This negative cash balance indicates that money from other funds was used to cover General Fund expenditures. Overall, the city had a positive cash balance in its pooled bank account.

### **2003-4 MATERIAL WEAKNESS – LACK OF DOCUMENTATION FOR FIXED ASSETS**

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

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

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

- city departments responsible for purchasing, maintaining and/or disposing of fixed assets are not required to communicate necessary asset data to the Finance department, such as description, location, and identification code(s);
- newly acquired fixed assets were not assigned a unique fixed asset number;
- newly acquired fixed assets were not recorded in a timely manner; and
- detailed records of cost and accumulated depreciation of fixed assets were not maintained for 2003.

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

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

## **2003-5 REPORTABLE CONDITION – EXPENDITURE CONTROLS**

A sound internal control structure is one capable of providing management with assurance that transactions are processed accurately and completely. To achieve this desired assurance, the internal control structure must provide for timely and consistent application of internal control procedures and require that said procedures be adequately documented to evidence their application.

Through review of the City's internal control structure governing non-payroll expenditures, we noted the following documentation concerns as they relate to internal control procedures:

- 31 of the 60 requisitions selected for testing maintained no evidence of approval by the appropriate personnel to ensure that the appropriate funding is available.
- 23 of the 60 expenditures tested maintained no evidence of the Finance Director's approval to ensure the appropriateness of the account coding.
- Invoices are reviewed and approved for payment by a receiving document, or some other form to approve the items or service received and amount on the invoice. However, 53 of the 60 invoices selected for testing maintained no evidence of approval that the items or service on the invoice was received, the amount is correct, and it was okay to pay.
- Three of the 60 expenditures tested did not include a purchase order in the same amount as the requisition.
- Five of the 60 items tested did not have detail to support the expenditure processed.

The absence of adequate supporting documentation indicates management is unable to obtain assurance that transactions are being processed accurately and completely, and that financial objectives are being achieved. We recommend the establish, monitor and utilize procedures to aid in assuring review and approval processes are being consistently followed, management is alerted when potential problems arise, and purchases are completely allowable.





**Auditor of State  
Betty Montgomery**

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800-282-0370

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**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  
NOVEMBER 30, 2004**