

CITY OF NEW CARLISLE
CLARK COUNTY
REGULAR AUDIT
JANUARY 1, 2010 – DECEMBER 31, 2010





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of New Carlisle, Clark County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

July 25, 2011

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

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

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City of New Carlisle
Clark County
331 South Church Street
P.O. Box 419
New Carlisle, Ohio 45344

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Carlisle, Clark County, Ohio (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, except for the effects of not being able to obtain sufficient competent evidential matter supporting the City's capital asset balances and not being able to satisfy ourselves as to the reported accumulated depreciation and current period depreciation expense, as described in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the water and sewer funds of the City of New Carlisle, Clark County, Ohio as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General, Street Construction, Emergency Ambulance, Emergency Fire, and Twin Creeks Infrastructure Bond funds, and the aggregate remaining fund information of the City as of December 31, 2010, and the respective budgetary comparisons for the General, Street Construction, Emergency Ambulance and Emergency Fire funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

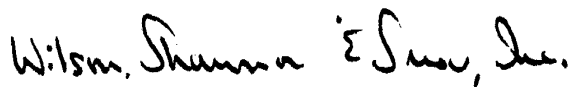
Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
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City of New Carlisle
Clark County
Independent Auditors' Report

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. As a result of our limited procedures, we believe Management's Discussion and Analysis does not conform to Governmental Accounting Standards Board guidelines, since as discussed in paragraph three, we were unable to obtain sufficient competent evidential matter supporting the City's capital asset balances reported in the City's basic financial statements; nor were we able to satisfy ourselves as to the reported accumulated depreciation and current period depreciation expense. We cannot reasonably determine the amounts by which this departure would affect these assets, net assets, and expenses presented in Table 1 and in Table 2.



Newark, Ohio
June 22, 2011

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

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

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

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by approximately \$5.8 million (net assets), an increase of \$201,471 from the prior year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$1.2 million, an increase of \$571,966 from the prior year.
- At fiscal year-end, the City's general fund reported a fund balance of \$369,476, a decrease of \$166,893 in comparison with the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Reporting the City of New Carlisle as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

- Governmental Activities – Most of the City's services are reported here including fire, administration, and all departments.

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

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

- Business-Type Activities – The business-type activities of the City primarily consist of water distribution, sewage collection and treatment, and swimming pool.

Reporting the City of New Carlisle's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

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

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the basic financial statements

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

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

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

THE CITY OF NEW CARLISLE AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the City as a whole. Table 1 provides a summary of the City's net assets for 2009 compared to 2010.

TABLE 1

Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 4,480,276	\$ 4,235,241	\$ 955,064	\$ 1,112,127	\$ 5,435,340	\$ 5,347,368
Capital assets	3,893,693	3,589,970	3,762,096	4,271,229	7,655,789	7,861,199
Total Assets	8,373,969	7,825,211	4,717,160	5,383,356	13,091,129	13,208,567
Current liabilities	839,805	1,423,025	61,011	48,997	900,816	1,472,022
Long-term liabilities	2,538,538	1,953,819	3,858,395	4,190,817	6,396,933	6,144,636
Total Liabilities	3,378,343	3,376,844	3,919,406	4,239,814	7,297,749	7,616,658
Net Assets:						
Invested in capital assets, net of related debt	1,489,065	1,015,100	36,327	136,485	1,525,392	1,151,585
Restricted	2,618,657	2,597,420	-	-	2,618,657	2,597,420
Unrestricted	887,904	835,847	761,427	1,007,057	1,649,331	1,842,904
Total Net Assets	\$ 4,995,626	\$ 4,448,367	\$ 797,754	\$ 1,143,542	\$ 5,793,380	\$ 5,591,909

The significant decrease in current liabilities and corresponding increase in long-term liabilities in Governmental Activities is primarily the result of the City paying off \$690,000 in bond anticipation notes with the issuance of general obligation bonds.

A large portion of the City's net assets (26%) reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (45%) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net asset amount available to meet the ongoing obligations to citizens and creditors is approximately \$1.6 million.

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

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

Table 2 shows the changes in net assets for the years ended December 31, 2010 and 2009.

TABLE 2

Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Program Revenues:						
Charges for Services	\$ 766,507	\$ 728,927	\$ 1,603,744	\$ 1,598,863	\$ 2,370,251	\$ 2,327,790
Operating Grants and Contributions	384,431	419,312	-	-	384,431	419,312
Capital Grants and Contributions	340,178	550,607	171,987	16,351	512,165	566,958
General Revenues:						
Property Taxes	521,674	530,757	-	-	521,674	530,757
Income Taxes	1,127,383	834,521	-	-	1,127,383	834,521
Other Local Taxes	50,801	96,843	-	-	50,801	96,843
Payments in Lieu of Taxes	-	41,459	-	-	-	41,459
Unrestricted Grants	110,618	118,121	-	-	110,618	118,121
Other Unrestricted Revenues	-	146,912	21,637	23,373	21,637	170,285
Total Revenues	3,301,592	3,467,459	1,797,368	1,638,587	5,098,960	5,106,046
Expenses:						
General Government	741,617	737,385	-	-	741,617	737,385
Security of Persons and Property	628,926	647,715	-	-	628,926	647,715
Leisure-Time Activities	68,892	57,047	-	-	68,892	57,047
Health	782,150	758,905	-	-	782,150	758,905
Community Environment	45,687	14,211	-	-	45,687	14,211
Transportation	312,896	240,019	-	-	312,896	240,019
Interest on Long-Term Debt	149,165	152,567	-	-	149,165	152,567
Water	-	-	916,602	929,089	916,602	929,089
Sewer	-	-	1,164,828	1,078,854	1,164,828	1,078,854
Swimming Pool	-	-	86,726	75,908	86,726	75,908
Total Expenses	2,729,333	2,607,849	2,168,156	2,083,851	4,897,489	4,691,700
Increase in Net Assets						
before Transfers	572,259	859,610	(370,788)	(445,264)	201,471	414,346
Transfers	(25,000)	(32,000)	25,000	32,000	-	-
Increase(Decrease) in Net Assets	547,259	827,610	(345,788)	(413,264)	201,471	414,346
Net Assets at Beginning of Year	4,448,367	3,620,757	1,143,542	1,556,806	5,591,909	5,177,563
Net Assets at End of Year	\$ 4,995,626	\$ 4,448,367	\$ 797,754	\$ 1,143,542	\$ 5,793,380	\$ 5,591,909

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

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

Governmental Activities

The decrease in operating grants and contributions is the result of one-time Federal Emergency Management Association revenues in 2009; the decrease in capital grants and contributions is the result of a decrease in Ohio Department of Transportation funding resulting from completion of the phase 1 of the Bikeway Project; the decrease in unrestricted grants is the result of a decrease in estate taxes; and the decrease in other unrestricted revenues is the result of a one-time revenue related to a sale of an easement in 2009.

Business-type Activities

The increase in capital grants and contributions is the result of grant funding received from the Ohio Public Works Commission for a utility extension project.

Total versus Net Cost of Services

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

TABLE 3

Functions/Programs	Total Cost		Net Cost	
	2010	2009	2010	2009
Governmental Activities:				
General Government	\$ 741,617	\$ 737,385	\$ 703,503	\$ 719,716
Security of Persons and Property	628,926	647,715	493,825	483,344
Leisure-Time Activities	68,892	57,047	(131,720)	(397,991)
Health	782,150	758,905	108,638	101,368
Community Environment	45,687	14,211	45,687	14,211
Transportation	312,896	240,019	(130,881)	(164,212)
Interest on Long-Term Debt	149,165	152,567	149,165	152,567
Total Governmental Activities	\$ 2,729,333	\$ 2,607,849	\$ 1,238,217	\$ 909,003
Business-Type Activities:				
Water	\$ 916,602	\$ 929,089	\$ 157,194	\$ 231,210
Sewer	1,164,828	1,078,854	213,419	199,949
Swimming Pool	86,726	75,908	21,812	37,478
Total Business-Type Activities	\$ 2,168,156	\$ 2,083,851	\$ 392,425	\$ 468,637

The City's reliance upon general tax revenues is demonstrated by the Table 2 above indicating approximately 50% of total governmental revenues from local taxes, as well as the net cost of services column for governmental activities in Table 3 above reflecting the need for \$1,238,217 of support.

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

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

THE CITY'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$1.2 million, a significant increase from the previous year.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2010 and 2009.

	Fund Balance 12/31/2010	Fund Balance 12/31/2009	Increase (Decrease)
General Fund	\$ 369,476	\$ 536,369	\$ (166,893)
Street Construction fund	47,687	(327,247)	374,934
Emergency Ambulance fund	212,580	153,087	59,493
Emergency Fire fund	237,705	186,977	50,728
Twin Creeks Infrastructure Bond fund	1,010	10,283	(9,273)
Other governmental funds	291,662	28,685	262,977
Total	<u>\$ 1,160,120</u>	<u>\$ 588,154</u>	<u>\$ 571,966</u>

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$328,803, while total fund balance was \$369,476. The \$166,893 decrease in fund balance is primarily the result of operating transfers to other funds totaling \$200,483.

The Street Construction Fund accounts for the City's street repair, maintenance and improvement activities. The significant increase in fund balance is primarily the result of the proceeds received from the sale of bonds totaling \$413,250.

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

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

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

The fund balance increase in the Other Government Funds is primarily the result of the proceeds received from the sale of bonds totaling \$311,750.

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

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

Proprietary Funds

At year-end, unrestricted net assets in the Water Fund amounted to \$167,039. Total Water Fund net assets decreased \$143,616, or 46%, from the previous year. This decrease in net assets is the result of an operating loss of \$121,883, nonoperating grants revenue of \$58,495, and debt interest payments totaling \$80,228.

At year-end, unrestricted net assets in the Sewer Fund amounted to \$583,623. Total Sewer Fund net assets decreased \$209,974, or 26%, from the previous year. This decrease in net assets is the result of an operating loss of \$274,888, nonoperating grants revenue of \$108,992, and debt interest payments totaling \$44,078.

GENERAL FUND BUDGETARY INFORMATION

The City's final revenues estimate was \$145,000, or 12% more than the original estimate. This increase is primarily the result of City's establishment and sale of the cell phone tower easement during the fiscal year (\$120,000).

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

The City's final appropriations were \$143,981 more than original appropriations, primarily as a result of additional operating transfers to other funds needed throughout the year. The amount by which final appropriations exceeded actual budgetary expenditures was insignificant.

CAPITAL ASSETS

At year-end, the City's investment in capital assets for governmental and business-type activities totaled \$3.9 million and \$3.8 million (net of accumulated depreciation), respectively. This investment in capital assets includes land, land improvements, buildings, equipment, furniture, vehicles, and infrastructure.

Total acquisitions (capital outlay) for the current fiscal year were \$904,629 and depreciation was approximately \$1.1 million.

Detailed information regarding capital asset activity is included in the Note 7 to the basic financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total long-term debt outstanding of approximately \$6.3 million. Of this amount, \$2.5 million represents bonds and notes backed by the full faith and credit of the City and \$3.8 million represents OPWC and OWDA loans secured by specified revenue sources.

Detailed information regarding long-term debt is included in Note 9 to the basic financial statements.

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

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

CONTACTING THE CITY

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

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

**STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2010**

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled Cash and Cash Equivalents	\$ 937,943	\$ 647,351	\$ 1,585,294
Investments	71,372	-	71,372
Receivables:			
Taxes	1,280,601	-	1,280,601
Accounts	247,660	271,728	519,388
Due From Other Governments	289,469	8,649	298,118
Prepaid Items	56,418	27,336	83,754
Special Assessments Receivable	1,542,140	-	1,542,140
Unamortized Bond Issuance Costs	54,673	-	54,673
NonDepreciable Capital Assets	415,229	252,595	667,824
Depreciable Capital Assets, Net	3,478,464	3,509,501	6,987,965
Total Assets	8,373,969	4,717,160	13,091,129
Liabilities			
Accounts Payable	139,840	27,231	167,071
Accrued Wages and Benefits	34,770	13,815	48,585
Due To Other Governments	44,999	19,965	64,964
Unearned Revenue	620,196	-	620,196
Long-Term Liabilities			
Due Within One Year	442,910	340,087	782,997
Due in More Than One Year	2,095,628	3,518,308	5,613,936
Total Liabilities	3,378,343	3,919,406	7,297,749
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,489,065	36,327	1,525,392
Restricted For:			
Capital Projects	6,843	-	6,843
Debt Service	1,441,215	-	1,441,215
Highways and Streets	210,053	-	210,053
Public Safety	384,267	-	384,267
Public Health	554,487	-	554,487
Other Purposes	21,792	-	21,792
Unrestricted	887,904	761,427	1,649,331
Total Net Assets	\$ 4,995,626	\$ 797,754	\$ 5,793,380

See accompanying notes to the basic financial statements

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 741,617	\$ 36,697	\$ 1,417	\$ -
Security of Persons and Property	628,926	90,490	44,611	-
Leisure-Time Activities	68,892	9,314	-	191,298
Health	782,150	625,652	47,860	-
Community Environment	45,687	-	-	-
Transportation	312,896	4,354	290,543	148,880
Interest on Long-Term Debt	149,165	-	-	-
Total Governmental Activities	2,729,333	766,507	384,431	340,178
Business-type Activities:				
Water	916,602	700,913	-	58,495
Sewer	1,164,828	842,417	-	108,992
Swimming Pool	86,726	60,414	-	4,500
Total Business-Type Activities	2,168,156	1,603,744	-	171,987
Total Government	\$ 4,897,489	\$ 2,370,251	\$ 384,431	\$ 512,165

General Revenues:
Property Taxes
Income Taxes
Other Local Taxes
Unrestricted Grants and Entitlements
Other Unrestricted Revenues
Transfers
Total General Revenues and Transfers

Change in Net Assets

Net Assets at Beginning of Year
Net Assets at End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (703,503)	\$ -	\$ (703,503)
(493,825)	-	(493,825)
131,720	-	131,720
(108,638)	-	(108,638)
(45,687)	-	(45,687)
130,881	-	130,881
(149,165)	-	(149,165)
<u>(1,238,217)</u>	<u>-</u>	<u>(1,238,217)</u>
-	(157,194)	(157,194)
-	(213,419)	(213,419)
-	(21,812)	(21,812)
<u>-</u>	<u>(392,425)</u>	<u>(392,425)</u>
<u>(1,238,217)</u>	<u>(392,425)</u>	<u>(1,630,642)</u>
521,674	-	521,674
1,127,383	-	1,127,383
50,801	-	50,801
110,618	-	110,618
-	21,637	21,637
(25,000)	25,000	-
<u>1,785,476</u>	<u>46,637</u>	<u>1,832,113</u>
547,259	(345,788)	201,471
4,448,367	1,143,542	5,591,909
<u>\$ 4,995,626</u>	<u>\$ 797,754</u>	<u>\$ 5,793,380</u>

See accompanying notes to the basic financial statements

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

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	General Fund	Street Construction	Emergency Ambulance	Emergency Fire
Assets:				
Pooled Cash and Cash Equivalents	\$ 197,101	\$ 25,344	\$ 238,336	\$ 265,605
Investments	-	-	-	-
Receivables:				
Taxes	774,346	-	175,418	254,508
Accounts	49,432	-	180,758	-
Due From Other Governments	56,722	105,579	11,608	16,860
Prepaid Items	38,213	3,705	5,407	5,257
Special Assessments Receivable	5,847	-	-	-
Total Assets	<u>1,121,661</u>	<u>134,628</u>	<u>611,527</u>	<u>542,230</u>
Liabilities:				
Accounts Payable	9,501	8,815	32,850	29,039
Accrued Wages and Benefits	10,841	3,422	16,174	1,797
Due To Other Governments	14,685	4,318	20,888	2,321
Deferred Revenue	566,653	70,386	195,393	77,471
Unearned Revenue	150,505	-	133,642	193,897
Total Liabilities	<u>752,185</u>	<u>86,941</u>	<u>398,947</u>	<u>304,525</u>
Fund Balances:				
Reserved for:				
Encumbrances	2,460	226	23	22
Prepaid Items	38,213	3,705	5,407	5,257
Perpetual Care	-	-	-	-
Unreserved, Reported In:				
General Fund	328,803	-	-	-
Special Revenue Funds	-	43,756	207,150	232,426
Debt service fund	-	-	-	-
Capital Project Funds	-	-	-	-
Total Fund Balances	<u>369,476</u>	<u>47,687</u>	<u>212,580</u>	<u>237,705</u>
Total Liabilities and Fund Balances	<u>\$ 1,121,661</u>	<u>\$ 134,628</u>	<u>\$ 611,527</u>	<u>\$ 542,230</u>

See accompanying notes to the basic financial statements

Twin Creeks Infrastructure Bonds	Other Governmental Funds	Total Governmental Funds
\$ 1,010	\$ 210,547	\$ 937,943
-	71,372	71,372
-	76,329	1,280,601
-	17,470	247,660
-	98,700	289,469
-	3,836	56,418
1,452,293	84,000	1,542,140
<u>1,453,303</u>	<u>562,254</u>	<u>4,425,603</u>
-	59,635	139,840
-	2,536	34,770
-	2,787	44,999
1,452,293	63,482	2,425,678
-	142,152	620,196
<u>1,452,293</u>	<u>270,592</u>	<u>3,265,483</u>
-	62	2,793
-	3,836	56,418
-	98,889	98,889
-	-	328,803
-	165,608	648,940
1,010	16,424	17,434
-	6,843	6,843
<u>1,010</u>	<u>291,662</u>	<u>1,160,120</u>
<u>\$ 1,453,303</u>	<u>\$ 562,254</u>	<u>\$ 4,425,603</u>

See accompanying notes to the basic financial statements

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

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

Total Governmental Fund Balances	\$ 1,160,120
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,893,693
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Delinquent Property Taxes	167,611
Income Taxes	467,124
EMS Receivables	142,009
Cemetery Receivables	16,970
Intergovernmental Receivables	173,824
Special Assessment Receivables	1,458,140
Governmental funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net assets.	
Unamortized Bond Issuance Costs	54,673
Unamortized Premium on Bonds	(51,647)
Long-Term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences payable	(48,225)
General obligation debt	<u>(2,438,666)</u>
 Net Assets of Governmental Activities	 <u><u>\$ 4,995,626</u></u>

See accompanying notes to the basic financial statements

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

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

	General Fund	Street Construction	Emergency Ambulance	Emergency Fire
Revenues:				
Property Taxes	\$ 152,786	\$ -	\$ 134,456	\$ 195,172
Income Taxes	823,137	-	-	-
Other Local Taxes	50,801	-	-	-
Charges for Services	-	-	557,732	-
Licenses, Permits, and Fees	22,518	-	-	-
Fines and Forfeitures	19,955	-	-	-
Intergovernmental	156,321	216,705	35,755	44,611
Special Assessments	3,170	-	-	-
Other	2,602	4,354	-	-
Total Revenues	1,231,290	221,059	727,943	239,783
Expenditures:				
Current Operations and Maintenance:				
General Government	652,378	-	-	-
Security of Persons and Property	377,685	-	-	110,428
Leisure-Time Activities	60,710	-	-	-
Health	-	-	591,387	-
Community Environment	42,408	-	-	-
Transportation	-	215,226	-	-
Capital Outlay	64,519	26,409	53,320	40,330
Debt Service:				
Principal Retirement	-	11,391	20,590	21,311
Interest and Fiscal Charges	-	31,349	3,153	16,986
Total Expenditures	1,197,700	284,375	668,450	189,055
Excess (Deficiency) of Revenues Over (Under) Expenditures	33,590	(63,316)	59,493	50,728
Other Financing Sources (Uses):				
Sale of Bonds	-	413,250	-	-
Transfers In	-	25,000	-	-
Transfers Out	(200,483)	-	-	-
Total Other Financing Sources (Uses)	(200,483)	438,250	-	-
Net Change in Fund Balances	(166,893)	374,934	59,493	50,728
Fund Balance (Deficit) at Beginning of Year	536,369	(327,247)	153,087	186,977
Fund Balance at End of Year	\$ 369,476	\$ 47,687	\$ 212,580	\$ 237,705

See accompanying notes to the basic financial statements

Twin Creeks Infrastructure Bonds	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 57,814	\$ 540,228
-	-	823,137
-	-	50,801
-	61,251	618,983
-	-	22,518
-	-	19,955
-	244,402	697,794
18,543	84,773	106,486
-	1,909	8,865
<u>18,543</u>	<u>450,149</u>	<u>2,888,767</u>
897	121	653,396
-	84,297	572,410
-	-	60,710
-	124,268	715,655
-	-	42,408
-	67,930	283,156
-	177,843	362,421
35,000	50,000	138,292
51,919	84,946	188,353
<u>87,816</u>	<u>589,405</u>	<u>3,016,801</u>
(69,273)	(139,256)	(128,034)
-	311,750	725,000
60,000	90,483	175,483
-	-	(200,483)
<u>60,000</u>	<u>402,233</u>	<u>700,000</u>
(9,273)	262,977	571,966
10,283	28,685	588,154
<u>\$ 1,010</u>	<u>\$ 291,662</u>	<u>\$ 1,160,120</u>

See accompanying notes to the basic financial statements

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

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

Net Change in Fund Balances - Total Governmental Funds \$ 571,966

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

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

Capital Outlay	322,328
Depreciation	(207,966)

Donations of capital assets are reported in the statement of activities statements and not
within the governmental fund statements. 189,361

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

Delinquent Property Taxes	(18,554)
Income Taxes	304,246
EMS Charges	5,696
Intergovernmental Revenues	(51,928)
Special Assessments	(15,996)

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

Issuance of long-term debt	(725,000)
Repayment of long-term debt	138,292

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

Bond Issuance Costs	32,825
Premium on Bonds	6,363

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

Compensated absences	(4,374)
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Change in Net Assets of Governmental Activities \$ 547,259

See accompanying notes to the basic financial statements

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

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

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property Taxes	\$ 178,967	\$ 178,967	\$ 152,786	\$ (26,181)
Income tax	928,983	928,983	894,443	(34,540)
Other Local Taxes	35,000	35,000	50,720	15,720
Licenses and Permits	22,690	22,690	22,518	(172)
Fines and Forfeitures	15,000	15,000	19,955	4,955
Intergovernmental	64,601	89,601	155,471	65,870
Special Assessments	1,000	1,000	3,170	2,170
Other	8,050	8,050	2,602	(5,448)
Total Revenues	<u>1,254,291</u>	<u>1,279,291</u>	<u>1,301,665</u>	<u>22,374</u>
Expenditures				
General Government	711,280	731,260	678,667	52,593
Security of Persons and Property	384,593	384,688	377,214	7,474
Leisure-Time Activities	55,994	63,464	60,879	2,585
Community Environment	46,075	42,086	40,390	1,696
Capital Outlay	89,850	89,775	64,899	24,876
Total Expenditures	<u>1,287,792</u>	<u>1,311,273</u>	<u>1,222,049</u>	<u>89,224</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(33,501)	(31,982)	79,616	111,598
Other Financing Sources/(Uses)				
Sale of Assets	1,500	121,500	120,000	(1,500)
Transfers Out	(103,800)	(224,300)	(200,483)	23,817
Total Other Financing Sources/(Uses)	<u>(102,300)</u>	<u>(102,800)</u>	<u>(80,483)</u>	<u>22,317</u>
Net Change in Fund Balance	(135,801)	(134,782)	(867)	133,915
Fund Balance at Beginning of Year	192,840	192,840	192,840	-
Prior Year Encumbrances Appropriated	917	917	917	-
Fund Balance at End of Year	<u>\$ 57,956</u>	<u>\$ 58,975</u>	<u>\$ 192,890</u>	<u>\$ 133,915</u>

See accompanying notes to the basic financial statements

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

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

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Intergovernmental	\$ 218,000	\$ 218,000	\$ 214,364	\$ (3,636)
Other	1,500	1,500	4,354	2,854
Total Revenues	<u>219,500</u>	<u>219,500</u>	<u>218,718</u>	<u>(782)</u>
Expenditures				
Transportation	201,293	226,193	210,931	15,262
Capital Outlay	48,500	30,100	26,409	3,691
Debt Service:				
Principal Retirement	404,691	404,691	404,691	-
Interest and Fiscal Charges	32,865	31,365	31,349	16
Total Expenditures	<u>687,349</u>	<u>692,349</u>	<u>673,380</u>	<u>18,969</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(467,849)	(472,849)	(454,662)	18,187
Other Financing Sources				
Sale of Assets	500	500	-	(500)
Sale of Bonds	413,250	413,250	413,250	-
Transfers In	31,000	36,000	25,000	(11,000)
Total Other Financing Sources	<u>444,750</u>	<u>449,750</u>	<u>438,250</u>	<u>(11,500)</u>
Net Change in Fund Balance	(23,099)	(23,099)	(16,412)	6,687
Fund Balance at Beginning of Year	32,996	32,996	32,996	-
Prior Year Encumbrances Appropriated	32	32	32	-
Fund Balance at End of Year	<u>\$ 9,929</u>	<u>\$ 9,929</u>	<u>\$ 16,616</u>	<u>\$ 6,687</u>

See accompanying notes to the basic financial statements

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

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

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property Taxes	\$ 157,747	\$ 157,747	\$ 134,456	\$ (23,291)
Charges for Services	471,500	471,500	542,324	70,824
Intergovernmental	21,628	24,128	35,755	11,627
Total Revenues	<u>650,875</u>	<u>653,375</u>	<u>712,535</u>	<u>59,160</u>
Expenditures				
Health	612,072	615,647	599,346	16,301
Capital Outlay	31,253	65,678	53,320	12,358
Debt Service:				
Principal Retirement	20,590	20,590	20,590	-
Interest and Fiscal Charges	3,210	3,210	3,153	57
Total Expenditures	<u>667,125</u>	<u>705,125</u>	<u>676,409</u>	<u>28,716</u>
Net Change in Fund Balance	(16,250)	(51,750)	36,126	87,876
Fund Balance at Beginning of Year	172,189	172,189	172,189	-
Prior Year Encumbrances Appropriated	400	400	400	-
Fund Balance at End of Year	<u>\$ 156,339</u>	<u>\$ 120,839</u>	<u>\$ 208,715</u>	<u>\$ 87,876</u>

See accompanying notes to the basic financial statements

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

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

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property Taxes	\$ 229,001	\$ 229,001	\$ 195,172	\$ (33,829)
Intergovernmental	30,281	30,281	44,611	14,330
Total Revenues	<u>259,282</u>	<u>259,282</u>	<u>239,783</u>	<u>(19,499)</u>
Expenditures				
Security of Persons and Property	113,280	116,880	110,009	6,871
Capital Outlay	63,281	84,681	40,330	44,351
Debt Service:				
Principal Retirement	21,311	21,311	21,311	-
Interest and Fiscal Charges	18,689	18,689	16,986	1,703
Total Expenditures	<u>216,561</u>	<u>241,561</u>	<u>188,636</u>	<u>52,925</u>
Net Change in Fund Balance	42,721	17,721	51,147	33,426
Fund Balance at Beginning of Year	170,809	170,809	170,809	-
Prior Year Encumbrances Appropriated	15,306	15,306	15,306	-
Fund Balance at End of Year	<u>\$ 228,836</u>	<u>\$ 203,836</u>	<u>\$ 237,262</u>	<u>\$ 33,426</u>

See accompanying notes to the basic financial statements

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

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2010**

	Water Fund	Sewer Fund	Nonmajor Swimming Pool	Total
Assets				
Current Assets:				
Pooled Cash and Cash Equivalents	\$ 96,063	\$ 541,626	\$ 9,662	\$ 647,351
Accounts Receivable	130,115	141,613	-	271,728
Due from Other Governments	3,027	5,622	-	8,649
Prepaid Items	14,183	10,524	2,629	27,336
Total Current Assets	<u>243,388</u>	<u>699,385</u>	<u>12,291</u>	<u>955,064</u>
Noncurrent Assets:				
NonDepreciable Capital Assets	7,073	209,195	36,327	252,595
Depreciable Capital Assets, Net	2,810,280	699,221	-	3,509,501
Total Noncurrent Assets	<u>2,817,353</u>	<u>908,416</u>	<u>36,327</u>	<u>3,762,096</u>
Total Assets	<u>3,060,741</u>	<u>1,607,801</u>	<u>48,618</u>	<u>4,717,160</u>
Liabilities				
Current Liabilities				
Accounts Payable	4,070	23,161	-	27,231
Accrued Wages and Benefits	4,583	9,232	-	13,815
Due To Other Governments	7,052	11,387	1,526	19,965
Compensated Absences	5,979	4,720	-	10,699
Loans Payable	163,920	165,468	-	329,388
Total Current Liabilities	<u>185,604</u>	<u>213,968</u>	<u>1,526</u>	<u>401,098</u>
Noncurrent Liabilities				
Loans Payable	2,692,074	795,833	-	3,487,907
Compensated Absences	16,024	14,377	-	30,401
Total Noncurrent Liabilities	<u>2,708,098</u>	<u>810,210</u>	<u>-</u>	<u>3,518,308</u>
Total Liabilities	<u>2,893,702</u>	<u>1,024,178</u>	<u>1,526</u>	<u>3,919,406</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	-	-	36,327	36,327
Unrestricted Net Assets	167,039	583,623	10,765	761,427
Total Net Assets	<u>\$ 167,039</u>	<u>\$ 583,623</u>	<u>\$ 47,092</u>	<u>\$ 797,754</u>

See accompanying notes to the basic financial statements

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

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

	Water Fund	Sewer Fund	Nonmajor Swimming Pool	Total
Operating Revenues				
Charges for Services	\$ 700,913	\$ 842,417	\$ 60,414	\$ 1,603,744
Other Operating Revenues	13,578	3,445	4,614	21,637
Total Operating Revenues	<u>714,491</u>	<u>845,862</u>	<u>65,028</u>	<u>1,625,381</u>
Operating Expenses				
Personal Services	263,262	359,515	46,940	669,717
Contractual Services	88,064	239,727	15,933	343,724
Materials and Supplies	69,712	33,545	23,137	126,394
Depreciation	414,403	486,954	716	902,073
Other Operating Expenses	933	1,009	-	1,942
Total Operating Expenses	<u>836,374</u>	<u>1,120,750</u>	<u>86,726</u>	<u>2,043,850</u>
Operating Loss	<u>(121,883)</u>	<u>(274,888)</u>	<u>(21,698)</u>	<u>(418,469)</u>
Nonoperating Revenues (Expenses)				
Intergovernmental Revenue	58,495	108,992	4,500	171,987
Interest and Fiscal Charges	<u>(80,228)</u>	<u>(44,078)</u>	<u>-</u>	<u>(124,306)</u>
Total Non-Operating Revenues (Expenses)	<u>(21,733)</u>	<u>64,914</u>	<u>4,500</u>	<u>47,681</u>
Income Before Transfers	(143,616)	(209,974)	(17,198)	(370,788)
Transfers In	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Change in Net Assets	(143,616)	(209,974)	7,802	(345,788)
Net Assets at Beginning of Year	310,655	793,597	39,290	1,143,542
Net Assets at End of Year	<u>\$ 167,039</u>	<u>\$ 583,623</u>	<u>\$ 47,092</u>	<u>\$ 797,754</u>

See accompanying notes to the basic financial statements

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

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

	Water Fund	Sewer Fund	Nonmajor Swimming Pool	Total
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 672,811	\$ 837,402	\$ 60,414	\$ 1,570,627
Other Operating Receipts	21,863	3,445	4,614	29,922
Cash Paid to Employees	(263,162)	(376,620)	(46,465)	(686,247)
Cash Paid to Suppliers	(157,885)	(263,570)	(39,152)	(460,607)
Cash Paid for Other Expenses	(931)	(937)	-	(1,868)
Net Cash Provided by (Used in) Operating Activities	<u>272,696</u>	<u>199,720</u>	<u>(20,589)</u>	<u>451,827</u>
Cash Flows from Noncapital Financing Activities				
Transfers In	-	-	25,000	25,000
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	(114,190)	(274,283)	-	(388,473)
Proceeds from Capital Grants	55,866	103,751	4,500	164,117
Payment of Debt Principal	(159,983)	(158,714)	-	(318,697)
Payment of Debt Interest	(80,080)	(43,721)	-	(123,801)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(298,387)</u>	<u>(372,967)</u>	<u>4,500</u>	<u>(666,854)</u>
Net Change in Cash and Cash Equivalents	(25,691)	(173,247)	8,911	(190,027)
Cash and Cash Equivalents, Beginning of Year	121,754	714,873	751	837,378
Cash and Cash Equivalents, End of Year	<u>\$ 96,063</u>	<u>\$ 541,626</u>	<u>\$ 9,662</u>	<u>\$ 647,351</u>
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:				
Operating Loss	\$ (121,883)	\$ (274,888)	\$ (21,698)	\$ (418,469)
Depreciation Expense	414,403	486,954	716	902,073
(Increase)/Decrease in Current Assets				
Accounts Receivable	(19,817)	(5,015)		(24,832)
Prepayments	665	(1,237)	(47)	(619)
Increase/(Decrease) in Current Liabilities				
Accounts Payable	33	9,891	(35)	9,889
Accrued Wages	(1,048)	855	-	(193)
Compensated Absences	2,269	(16,142)	-	(13,873)
Due to Other Governments	(1,926)	(698)	475	(2,149)
Net Cash Provided by (Used in) Operating Activities in the reconciliation of Operating Loss	<u>\$ 272,696</u>	<u>\$ 199,720</u>	<u>\$ (20,589)</u>	<u>\$ 451,827</u>

Non-Cash Transactions:

The City also capitalized interest loan proceeds associated with the outstanding 1997 Ohio Water Development Water Main Loan in the amount of \$148.

See accompanying notes to the basic financial statements

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

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

NOTE 1 - REPORTING ENTITY

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-wide and fund financial statements

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

Property taxes and special assessments for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance fiscal year 2011 operations, and grants and entitlements received before eligibility requirements are met, are recorded as unearned revenue on both the governmental fund and government-wide financial statements.

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

The government reports the following major governmental funds:

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

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports the following major proprietary funds:

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

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

The City's *Swimming Pool Fund*, which accounts for the activities of the City's swimming pool, is not a major fund.

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

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

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Cash and Cash Equivalents

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

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

D. Receivables and Payables

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

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

E. Inventories and Prepaid Items

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

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

F. Net Assets

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets and Depreciation

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

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

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

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Compensated Absences

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

I. Long-Term Obligations

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

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

J. Fund Balance Reserves

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The City reports a reservation of fund balance for amounts representing encumbrances, prepaid items, and perpetual care.

K. Interfund Transactions

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

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

L. Estimates

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The City's legal level of budgetary is established at the fund level within each fund. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

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

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

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are reappropriated as part of the subsequent year appropriations.

N. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements. There was no such activity during 2010.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2010.

P. Bond Discounts, Premiums and Issuance Costs

Bond issuance costs are reported as deferred charges and amortized over the life of the bond using the straight-line method. The unamortized portion of the bond issuance costs is reported on the statement of net assets. Bond discounts or premiums are (1) shown as additions to, or deductions from, the account of the bond liability, (2) amortized using the straight-line method, and (3) reflected as an adjustment to interest expense for the period in the proprietary fund.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
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).

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

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

The adjustments necessary to convert the results of operations for the year ended December 31, 2010, on the GAAP basis to the budget basis are as follows:

	Net Change in Fund Balances			
	General Fund	Street Construction	Emergency Ambulance	Emergency Fire
GAAP Basis	\$ (166,893)	\$ 374,934	\$ 59,493	\$ 50,728
Revenue Accruals	45,546	(2,341)	(15,408)	-
Expenditure Accruals	4,691	(360,327)	21,664	28,760
Other Financing Accruals	120,000	(19,950)	-	-
Encumbrances	(4,211)	(8,728)	(29,623)	(28,341)
Budget Basis	<u>\$ (867)</u>	<u>\$ (16,412)</u>	<u>\$ 36,126</u>	<u>\$ 51,147</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Deposits - At year-end, the carrying amount of the City's deposits was \$1,392,774, which includes a certificate of deposit totaling \$71,372, and the bank balance was \$1,453,113. Of the bank balance, \$571,895 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.

Investments - At year-end, the City's only investment was with STAR Ohio totaling \$263,892. Deposits in STAR Ohio are reported as part of Cash and Cash Equivalents. Investments reflected on the financial statements represent the \$71,372 held in the certificate of deposit at December 31, 2010. The City has no deposit policy for custodial risk beyond the requirements of State statute.

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

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

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

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

NOTE 5 – TAXES RECEIVABLE

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

	Property Taxes	Income Taxes	Total
General Fund	\$ 197,552	\$ 576,794	\$ 774,346
Emergency Ambulance Fund	175,418	-	175,418
Emergency Fire Fund	254,508	-	254,508
Other Governmental Funds	76,329	-	76,329
Totals	<u>\$ 703,807</u>	<u>\$ 576,794</u>	<u>\$ 1,280,601</u>

NOTE 6 - TAXES

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

B. Property Taxes - Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

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

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

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

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

NOTE 6 – TAXES (CONTINUED)

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

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

The assessed values upon which the fiscal year 2010 property taxes were collected are as follows:

	<u>Assessed Valuation</u>	<u>Percent</u>
Real Estate (Agricultural/Residential)	\$ 60,600,500	81.3%
Real Estate (Commercial/ Industrial)	12,891,570	17.3%
Public Utility Property/Personal Property	1,034,707	1.4%
Total	<u>\$ 74,526,777</u>	<u>100.0%</u>

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

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

NOTE 7 - CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2010, was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
<i>Non-depreciated assets:</i>				
Land	\$ 229,952	\$ -	\$ -	\$ 229,952
Construction in Process	626,382	287,641	(728,746)	185,277
Total Non-depreciable assets	<u>856,334</u>	<u>287,641</u>	<u>(728,746)</u>	<u>415,229</u>
<i>Capital assets, being depreciated:</i>				
Buildings	636,077	32,285	-	668,362
Improvements Other than Buildings	281,142	-	-	281,142
Machinery and Equipment	1,442,344	73,064	-	1,515,408
Furniture and Fixtures	87,291	-	-	87,291
Computer Equipment	110,309	1,267	-	111,576
Vehicles	1,411,139	27,643	-	1,438,782
Infrastructure	2,015,765	818,535	-	2,834,300
Total Depreciable Capital Assets	<u>5,984,067</u>	<u>952,794</u>	<u>-</u>	<u>6,936,861</u>
<i>Accumulated Depreciation:</i>				
Buildings	455,174	33,418	-	488,592
Improvements Other than Buildings	292,931	-	-	292,931
Machinery and Equipment	700,845	75,770	-	776,615
Furniture and Fixtures	56,360	4,365	-	60,725
Computer Equipment	101,572	10,004	-	111,576
Vehicles	1,455,169	-	-	1,455,169
Infrastructure	188,380	84,409	-	272,789
Total Accumulated Depreciation	<u>3,250,431</u>	<u>207,966</u>	<u>-</u>	<u>3,458,397</u>
Depreciable Capital Assets, net	<u>2,733,636</u>	<u>744,828</u>	<u>-</u>	<u>3,478,464</u>
 Total Capital Assets, net	 <u>\$ 3,589,970</u>	 <u>\$ 1,032,469</u>	 <u>\$ (728,746)</u>	 <u>\$ 3,893,693</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 62,458
Security of Persons and Property	54,862
Leisure-Time Activities	4,832
Public Health	64,280
Community Environment	1,204
Transportation	20,330
Total Depreciation Expense	<u>\$ 207,966</u>

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

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

NOTE 7 - CAPITAL ASSETS (CONTINUED)

Business-type capital asset activity for the year ended December 31, 2010, was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciated assets:				
Land	\$ 252,595	\$ -	\$ -	\$ 252,595
Construction in Process	35,555	332,813	(368,368)	-
Total Non-depreciable assets	<u>288,150</u>	<u>332,813</u>	<u>(368,368)</u>	<u>252,595</u>
Capital assets, being depreciated:				
Buildings	5,802,395	-	-	5,802,395
Improvements Other than Buildings	1,028,634	-	-	1,028,634
Machinery and Equipment	5,775,328	36,347	-	5,811,675
Furniture and Fixtures	41,150	-	-	41,150
Computer Equipment	6,544	-	-	6,544
Vehicles	269,308	23,780	-	293,088
Infrastructure	6,321,452	368,368	-	6,689,820
Total Depreciable Capital Assets	<u>19,244,811</u>	<u>428,495</u>	<u>-</u>	<u>19,673,306</u>
Less accumulated depreciation:	<u>(15,261,732)</u>	<u>(902,073)</u>	<u>-</u>	<u>(16,163,805)</u>
Total Depreciable capital assets, net	<u>3,983,079</u>	<u>(473,578)</u>	<u>-</u>	<u>3,509,501</u>
Total Capital Assets, net	<u>\$ 4,271,229</u>	<u>\$ (140,765)</u>	<u>\$ (368,368)</u>	<u>\$ 3,762,096</u>

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

Water	\$ 414,403
Sewer	486,954
Swimming Pool	716
Total	<u>\$ 902,073</u>

NOTE 8 – OPERATING LEASE

The City leases their municipal office space at 331 South Church Street under an operating lease agreement. Total costs for this operating lease were \$22,440 (\$1,870 per month) for the fiscal year.

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

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

NOTE 9 - LONG-TERM OBLIGATIONS

The City's long-term debt activity for year ended December 31, 2010, including amounts outstanding, interest rates, and purpose for which the debt was issued, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due in One Year
Governmental Activities					
General Obligation Bonds/Notes					
2005 Medical Equipment 4.90% maturing 2012	\$ 64,783	\$ -	\$ (20,590)	\$ 44,193	\$ 21,599
2006 Fire Truck 5.25% maturing 2011	328,801	-	(21,311)	307,490	307,490
Roadway Repair Equipment 5.20% maturing 2011	23,374	-	(11,391)	11,983	11,983
2009 Facilities and Equipment Bonds 4.50%-6.75% maturing 2022	525,000	-	(15,000)	510,000	30,000
Facilities and Equipment Bonds Premium	12,070	-	(2,085)	9,985	-
Twin Creeks Special Assessment 4.50% maturing 2026	910,000	-	(35,000)	875,000	35,000
Twin Creeks Bonds Premium	45,940	-	(4,278)	41,662	-
2010 General Obligation Bonds 3.5-5.125% maturing 2035	-	725,000	(35,000)	690,000	15,000
Compensated Absences	43,851	35,478	(31,104)	48,225	21,838
Total Governmental Activities	\$ 1,953,819	\$ 760,478	\$ (175,759)	\$ 2,538,538	\$ 442,910

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

In 2005, the City received loan proceeds totaling \$137,428 for Medical Equipment purchases. The loan has an interest rate of 4.90% and will be repaid in full in 2012. The loan will be paid from the City's Emergency Ambulance Fund.

In 2006, the City received loan proceeds totaling \$395,000 for the purchase of a Fire Truck. The loan has an interest rate of 5.25% and will be repaid in full in 2011. The loan will be paid from the City's Emergency Fire Fund.

In 2006, the City received loan proceeds totaling \$54,276 Roadway Repair Equipment purchases. The loan has an interest rate of 5.20% and will be repaid in full in 2011. The loan will be paid from the City's Street Construction Fund.

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

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

NOTE 9 - LONG-TERM OBLIGATIONS (CONTINUED)

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

On June 24, 2010, the City issued general obligation bonds totaling \$725,000 to pay off bond anticipation notes issued for facilities and equipment. The bonds serial bonds have interest rates ranging from 3.5% - 5.125% and mature on December 1, 2035. The general obligation bonds will be paid from the City's Bond Retirement Fund.

	Beginning Balance	Additions	Deletions	Ending Balance	Due in One Year
Business-type Activities					
Water Fund Loans:					
1994 OPWC Water Main 0% maturing 2014	\$ 62,640	\$ -	\$ (15,661)	\$ 46,979	\$ 15,661
1997 OWDA Water Main 4.12% maturing 2016	2,006	148	-	2,154	-
2004 OPWC YMCA 0% maturing 2025	107,304	-	(7,153)	100,151	7,153
2005 OWDA WTP Improve. 2.85% maturing 2026	2,843,879	-	(137,169)	2,706,710	141,106
Total Water Fund Loans	<u>3,015,829</u>	<u>148</u>	<u>(159,983)</u>	<u>2,855,994</u>	<u>163,920</u>
Sewer Fund Loans:					
1997 OWDA Honey Creek 4.56% maturing 2016	854,779	-	(126,900)	727,879	132,753
1995 OWDA Sewer Line 7.38% maturing 2016	88,188	-	(12,211)	75,977	13,112
1996 OPWC Filter Building 0% maturing 2014	78,000	-	(13,000)	65,000	13,000
2004 OPWC YMCA 0% maturing 2025	99,048	-	(6,603)	92,445	6,603
Total Sewer Fund Loans	<u>1,120,015</u>	<u>-</u>	<u>(158,714)</u>	<u>961,301</u>	<u>165,468</u>
Compensated Absences	54,973	34,488	(48,361)	41,100	10,699
Total Business-type Activities	<u>\$ 4,190,817</u>	<u>\$ 34,636</u>	<u>\$ (367,058)</u>	<u>\$ 3,858,395</u>	<u>\$ 340,087</u>

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

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

NOTE 9 - LONG-TERM OBLIGATIONS (CONTINUED)

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

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

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

Annual debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
Governmental Activities:		
2011	\$ 421,072	\$ 123,935
2012	112,594	110,763
2013	90,000	105,757
2014	95,000	101,857
2015	105,000	97,782
2016-2020	580,000	399,376
2021-2025	580,000	215,320
2026-2030	245,000	84,212
2031-2035	210,000	33,056
	<u>2,438,666</u>	<u>\$ 1,272,058</u>
Unamortized Bond Premium	51,647	
	<u>\$ 2,490,313</u>	
Business-Type Activities:		
2011	\$ 329,388	\$ 113,445
2012	340,528	102,305
2013	352,136	97,098
2014	348,580	78,593
2015	202,206	60,518
2016-2020	1,090,707	230,920
2021-2025	1,046,652	81,231
2026	107,098	1,526
	<u>\$ 3,817,295</u>	<u>\$ 765,636</u>

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

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

NOTE 10 – SHORT-TERM OBLIGATIONS

The City’s short-term debt activity for the year ended December 31, 2010, including amounts outstanding, interest rates, and purpose for which the debt was issued, is as follows:

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Bond Anticipation Notes				
Street Improvement, 2.60%	\$ 393,300	\$ -	\$ (393,300)	\$ -
Government Center, 2.24%	296,700	-	(296,700)	-
Total Bond Anticipation Notes	\$ 690,000	\$ -	\$ (690,000)	\$ -

The City issued bond anticipation notes to provide funds for the acquisition and construction of capital facilities and infrastructure. By Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. Limitations also exist on the number of times notes may be renewed. The bond anticipation notes were paid off in 2010 and converted to general obligation bonds.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

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

1. The Traditional Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
2. The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings 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) 222-5601 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2010, 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 2010 member contribution rate for City employees was 10.00% of covered payroll. The 2010 employer contribution rate for the City was 14.00% of covered payroll. The City’s required contributions to OPERS for the years ended December 31, 2010, 2009, and 2008 were \$132,559, \$147,176, and \$141,435 respectively. The full amount has been contributed for 2010, 2009 and 2008.

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

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

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS

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

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. 45.

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

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

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OPERS for post-employment benefits for the years ending December 31, 2010, 2009, and 2008 were \$48,238, \$61,766, and \$70,717, respectively. The full amount has been contributed for 2010, 2009 and 2008.

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

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

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

NOTE 13 - EMPLOYEE BENEFITS

A. Deferred Compensation Plan

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

B. Compensated Absences

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

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

NOTE 14 - RISK MANAGEMENT

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

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

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

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

NOTE 14 - RISK MANAGEMENT (CONTINUED)

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

Coverage	Limit
Legal Liability	\$ 2,000,000
Automobile Liability	2,000,000
Wrongful Acts	2,000,000
Stop Gap	2,000,000
Public Officials Liability	1,000,000
Public Health Department	2,000,000
Real & Personal Property	21,558,534

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

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

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

NOTE 15 – CONTINGENT LIABILITIES

A. Litigation

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

B. Twin Creeks Subdivision

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

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

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

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

NOTE 15 – CONTINGENT LIABILITIES (CONTINUED)

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

As of December 31, 2010, the special assessment receivable related to the Twin Creeks Subdivision amounted to \$1,452,293, of which \$384,751 was delinquent. The City continues to work with the Clark County Auditor and Treasurer, exploring viable remedies to the situation. At this point, the outcome or potential loss related to this situation cannot be determined.

C. Federal and State Grants

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

NOTE 16 – INTERFUND TRANSFERS

Fund	Transfer In	Transfer Out
General Fund	\$ -	\$ 200,483
Street Construction Fund	25,000	-
Twin Creeks Infrastructure Fund	60,000	
Other Governmental Funds:		
Bond Retirement Fund	50,000	-
Community Center Fund	5,883	-
Bikeway Project Fund	9,600	-
SR 235 Widening Project	10,000	-
Cemetery Fund	15,000	-
Swimming Pool Fund	25,000	-
	<u>\$ 200,483</u>	<u>\$ 200,483</u>

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



Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

City of New Carlisle
Clark County
331 South Church Street
P.O. Box 419
New Carlisle, Ohio 45344

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Carlisle, Clark County, Ohio (the City) as of and for the year ended December 31, 2010 which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 22, 2011, wherein we noted that the sufficient competent evidential matter supporting the City's capital asset balances reported in the basic financial statements could not be obtained and we were unable to obtain assurance related to the recorded amount of accumulated depreciation and depreciation expense. Except as discussed, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

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City of New Carlisle
Clark County
Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*
Page 2

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2010-01.

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated June 22, 2011.

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

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

Wilson, Shannon & Snow, Inc.

Newark, Ohio
June 22, 2011

**CITY OF NEW CARLISLE
CLARK COUNTY**

SCHEDULE OF FINDINGS AND RESPONSES

DECEMBER 31, 2010

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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1. Capital Assets – Noncompliance/Material Weakness

Ohio Administrative Code Section 117-2-02 (D)(4)(c) states “Capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data. Capital assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items”.

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

Also required by the policy and procedure manual is that, once purchased, all capital assets must be assigned a unique capital asset number that identifies the asset as property of the City, and accurate records of asset cost and accumulated depreciation must be maintained. Through our review of the City’s procedures relating to the acquisition, transfer, and disposal of capital assets, we noted the following deviations from the City’s policy and procedure manual:

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

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

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

CITY OF NEW CARLISLE
CLARK COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

DECEMBER 31, 2010

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

1. Capital Assets – Noncompliance/Material Weakness

Official's Response: City of New Carlisle management agrees with the finding concerning lack of capital asset documentation. The City's capital assets and infrastructure requires a complete inventory, including capital asset tagging and computation of depreciation. During 2011, management plans to review the City's policy and procedures concerning capital assets for needed changes and improvements, including capital asset valuation, depreciation, and threshold.

The City will also investigate the possibility of contracting with a company to perform a complete inventory of the City's capital assets and infrastructure, to include proper tagging of assets and computation of depreciation. During 2012, providing adequate funding is available, the City will pursue the purchase of capital asset inventory monitoring application.

**CITY OF NEW CARLISLE
CLARK COUNTY**

SCHEDULE OF PRIOR YEAR FINDINGS

DECEMBER 31, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid; Explain:
2009-001	Capital Assets	No	Repeated as Finding 2010-01.
2009-02	Ohio Revised Code 5705.36(A)(4) requires amendments to estimated resources	Yes	NA.
2009-03	Cemetery Receipts	No	Partially Corrected, re-issued in the management letter.
2009-04	Financial Reporting	Yes	NA.
2009-05	Income Tax Procedures	No	Partially Corrected, re-issued in the management letter.

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Dave Yost • Auditor of State

CITY OF NEW CARLISLE

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 9, 2011