



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE _____ November 22, 2004

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Carlisle, Iowa.

The City has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$6,538,755 for the year ended June 30, 2004. The receipts included \$1,037,649 in property tax, \$18,597 from tax increment financing collections, \$2,763,585 from charges for service, \$518,161 from operating grants, contributions and restricted interest, \$286,724 from capital grants, contributions and restricted interest, \$53,993 from unrestricted interest on investments, \$1,821,486 from bond and note proceeds and \$38,560 from other general receipts.

Disbursements for the year totaled \$6,714,608, and included \$1,363,375 for capital projects, \$636,515 for public safety and \$592,915 for debt service. Also, disbursements for business type activities totaled \$3,301,135.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

###

CITY OF CARLISLE

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2004

Table of Contents

			<u>Page</u>
Officials			3
Independent Auditor’s Report			5-6
Management’s Discussion and Analysis			7-12
Basic Financial Statements:	<u>Exhibit</u>		
Government-wide Financial Statement:			
Statement of Activities and Net Assets – Cash Basis	A		14-15
Governmental Fund Financial Statements:			
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B		16-17
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	C		19
Proprietary Fund Financial Statements:			
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D		20
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	E		21
Notes to Financial Statements			22-28
Required Supplementary Information:			
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds			30-31
Notes to Required Supplementary Information – Budgetary Reporting			32
Other Supplementary Information:	<u>Schedule</u>		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1		34-35
Schedule of Indebtedness	2		36-37
Bond and Note Maturities	3		38-39
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4		40
Schedule of Expenditures of Federal Awards	5		41
Independent Auditor’s Report on Compliance and on Internal Control over Financial Reporting			43-44
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance			47-48
Schedule of Findings and Questioned Costs			49-55
Staff			56

City of Carlisle

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
Ruth Randleman (appointed)	Mayor	Nov 2003
Allen Wiese (appointed)	Mayor Pro tem	Nov 2005
Drew Merrifield (appointed)	Council Member	Nov 2003
Michael W. Kephart	Council Member	Jan 2004
Frank Shultz	Council Member	Jan 2004
Patricia Stump	Council Member	Jan 2006
(After January 2004)		
Ruth Randleman	Mayor	Jan 2006
Allen Wiese	Mayor Pro tem	Jan 2006
Patricia Stump	Council Member	Jan 2006
Blair Dewey	Council Member	Jan 2008
Drew Merrifield	Council Member	Jan 2008
Frank Shultz	Council Member	Jan 2008
Neil Ruddy	Administrator/Clerk	Indefinite
Patricia M. Brehse	Deputy Clerk	Indefinite
Robert L. Stuyvesant	Attorney	Indefinite

City of Carlisle



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carlisle, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Carlisle's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

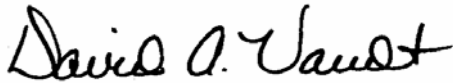
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carlisle as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 13, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our reports dated July 27, 2004 on our consideration of the City of Carlisle's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Carlisle's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

July 27, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Carlisle provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 18%, or approximately \$330,500, from fiscal 2003 to fiscal 2004. Property tax increased approximately \$29,000 due to increased property valuations.
- The City's governmental funds' disbursements increased 67%, or approximately \$1,375,000, in fiscal 2004 from fiscal 2003. Debt service, public safety and capital projects disbursements increased \$289,362, \$106,683 and \$966,399, respectively.
- The City's governmental funds' cash balance at June 30, 2004 decreased 41%, or approximately \$412,000, from June 30, 2003 to June 30, 2004, mainly due to the completion of the North First Street Bridge project.
- The City issued \$1,015,000 of revenue capital loan refunding notes, \$540,000 of general obligation capital loan notes and \$280,000 of revenue bonds.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system and the electric system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Gifts and Bequests, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and electric funds, considered to be major funds of the City. The Internal Service Fund is an accounting device used to accumulate and allocate costs internally among the City's various functions.

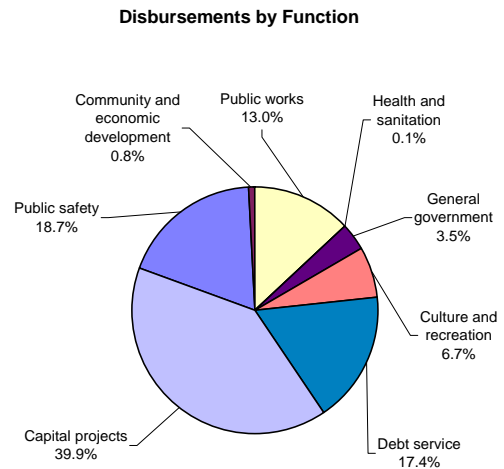
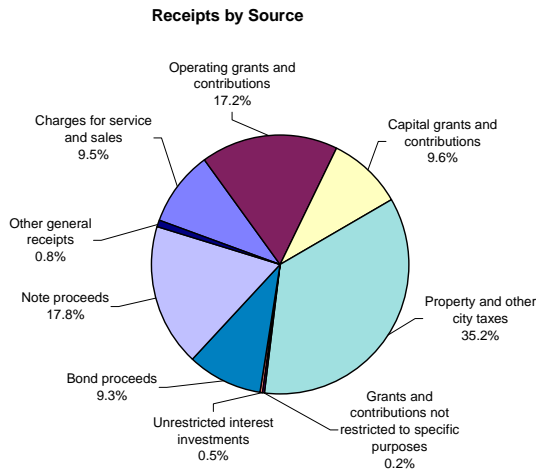
The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$1.014 million to \$.604 million. Our analysis below focuses on the change in cash balance for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)	
	Year ended June 30, 2004
Receipts:	
Program receipts:	
Charges for service	\$ 284
Operating grants, contributions and restricted interest	516
Capital grants, contributions and restricted interest	287
General receipts:	
Property and other city taxes	1,056
Grants and contributions not restricted to specific purposes	6
Unrestricted interest on investments	15
Bond proceeds	278
Note proceeds	536
Other general receipts	25
Total receipts	<u>3,003</u>
Disbursements:	
Public safety	637
Public works	443
Health and social services	2
Culture and recreation	229
Community and economic development	26
General government	120
Debt service	593
Capital projects	1,363
Total disbursements	<u>3,413</u>
Decrease in cash basis net assets	(410)
Cash basis net assets beginning of year, as restated	<u>1,014</u>
Cash basis net assets end of year	<u>\$ 604</u>



Total governmental activities receipts for the fiscal year were \$3.003 million. The cash balance decreased by about \$410,000 from the prior year as a result of the City not receiving reimbursements of over \$700,000 for the North First Street Bridge project until fiscal year 2005.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)	
	Year ended June 30, 2004
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 508
Sewer	401
Electric	1,570
Operating grants and contributions	
Water	1
Sewer	2
General receipts:	
Unrestricted interest on investments	39
Note proceeds	1,008
Other general receipts	7
Total receipts	3,536
Disbursements:	
Water	305
Sewer	1,314
Electric	1,682
Total disbursements	3,301
Increase in cash basis net assets	235
Cash basis net assets beginning of year, as restated	1,962
Cash basis net assets end of year	\$ 2,197

Total business type activities receipts for the fiscal year were \$3.536 million. The cash balance increased by approximately \$235,000 from the prior year due to the net effect of the receipt and disbursement of \$1,015,000 of sewer revenue capital loan notes and \$280,000 of water revenue notes and due to charges for service that generated an excess of receipts over disbursements.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

During the current budget year, the City issued \$540,000 in general obligation capital loan notes to finance the following:

- An ambulance to replace a 1991 model for \$85,000 and a squad car to replace a 1997 model for \$25,000.
- A dangerous and dilapidated properties program to purchase underutilized or vacant properties and prepare them for resale so the additional tax base can be developed. The vacant property at 510 Highway 5 has been purchased for \$30,000 and is currently being prepared for development.
- Refinancing a short-term note to purchase the aquatic center site at 1220 South 5th Street.

The City also contracted for the reconstruction of the North First Street Bridge over the North River. The old 18 foot wide vehicle-only bridge was replaced with a new bridge consisting of a 10 foot bicycle/pedestrian lane and a 24 foot vehicle lane. The project is funded by a Federal Surface Transportation grant, a State Highway Bridge Replacement and Rehabilitation grant and local funds. The bridge account ended the year in a negative amount. The remaining grant money will be received in the 2005 budget year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The City issued a \$280,000 water revenue bond to finance the construction of a water main on Third Street, Market Street and Highway 5.
- The City issued a \$1,015,000 sewer revenue capital loan refunding note to refund the \$693,000 and \$296,000 outstanding 1993 State Revolving Sewer Loans.
- The electric substation feeder exit cables were replaced for \$80,250 in contracted labor plus the cost of materials.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 24, 2004 and resulted in an increase of \$1,855,000 in other financing sources and disbursements. The increase was due to the \$540,000 general obligation bond for the purchase of a police squad car, an ambulance, acquisition of distressed property and redemption of a loan for property at South 5th Street. The increase was also due to capital campaign contributions of \$300,000 and approved expenditures of the same amount by the Council for the Carlisle Family Aquatics Center and receipt of \$1,015,000 sewer revenue loan notes to redeem outstanding notes at a lower interest rate.

COMMITMENTS

At June 30, 2004, the City had \$3,680,000 in bonds and other long-term debt as shown below.

Outstanding Debt at Year-End	
General obligation bonds	\$1,285,000
General obligation capital loan notes	905,000
Revenue capital loan notes	940,000
Revenue bonds	550,000
Total	<u>\$3,680,000</u>

Debt increased as a result of issuing general obligation capital loan notes of \$540,000, \$280,000 of water revenue bonds and \$1,015,000 of sewer revenue capital loan refunding notes to redeem the outstanding 1993 sewer capital loan notes. The City will save approximately \$44,829 of interest over the remaining life of the notes after accounting for costs of issuance. The City's debt service payments will be reduced by approximately \$4,269 per year over ten and a half years.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,190,000 is significantly below its constitutional debt limit of \$4 million.

More detailed information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2005 fiscal year budget. One of those factors is the economy. The City's total assessed valuations have increased slightly. However, funding from the State has decreased due to the State's budget constraints.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Neil Ruddy, City Clerk, or Pat Brehse, Deputy City Clerk, 195 N 1st Street Carlisle, Iowa.

Basic Financial Statements

City of Carlisle

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2004

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 636,515	86,429	32,597	-
Public works	442,648	158,432	291,256	254,130
Health and social services	2,452	-	-	-
Culture and recreation	229,300	16,217	165,652	-
Community and economic development	26,387	210	22,457	-
General government	119,881	13,676	-	-
Debt service	592,915	-	3,704	32,594
Capital projects	1,363,375	9,515	-	-
Total governmental activities	3,413,473	284,479	515,666	286,724
Business type activities:				
Water	305,159	508,233	832	-
Sewer	1,314,354	400,606	-	-
Electric	1,681,622	1,570,267	1,663	-
Total business type activities	3,301,135	2,479,106	2,495	-
Total	\$ 6,714,608	2,763,585	518,161	286,724

General Receipts:

- Property and other city taxes levied for:
 - General purposes
 - Tax increment financing
 - Debt service
- Grants and contributions not restricted to specific purpose
- Unrestricted interest on investments
- Bond proceeds (net of \$2,800 discount and accrued interest of \$565)
- Note proceeds (net of \$12,473 discount and accrued interest of \$1,194)
- Miscellaneous

Total general receipts

Change in cash basis net assets

Cash basis net assets beginning of year, as restated

Cash basis net assets end of year

Cash Basis Net Assets

- Restricted:
 - Streets
 - Urban renewal
 - Debt service
 - Other purposes
- Unrestricted

Total cash basis net assets

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(517,489)	-	(517,489)
261,170	-	261,170
(2,452)	-	(2,452)
(47,431)	-	(47,431)
(3,720)	-	(3,720)
(106,205)	-	(106,205)
(556,617)	-	(556,617)
(1,353,860)	-	(1,353,860)
(2,326,604)	-	(2,326,604)
-	203,906	203,906
-	(913,748)	(913,748)
-	(109,692)	(109,692)
-	(819,534)	(819,534)
(2,326,604)	(819,534)	(3,146,138)
776,173	-	776,173
18,597	-	18,597
261,476	-	261,476
6,107	-	6,107
14,902	39,093	53,995
277,765	-	277,765
536,180	1,007,541	1,543,721
25,119	7,334	32,453
1,916,319	1,053,968	2,970,287
(410,285)	234,434	(175,851)
1,014,403	1,962,472	2,976,875
\$ 604,118	2,196,906	2,801,024
\$ 261,819	-	261,819
1,474	-	1,474
120,188	629,027	749,215
254,821	-	254,821
(34,184)	1,567,879	1,533,695
\$ 604,118	2,196,906	2,801,024

City of Carlisle

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2004

	Special Revenue		
	General	Road Use Tax	Gifts and Bequests
Receipts:			
Property tax	\$ 698,709	-	-
Tax increment financing collections	-	-	-
Other city tax	10,651	-	-
Licenses and permits	49,296	-	-
Use of money and property	14,927	-	3,537
Intergovernmental	72,395	291,256	-
Charges for service	222,396	-	-
Special assessments	-	-	-
Miscellaneous	20,371	387	130,930
Total receipts	1,088,745	291,643	134,467
Disbursements:			
Operating:			
Public safety	629,158	-	-
Public works	162,174	280,667	-
Health and social services	2,452	-	-
Culture and recreation	221,755	-	-
Community and economic development	8,227	-	-
General government	119,916	-	-
Debt service	-	-	282,006
Capital projects	-	-	-
Total disbursements	1,143,682	280,667	282,006
Excess (deficiency) of receipts over (under) disbursements	(54,937)	10,976	(147,539)
Other financing sources (uses):			
Bond proceeds (net of \$2,800 discount and accrued interest of \$565)	-	-	-
Note proceeds (net of \$4,860 discount and accrued interest of \$1,040)	110,000	-	280,000
Operating transfers in	66,813	-	-
Operating transfers out	-	-	(27,703)
Total other financing sources (uses)	176,813	-	252,297
Net change in cash balances	121,876	10,976	104,758
Cash balances beginning of year	455,925	250,843	97,833
Cash balances end of year	\$ 577,801	261,819	202,591
Cash Basis Fund Balances			
Reserved:			
Debt service	\$ -	-	-
Unreserved:			
General fund	577,801	-	-
Special revenue funds	-	261,819	202,591
Capital projects fund	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	\$ 577,801	261,819	202,591

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
256,997	-	65,805	1,021,511
-	-	18,597	18,597
4,479	-	1,008	16,138
-	-	-	49,296
3,704	1,748	83	23,999
-	254,130	-	617,781
-	-	-	222,396
30,845	9,515	-	40,360
-	4,900	21,958	178,546
<u>296,025</u>	<u>270,293</u>	<u>107,451</u>	<u>2,188,624</u>
-	-	8,067	637,225
-	-	-	442,841
-	-	-	2,452
-	-	7,611	229,366
-	-	18,160	26,387
-	-	-	119,916
310,909	-	-	592,915
-	1,363,375	-	1,363,375
<u>310,909</u>	<u>1,363,375</u>	<u>33,838</u>	<u>3,414,477</u>
(14,884)	(1,093,082)	73,613	(1,225,853)
-	277,765	-	277,765
16,180	130,000	-	536,180
-	27,703	-	94,516
-	-	(66,813)	(94,516)
<u>16,180</u>	<u>435,468</u>	<u>(66,813)</u>	<u>813,945</u>
1,296	(657,614)	6,800	(411,908)
<u>118,892</u>	<u>29,231</u>	<u>46,904</u>	<u>999,628</u>
<u>120,188</u>	<u>(628,383)</u>	<u>53,704</u>	<u>587,720</u>
120,188	-	-	120,188
-	-	-	577,801
-	-	25,058	489,468
-	(628,383)	-	(628,383)
-	-	28,646	28,646
<u>120,188</u>	<u>(628,383)</u>	<u>53,704</u>	<u>587,720</u>

City of Carlisle

City of Carlisle

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Governmental Funds

As of and for the year ended June 30, 2004

Total governmental funds cash balances (page 17) \$ 587,720

***Amounts reported for governmental activities in the Statement of
Activities and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

16,398

Cash basis net assets of governmental activities (page 15) \$ 604,118

Net change in cash balances (page 17) \$ (411,908)

***Amounts reported for governmental activities in the Statement of
Activities and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

1,623

Change in cash balance of governmental activities (page 15) \$ (410,285)

See notes to financial statements.

Exhibit D

City of Carlisle

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2004

	Enterprise Funds				Internal Service Fund
	Water	Sewer	Electric	Total	Self Funded Insurance
Operating receipts:					
Charges for service	\$458,325	396,028	1,515,870	2,370,223	-
Miscellaneous	50,955	4,579	56,492	112,026	13,745
Total operating receipts	<u>509,280</u>	<u>400,607</u>	<u>1,572,362</u>	<u>2,482,249</u>	<u>13,745</u>
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	3,344
Public works	-	-	-	-	908
Culture and recreation	-	-	-	-	312
General government	-	-	-	-	167
Business type activities	298,906	208,956	1,602,640	2,110,502	6,606
Total operating disbursements	<u>298,906</u>	<u>208,956</u>	<u>1,602,640</u>	<u>2,110,502</u>	<u>11,337</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>210,374</u>	<u>191,651</u>	<u>(30,278)</u>	<u>371,747</u>	<u>2,408</u>
Non-operating receipts (disbursements):					
Interest on investments	11,905	18,813	7,727	38,445	617
Sale of capital assets	-	-	7,334	7,334	-
Note proceeds (net of \$7,613 discount and accrued interest of \$154)	-	1,007,541	-	1,007,541	-
Debt service	(6,562)	(1,105,707)	(79,768)	(1,192,037)	-
Total non-operating receipts (disbursements)	<u>5,343</u>	<u>(79,353)</u>	<u>(64,707)</u>	<u>(138,717)</u>	<u>617</u>
Net change in cash balances	215,717	112,298	(94,985)	233,030	3,025
Cash balances beginning of year	548,606	928,944	464,518	1,942,068	35,179
Cash balances end of year	<u>\$764,323</u>	<u>1,041,242</u>	<u>369,533</u>	<u>2,175,098</u>	<u>38,204</u>
Cash Basis Fund Balances					
Reserved for debt service	\$ 58,530	396,262	174,235	629,027	-
Unreserved	705,793	644,980	195,298	1,546,071	38,204
Total cash basis fund balances	<u>\$764,323</u>	<u>1,041,242</u>	<u>369,533</u>	<u>2,175,098</u>	<u>38,204</u>

See notes to financial statements.

City of Carlisle

Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Statement of Activities and Net Assets –
Proprietary Funds

As of and for the year ended June 30, 2004

Total enterprise funds cash balances (page 20)	\$ 2,175,098
<i>Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:</i>	
The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.	<u>21,806</u>
Cash basis net assets of business type activities (page 15)	<u>\$ 2,196,904</u>
Net change in cash balances (page 20)	\$ 233,030
<i>Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:</i>	
The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with business type activities.	<u>1,404</u>
Change in cash balance of business type activities (page 15)	<u>\$ 234,434</u>

See notes to financial statements.

City of Carlisle

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

The City of Carlisle is a political subdivision of the State of Iowa located in Warren County. It was first incorporated in 1870 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and electric utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Carlisle has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Carlisle (the primary government) and the Carlisle Volunteer Fire Department and Friends of the Carlisle Library (component units). These component units are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Blended Component Units

The Carlisle Volunteer Fire Department and Friends of the Carlisle Library are entities which are legally separate from the City but are so intertwined with the City that they are, in substance, the same as the City. They are reported as part of the City and blended into the nonmajor governmental funds.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Warren County Assessor's Conference Board, Warren County Emergency Management Commission and Warren County Joint E911 Service Board.

The City also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Des Moines Area Transportation Planning Commission and Central Iowa Area Safety and Support Organization.

B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City’s nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – 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. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Gifts and Bequests Fund is used to account for donations of monies and properties to be used for specified governmental purposes.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Electric Fund accounts for the operation and maintenance of the City's electric system.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City of Carlisle maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amount budgeted in the debt service function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, general obligation capital loan notes and revenue capital loan notes and bonds are as follows:

Year Ending June 30,	General Obligation Bonds		General Obligation Capital Loan Notes		Revenue Capital Loan Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 155,000	57,945	90,000	37,557	85,000	29,370
2006	150,000	51,242	105,000	33,882	85,000	27,925
2007	160,000	44,680	105,000	29,712	85,000	26,140
2008	160,000	37,540	110,000	25,272	90,000	24,015
2009	170,000	30,335	110,000	20,477	90,000	21,495
2010-2014	490,000	54,020	385,000	40,921	505,000	59,415
Total	\$ 1,285,000	275,762	905,000	187,821	940,000	188,360

Year Ending June 30,	Revenue Bonds		Total	
	Principal	Interest	Principal	Interest
2005	\$ 85,000	20,979	415,000	145,851
2006	85,000	17,742	425,000	130,791
2007	80,000	14,553	430,000	115,085
2008	80,000	11,553	440,000	98,380
2009	85,000	8,467	455,000	80,774
2010-2014	135,000	13,232	1,515,000	167,588
Total	\$550,000	86,526	3,680,000	738,469

On October 1, 2003, the City issued general obligation capital loan notes, Series 2003A of \$540,000 to purchase distressed property, an ambulance and a squad car and to redeem the outstanding capital obligation anticipation project note. Also, on October 1, 2003 the City issued water revenue bonds, series 2003B of \$280,000 to construct improvements and extensions to the municipal water utility. On November 1, 2003, the City issued sewer revenue capital loan refunding notes, Series 2003C of \$1,015,000 to refund the sewer revenue capital loan notes dated October 15, 1993.

The resolutions providing for the issuance of the sewer revenue capital loan notes and the electric and water revenue bonds include the following provisions:

- (1) The notes and bonds will only be redeemed from the future earnings of the enterprise activity and the note/bond holders hold a lien on the future earnings of the funds.

- (2) Sufficient monthly transfers shall be made to separate sewer, electric and water revenue sinking accounts for the purpose of making the note and bond principal and interest payments when due.
- (3) Additional monthly transfers shall be made to separate electric and water reserve accounts until a specific minimum balance has been accumulated. These accounts are restricted for the purpose of paying bond principal and interest payments when insufficient money is available in the sinking account.
- (4) Additional monthly transfers of \$200 to an electric improvement account shall be made until the required balance of \$60,000 has been accumulated. This account is restricted for the purpose of paying bond principal and interest payments when insufficient money is available in the sinking and reserve accounts and to pay the cost of extraordinary maintenance expenses or repairs, renewals and replacements not included in the annual budget and for capital improvements to the system.
- (5) Water user rates shall be established at a level which produces net revenues at a level not less than 125% of the amount of principal and interest due on the bonds during the same year.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$51,434, \$52,451 and \$53,328, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory hours for subsequent use or for payment upon termination, retirement or death. However, sick leave hours are lost upon resignation or termination. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payments payable to employees at June 30, 2004, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 55,000
Compensatory time	<u>70,000</u>
Total	<u>\$125,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2004.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Employee Benefits	\$ 66,813
Capital Projects	Special Revenue: Gifts and Bequest	<u>27,703</u>
Total		<u>\$ 94,516</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(7) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the function level. During the year ended June 30, 2004, disbursements in the debt service function exceeded the amount budgeted.

(8) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Employee Dental and Short-Term Disability Insurance Plan

The City's Internal Service, Self Funded Insurance Fund was established to account for the self funding of the City's dental and short-term disability insurance. The plan is funded by City contributions and is administered through a service agreement with Self Funded Services Company (SFSCO).

The plan provides dental and short-term disability coverage for eligible employees and, if elected, their spouses and dependents. The maximum annual coverage for dental coverage is \$1,500 per person except for orthodontia services which are limited to \$1,000 per lifetime. Benefits for short-term disability equal two thirds of the employee's average weekly earnings, up to a maximum benefit of \$400 per week for up to 26 weeks, at which time the City's long-term disability insurance coverage begins.

Monthly payments of service fees and plan contributions to the Internal Service, Self Funded Insurance Fund are recorded as disbursements from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to SFSCO. The City's contribution to the fund for the year ended June 30, 2004 was \$13,745.

(10) Deficit Balance

The Capital Projects Fund had a deficit balance of \$628,383 at June 30, 2004. The deficit balance is a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of grant proceeds.

(11) Development and Rebate Agreement

The City entered into a development and rebate agreement during the year ended June 30, 2001 to assist in an urban renewal project. The City agreed to rebate incremental taxes paid by the developer in exchange for infrastructure improvements with an estimated taxable value of \$495,300 constructed by the developer as set forth in the urban renewal plan. The incremental taxes to be received by the City under Chapter 403.10 of the Code of Iowa from the developer will be rebated for a period of five years beginning with the tax year in which the property taxes on the completed value of the improvements are first paid. The total amount that will be rebated over the five year period under the development and rebate agreement is as follows:

First year (value January, 2001 for taxes payable 2002-03):	100% of the taxes paid on the taxable value of the new improvements
Second year (value January, 2002 for taxes payable 2003-04):	90% of the taxes paid on the taxable value of the new improvements
Third year (value January, 2003 for taxes payable 2004-05):	80% of the taxes paid on the taxable value of the new improvements
Fourth year (value January, 2004 for taxes payable 2005-06):	70% of the taxes paid on the taxable value of the new improvements
Fifth year (value January, 2005 for taxes payable 2006-07):	60% of the taxes paid on the taxable value of the new improvements

During the year ended June 30, 2004, the City rebated \$9,637 of incremental taxes to the developer. No bonds or notes were issued for this construction project.

(12) Subsequent Events

In July 2004, the City entered into two contracts totaling \$1,300,700 for construction of the Carlisle Family Aquatic Center to be financed by general obligation bond proceeds and donations.

(13) Accounting Change and Restatements

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statement reports the City’s governmental and business type activities. Beginning net assets have been restated to include the allocation of the Internal Service Fund, as follows:

	Governmental Activities	Business Type Activities
Cash basis net assets June 30, 2003, as previously reported	\$ 999,628	1,942,068
Internal Service Fund	14,775	20,404
Cash basis net assets July 1, 2003, as restated	<u>\$ 1,014,403</u>	<u>1,962,472</u>

Required Supplementary Information

City of Carlisle
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,021,511	-	-
Tax increment financing collections	18,597	-	-
Other city tax	16,138	-	-
Licenses and permits	49,296	-	-
Use of money and property	23,999	39,062	(617)
Intergovernmental	617,781	-	-
Charges for service	222,396	2,383,968	(13,745)
Special assessments	40,360	-	-
Miscellaneous	178,546	112,026	-
Total receipts	<u>2,188,624</u>	<u>2,535,056</u>	<u>(14,362)</u>
Disbursements:			
Public safety	637,225	3,344	(3,344)
Public works	442,841	908	(908)
Health and social services	2,452	-	-
Culture and recreation	229,366	312	(312)
Community and economic development	26,387	-	-
General government	119,916	167	(167)
Debt service	592,915	-	-
Capital projects	1,363,375	-	-
Business type activities	-	3,309,145	(6,606)
Total disbursements	<u>3,414,477</u>	<u>3,313,876</u>	<u>(11,337)</u>
Excess (deficiency) of receipts over (under) disbursements	(1,225,853)	(778,820)	(3,025)
Other financing sources, net	813,945	1,014,875	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(411,908)	236,055	(3,025)
Balances beginning of year	999,628	1,977,247	(35,179)
Balances end of year	<u>\$ 587,720</u>	<u>2,213,302</u>	<u>(38,204)</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
1,021,511	1,012,061	1,012,061	9,450
18,597	20,000	20,000	(1,403)
16,138	15,111	15,111	1,027
49,296	36,300	36,300	12,996
62,444	81,400	81,400	(18,956)
617,781	1,439,454	1,439,454	(821,673)
2,592,619	2,792,776	2,792,776	(200,157)
40,360	28,150	28,150	12,210
290,572	55,000	55,000	235,572
4,709,318	5,480,252	5,480,252	(770,934)
637,225	610,169	720,169	82,944
442,841	446,691	446,691	3,850
2,452	2,500	2,500	48
229,366	247,808	547,808	318,442
26,387	31,578	31,578	5,191
119,916	141,684	141,684	21,768
592,915	297,618	297,618	(295,297)
1,363,375	1,108,000	1,538,000	174,625
3,302,539	3,264,408	4,279,408	976,869
6,717,016	6,150,456	8,005,456	1,288,440
(2,007,698)	(670,204)	(2,525,204)	517,506
1,828,820	774,200	2,629,200	(800,380)
(178,878)	103,996	103,996	(282,874)
2,941,696	2,496,064	2,496,064	445,632
2,762,818	2,600,060	2,600,060	162,758

City of Carlisle

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, Permanent Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,855,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amount budgeted in the debt service function.

Other Supplementary Information

City of Carlisle

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2004

	Special Revenue		
	Employee Benefits	Urban Renewal Tax Increment	Friends of the Library
Receipts:			
Property tax	\$ 65,805	-	-
Tax increment financing collections	-	18,597	-
Other city tax	1,008	-	-
Use of money and property	-	-	24
Miscellaneous	-	-	14,673
Total receipts	<u>66,813</u>	<u>18,597</u>	<u>14,697</u>
Disbursements:			
Operating:			
Public safety	-	-	-
Culture and recreation	-	-	7,611
Community and economic development	-	18,160	-
Total disbursements	<u>-</u>	<u>18,160</u>	<u>7,611</u>
Excess (deficiency) of receipts over (under) disbursements	66,813	437	7,086
Other financing uses:			
Operating transfers out	<u>(66,813)</u>	-	-
Net change in cash balances	-	437	7,086
Cash balances beginning of year	-	1,037	8,596
Cash balances end of year	<u>\$ -</u>	<u>1,474</u>	<u>15,682</u>
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	\$ -	1,474	15,682
Permanent fund	-	-	-
Total cash basis fund balances	<u>\$ -</u>	<u>1,474</u>	<u>15,682</u>

See accompanying independent auditor's report.

Carlisle Volunteer Fire Department	Permanent Cemetery Perpetual Care	Total
-	-	65,805
-	-	18,597
-	-	1,008
59	-	83
7,110	175	21,958
7,169	175	107,451
8,067	-	8,067
-	-	7,611
-	-	18,160
8,067	-	33,838
(898)	175	73,613
-	-	(66,813)
(898)	175	6,800
8,800	28,471	46,904
7,902	28,646	53,704
7,902	-	25,058
-	28,646	28,646
7,902	28,646	53,704

City of Carlisle
Schedule of Indebtedness
Year ended June 30, 2004

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Essential corporate purpose	Dec 1, 1998	4.15-4.70%	\$ 890,000
Essential corporate purpose	Oct 1, 1999	4.75-5.10	430,000
General and essential corporate purpose	Jul 1, 2001	4.00-4.80	535,000
Total			
General obligation capital loan notes:			
General and essential corporate purpose	Apr 1, 1995	5.25-5.90%	\$ 645,000
Anticipation project note	Aug 22, 2001	4.125	277,000
General obligation capital loan notes	Oct 1, 2003	1.65-4.00	540,000
Total			
Revenue capital loan notes:			
Sewer	Oct 15, 1993	4.864%	\$ 1,048,000
Sewer	Oct 15, 1993	4.370	535,000
Sewer refunding	Nov 1, 2003	1.50-4.00	1,015,000
Total			
Revenue bonds:			
Electric	Dec 1, 1998	4.20-4.45%	\$ 610,000
Water	Oct 1, 2003	2.75-4.00	280,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
745,000	-	60,000	685,000	32,510
280,000	-	45,000	235,000	13,825
410,000	-	45,000	365,000	18,038
<u>\$ 1,435,000</u>	<u>-</u>	<u>150,000</u>	<u>1,285,000</u>	<u>64,373</u>
425,000	-	60,000	365,000	23,695
277,000	-	277,000	-	5,006
-	540,000	-	540,000	11,342
<u>\$ 702,000</u>	<u>540,000</u>	<u>337,000</u>	<u>905,000</u>	<u>40,043</u>
693,000	-	693,000	-	16,854
296,000	-	296,000	-	6,468
-	1,015,000	75,000	940,000	17,789
<u>\$ 989,000</u>	<u>1,015,000</u>	<u>1,064,000</u>	<u>940,000</u>	<u>41,111</u>
335,000	-	65,000	270,000	14,468
-	280,000	-	280,000	6,162
<u>\$ 335,000</u>	<u>280,000</u>	<u>65,000</u>	<u>550,000</u>	<u>20,630</u>

City of Carlisle
Bond and Note Maturities
June 30, 2004

General Obligation Bonds								
Year Ending June 30,	Issued Dec 1, 1998		Issued Oct 1, 1999		Issued Jul 1, 2001		Total	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2005	4.15%	\$ 65,000	4.80%	\$ 45,000	4.10%	\$ 45,000	\$ 155,000	
2006	4.15	65,000	4.90	45,000	4.15	40,000	150,000	
2007	4.20	70,000	5.00	50,000	4.25	40,000	160,000	
2008	4.25	70,000	5.05	45,000	4.35	45,000	160,000	
2009	4.30	75,000	5.10	50,000	4.50	45,000	170,000	
2010	4.40	80,000	-	-	4.60	50,000	130,000	
2011	4.50	85,000	-	-	4.70	50,000	135,000	
2012	4.60	85,000	-	-	4.80	50,000	135,000	
2013	4.70	90,000	-	-	-	-	90,000	
2014	-	-	-	-	-	-	-	
Total		<u>\$ 685,000</u>		<u>\$ 235,000</u>		<u>\$ 365,000</u>	<u>\$ 1,285,000</u>	

Year Ending June 30,	Revenue		Revenue Bonds				Total
	Capital Loan Notes		Electric		Water		
	Issued Oct	Nov 1, 2003	Issued Dec 1, 1998		Issued Oct 1, 2003		
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Amount	
2005	1.70%	\$ 85,000	4.25%	\$ 60,000	2.75%	\$ 25,000	\$ 85,000
2006	2.10	85,000	4.30	55,000	2.75	30,000	85,000
2007	2.50	85,000	4.35	50,000	2.75	30,000	80,000
2008	2.80	90,000	4.40	50,000	2.95	30,000	80,000
2009	3.10	90,000	4.45	55,000	3.20	30,000	85,000
2010	3.30	95,000	-	-	3.45	30,000	30,000
2011	3.50	95,000	-	-	3.65	35,000	35,000
2012	3.75	100,000	-	-	3.85	35,000	35,000
2013	3.90	105,000	-	-	4.00	35,000	35,000
2014	4.00	110,000	-	-	-	-	-
Total		<u>\$ 940,000</u>		<u>\$270,000</u>		<u>\$280,000</u>	<u>\$550,000</u>

See accompanying independent auditor's report.

General Obligation Capital Loan Notes				
Issued Apr 1, 1995		Issued Oct 1, 2003		Total
Interest Rates	Amount	Interest Rates	Amount	
5.30%	\$ 60,000	1.65%	\$ 30,000	\$ 90,000
5.45	60,000	2.00	45,000	105,000
5.60	60,000	2.40	45,000	105,000
5.70	60,000	2.75	50,000	110,000
5.80	60,000	3.00	50,000	110,000
5.90	65,000	3.25	60,000	125,000
	-	3.45	60,000	60,000
	-	3.65	65,000	65,000
	-	3.80	65,000	65,000
	-	4.00	70,000	70,000
	<u>\$ 365,000</u>		<u>\$ 540,000</u>	<u>\$905,000</u>

Schedule 4

City of Carlisle

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Two Years

	2004	2003
Receipts:		
Property tax	\$ 1,021,511	992,648
Tax increment financing collections	18,597	19,001
Other city tax	16,138	13,389
Licenses and permits	49,296	51,173
Use of money and property	23,999	47,053
Intergovernmental	617,781	378,410
Charges for service	222,396	211,970
Special assessments	40,360	40,369
Miscellaneous	178,546	104,090
	<hr/>	<hr/>
Total	\$ 2,188,624	1,858,103
	<hr/>	<hr/>
Disbursements:		
Operating:		
Public safety	\$ 637,225	530,542
Public works	442,841	415,834
Health and social services	2,452	1,224
Culture and recreation	229,366	238,693
Community and economic development	26,387	22,667
General government	119,916	129,550
Debt service	592,915	303,553
Capital projects	1,363,375	396,976
	<hr/>	<hr/>
Total	\$ 3,414,477	2,039,039
	<hr/>	<hr/>

See accompanying independent auditor's report.

City of Carlisle
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2004

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
Public Safety Partnership and Community Policing Grants	16.710	2000UMWX0056	\$ 1,633
Indirect:			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BHM-1105(601)-8K-91	709,283
Iowa Department of Public Safety:			
Alcohol Traffic Safety and Drunk Driving			
Prevention Incentive Grants	20.601	PAP 04-410 Task 07	9,490
Total indirect			<u>718,773</u>
Total			<u>\$ 720,406</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Carlisle and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

City of Carlisle



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Carlisle, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated July 27, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Carlisle's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items IV-B-04, IV-G-04 and IV-J-04.

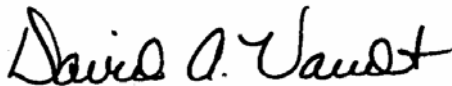
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Carlisle's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Carlisle's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

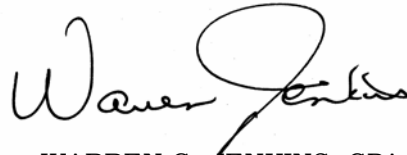
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described in the accompanying Schedule of Findings and Questioned Costs are material weaknesses. Prior year reportable conditions have not been resolved and are repeated as items II-A-04 and II-B-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Carlisle and other parties to whom the City of Carlisle may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Carlisle during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

July 27, 2004

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance**

City of Carlisle



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Carlisle, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2004. The City of Carlisle's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Carlisle's management. Our responsibility is to express an opinion on the City of Carlisle's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Carlisle's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Carlisle's compliance with those requirements.

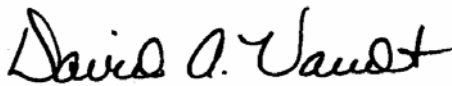
In our opinion, the City of Carlisle complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance


The management of the City of Carlisle is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Carlisle's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Carlisle and other parties to whom the City of Carlisle may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

July 27, 2004

City of Carlisle

Schedule of Findings

Year ended June 30, 2004

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements which were not considered to be material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Carlisle did not qualify as a low-risk auditee.

City of Carlisle
Schedule of Findings
Year ended June 30, 2004

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-04 Information Systems – The City does not have a written disaster recovery plan.

Recommendation – The City should develop a written disaster recovery plan to be kept off site.

Response – The Mayor, City Administrator and other departments are in the process of developing an Emergency Operations Plan for the City of Carlisle which will include a written disaster recovery plan for the City’s information system.

Conclusion – Response accepted.

II-B-04 Compensatory Time Policy – Although individual earnings records were maintained which tracked compensatory time earned and taken, the City does not have a written policy authorizing City employees to cash in compensatory time or to restrict the accumulation to a maximum amount.

Recommendation – The City should develop a written policy for compensatory time for City employees addressing the above items.

Response – The City has followed the Federal fair labor standards act guidelines which allow police employees to carry up to 480 hours of compensatory time on the books and non-police employees to carry up to 240 hours on the books. The City will develop a policy covering compensatory time that reflects its compliance with the Federal Fair Labor Standards Act.

Conclusion – Response accepted.

City of Carlisle

Schedule of Findings

Year ended June 30, 2004

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCE OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

No material weaknesses in internal control over the major program were noted.

City of Carlisle

Schedule of Findings

Year ended June 30, 2004

Part IV: Other Findings Related to Statutory Reporting:

IV-A-04 Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

IV-B-04 Certified Budget – Disbursements during the year ended June 30, 2004 exceeded the amount budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – In the future, we will amend the budget before disbursements are exceeded.

Conclusion – Response accepted.

IV-C-04 Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-D-04 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-E-04 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jim Shoning, Fire Department Administrative Assistant, owner of Carlisle Photo	Computer and Photography supplies	\$ 307
Drew Merrifield, Council Member, member of the Volunteer Fire Department	Fire report processing	1,402

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Council Member and Fire Department Administrative Assistant do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

IV-F-04 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

City of Carlisle

Schedule of Findings

Year ended June 30, 2004

- IV-G-04 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

Minutes of the September 8, 2003, November 10, 2003, December 22, 2003, January 31, 2004 and June 28, 2004 Council meetings were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should publish minutes as required.

Response – The City will strive to publish Council meeting minutes as required by the Code of Iowa in the future.

Conclusion – Response accepted.

- IV-H-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

- IV-I-04 Revenue Bonds and Notes – The City has not established a water revenue bond reserve account as required by the bond resolution.

Also, although the water revenue bond sinking account has been established, the City did not make sufficient monthly transfers to this account as required by the water revenue bond resolution.

Recommendation – The City should establish the required accounts and make the necessary transfers as required by the bond and note resolutions.

Response – The City has established the required account and has made the necessary transfers.

Conclusion – Response accepted.

- IV-J-04 Financial Condition – The Capital Projects Fund had a deficit balance at June 30, 2004 of \$628,383.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – Reimbursement grants have been approved for capital projects and the deficit will be eliminated by the receipt of these grants.

Conclusion – Response accepted.

City of Carlisle

Schedule of Findings

Year ended June 30, 2004

IV-K-04 Other Information Required by Bond Resolution

Insurance – The following insurance policies were in force at June 30, 2004:

Insurer	Description	Amount	Expiration Date
Employers Mutual Casualty Company	Public officials bond:		
	Clerk/Treasurer	\$ 95,000	Apr 1, 2005
	Assistant Clerk	10,000	
Employers Mutual Casualty Company	Vehicle coverage:		
	Combined single limit	1,000,000	Apr 1, 2005
	Auto medical	1,000	
	Uninsured and underinsured motorist:		
Each occurrence	50,000		
Employers Mutual Casualty Company	Linebacker coverage - Council Members:		
	Each loss	1,000,000	Apr 1, 2005
	Aggregate	1,000,000	
Employers Mutual Casualty Company	Employee dishonesty:		
	Per employee	25,000	Apr 1, 2005
	Forgery/alteration	10,000	
Employers Mutual Casualty Company	Special multi-peril property coverage:		
	Blanket building, personal property and property in the open	4,949,076	Apr 1, 2005
	Liability:		
	General - aggregate Products/completed	2,000,000	
	Operations - aggregate	2,000,000	
	Personal injury	1,000,000	
	Each occurrence	1,000,000	
	Fire damage (any one fire)	100,000	
	Medical expense (any one person)	5,000	

City of Carlisle
Schedule of Findings
Year ended June 30, 2004

Insurer	Description	Amount	Expiration Date
Employers Mutual Casualty Company	Umbrella policy	2,000,000	Apr 1, 2005
Employers Mutual Casualty Company	Inland marine:		
	Contractor's equipment	274,130	Apr 1, 2005
	Miscellaneous	325,081	
	Data processing	25,000	
Employers Mutual Casualty Company	Comprehensive crime:		
	Loss inside premises and messenger	2,500	Apr 1, 2005
	Loss outside premises	2,500	
Employers Mutual Casualty Company	Workers' compensation	500,000	Apr 1, 2005

Statistical Information:

Description	Amount
Sewer customers served at June 30, 2004	1,389

Sewer rates in effect at June 30, 2004:

A monthly basic service fee of \$10 plus \$2.75 per 1,000 gallons of all non-irrigation water and water service attributable to the contributor for the property served.

For those contributors who contribute wastewater, the strength of which is greater than normal domestic sewage, a surcharge in addition to the normal charge is collected as follows:

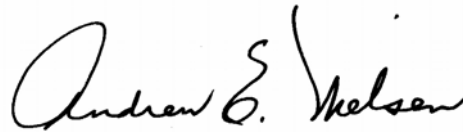
BOD	\$0.31 per pound
Suspended solids	\$0.29 per pound
Other pollutants	\$0.31 per pound

City of Carlisle

Staff

This audit was performed by:

Suzanne R. Hanft, CPA, Manager
Jennifer Campbell, CPA, Senior Auditor
Kristen E. Harang, CPA, Staff Auditor
Nicole B. Tenges, Staff Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State