



**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

January 29, 2010

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's receipts totaled \$6,237,511 for the year ended June 30, 2009, a 21 percent decrease from 2008. The receipts included \$1,340,273 in property tax, \$203 from tax increment financing, \$3,156,139 from charges for service, \$471,614 from operating grants, contributions and restricted interest, \$300,179 from capital grants, contributions and restricted interest, \$96,950 from unrestricted interest on investments, \$827,510 from the sale of general obligation capital loan refunding notes and \$44,643 from other general receipts.

Disbursements for the year totaled \$8,647,209, a 64 percent increase over the prior year, and included \$827,085 for public safety, \$513,118 for public works and \$451,566 for debt service. Also, disbursements for business type activities totaled \$5,102,614.

The significant decrease in receipts is due primarily to the City receiving proceeds from the issuance of sewer revenue capital loan notes in 2008. The significant increase in disbursements is due primarily to additional disbursements for sewer capital projects and general obligation bonds and notes refunded.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at

<http://auditor.iowa.gov/reports/index.html>.

###



**CITY OF CARLISLE**

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

**JUNE 30, 2009**

## 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
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	39
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		41-42
Schedule of Findings		43-46
Staff		47

**City of Carlisle**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ruth Randleman	Mayor	Jan 2010
Eric Mahnke	Mayor Pro tem	Jan 2010
Doug Hammerand	Council Member	Jan 2010
Drew Merrifield	Council Member	Jan 2012
Alma Reed	Council Member	Jan 2012
Robert Van Ryswyk	Council Member	Jan 2012
Neil Ruddy	Administrator/Clerk	Indefinite
Andra K. Black	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, 2009, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2009, 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.

In accordance with Government Auditing Standards, we have also issued our report dated November 25, 2009 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis 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 have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted 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 six years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 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

November 25, 2009

---

## **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, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased 53%, or approximately \$1,194,000, from fiscal year 2008 to fiscal year 2009, due primarily to the issuance of general obligation capital loan notes.
- The City's governmental activities disbursements increased 43%, or approximately \$1,070,000, from fiscal year 2008 to fiscal year 2009. Debt service function disbursements increased approximately \$825,000, primarily as a result of the City refunding three bond and note issues. Capital projects function disbursements increased approximately \$229,000, due primarily to a grant received for the watershed protection project.
- The City's governmental activities cash balance at June 30, 2009 decreased 8%, or approximately \$84,000, from June 30, 2008, due primarily to the payout of the trust funds and the purchases of a fire tanker truck, police vehicle and snow plow/dump truck.

### **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 that 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 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 and the City's indebtedness.

## **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, readers 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 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 water works, 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 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 statement for governmental funds is 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.

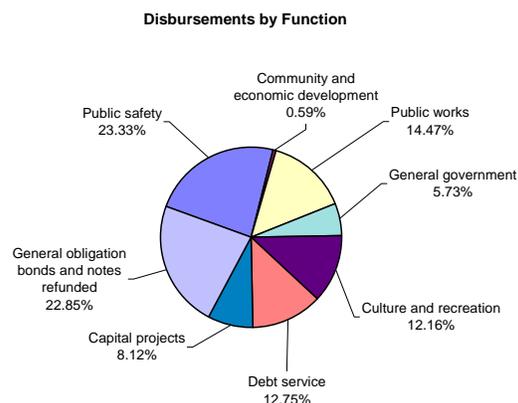
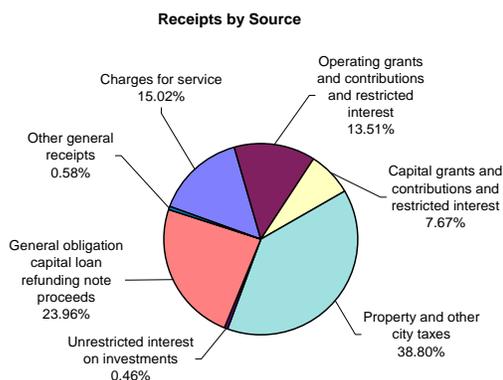
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

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 approximately \$84,000 to approximately \$1.019 million. The analysis below focuses on the change in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service	\$ 519	444
Operating grants, contributions and restricted interest	467	444
Capital grants, contributions and restricted interest	265	17
General receipts:		
Property and other city tax	1,341	1,274
Unrestricted interest on investments	16	33
General obligation capital loan refunding note proceeds	828	-
Sale of property	-	33
Other general receipts	20	17
Total receipts	<u>3,456</u>	<u>2,262</u>
Disbursements:		
Operating:		
Public safety	827	771
Public works	513	550
Health and social services	-	2
Culture and recreation	431	528
Community and economic development	21	11
General government	203	117
Debt service	452	437
Capital projects	288	59
General obligation bonds and notes refunded	810	-
Total disbursements	<u>3,545</u>	<u>2,475</u>
Change in cash basis net assets before transfers	(89)	(213)
Transfers, net	5	6
Change in cash basis net assets	(84)	(207)
Cash basis net assets beginning of year	1,103	1,310
Cash basis net assets end of year	<u>\$ 1,019</u>	<u>1,103</u>



Total governmental activities receipts for the fiscal year were approximately \$3.456 million. The cash balance decreased about \$84,000 from the prior year, primarily due to disbursements for the purchase of land for the County Line Road reconstruction project, the disbursements to create the City's comprehensive plan for future developments and the sports complex.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 490	523
Sewer	537	461
Electric	1,610	1,676
Operating grants and contributions:		
Sewer	4	-
Electric	-	2
Capital grants and contributions:		
Sewer	35	-
General receipts:		
Unrestricted interest on investments	81	80
Note proceeds net of discount	-	2,886
Miscellaneous	25	-
Total receipts	<u>2,782</u>	<u>5,628</u>
Disbursements:		
Water	763	566
Sewer	2,469	554
Electric	1,871	1,675
Total disbursements	<u>5,103</u>	<u>2,795</u>
Change in cash basis net assets before transfers	(2,321)	2,833
Transfers, net	(5)	(6)
Change in cash basis net assets	(2,326)	2,827
Cash basis net assets beginning of year	4,994	2,167
Cash basis net assets end of year	<u>\$ 2,668</u>	<u>4,994</u>

Total business type activities receipts for the fiscal year were approximately \$2.782 million. The cash balance decreased approximately \$2.326 million over the prior year due to the use of proceeds from sewer revenue capital loan notes received in the prior year and an increase in current year disbursements for the Avon sewer project.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Carlisle completed the year, its governmental funds reported a combined fund balance of \$982,156, a decrease of more than \$86,000 from last year's total of \$1,068,246. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$124,205 from the prior year, resulting in an ending cash balance of \$561,234. This decrease was primarily due to an increase in disbursements for the purchase of land for the County Line Road reconstruction project, the comprehensive plan and the sports complex. Reduced receipts from interest, the aquatic center concession stand, traffic fines and seized monies also contributed to the decrease.

- The Special Revenue, Road Use Tax Fund cash balance increased \$17,541 during the fiscal year to \$177,687 at June 30, 2009. This increase was primarily attributable to a decrease in disbursements. The City bought a vehicle and had disbursements for the resurfacing of Garfield Street in the prior year.
- The Debt Service Fund cash balance increased \$46,502 to \$144,525 at June 30, 2009. This is primarily due to an increase in property tax receipts.
- The Capital Projects Fund cash balance decreased \$22,784 to \$25,359 at June 30, 2009. The City received a large grant for the watershed protection project but also had an increase in disbursements over the prior year.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance decreased \$233,248 from the prior year to \$652,435. This decrease occurred primarily because of the increase in disbursements needed to repair water mains after the June 2008 floods and an increase in capital project disbursements.
- The Sewer Fund cash balance decreased \$1,830,776 from the prior year to \$1,970,449. The decrease in cash balance was primarily due to disbursements related to the Avon sewer project.
- The Electric Fund cash balance decreased \$262,387 to \$6,076 during the fiscal year. This decrease is primarily due to decreased receipts and an increase in disbursements when the City switched supply companies.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 27, 2009 and resulted in an increase of \$249,973 in receipts. The City also received proceeds from the issuance of \$830,000 in refunding notes. The budgeted disbursements also increased \$1,269,075, resulting in the use of an additional \$189,102 of the General Fund balance.

The City’s total receipts were \$1,525,296 under budgeted receipts, or 22% less than expected. The most significant variance was the result of the City not receiving funds from the Rural Development grant and a loan for the Avon Sewer Project and the City subsequently issuing \$758,000 of sewer revenue capital loan anticipation project notes during the prior fiscal year.

Total disbursements were \$3,621,814 less than budgeted, due primarily to the City’s budget for business-type activities. The City budgeted anticipated disbursements for the sewer project which did not progress as rapidly as expected.

**DEBT ADMINISTRATION**

At June 30, 2009, the City had \$5,183,000 in bonds and other long-term debt outstanding, compared to \$5,698,000 last year, as shown below:

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2009	2008
General obligation bonds	\$ 745	1,485
General obligation capital loan notes	895	495
Revenue capital loan notes	2,650	2,740
Revenue bonds	135	220
Revenue capital loan anticipation project notes	758	758
Total	<u>\$ 5,183</u>	<u>5,698</u>

Debt decreased as a result of current year principal payments.

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 \$1,703,600, including a tax increment financing rebate agreement of \$63,600, is significantly below its constitutional debt limit of approximately \$9 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 BUDGET AND RATES**

The City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 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. The Council worked hard to retain the same tax rate for 2010 with no increase to the taxpayers.

### **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 Kay Black, Deputy City Clerk, 195 N 1st Street, Carlisle, Iowa 50047.

## **Basic Financial Statements**

City of Carlisle

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2009

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 827,085	175,824	58,116	-
Public works	513,118	205,298	341,035	-
Health and social services	339	-	-	-
Culture and recreation	430,966	89,287	44,089	41,132
Community and economic development	20,727	13,075	1,894	-
General government	203,105	20,820	4,272	-
Debt service	451,566	15,143	17,454	-
Capital projects	287,689	-	-	223,773
Total governmental activities	2,734,595	519,447	466,860	264,905
Business type activities:				
Water	762,547	489,618	-	-
Sewer	2,468,954	536,693	4,538	35,274
Electric	1,871,113	1,610,381	216	-
Total business type activities	5,102,614	2,636,692	4,754	35,274
Total	\$ 7,837,209	3,156,139	471,614	300,179

**General Receipts:**

Property and other city tax levied for:  
 General purposes  
 Tax increment financing  
 Debt service  
 Unrestricted interest on investments  
 General obligation capital loan refunding note proceeds,  
 net of \$2,490 discount  
 General obligation bonds and notes refunded  
 Miscellaneous

Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:

Nonexpendable:  
 Permanent funds

Expendable:  
 Streets  
 Debt service  
 Capital projects  
 Urban renewal purposes  
 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
(593,145)	-	(593,145)
33,215	-	33,215
(339)	-	(339)
(256,458)	-	(256,458)
(5,758)	-	(5,758)
(178,013)	-	(178,013)
(418,969)	-	(418,969)
(63,916)	-	(63,916)
<u>(1,483,383)</u>	<u>-</u>	<u>(1,483,383)</u>
-	(272,929)	(272,929)
-	(1,892,449)	(1,892,449)
-	(260,516)	(260,516)
<u>-</u>	<u>(2,425,894)</u>	<u>(2,425,894)</u>
<u>(1,483,383)</u>	<u>(2,425,894)</u>	<u>(3,909,277)</u>
897,772	-	897,772
203	-	203
442,501	-	442,501
16,047	80,903	96,950
827,510	-	827,510
(810,000)	-	(810,000)
19,839	24,804	44,643
5,460	(5,460)	-
<u>1,399,332</u>	<u>100,247</u>	<u>1,499,579</u>
(84,051)	(2,325,647)	(2,409,698)
<u>1,103,008</u>	<u>4,994,098</u>	<u>6,097,106</u>
<u>\$ 1,018,957</u>	<u>2,668,451</u>	<u>3,687,408</u>
\$ 34,746	-	34,746
177,687	-	177,687
144,525	688,414	832,939
25,359	-	25,359
18,181	-	18,181
20,424	-	20,424
598,035	1,980,037	2,578,072
<u>\$ 1,018,957</u>	<u>2,668,451</u>	<u>3,687,408</u>

City of Carlisle

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

As of and for the year ended June 30, 2009

	General	Special Revenue Road Use Tax
<b>Receipts:</b>		
Property tax	\$ 829,954	-
Tax increment financing	-	-
Other city tax	9,474	-
Licenses and permits	86,248	-
Use of money and property	16,047	-
Intergovernmental	90,640	341,035
Charges for service	389,512	-
Special assessments	-	-
Miscellaneous	47,293	2,983
Total receipts	<u>1,469,168</u>	<u>344,018</u>
<b>Disbursements:</b>		
Operating:		
Public safety	817,331	-
Public works	186,793	326,477
Health and social services	338	-
Culture and recreation	423,423	-
Community and economic development	20,727	-
General government	203,105	-
Debt service	-	-
Capital projects	-	-
Total disbursements	<u>1,651,717</u>	<u>326,477</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(182,549)</u>	<u>17,541</u>
<b>Other financing sources (uses):</b>		
General obligation refunding note proceeds, net of \$2,490 discount	-	-
General obligation bonds refunded	-	-
Operating transfers in	58,344	-
Operating transfers out	-	-
Total other financing sources (uses)	<u>58,344</u>	<u>-</u>
Net change in cash balances	(124,205)	17,541
Cash balances beginning of year	<u>685,439</u>	<u>160,146</u>
Cash balances end of year	<u>\$ 561,234</u>	<u>177,687</u>
<b>Cash Basis Fund Balances</b>		
Reserved for debt service	\$ -	-
Unreserved:		
General fund	561,234	-
Special revenue funds	-	177,687
Capital projects fund	-	-
Permanent fund	-	-
Total cash basis fund balances	<u>\$ 561,234</u>	<u>177,687</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
437,452	-	58,344	1,325,750
-	-	203	203
5,049	-	-	14,523
-	-	-	86,248
17,454	2,773	112	36,386
-	221,000	-	652,675
-	-	-	389,512
15,143	-	-	15,143
-	41,132	14,233	105,641
<u>475,098</u>	<u>264,905</u>	<u>72,892</u>	<u>2,626,081</u>
-	-	10,102	827,433
-	-	-	513,270
-	-	-	338
-	-	7,590	431,013
-	-	-	20,727
-	-	-	203,105
451,566	-	-	451,566
-	287,689	-	287,689
<u>451,566</u>	<u>287,689</u>	<u>17,692</u>	<u>2,735,141</u>
<u>23,532</u>	<u>(22,784)</u>	<u>55,200</u>	<u>(109,060)</u>
827,510	-	-	827,510
(810,000)	-	-	(810,000)
5,460	-	-	63,804
-	-	(58,344)	(58,344)
<u>22,970</u>	<u>-</u>	<u>(58,344)</u>	<u>22,970</u>
46,502	(22,784)	(3,144)	(86,090)
98,023	48,143	76,495	1,068,246
<u>144,525</u>	<u>25,359</u>	<u>73,351</u>	<u>982,156</u>
144,525	-	-	144,525
-	-	-	561,234
-	-	38,605	216,292
-	25,359	-	25,359
-	-	34,746	34,746
<u>144,525</u>	<u>25,359</u>	<u>73,351</u>	<u>982,156</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, 2009

**Total governmental funds cash balances (page 17)** \$ 982,156

***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 insurance benefit plan to individual funds. A portion of the assets of the Internal Service Fund are included in governmental activities in the Statement of Activities and Net Assets.

36,801

**Cash basis net assets of governmental activities (page 15)** \$ 1,018,957

**Net change in cash balances (page 17)** \$ (86,090)

***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 insurance benefit plan to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with governmental activities.

2,039

**Change in cash basis net assets of governmental activities (page 15)** \$ (84,051)

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, 2009

	Enterprise				Internal Service
	Water	Sewer	Electric	Total	Self Funded Insurance
Operating receipts:					
Charges for service	\$ 489,618	536,693	1,610,381	2,636,692	-
Miscellaneous	-	-	216	216	12,174
Total operating receipts	<u>489,618</u>	<u>536,693</u>	<u>1,610,597</u>	<u>2,636,908</u>	<u>12,174</u>
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	2,881
Public works	-	-	-	-	1,258
Culture and recreation	-	-	-	-	391
Business type activities	504,681	213,886	1,813,649	2,532,216	6,334
Total operating disbursements	<u>504,681</u>	<u>213,886</u>	<u>1,813,649</u>	<u>2,532,216</u>	<u>10,864</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(15,063)</u>	<u>322,807</u>	<u>(203,052)</u>	<u>104,692</u>	<u>1,310</u>
Non-operating receipts (disbursements):					
Intergovernmental	-	39,812	-	39,812	-
Interest on investments	15,067	61,863	3,973	80,903	1,493
Miscellaneous	24,804	-	-	24,804	-
Debt service	(36,420)	(217,347)	(57,848)	(311,615)	-
Capital projects	(221,636)	(2,037,911)	-	(2,259,547)	-
Total non-operating receipts (disbursements)	<u>(218,185)</u>	<u>(2,153,583)</u>	<u>(53,875)</u>	<u>(2,425,643)</u>	<u>1,493</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(233,248)</u>	<u>(1,830,776)</u>	<u>(256,927)</u>	<u>(2,320,951)</u>	<u>2,803</u>
Operating transfers out	-	-	(5,460)	(5,460)	-
Net change in cash balances	<u>(233,248)</u>	<u>(1,830,776)</u>	<u>(262,387)</u>	<u>(2,326,411)</u>	<u>2,803</u>
Cash balances beginning of year	<u>885,683</u>	<u>3,801,225</u>	<u>268,463</u>	<u>4,955,371</u>	<u>73,489</u>
Cash balances end of year	<u>\$ 652,435</u>	<u>1,970,449</u>	<u>6,076</u>	<u>2,628,960</u>	<u>76,292</u>
<b>Cash Basis Fund Balances</b>					
Reserved for debt service	\$ 86,341	403,927	-	490,268	-
Unreserved	<u>566,094</u>	<u>1,566,522</u>	<u>6,076</u>	<u>2,138,692</u>	<u>76,292</u>
Total cash basis fund balances	<u>\$ 652,435</u>	<u>1,970,449</u>	<u>6,076</u>	<u>2,628,960</u>	<u>76,292</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, 2009

**Total enterprise funds cash balances (page 20)** \$ 2,628,960

***Amounts reported for business type 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 insurance benefit plan to individual funds. A portion of the assets of the Internal Service Fund are included in business type activities in the Statement of Activities and Net Assets.

39,491

**Cash basis net assets of business type activities (page 15)**

\$ 2,668,451

**Net change in cash balances (page 20)**

\$(2,326,411)

***Amounts reported for business type 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 insurance benefit plan to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with business type activities.

764

**Change in cash basis net assets of business type activities (page 15)**

\$(2,325,647)

See notes to financial statements.

City of Carlisle

Notes to Financial Statements

June 30, 2009

**(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, health and social services, 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 service.

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

Restricted nonexpendable net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Restricted expendable 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.

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

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 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.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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, 2009, disbursements exceeded the amount budgeted in the general government function.

**(2) Cash and Pooled Investments**

The City's deposits in banks and credit unions at June 30, 2009 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.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**(3) Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds, general obligation capital loan notes, revenue capital loan notes and revenue 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
2010	\$ 80,000	28,256	265,000	21,499	185,000	99,788
2011	85,000	25,698	205,000	14,408	190,000	94,268
2012	85,000	22,808	205,000	10,308	190,000	88,188
2013	90,000	19,748	155,000	5,695	195,000	81,603
2014	95,000	16,373	65,000	1,820	205,000	74,538
2015-2019	310,000	25,840	-	-	845,000	274,475
2020-2023	-	-	-	-	840,000	89,276
Total	\$ 745,000	138,723	895,000	53,730	2,650,000	802,136

Year Ending June 30,	Revenue Bonds		Total	
	Principal	Interest	Principal	Interest
2010	\$ 30,000	5,060	560,000	154,603
2011	35,000	4,025	515,000	138,399
2012	35,000	2,748	515,000	124,052
2013	35,000	1,400	475,000	108,446
2014	-	-	365,000	92,731
2015-2019	-	-	1,155,000	300,315
2020-2023	-	-	840,000	89,276
Total	\$ 135,000	13,233	4,425,000	1,007,822

## Revenue Bonds and Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$3,160,000 in sewer revenue capital loan notes issued November 1, 2003 and May 28, 2008. The notes were issued for the purpose of paying the costs of improvements and extensions of the sewer system. The notes are payable solely and only out of the net earnings of the Sewer Utility System and are payable through 2023. The total principal and interest remaining to be paid on the notes is \$3,452,136. For the current year, principal and interest paid and total customer net receipts were \$193,253 and \$322,807, respectively. Annual principal and interest payments on these sewer revenue notes are expected to require approximately 60 percent of net receipts.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$280,000 in water revenue bonds issued October 1, 2003. The bonds were issued for the purpose of paying the costs of improvements and extensions of the water system. The bonds are payable solely and only out of the net earnings of the Water Utility System and are payable through 2013. The total principal and interest remaining to be paid on the bonds is \$148,233. For the current year, principal and interest paid and total customer net receipts were \$36,020 and \$9,741, respectively. Annual principal and interest payments on these water revenue bonds are expected to require approximately 370% of net receipts. The City did not meet the bond resolution requirement that specifies water rates 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 year.

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

- (1) The bonds and notes will only be redeemed from the future earnings of the enterprise activity and the bond and note holders hold a lien on the future earnings of the funds.
- (2) Sufficient monthly transfers shall be made to separate water and sewer revenue sinking accounts within the Enterprise Funds for the purpose of making the bond and note principal and interest payments when due.
- (3) Additional monthly transfers shall be made to separate water and sewer reserve accounts until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying bond and note principal and interest payments when insufficient money is available in the sinking accounts.
- (4) Water and sewer 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 and notes during the same year.
- (5) For the 2008 sewer revenue capital loan notes, an amount equal to \$284,788 shall be deposited in the reserve account.

On May 28, 2008, the City issued \$758,000 of sewer revenue capital loan anticipation project notes, with an interest rate of 3.10% per annum. The notes were issued for the purpose of paying the costs of improvements and extensions of the City's Municipal Sanitary Sewer System, including construction of a sanitary sewer collection system for the Avon Lake area. The notes mature on December 1, 2009.

On April 28, 2009, the City issued \$830,000 general obligation capital loan refunding notes, Series 2009. The notes were issued as a current refunding to retire the outstanding balances of \$340,000 of the \$890,000 general obligation corporate purpose bonds, issued December 1, 1998, \$150,000 of the \$535,000 general obligation corporate purpose bonds, issued July 1, 2001, and \$320,000 of the \$540,000 general obligation capital loan notes, issued October 1, 2003.

The City obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$24,044.

**(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.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$69,690, \$64,144 and \$59,112, respectively, equal to the required contributions for each year.

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensatory hours for subsequent use or for payment upon termination, retirement or death. Unused 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, 2009, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 77,000
Compensatory time	<u>69,000</u>
Total	<u>\$ 146,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2009.

**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits	\$ 58,344
Debt Service	Enterprise:	
	Electric	<u>5,460</u>
Total		<u>\$ 63,804</u>

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

**(7) 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.

**(8) 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 plan. The plan is funded by City contributions and is administered through a service agreement with Select Benefit Administrators (SBA).

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 SBA. The City's contribution to the fund for the year ended June 30, 2009 was \$12,174.

**(9) Development Agreement**

The City entered into a development agreement on May 27, 2009 to assist an urban renewal project. The agreement requires the City to rebate portions of the incremental tax paid by the developer in exchange for minimum improvements to be constructed on the development property.

The total to be paid by the City under the agreement is not to exceed \$63,600. The City will start rebating incremental tax starting June 1, 2011. The outstanding balance of the agreement at June 30, 2009 was \$63,600.

The agreement is not a general obligation of the City. However, the agreement is subject to the constitutional debt limitation of the City.

**(10) Subsequent Events**

In August 2009, the City awarded a \$1,179,732 contract for the Carlisle, Iowa IA 5/ County Line Road reconstruction project to Sternquist Construction.

In September 2009, the City issued \$1,020,000 in general obligation capital loan notes, Series 2009 to finance a portion of the County Line Road reconstruction project.

In September 2009, the City Council approved an agreement with the Iowa Department of Transportation for a Transportation enhancement program project for South 1<sup>st</sup> Street improvements and resurfacing.

**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, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>			
Property tax	\$ 1,325,750	-	-
Tax increment financing	203	-	-
Other city tax	14,523	-	-
Licenses and permits	86,248	-	-
Use of money and property	36,386	82,396	(1,493)
Intergovernmental	652,675	39,812	-
Charges for service	389,512	2,636,692	-
Special assessments	15,143	-	-
Miscellaneous	105,641	37,194	(12,174)
Total receipts	<u>2,626,081</u>	<u>2,796,094</u>	<u>(13,667)</u>
<b>Disbursements:</b>			
Public safety	827,433	2,881	(2,881)
Public works	513,270	1,258	(1,258)
Health and social services	338	-	-
Culture and recreation	431,013	391	(391)
Community and economic development	20,727	-	-
General government	203,105	-	-
Debt service	451,566	-	-
Capital projects	287,689	-	-
Business type activities	-	5,109,712	(6,334)
Total disbursements	<u>2,735,141</u>	<u>5,114,242</u>	<u>(10,864)</u>
Excess (deficiency) of receipts over (under) disbursements	(109,060)	(2,318,148)	(2,803)
Other financing sources (uses), net	22,970	(5,460)	-
Deficiency of receipts and other financing sources under disbursements and other financing uses	(86,090)	(2,323,608)	(2,803)
Balances beginning of year	1,068,246	5,028,860	(73,489)
Balances end of year	<u>\$ 982,156</u>	<u>2,705,252</u>	<u>(76,292)</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,325,750	1,324,437	1,324,437	1,313
203	-	-	203
14,523	14,659	14,659	(136)
86,248	38,113	58,113	28,135
117,289	24,500	24,500	92,789
692,487	1,823,029	1,909,761	(1,217,274)
3,026,204	3,413,395	3,495,153	(468,949)
15,143	13,887	17,047	(1,904)
130,661	31,811	90,134	40,527
5,408,508	6,683,831	6,933,804	(1,525,296)
827,433	879,654	893,379	65,946
513,270	546,650	620,700	107,430
338	2,500	2,500	2,162
431,013	465,525	496,113	65,100
20,727	22,227	23,727	3,000
203,105	152,235	152,235	(50,870)
451,566	440,026	1,351,784	900,218
287,689	445,613	624,415	336,726
5,103,378	7,236,828	7,295,480	2,192,102
7,838,519	10,191,258	11,460,333	3,621,814
(2,430,011)	(3,507,427)	(4,526,529)	2,096,518
17,510	2,997,941	3,827,941	(3,810,431)
(2,412,501)	(509,486)	(698,588)	(1,713,913)
6,023,617	2,331,839	2,204,049	3,819,568
3,611,116	1,822,353	1,505,461	2,105,655

City of Carlisle

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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 the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the 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 \$1,269,075. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the general government 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, 2009

	Special Revenue		
	Employee	Gifts and Bequests	Urban Renewal Tax Increment
	Benefits		
Receipts:			
Property tax	\$ 58,344	-	-
Tax increment financing	-	-	203
Use of money and property	-	-	-
Miscellaneous	-	-	-
Total receipts	58,344	-	203
Disbursements:			
Operating:			
Public safety	-	-	-
Culture and recreation	-	-	-
Total disbursements	-	-	-
Excess (deficiency) of receipts over (under) disbursements	58,344	-	203
Other financing uses:			
Operating transfers out	(58,344)	-	-
Net change in cash balances	-	-	203
Cash balances beginning of year	-	1,350	17,978
Cash balances end of year	\$ -	1,350	18,181
<b>Cash Basis Fund Balances</b>			
Unreserved:			
Special revenue funds	\$ -	1,350	18,181
Permanent fund	-	-	-
Total cash basis fund balances	\$ -	1,350	18,181

See accompanying independent auditor's report.

	Carlisle	Permanent	
Friends of the Library	Volunteer Fire Department	Cemetery Perpetual Care	Total
-	-	-	58,344
-	-	-	203
3	109	-	112
4,240	8,850	1,143	14,233
4,243	8,959	1,143	72,892
-	10,102	-	10,102
7,590	-	-	7,590
7,590	10,102	-	17,692
(3,347)	(1,143)	1,143	55,200
-	-	-	(58,344)
(3,347)	(1,143)	1,143	(3,144)
12,163	11,401	33,603	76,495
8,816	10,258	34,746	73,351
8,816	10,258	-	38,605
-	-	34,746	34,746
8,816	10,258	34,746	73,351

City of Carlisle  
Schedule of Indebtedness  
Year ended June 30, 2009

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	4.80-5.10	430,000
General and essential corporate purpose	Jul 1, 2001	4.10-4.80	535,000
General corporate purpose	Oct 15, 2004	2.20-4.20	1,035,000
Total			
General obligation capital loan notes:			
General obligation capital loan	Oct 1, 2003	1.65-4.00%	\$ 540,000
General obligation capital loan refunding	Nov 1, 2004	2.20-3.00	315,000
General obligation capital loan refunding	Apr 28, 2009	1.75-2.80	830,000
Total			
Revenue capital loan notes:			
Sewer refunding	Nov 1, 2003	1.70-4.00%	\$ 1,015,000
Sewer	May 28, 2008	2.65-4.20	2,145,000
Total			
Revenue bonds:			
Electric	Dec 1, 1998	4.25-4.45%	\$ 610,000
Water	Oct 1, 2003	2.75-4.00	280,000
Total			
Sewer revenue capital loan anticipation project notes	May 28, 2008	3.10%	\$ 758,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
415,000	-	415,000	-	16,995
50,000	-	50,000	-	2,550
195,000	-	195,000	-	9,075
825,000	-	80,000	745,000	30,498
<u>\$ 1,485,000</u>	<u>-</u>	<u>740,000</u>	<u>745,000</u>	<u>59,118</u>
370,000	-	370,000	-	13,163
125,000	-	60,000	65,000	3,630
-	830,000	-	830,000	-
<u>\$ 495,000</u>	<u>830,000</u>	<u>430,000</u>	<u>895,000</u>	<u>16,793</u>
595,000	-	90,000	505,000	21,495
2,145,000	-	-	2,145,000	81,758
<u>\$ 2,740,000</u>	<u>-</u>	<u>90,000</u>	<u>2,650,000</u>	<u>103,253</u>
55,000	-	55,000	-	2,448
165,000	-	30,000	135,000	6,020
<u>\$ 220,000</u>	<u>-</u>	<u>85,000</u>	<u>135,000</u>	<u>8,468</u>
<u>\$ 758,000</u>	<u>-</u>	<u>-</u>	<u>758,000</u>	<u>23,694</u>

**Schedule 3**

City of Carlisle  
 Bond and Note Maturities  
 June 30, 2009

Year Ending June 30,	General Obligation Bonds		General Obligation Capital Loan Notes				
	Issued Oct 15, 2004		Issued Nov 1, 2004		Issued April 28, 2009		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2010	3.20%	\$ 80,000	3.00%	\$ 65,000	1.75%	\$ 200,000	265,000
2011	3.40	85,000	-	-	2.00	205,000	205,000
2012	3.60	85,000	-	-	2.25	205,000	205,000
2013	3.75	90,000	-	-	2.50	155,000	155,000
2014	3.85	95,000	-	-	2.80	65,000	65,000
2015	4.00	100,000	-	-	-	-	-
2016	4.10	105,000	-	-	-	-	-
2017	4.20	105,000	-	-	-	-	-
Total		<u>\$ 745,000</u>		<u>\$ 65,000</u>		<u>\$ 830,000</u>	<u>895,000</u>

Year Ending June 30,	Revenue Capital Loan Notes					Revenue Bonds	
	Issued Nov 1, 2003		Issued May 28, 2008		Total	Water - Issued Oct 1, 2003	
	Interest Rates	Amount	Interest Rates	Amount		Interest Rates	Amount
2010	3.30%	\$ 95,000	2.65%	\$ 90,000	185,000	3.45%	\$ 30,000
2011	3.50	95,000	2.90	95,000	190,000	3.65	35,000
2012	3.75	100,000	3.15	90,000	190,000	3.85	35,000
2013	3.90	105,000	3.30	90,000	195,000	4.00	35,000
2014	4.00	110,000	3.45	95,000	205,000	-	-
2015	-	-	3.60	155,000	155,000	-	-
2016	-	-	3.70	160,000	160,000	-	-
2017	-	-	3.80	170,000	170,000	-	-
2018	-	-	3.90	175,000	175,000	-	-
2019	-	-	4.00	185,000	185,000	-	-
2020	-	-	4.05	195,000	195,000	-	-
2021	-	-	4.10	205,000	205,000	-	-
2022	-	-	4.15	215,000	215,000	-	-
2023	-	-	4.20	225,000	225,000	-	-
Total		<u>\$ 505,000</u>		<u>\$ 2,145,000</u>	<u>2,650,000</u>		<u>\$ 135,000</u>

See accompanying independent auditor's report.

## City of Carlisle

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

For the Last Seven Years

	2009	2008	2007	2006	2005	2004	2003
Receipts:							
Property tax	\$ 1,325,750	1,234,492	1,224,101	1,173,326	1,073,994	1,021,511	992,648
Tax increment financing	203	24,629	-	22,886	21,800	18,597	19,001
Other city tax	14,523	14,614	15,994	16,809	14,345	16,138	13,389
Licenses and permits	86,248	41,854	37,643	99,885	60,726	49,296	51,173
Use of money and property	36,386	51,838	59,702	43,293	40,466	23,999	47,053
Intergovernmental	652,675	364,052	398,418	375,991	1,031,293	617,781	378,410
Charges for service	389,512	358,083	355,109	355,014	251,729	222,396	211,970
Special assessments	15,143	13,728	17,539	22,153	22,777	40,360	40,369
Miscellaneous	105,641	123,907	279,504	291,774	278,245	178,546	104,090
<b>Total</b>	<b>\$ 2,626,081</b>	<b>2,227,197</b>	<b>2,388,010</b>	<b>2,401,131</b>	<b>2,795,375</b>	<b>2,188,624</b>	<b>1,858,103</b>
Disbursements:							
Operating:							
Public safety	\$ 827,433	772,908	604,041	578,902	576,172	637,225	530,542
Public works	513,270	551,279	474,361	443,500	456,976	442,841	415,834
Health and social services	338	2,265	2,265	2,357	2,062	2,452	1,224
Culture and recreation	431,013	528,028	395,143	389,963	245,198	229,366	238,693
Community and economic development	20,727	10,683	29,545	24,301	31,573	26,387	22,667
General government	203,105	117,073	99,098	179,024	134,841	119,916	129,550
Debt service	451,566	437,228	443,688	438,610	681,267	592,915	303,553
Capital projects	287,689	59,358	71,428	266,664	1,842,637	1,363,375	396,976
<b>Total</b>	<b>\$ 2,735,141</b>	<b>2,478,822</b>	<b>2,119,569</b>	<b>2,323,321</b>	<b>3,970,726</b>	<b>3,414,477</b>	<b>2,039,039</b>

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 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

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, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 25, 2009. Our report expressed unqualified opinions 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including a deficiency we consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Carlisle's ability to initiate, authorize, record, process or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Carlisle's financial statements that is more than inconsequential will not be prevented or detected by the City of Carlisle's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Carlisle's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item (C) is a material weakness.

#### Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

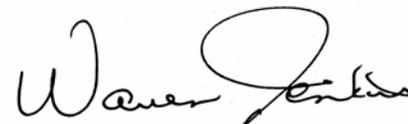
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions 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.

The City of Carlisle's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Carlisle's responses and, accordingly, we express no opinion on them.

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

November 25, 2009

City of Carlisle

Schedule of Findings

Year ended June 30, 2009

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

- (A) Segregation of Duties – At the Aquatic Center, a periodic inventory count is not performed by a person independent of the custody and record keeping for inventory.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Aquatic Center should review its operating procedures to obtain the maximum internal control possible under the circumstances. A periodic inventory should be performed by a person independent of the person who has custody and performs record keeping duties for inventory.

Response – We will review the operating procedures for the Aquatic Center and a periodic inventory will be performed by someone other than the pool manager. It will be an independent person other than the one who performs record keeping for inventory.

Conclusion – Response accepted.

- (B) Lack of Written Policies and Procedures – The City currently does not have written policies for City provided credit cards and store lines of credit.

While the City has adopted a written disaster recovery plan, certain items were not included in the plan. Specifically, the plan does not include an inventory of all essential software systems, a requirement supplies and relevant accounting manuals and other documentation be located offsite and does not contain a requirement to test the plan.

Recommendation – The City should develop written policies and procedures for City provided credit cards and store lines of credit. Also, the City should include the above noted items in its written disaster recovery plan.

Response – The City will develop a written policy for credit cards and store lines of credit. Also, the disaster recovery plan will be written to include an inventory of all essential software systems, a requirement supplies and relevant account manuals and other documentation be located offsite and also to test the plan.

Conclusion – Response accepted.

- (C) Financial Reporting – During the audit, we identified material receipts coded incorrectly in the financial statements. We also identified a material amount of transfers incorrectly recorded as adjustments to revenue. Adjustments were subsequently made by the City to properly record these amounts in the financial statements.

Recommendation – The City should properly record all receipts and transfers.

Response – All receipts and transfers will be recorded properly.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of Carlisle

Schedule of Findings

Year ended June 30, 2009

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amount budgeted in the general government function. In addition, disbursements in the general government and debt service functions exceeded the amount budgeted before the May 2009 budget amendment was adopted. Chapter 384.20 of the Code of Iowa states, in part, “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 – It was not clear to me that each category of the budget could not exceed the budget. It was my understanding the “general fund” as a whole could not go over the budget. I now understand to use the functions in the budget. This will be watched very carefully and budget amendments will be done before any disbursements exceed any budget function.

Conclusion – Response accepted.

- (2) Questionable Disbursements – Certain disbursements were noted which we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Carlisle Foods	Food and supplies for installation of new Fire Department officials	\$ 701

According to the opinion, it is possible for certain expenses to meet the test of serving a public purpose under certain circumstances, although such expenses will certainly be subject to a deserved scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City should consider and document the public purpose of these disbursements. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response – We will work on establishing new written policies to establish proper documentation of public purpose.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Carlisle

Schedule of Findings

Year ended June 30, 2009

- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Drew Merrifield, Council Member, Member of the Volunteer Fire Department	Fire report processing	\$ 2,333

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with Council Member Merrifield appears to represent a conflict of interest since the total was greater than \$1,500 during the fiscal year.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – The City will seek legal counsel concerning this matter.

Conclusion – Response accepted.

- (5) 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 ensure the coverage is adequate for current operations.
- (6) Council Minutes – Except as noted, no transactions were found that we believe should have been approved in the Council minutes but were not.

The May 2009 listing of bills already paid was not approved by the Council.

For seven of twelve Council meetings tested, minutes 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 and all bill listings should be provided for Council approval.

Response – The City will strive to publish minutes as required.

Conclusion – Response acknowledged. The Council should also approve all bill listings.

- (7) 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.
- (8) Revenue Bonds and Notes – The net revenues of the Enterprise, Water Fund were not sufficient to meet the requirements of the revenue bond resolution due to disbursements related to capital projects charged to the Enterprise, Water Fund. The bond provisions require user rates to produce gross revenues at least sufficient to pay the expenses of operation and maintenance of the utility and to have a balance of net revenues equal to at least 125% of the principal and interest due on the bonds during the fiscal year.

City of Carlisle

Schedule of Findings

Year ended June 30, 2009

For the 2008A sewer revenue capital loan notes, although the sinking account has been established, the City did not make the principal and interest payments from the sinking account as required. The City also has an excess balance in the sewer sinking account.

Recommendation – The City should periodically review the net revenues in the Enterprise, Water Fund to ensure they are in compliance with bond provisions. In addition, the City should make payments from the sinking account as required by the note resolution. The City should transfer the excess funds in the sinking account to the sewer revenue account.

Response – This will be watched and we will make sure sufficient funds are available. Disbursements for a construction project were made from the water account. They should have been made from the water capital projects account.

Conclusion – Response accepted.

---

City of Carlisle

Staff

This audit was performed by:

Joe T. Marturello, CIA, Manager  
Mike P. Piehl, Senior Auditor  
Jenny M. Podrebarac, Staff Auditor  
Christina M. Renze, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State