

***CITY OF CARLISLE
WARREN COUNTY, OHIO***

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2008

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

City Council
City of Carlisle
760 W. Central Avenue
Carlisle, Ohio 45005

We have reviewed the *Report of Independent Accountants* of the City of Carlisle, Warren County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 10, 2010

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**CITY OF CARLISLE
WARREN COUNTY
AUDIT REPORT
For the Year Ended December 31, 2008**

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REPORT OF INDEPENDENT ACCOUNTANTS

City of Carlisle
Warren County
760 W. Central Avenue
Carlisle, Ohio 45005

To the Members of 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, Warren County, Ohio (the City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Carlisle's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements, referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Carlisle, Warren County, Ohio, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and each major special revenue fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009, except for Note 17, which is dated May 29, 2010 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 the internal control over financial reporting or on 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 on pages 3 through 17 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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. However, we did not audit the information and express no opinion on it.

Charles Harris Associates

Charles E. Harris & Associates, Inc.

December 18, 2009, except for Note 17, which is dated May 29, 2010

CITY OF CARLISLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (UNAUDITED)

The management's discussion and analysis of the City of Carlisle's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2008. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- The total net assets of the City decreased \$89,199. Net assets of governmental activities increased \$246,624 or 7.44% from 2007 and net assets of business-type activities decreased \$335,823 or 4.61% from 2007.
- General revenues accounted for \$1,628,622 or 65.87% of total governmental activities revenue. Program specific revenues accounted for \$843,978 or 34.13% of total governmental activities revenue.
- The City had \$2,236,405 in expenses related to governmental activities; \$843,978 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$1,392,427 were offset by general revenues (primarily income taxes, property taxes and unrestricted grants and entitlements) of \$1,628,622.
- The general fund had revenues of \$1,185,997 in 2008. This represents a decrease of \$55,794 from 2007. The expenditures and other financing uses of the general fund, which totaled \$1,178,777 in 2008, increased \$1,436 from 2007. The net increase in fund balance for the general fund was \$7,220 or 0.83%.
- The police services fund had revenues of \$276,365 in 2008. The expenditures of the police services fund totaled \$269,463 in 2008. The net increase in fund balance for the police services fund was \$6,902 or 1.90%.
- The Carlisle Business Park fund had other revenues and financing sources of \$1,348,899 in 2008. The expenditures of the Carlisle Business Park fund totaled \$1,355,179 in 2008. The net decrease in fund balance for the Carlisle Business Park fund was \$6,280 or 53.33%.
- The SR 123 Phase V fund had other financing sources of \$480,672 in 2008. The expenditures of the SR 123 Phase V fund totaled \$500,541 in 2008. The net decrease in fund balance for the SR 123 Phase V fund was \$19,869.
- The SR 123 Phase VI fund had revenues and other financing sources of \$355,490 in 2008. The expenditures of the SR 123 Phase VI fund totaled \$367,384 in 2008. The net decrease in fund balance for the SR 123 Phase VI fund was \$11,894.
- The SR 123 Phase VII fund had revenues and other financing sources of \$314,146 in 2008. The expenditures of the SR 123 Phase VII fund totaled \$313,773 in 2008. The fund balance for the SR 123 Phase VII fund was \$373.
- Net assets for the business-type activities, which are made up of the Sewer, Water and Refuse enterprise funds, decreased in 2008 by \$335,823. This decrease in net assets was due primarily to expenses exceeding revenues.
- In the general fund, the actual revenues came in \$112,316 higher than they were in the final budget and actual expenditures and other financing uses were \$83,279 less than the amount in the final budget. Budgeted expenditures and other financing uses were increased \$109,752 from the original to the final budget. Budgeted revenues remained the same in the original and final budget.

CITY OF CARLISLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (UNAUDITED)

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net assets and the statement of activities, the City is divided into two distinct kinds of activities:

Governmental activities - Most of the City's programs and services are reported here including police, fire, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's sewer, water and refuse operations are reported here.

The City's statement of net assets and statement of activities can be found on pages 18-20 of this report

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

CITY OF CARLISLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (UNAUDITED)

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 10.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, police services fund, the Carlisle Business Park fund, the SR 123 Phase V fund, the SR 123 Phase VI fund and the SR 123 Phase VII fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 21-28 of this report.

Proprietary Funds

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer, water and refuse management functions. All of the City's enterprise funds are considered major funds. The basic proprietary fund financial statements can be found on pages 29-31 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. An agency fund is the City's only fiduciary fund type. The statement of fiduciary net assets can be found on page 32.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 33-59 of this report.

CITY OF CARLISLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)

Government-Wide Financial Analysis

The table below provides a summary of the City's net assets at December 31, 2008 and 2007:

	Net Assets					
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	2008 Total	2007 Total
	<u>2008</u>	<u>2008</u>	<u>2007</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<u>Assets</u>						
Current and other assets	\$ 2,604,856	\$ 1,491,815	\$ 2,648,393	\$ 1,453,415	\$ 4,096,671	\$ 4,101,808
Capital assets, net	<u>4,535,741</u>	<u>5,546,982</u>	<u>4,263,559</u>	<u>5,861,528</u>	<u>10,082,723</u>	<u>10,125,087</u>
Total assets	<u>7,140,597</u>	<u>7,038,797</u>	<u>6,911,952</u>	<u>7,314,943</u>	<u>14,179,394</u>	<u>14,226,895</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	3,277,774	2,680	3,277,972	246	3,280,454	3,278,218
Other liabilities	<u>299,203</u>	<u>83,407</u>	<u>316,984</u>	<u>26,164</u>	<u>382,610</u>	<u>343,148</u>
Total liabilities	<u>3,576,977</u>	<u>86,087</u>	<u>3,594,956</u>	<u>26,410</u>	<u>3,663,064</u>	<u>3,621,366</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	1,970,991	5,546,982	2,614,462	5,861,528	7,517,973	8,475,990
Restricted	1,182,644	-	1,111,076	-	1,182,644	1,111,076
Unrestricted (deficit)	<u>409,985</u>	<u>1,405,728</u>	<u>(408,542)</u>	<u>1,427,005</u>	<u>1,815,713</u>	<u>1,018,463</u>
Total net assets	<u>\$ 3,563,620</u>	<u>\$ 6,952,710</u>	<u>\$ 3,316,996</u>	<u>\$ 7,288,533</u>	<u>\$ 10,516,330</u>	<u>\$ 10,605,529</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2008, the City's assets exceeded liabilities by \$10,516,330. At year-end, net assets were \$3,563,620 and \$6,952,710 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 71.11% of total assets. Capital assets include land, buildings and improvements, furniture and equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2008, were \$1,970,991 and \$5,546,982 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$1,182,644, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets is \$409,985.

The table on the following page shows the changes in net assets for 2008 and 2007.

CITY OF CARLISLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)

			Change in Net Assets			
	Governmental	Business-type	Governmental	Business-type	2008	2007
	Activities	Activities	Activities	Activities	Total	Total
	<u>2008</u>	<u>2008</u>	<u>2007</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues						
Program revenues:						
Charges for services	\$ 288,836	\$ 1,658,077	\$ 265,431	\$ 1,548,471	\$ 1,946,913	\$ 1,813,902
Operating grants and contributions	368,575	-	312,528	-	368,575	312,528
Capital grants and contributions	<u>186,567</u>	<u>-</u>	<u>394,765</u>	<u>-</u>	<u>186,567</u>	<u>394,765</u>
Total program revenues	<u>843,978</u>	<u>1,658,077</u>	<u>972,724</u>	<u>1,548,471</u>	<u>2,502,055</u>	<u>2,521,195</u>
General revenues:						
Property taxes	190,375	-	197,346	-	190,375	197,346
Income taxes	856,143	-	905,246	-	856,143	905,246
Unrestricted grants and entitlements	188,303	-	170,048	-	188,303	170,048
Payment in lieu of taxes	206,858	-	86,479	-	206,858	86,479
Investment earnings	95,342	-	166,863	-	95,342	166,863
Miscellaneous	<u>91,601</u>	<u>55,815</u>	<u>161,334</u>	<u>3,532</u>	<u>147,416</u>	<u>164,866</u>
Total general revenues	<u>1,628,622</u>	<u>55,815</u>	<u>1,687,316</u>	<u>3,532</u>	<u>1,684,437</u>	<u>1,690,848</u>
Total revenues	<u>2,472,600</u>	<u>1,713,892</u>	<u>2,660,040</u>	<u>1,552,003</u>	<u>4,186,492</u>	<u>4,212,043</u>
Expenses:						
General government	820,922	-	474,112	-	820,922	474,112
Security of persons and property	670,847	-	729,173	-	670,847	729,173
Transportation	421,264	-	185,554	-	421,264	185,554
Community environment	184,869	-	392,679	-	184,869	392,679
Leisure time activity	16,173	-	14,856	-	16,173	14,856
Interest and fiscal charges	122,330	-	135,002	-	122,330	135,002
Sewer	-	1,607,372	-	1,380,425	1,607,372	1,380,425
Refuse	-	155,899	-	152,877	155,899	152,877
Water	<u>-</u>	<u>276,015</u>	<u>-</u>	<u>272,459</u>	<u>276,015</u>	<u>272,459</u>
Total expenses	<u>2,236,405</u>	<u>2,039,286</u>	<u>1,931,376</u>	<u>1,805,761</u>	<u>4,275,691</u>	<u>3,737,137</u>
Increase (decrease) in net assets before special items and transfers	236,195	(325,394)	728,664	(253,758)	(89,199)	474,906
Special Items:						
Gain on sale of land	-	-	44,700	-	-	44,700
Transfers	<u>10,429</u>	<u>(10,429)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	246,624	(335,823)	773,364	(253,758)	(89,199)	519,606
Net assets at beginning of year	<u>3,316,996</u>	<u>7,288,533</u>	<u>2,543,632</u>	<u>7,542,291</u>	<u>10,605,529</u>	<u>10,085,923</u>
Net assets at end of year	<u>\$ 3,563,620</u>	<u>\$ 6,952,710</u>	<u>\$ 3,316,996</u>	<u>\$ 7,288,533</u>	<u>\$ 10,516,330</u>	<u>\$ 10,605,529</u>

CITY OF CARLISLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

Governmental Activities

Governmental activities net assets increased \$246,624 in 2008.

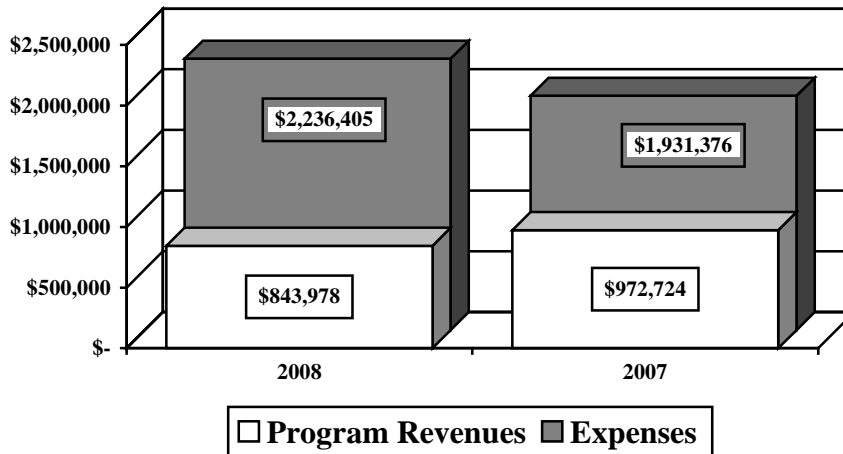
Security of persons and property which primarily supports the operation of police and fire services accounted for \$670,847 or 30.00% of the total expenses of the City. Security of persons and property expenses were partially funded by \$3,333 in direct charges to users of the services. General government expenses totaled \$820,922. General government expenses were partially funded by \$114,140 in direct charges to users of the services. General government expenses increased \$346,810 due to an increase in TIF payments made to the Carlisle City School District.

The state and federal government contributed to the City a total of \$368,575 in operating grants and contributions and \$186,567 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total capital grants and contributions, \$186,567 subsidized community environment programs.

General revenues totaled \$1,628,622, and amounted to 65.87% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$1,046,518. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$188,303.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon general revenues (primarily property and income taxes as well as unrestricted grants and entitlements) to support its governmental activities as program revenues are not sufficient to cover total governmental expenses for 2008.

Governmental Activities - Program Revenues vs. Total Expenses



CITY OF CARLISLE, OHIO

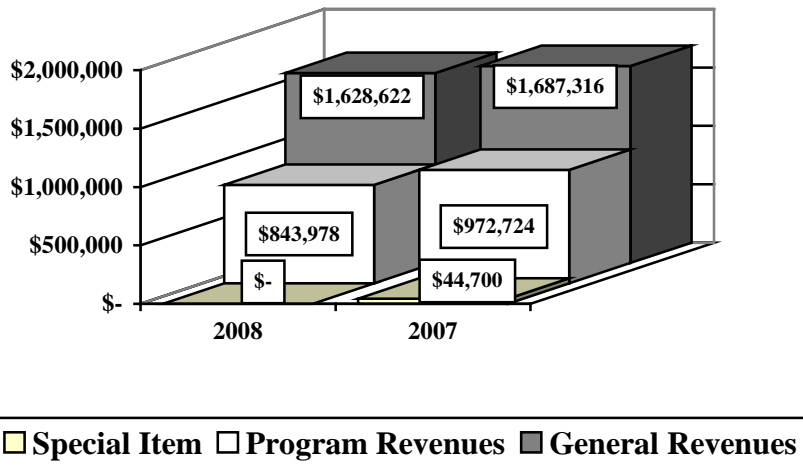
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program Expenses:				
General government	\$ 820,922	\$ 706,782	\$ 474,112	\$ 359,813
Security of persons and property	670,847	653,466	729,173	717,710
Transportation	421,264	(59,717)	185,554	(123,844)
Community environment	184,869	(1,698)	392,679	(95,377)
Leisure time activity	16,173	16,173	14,856	14,856
Interest and fiscal charges	122,330	77,421	135,002	85,494
Total	\$ 2,236,405	\$ 1,392,427	\$ 1,931,376	\$ 958,652

The dependence upon general revenues for governmental activities is apparent, with 62.26% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2008 and 2007.

Governmental Activities - General and Program Revenues

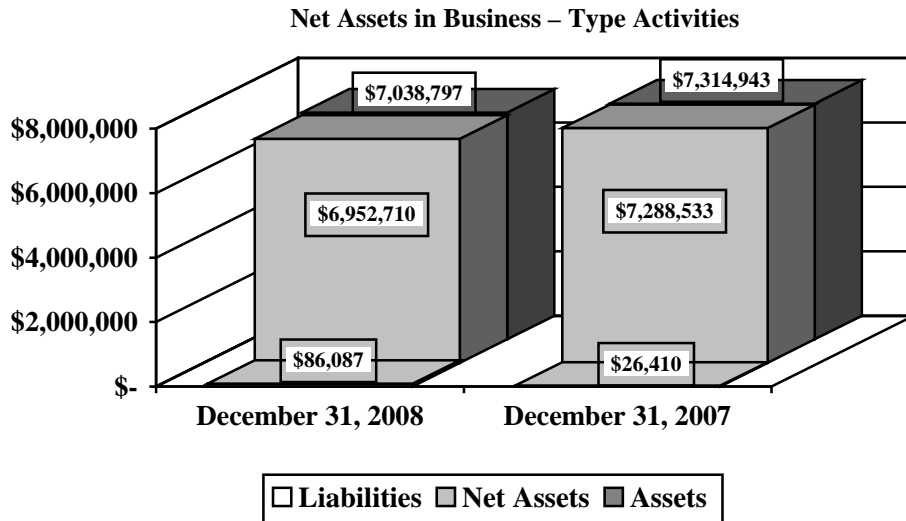


CITY OF CARLISLE, OHIO

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

Business-type Activities

Business-type activities include the sewer, water and refuse enterprise funds. These programs had program revenues of \$ 1,658,077, general revenues of \$ 55,815 and expenses of \$ 2,039,286 for 2008. The graph below shows the business-type activities assets, liabilities and net assets at year-end.



Financial Analysis of the Government’s Funds

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

Governmental Funds

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

The City’s governmental funds (as presented on the balance sheet on pages 21-22) reported a combined fund balance of \$1,991,027 which is \$56,740 lower than last year’s balance of \$2,047,767.

CITY OF CARLISLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)

The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2008 and 2007 for all major and non-major governmental funds.

	<u>Fund Balances</u> <u>12/31/08</u>	<u>Fund Balances</u> <u>12/31/07</u>	<u>Increase/</u> <u>(Decrease)</u>
Major funds:			
General	\$ 875,510	\$ 868,290	\$ 7,220
Police Services	369,980	363,078	6,902
Carlisle Business Park	5,495	11,775	(6,280)
SR 123 Phase V	26,518	46,387	(19,869)
SR 123 Phase VI	197	12,091	(11,894)
SR 123 Phase VII	373	-	373
Other nonmajor governmental funds	<u>712,954</u>	<u>746,146</u>	<u>(33,192)</u>
Total	<u>\$ 1,991,027</u>	<u>\$ 2,047,767</u>	<u>\$ (56,740)</u>

General Fund

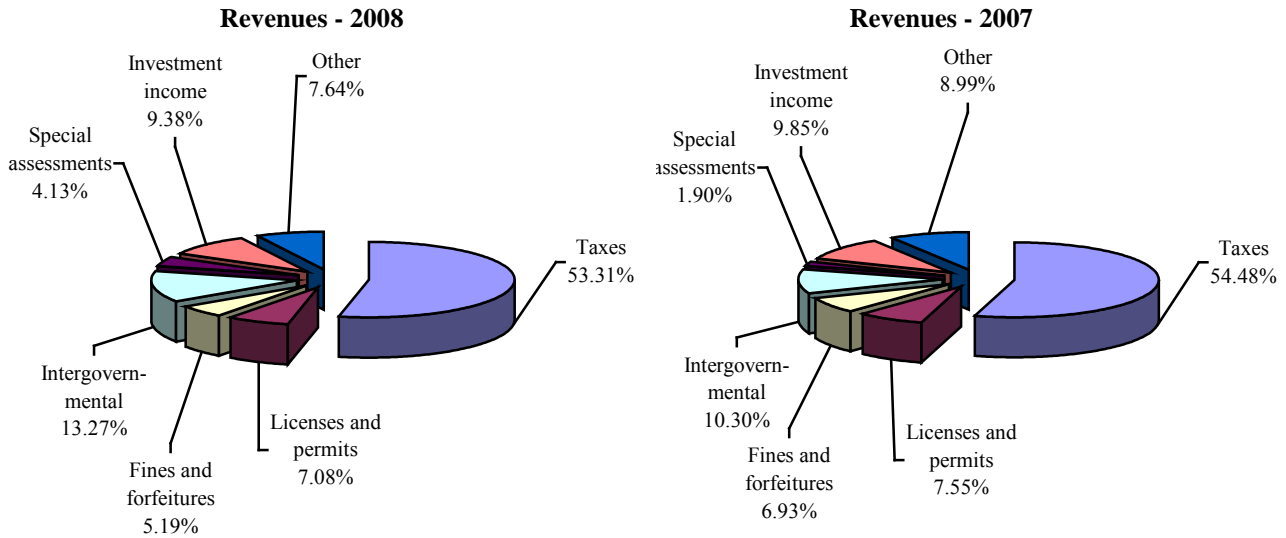
The City's general fund balance increased \$7,220. The table that follows assists in illustrating the revenues of the general fund.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 632,242	\$ 672,759	(6.02) %
Licenses and permits	83,946	93,291	(10.02) %
Fines and forfeitures	61,591	85,571	(28.02) %
Intergovernmental	157,359	127,144	23.76 %
Special assessments	49,023	23,431	109.22 %
Investment income	111,281	121,653	(8.53) %
Other	<u>90,555</u>	<u>110,985</u>	(18.41) %
Total	<u>\$ 1,185,997</u>	<u>\$ 1,234,834</u>	(3.95) %

Tax revenue represents 53.31% of all general fund revenue. Tax revenue decreased 6.02% over prior year. This is due in particular to a decrease in income tax revenues. The decrease in fines and forfeitures is due to a decrease in court revenues during 2008. All other revenues remained comparable to 2007.

CITY OF CARLISLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)



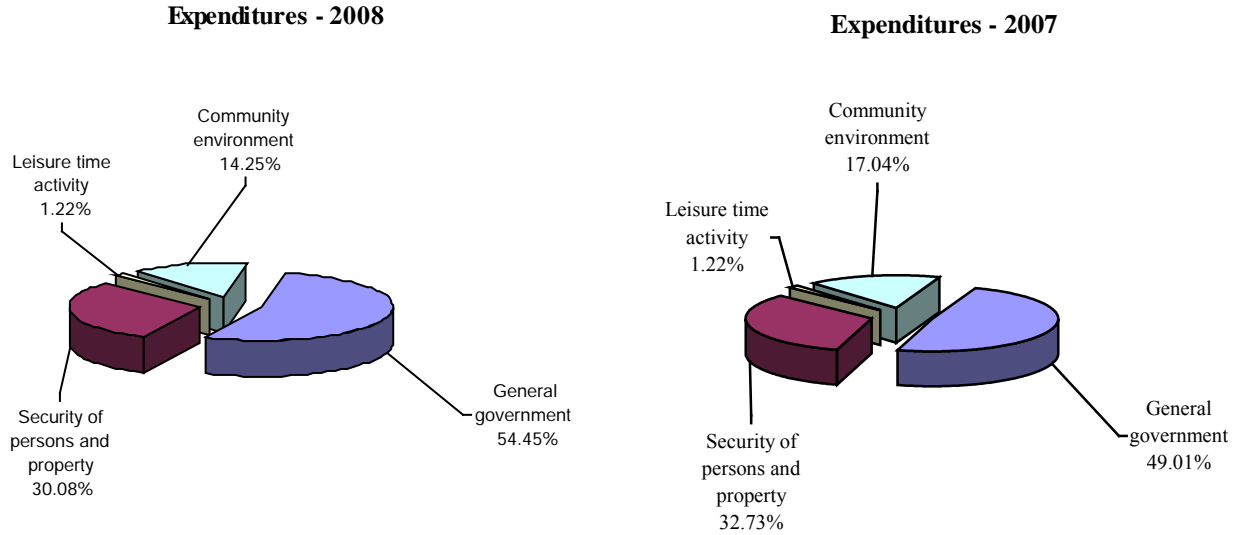
The table that follows assists in illustrating the expenditures of the general fund.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 574,298	\$ 464,763	23.57 %
Security of persons and property	317,303	310,427	2.22 %
Community environment	150,282	161,574	(6.99) %
Leisure time activity	<u>12,894</u>	<u>11,577</u>	11.38 %
 Total	 <u>\$ 1,054,777</u>	 <u>\$ 948,341</u>	 11.22 %

The City increased total expenditures by 11.22%. The most significant increase was in the area of general government expenditures which increased \$109,535 or 23.57%. This increase is due mainly to a purchase of a building for \$88,000 during 2008. All other expenditures remained comparable.

CITY OF CARLISLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**



Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the general fund and police services fund. In the general fund, the actual revenues came in \$112,316 higher than they were in the final budget and actual expenditures and other financing uses were \$83,279 less than the amount in the final budget. Budgeted expenditures and other financing uses were increased \$109,752 from the original to the final budget. Budgeted revenues remained the same in the original and final budget.

Police Services Fund

The police services fund had revenues of \$276,365 in 2008. The expenditures of the police services fund totaled \$269,463 in 2008. The net increase in fund balance for the police services fund was \$6,902 or 1.90%.

Carlisle Business Park Fund

The Carlisle Business Park fund had other revenues and financing sources of \$1,348,899 in 2008. The expenditures of the Carlisle Business Park fund totaled \$1,355,179 in 2008. The net decrease in fund balance for the Carlisle Business Park fund was \$6,280 or 53.33%.

SR 123 Phase V Fund

The SR 123 Phase V fund had other financing sources of \$480,672 in 2008. The expenditures of the SR 123 Phase V fund totaled \$500,541 in 2008. The net decrease in fund balance for the SR 123 Phase V fund was \$19,869.

CITY OF CARLISLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (UNAUDITED)

SR 123 Phase VI Fund

The SR 123 Phase VI fund had revenues and other financing sources of \$355,490 in 2008. The expenditures of the SR 123 Phase VI fund totaled \$367,384 in 2008. The net decrease in fund balance for the SR 123 Phase VI fund was \$11,894.

SR 123 Phase VII Fund

The SR 123 Phase VII fund had revenues and other financing sources of \$314,146 in 2008. The expenditures of the SR 123 Phase VII fund totaled \$313,773 in 2008. The fund balance for the SR 123 Phase VII fund was \$373.

Proprietary Funds

The City's enterprise funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The City has three major enterprise funds, the sewer fund, water fund, and refuse fund.

Sewer Fund

The sewer fund had operating revenues of \$1,293,216 in 2008. The operating expenses of the sewer fund, totaled \$1,607,372 in 2008. The sewer fund transferred \$10,429 to governmental activities in 2008. The net decrease in net assets for the sewer fund was \$324,585 or 5.59%.

Water Fund

The water fund had operating revenues of \$103,424 in 2008. The operating expenses of the water fund, totaled \$155,899 in 2008. The net decrease in net assets for the water fund was \$52,475 or 3.84%.

Refuse Fund

The refuse fund had operating revenues of \$317,252 in 2008. The operating expenses of the refuse fund totaled \$276,015 in 2008. The net increase in net assets for the refuse fund was \$41,237 or 36.72%.

Capital Assets and Debt Administration

Capital Assets

At the end of 2008, the City had \$10,082,723 (net of accumulated depreciation) invested in land, buildings and improvements, furniture and equipment, vehicles, and infrastructure. Of this total, \$4,535,741 was reported in governmental activities and \$5,546,982 was reported in business-type activities. See Note 9 for further description of capital assets.

CITY OF CARLISLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

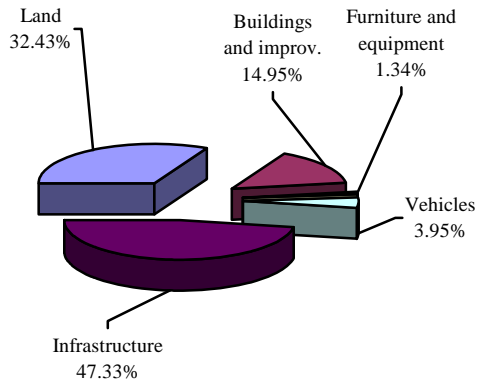
The following table shows December 31, 2008 balances compared to December 31, 2007:

**Capital Assets at December 31
(Net of Depreciation)**

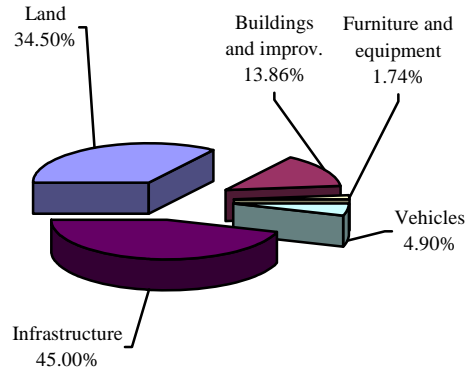
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 1,471,040	\$ 1,471,040	\$ -	\$ -	\$ 1,471,040	\$ 1,471,040
Buildings and improvements	678,010	590,913	-	-	678,010	590,913
Furniture and equipment	60,901	74,377	74,275	85,136	135,176	159,513
Vehicles	178,998	208,796	37,699	18,846	216,697	227,642
Infrastructure	<u>2,146,792</u>	<u>1,918,433</u>	<u>5,435,008</u>	<u>5,757,546</u>	<u>7,581,800</u>	<u>7,675,979</u>
Totals	<u>\$ 4,535,741</u>	<u>\$ 4,263,559</u>	<u>\$ 5,546,982</u>	<u>\$ 5,861,528</u>	<u>\$ 10,082,723</u>	<u>\$ 10,125,087</u>

The following graphs show the breakdown of governmental capital assets by category for 2008 and 2007.

Capital Assets - Governmental Activities 2008



Capital Assets - Governmental Activities 2007



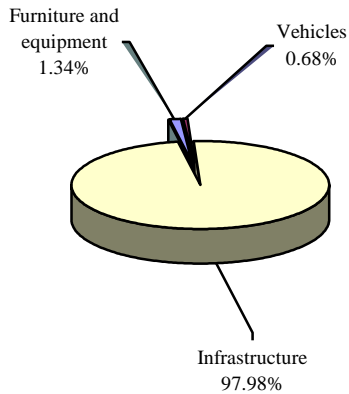
The City's infrastructure is the largest capital asset category. The net book value of the City's infrastructure represents approximately 47.33% of the City's total governmental capital assets.

CITY OF CARLISLE, OHIO

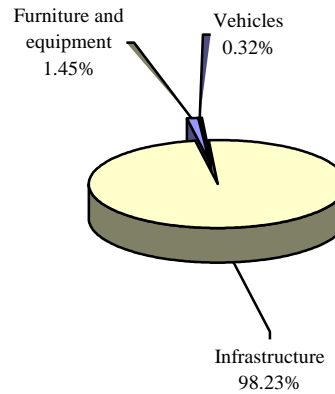
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)

The following graphs show the breakdown of business-type capital assets by category for 2008 and 2007.

Capital Assets - Business-Type Activities 2008



Capital Assets - Business-Type Activities 2007



The City's largest business-type capital asset category is infrastructure, which include water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 97.98% of the City's total business-type capital assets.

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2008 and 2007:

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
General obligation bonds	\$ 2,889,750	\$ 2,872,097
Special assessment bonds	370,386	397,604
Compensated absences	<u>17,638</u>	<u>8,271</u>
Total long-term obligations	<u>\$ 3,277,774</u>	<u>\$ 3,277,972</u>
	<u>Business-type Activities</u>	
Compensated absences	<u>\$ 2,780</u>	<u>\$ 246</u>

Further detail on the City's long-term obligations can be found in Note 11 to the financial statements.

Economic Conditions and Outlook

Located in the northernmost corner of Warren County and spreading into southern Montgomery, Carlisle is a growing community with over 5,800 residents. It is conveniently located within driving distance of two major cities – Cincinnati (approx. 30 mi. south) and Dayton (approx. 15 mi. north). The City is served by both State and U.S. highways. State route 123 travels through the heart of Carlisle with State routes 4 and 73 being located just outside its borders and Interstate Route 75 is just three miles from the downtown area.

Carlisle's early growth stemmed from the still active railroad community. This combination of geographical location and transportation convenience makes Carlisle an attractive site for both families and business alike. The City's current population as of the 2000 census is 5,121.

CITY OF CARLISLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (UNAUDITED)

Although Carlisle is often thought of as a quiet bedroom community, the City has taken active steps to secure its financial future by the development of two business parks within the City limits. The Carlisle Industrial Park has been an established industrial base providing an excellent location for numerous manufacturing and service industries. This park offers direct access to SR-123 as well as connection to the CSX railroad system. The Carlisle Business Park is a newer development that offers over 88 acres of gently rolling land which is an excellent site for manufacturing, warehousing, service business or office needs. Infrastructure for Phase I of the business park has been completed. A detailed plan for future expansion assures that all of the park will be well served by streets and utilities.

Carlisle has continued to work with the Ohio Public Works Commission on improving the major State route that travels through the heart of Carlisle – SR 123. By the end of 2008, Phase V II of this ten phase project was completed. Although each phase contains specific objectives associated with the nuisances of its geographical location along the route, the overall goal of the project is to provide safer and more effective traffic flow both through and within the City of Carlisle.

Project additions include a center turn lane, curbs, sidewalks and expansion of the City public water system. Although supported through Issue II monies, these projects have been a significant financial undertaking by the City to improve the infrastructure and quality of transportation in Carlisle. Based on the current climate of the economy, council has decided to postpone phases VIII and IX of the project. The City is currently working on both federal and State funding sources for phase X, which will create a “downtown” area for the City.

Despite the uncertainty surrounding the economy, the City continues to carefully monitor two primary sources of revenue—local income taxes and shared intergovernmental (State) revenue. In order to stabilize the impact of the fluctuations in these revenue sources, City Council continues to pursue economic development and job creation; maintain the community's reputation for high public safety standards; and adoption of a budget designed to promote long-term fiscal stability. In order to meet the objectives of the 2008 budget, the City utilizes a basic philosophy to submit a balanced budget to Council for the operations of the City. In 2008, the City had 27 pay periods rather than the standard 26 pay periods. Despite this additional operating burden, City personnel were diligent in managing their diverse departments and were able to keep operating expenses less than received revenue. Local income tax collections for 2008 near 2007 levels, the City's highest collection year.

The City has not been immune to the slowdown in the overall economy. Development in new residential housing continued to decrease significantly in 2008 as compared to previous years. Decreased funding from both the State and Federal level and general downsizing in overall industry has created a economic challenge for the City. However, the City is cautiously optimistic about the state of the economy with a large business adding additional shifts to its production schedule. The City continues to strengthen its relationship with existing businesses as well as pursuing new business growth in town.

These economic factors were considered in preparing the City's budget for 2009. Budgeted revenues and other financing sources in the general fund for 2009 budget are \$ 1,075,045. With the continuation of conservative budgeting practices, the City should be able to maintain its current financial position.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors 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 please contact: Julie Duffy, Finance Director, 760 West Central Avenue, Carlisle, Ohio 45005.

CITY OF CARLISLE, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2008

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,805,406	\$ 1,332,829	\$ 3,138,235
Receivables (net of allowances for uncollectibles):			
Income taxes	240,839	-	240,839
Property and other taxes	190,554	-	190,554
Accounts	77,332	130,383	207,715
Accrued interest	35,765	-	35,765
Special assessments	1,435	21,342	22,777
Due from other governments	208,778	-	208,778
Materials and supplies inventory	23,773	2,169	25,942
Prepayments	20,974	5,092	26,066
Capital assets:			
Land	1,471,040	-	1,471,040
Depreciable capital assets, net	3,064,701	5,546,982	8,611,683
Total capital assets	4,535,741	5,546,982	10,082,723
 Total assets	 7,140,597	 7,038,797	 14,179,394
Liabilities:			
Accounts payable	24,394	71,138	95,532
Accrued wages and benefits	9,560	1,973	11,533
Due to other governments	55,904	10,296	66,200
Unearned revenue	172,093	-	172,093
Accrued interest payable	37,252	-	37,252
Long-term liabilities:			
Due within one year	2,627,647	1,841	2,629,488
Due in more than one year	650,127	839	650,966
 Total liabilities	 3,576,977	 86,087	 3,663,064
Net assets:			
Invested in capital assets, net of related debt	1,970,991	5,546,982	7,517,973
Restricted for:			
Capital projects	76,203	-	76,203
Debt service	5,025	-	5,025
Transportation projects	513,755	-	513,755
Public safety	565,390	-	565,390
Other purposes	22,271	-	22,271
Unrestricted	409,985	1,405,728	1,815,713
 Total net assets	 \$ 3,563,620	 \$ 6,952,710	 \$ 10,516,330

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CARLISLE, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 820,922	\$ 114,140	\$ -	\$ -
Security of persons and property.	670,847	3,333	14,048	-
Transportation	421,264	126,454	354,527	-
Community environment.	184,869	-	-	186,567
Leisure time activity.	16,173	-	-	-
Interest and fiscal charges.	122,330	44,909	-	-
	<u>2,236,405</u>	<u>288,836</u>	<u>368,575</u>	<u>186,567</u>
Total governmental activities				
Business-type Activities:				
Sewer	1,607,372	1,237,703	-	-
Water	155,899	103,378	-	-
Refuse.	276,015	316,996	-	-
	<u>2,039,286</u>	<u>1,658,077</u>	<u>-</u>	<u>-</u>
Total business-type activities				
Total primary government.	<u>\$ 4,275,691</u>	<u>\$ 1,946,913</u>	<u>\$ 368,575</u>	<u>\$ 186,567</u>

General Revenues:

Property taxes levied for:

 General purposes.

 Fire.

Income taxes levied for:

 General purposes.

 Police services

Grants and entitlements not restricted to specific programs

Payment in lieu of taxes

Investment earnings

Miscellaneous

Total general revenues.

Transfers.

Change in net assets.

Net assets at beginning of year

Net assets at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (706,782)	\$ -	\$ (706,782)
(653,466)	-	(653,466)
59,717	-	59,717
1,698	-	1,698
(16,173)	-	(16,173)
(77,421)	-	(77,421)
<u>(1,392,427)</u>	<u>-</u>	<u>(1,392,427)</u>
-	(369,669)	(369,669)
-	(52,521)	(52,521)
-	40,981	40,981
<u>-</u>	<u>(381,209)</u>	<u>(381,209)</u>
<u>(1,392,427)</u>	<u>(381,209)</u>	<u>(1,773,636)</u>
77,415	-	77,415
112,960	-	112,960
570,762	-	570,762
285,381	-	285,381
188,303	-	188,303
206,858	-	206,858
95,342	-	95,342
91,601	55,815	147,416
<u>1,628,622</u>	<u>55,815</u>	<u>1,684,437</u>
<u>10,429</u>	<u>(10,429)</u>	<u>-</u>
246,624	(335,823)	(89,199)
<u>3,316,996</u>	<u>7,288,533</u>	<u>10,605,529</u>
<u>\$ 3,563,620</u>	<u>\$ 6,952,710</u>	<u>\$ 10,516,330</u>

CITY OF CARLISLE, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	<u>General</u>	<u>Police Services</u>	<u>Carlisle Business Park</u>	<u>SR 123 Phase V</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 682,603	\$ 353,592	\$ 5,512	\$ 26,518
Receivables (net of allowance for uncollectibles):				
Income taxes	160,560	80,279	-	-
Property and other taxes	75,538	-	-	-
Accounts	75,781	-	-	-
Special assessments	1,435	-	-	-
Accrued interest.	31,436	-	-	-
Interfund receivable.	43,204	-	-	-
Due from other governments	46,518	-	-	-
Materials and supplies inventory	22,358	-	-	-
Prepayments	11,217	4,669	-	-
	<u>1,150,650</u>	<u>438,540</u>	<u>5,512</u>	<u>26,518</u>
Total assets	<u>\$ 1,150,650</u>	<u>\$ 438,540</u>	<u>\$ 5,512</u>	<u>\$ 26,518</u>
Liabilities:				
Accounts payable.	\$ 10,704	\$ -	\$ 17	\$ -
Accrued wages and benefits	6,264	2,449	-	-
Interfund Payable	-	-	-	-
Due to other governments	22,122	14,374	-	-
Deferred revenue.	167,965	51,737	-	-
Unearned revenue	68,085	-	-	-
	<u>275,140</u>	<u>68,560</u>	<u>17</u>	<u>-</u>
Total liabilities	<u>275,140</u>	<u>68,560</u>	<u>17</u>	<u>-</u>
Fund Balances:				
Reserved for encumbrances	18,627	16,500	150	-
Reserved for materials and supplies inventory	22,358	-	-	-
Reserved for prepayments	11,217	4,669	-	-
Reserved for debt service.	-	-	-	-
Unreserved, undesignated, reported in:				
General fund	823,308	-	-	-
Special revenue funds.	-	348,811	-	-
Capital projects funds.	-	-	5,345	26,518
	<u>875,510</u>	<u>369,980</u>	<u>5,495</u>	<u>26,518</u>
Total fund balances	<u>875,510</u>	<u>369,980</u>	<u>5,495</u>	<u>26,518</u>
Total liabilities and fund balances	<u>\$ 1,150,650</u>	<u>\$ 438,540</u>	<u>\$ 5,512</u>	<u>\$ 26,518</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>SR 123 Phase VI</u>	<u>SR 123 Phase VII</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 197	\$ 396	\$ 736,588	\$ 1,805,406
-	-	-	240,839
-	-	115,016	190,554
-	-	1,551	77,332
-	-	-	1,435
-	-	4,329	35,765
-	-	-	43,204
-	-	162,260	208,778
-	-	1,415	23,773
-	-	5,088	20,974
<u>\$ 197</u>	<u>\$ 396</u>	<u>\$ 1,026,247</u>	<u>\$ 2,648,060</u>
\$ -	\$ 23	\$ 13,650	\$ 24,394
-	-	847	9,560
-	-	43,204	43,204
-	-	19,408	55,904
-	-	132,176	351,878
-	-	104,008	172,093
<u>-</u>	<u>23</u>	<u>313,293</u>	<u>657,033</u>
-	-	81,197	116,474
-	-	1,415	23,773
-	-	5,088	20,974
-	-	7,569	7,569
-	-	-	823,308
-	-	527,137	875,948
197	373	90,548	122,981
<u>197</u>	<u>373</u>	<u>712,954</u>	<u>1,991,027</u>
<u>\$ 197</u>	<u>\$ 396</u>	<u>\$ 1,026,247</u>	<u>\$ 2,648,060</u>

CITY OF CARLISLE, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2008

Total governmental fund balances		\$	1,991,027
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			4,535,741
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.			
Income taxes receivable	\$	155,211	
Property taxes receivable		18,461	
Accrued interest receivable		28,360	
Special assessments receivable		1,435	
Due from other governments		148,411	
Total			351,878
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:			
Accrued interest payable		(37,252)	
Special assessment bonds		(370,386)	
General obligation bonds and notes		(2,889,750)	
Compensated absences		(17,638)	
Total			<u>(3,315,026)</u>
Net assets of governmental activities		\$	<u>3,563,620</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CARLISLE, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>General</u>	<u>Police Services</u>	<u>Carlisle Business Park</u>	<u>SR 123 Phase V</u>
Revenues:				
Income taxes	\$ 550,637	\$ 275,319	\$ -	\$ -
Property and other taxes	81,605	-	-	-
Charges for services	-	-	-	-
Licenses and permits	83,946	-	-	-
Fines and forfeitures	61,591	-	-	-
Intergovernmental	157,359	-	-	-
Special assessments.	49,023	-	-	-
Investment income	111,281	-	-	-
Payment in lieu of taxes	-	-	-	-
Other	90,555	1,046	6,000	-
Total revenues	<u>1,185,997</u>	<u>276,365</u>	<u>6,000</u>	<u>-</u>
Expenditures:				
Current:				
General government.	574,298	-	-	-
Security of persons and property	317,303	269,463	-	-
Transportation.	-	-	-	-
Community environment	150,282	-	7,302	1,184
Leisure time activity.	12,894	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement.	-	-	1,299,097	480,000
Interest and fiscal charges.	-	-	48,780	19,357
Total expenditures	<u>1,054,777</u>	<u>269,463</u>	<u>1,355,179</u>	<u>500,541</u>
Excess (deficiency) of revenues over (under) expenditures	<u>131,220</u>	<u>6,902</u>	<u>(1,349,179)</u>	<u>(500,541)</u>
Other financing sources (uses):				
Notes issued	-	-	1,218,750	480,000
Premiums on notes	-	-	149	672
Transfers in	-	-	124,000	-
Transfers out	(124,000)	-	-	-
Total other financing sources (uses)	<u>(124,000)</u>	<u>-</u>	<u>1,342,899</u>	<u>480,672</u>
Net change in fund balances	7,220	6,902	(6,280)	(19,869)
Fund balances at beginning of year . . .	<u>868,290</u>	<u>363,078</u>	<u>11,775</u>	<u>46,387</u>
Fund balances at end of year	<u><u>\$ 875,510</u></u>	<u><u>\$ 369,980</u></u>	<u><u>\$ 5,495</u></u>	<u><u>\$ 26,518</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SR 123 Phase VI	SR 123 Phase VII	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 825,956
-	-	120,215	201,820
-	-	45,841	45,841
-	-	-	83,946
-	-	3,048	64,639
-	163,936	353,657	674,952
-	-	44,909	93,932
-	-	17,861	129,142
-	-	206,858	206,858
5,000	-	23,577	126,178
<u>5,000</u>	<u>163,936</u>	<u>815,966</u>	<u>2,453,264</u>
-	-	227,592	801,890
-	-	132,824	719,590
-	-	337,377	337,377
2,766	23	18,038	179,595
-	-	-	12,894
-	313,750	1,365	315,115
350,000	-	445,218	2,574,315
14,618	-	53,144	135,899
<u>367,384</u>	<u>313,773</u>	<u>1,215,558</u>	<u>5,076,675</u>
<u>(362,384)</u>	<u>(149,837)</u>	<u>(399,592)</u>	<u>(2,623,411)</u>
350,000	150,000	366,000	2,564,750
490	210	400	1,921
-	-	-	124,000
-	-	-	(124,000)
<u>350,490</u>	<u>150,210</u>	<u>366,400</u>	<u>2,566,671</u>
(11,894)	373	(33,192)	(56,740)
12,091	-	746,146	2,047,767
<u>\$ 197</u>	<u>\$ 373</u>	<u>\$ 712,954</u>	<u>\$ 1,991,027</u>

CITY OF CARLISLE, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

Net change in fund balances - total governmental funds \$ (56,740)

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

Government funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.

Capital asset additions	\$	436,356	
Current year depreciation		(174,603)	
Total			261,753

The effect of various miscellaneous transactions involving capital assets (i.e., transfer of assets from business-type activities) is to increase net assets 10,429

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

Income taxes		30,187	
Property taxes		(11,445)	
Intergovernmental		17,973	
Special assessments		478	
Investment income		(17,857)	
Total			19,336

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 2,574,315

The issuance of notes provide current financial resources to governmental funds, but issuing debt increases long-term liabilities on the statement of net assets (2,564,750)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 11,648

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (9,367)

Change in net assets of governmental activities \$ 246,624

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CARLISLE, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Income taxes	\$ 530,650	\$ 530,650	\$ 585,109	\$ 54,459
Property and other taxes	74,010	74,010	81,605	7,595
Licenses and permits	73,061	73,061	80,559	7,498
Fines and forfeitures	53,574	53,574	59,072	5,498
Intergovernmental	147,382	147,382	162,507	15,125
Special assessment	44,460	44,460	49,023	4,563
Investment income	102,298	102,298	112,796	10,498
Other	68,990	68,990	76,070	7,080
Total revenues	1,094,425	1,094,425	1,206,741	112,316
Expenditures:				
Current:				
General government	594,626	648,910	607,719	41,191
Security of persons and property	323,499	353,033	330,623	22,410
Community environment	150,041	163,739	153,345	10,394
Leisure time activity	12,693	13,852	12,973	879
Total expenditures	1,080,859	1,179,534	1,104,660	74,874
Excess (deficiency) of revenues over (under) expenditures	13,566	(85,109)	102,081	187,190
Other financing uses:				
Transfers out	(121,328)	(132,405)	(124,000)	8,405
Total other financing uses	(121,328)	(132,405)	(124,000)	8,405
Net change in fund balance	(107,762)	(217,514)	(21,919)	195,595
Fund balance at beginning of year	619,825	619,825	619,825	-
Prior year encumbrances appropriated	109,274	109,274	109,274	-
Fund balance at end of year	\$ 621,337	\$ 511,585	\$ 707,180	\$ 195,595

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CARLISLE, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 POLICE SERVICES FUND
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Income taxes.	\$ 269,038	\$ 269,038	\$ 292,556	\$ 23,518
Other	962	962	1,046	84
Total revenues.	<u>270,000</u>	<u>270,000</u>	<u>293,602</u>	<u>23,602</u>
Expenditures:				
Current:				
Security of persons and property	273,264	317,414	297,815	19,599
Total expenditures.	<u>273,264</u>	<u>317,414</u>	<u>297,815</u>	<u>19,599</u>
Net change in fund balance	(3,264)	(47,414)	(4,213)	43,201
Fund balance at beginning of year.	336,091	336,091	336,091	-
Prior year encumbrances appropriated	<u>5,214</u>	<u>5,214</u>	<u>5,214</u>	<u>-</u>
Fund balance at end of year	<u>\$ 338,041</u>	<u>\$ 293,891</u>	<u>\$ 337,092</u>	<u>\$ 43,201</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CARLISLE, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2008

	<u>Business-type Activities -Enterprise Funds</u>			
	<u>Sewer</u>	<u>Water</u>	<u>Refuse</u>	<u>Total</u>
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 1,138,588	\$ 80,996	\$ 113,245	\$ 1,332,829
Receivables (net of allowance for uncollectibles):				
Accounts	77,478	12,566	40,339	130,383
Special assessments	19,907	-	1,435	21,342
Materials and supplies inventory	2,169	-	-	2,169
Prepayments.	4,136	223	733	5,092
Total current assets	<u>1,242,278</u>	<u>93,785</u>	<u>155,752</u>	<u>1,491,815</u>
Noncurrent assets:				
Capital assets:				
Depreciable capital assets, net	4,326,412	1,220,570	-	5,546,982
Total capital assets	<u>4,326,412</u>	<u>1,220,570</u>	<u>-</u>	<u>5,546,982</u>
Total noncurrent assets.	<u>4,326,412</u>	<u>1,220,570</u>	<u>-</u>	<u>5,546,982</u>
Total assets	<u>5,568,690</u>	<u>1,314,355</u>	<u>155,752</u>	<u>7,038,797</u>
Liabilities:				
Current liabilities:				
Accounts payable.	71,002	136	-	71,138
Accrued wages and benefits	1,500	173	300	1,973
Compensated absences	1,841	-	-	1,841
Due to other governments	7,882	498	1,916	10,296
Total current liabilities	<u>82,225</u>	<u>807</u>	<u>2,216</u>	<u>85,248</u>
Long-term liabilities:				
Compensated absences	826	-	13	839
Total long-term liabilities	<u>826</u>	<u>-</u>	<u>13</u>	<u>839</u>
Total liabilities	<u>83,051</u>	<u>807</u>	<u>2,229</u>	<u>86,087</u>
Net assets:				
Invested in capital assets.	4,326,411	1,220,571	-	5,546,982
Unrestricted	1,159,228	92,977	153,523	1,405,728
Total net assets	<u>\$ 5,485,639</u>	<u>\$ 1,313,548</u>	<u>\$ 153,523</u>	<u>\$ 6,952,710</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CARLISLE, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Business-type Activities - Enterprise Funds			
	Sewer	Water	Refuse	Total
Operating revenues:				
Charges for services	\$ 1,227,563	\$ 96,890	\$ 316,996	\$ 1,641,449
Tap-in fees.	10,140	6,488	-	16,628
Other.	55,513	46	256	55,815
Total operating revenues	<u>1,293,216</u>	<u>103,424</u>	<u>317,252</u>	<u>1,713,892</u>
Operating expenses:				
Personal services	197,977	13,867	50,491	262,335
Contract services	1,101,084	6,462	225,186	1,332,732
Materials and supplies	13,175	82,098	263	95,536
Transportation.	2,600	100	75	2,775
Depreciation	292,536	53,372	-	345,908
Total operating expenses.	<u>1,607,372</u>	<u>155,899</u>	<u>276,015</u>	<u>2,039,286</u>
Operating income (loss)	<u>(314,156)</u>	<u>(52,475)</u>	<u>41,237</u>	<u>(325,394)</u>
Transfers out	<u>(10,429)</u>	<u>-</u>	<u>-</u>	<u>(10,429)</u>
Changes in net assets	(324,585)	(52,475)	41,237	(335,823)
Net assets at beginning of year	<u>5,810,224</u>	<u>1,366,023</u>	<u>112,286</u>	<u>7,288,533</u>
Net assets at end of year.	<u>\$ 5,485,639</u>	<u>\$ 1,313,548</u>	<u>\$ 153,523</u>	<u>\$ 6,952,710</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CARLISLE, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Business-type Activities - Enterprise Funds			
	Sewer	Water	Refuse	Total
Cash flows from operating activities:				
Cash received from customers	\$ 1,279,303	\$ 96,244	\$ 312,363	\$ 1,687,910
Cash received from other operations	55,513	46	256	55,815
Cash payments for personal services	(198,274)	(13,977)	(51,003)	(263,254)
Cash payments for contract services	(1,040,131)	(6,278)	(225,102)	(1,271,511)
Cash payments for materials and supplies	(14,697)	(82,098)	(263)	(97,058)
Cash payments for transportation	(2,600)	(100)	(75)	(2,775)
Net cash provided by (used in) operating activities.	<u>79,114</u>	<u>(6,163)</u>	<u>36,176</u>	<u>109,127</u>
Cash flows from noncapital financing activities:				
Cash payments for transfers out	(10,429)	-	-	(10,429)
Net cash used in noncapital financing activities	<u>(10,429)</u>	<u>-</u>	<u>-</u>	<u>(10,429)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(31,362)	-	-	(31,362)
Net cash used in capital and related financing activities	<u>(31,362)</u>	<u>-</u>	<u>-</u>	<u>(31,362)</u>
Net increase (decrease) in cash and cash equivalents.	37,323	(6,163)	36,176	67,336
Cash and cash equivalents at beginning of year.	<u>1,101,265</u>	<u>87,159</u>	<u>77,069</u>	<u>1,265,493</u>
Cash and cash equivalents at end of year	<u>\$ 1,138,588</u>	<u>\$ 80,996</u>	<u>\$ 113,245</u>	<u>\$ 1,332,829</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (314,156)	\$ (52,475)	\$ 41,237	\$ (325,394)
Adjustments:				
Depreciation	292,536	53,372	-	345,908
Changes in assets and liabilities:				
Increase in materials and supplies inventory	(1,522)	-	-	(1,522)
(Increase) decrease in accounts receivable	48,233	(7,134)	(4,155)	36,944
Increase in special assessments	(6,633)	-	(478)	(7,111)
Decrease in prepayments	493	48	84	625
Increase in accounts payable	60,460	136	-	60,596
Decrease in accrued wages and benefits	(2,772)	(217)	(637)	(3,626)
Increase in due to other governments.	54	107	112	273
Increase in compensated absences payable.	2,421	-	13	2,434
Net cash provided by (used in) operating activities	<u>\$ 79,114</u>	<u>\$ (6,163)</u>	<u>\$ 36,176</u>	<u>\$ 109,127</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CARLISLE, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2008

	<u>Agency</u>
Assets:	
Cash in segregated accounts	\$ 9,982
Total assets.	<u>\$ 9,982</u>
Liabilities:	
Undistributed monies.	\$ 9,982
Total liabilities	<u>\$ 9,982</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 1 - DESCRIPTION OF THE CITY

The City of Carlisle, Warren County, Ohio (the "City"), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City is directed by a publicly-elected Mayor and six-member Council. The City provides water and sewer utilities, park operations, police services and a planning and zoning department. The City contracts with the Franklin Township Fire Department to provide fire services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The City has elected not to apply these FASB Statements and Interpretations. The City's significant accounting policies are described below.

A. Reporting Entity

The City's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The City's BFS include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization's Governing Board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected Governing Board, a Governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete.

The City provides various services including fire protection and prevention, water and sewer services, street maintenance and repairs, planning and zoning, building inspection, parks and recreation, refuse collection and general administrative services. The operation of each of these activities is directly controlled by the Council through the budgetary process. None of these services are provided by a legally separate organization; therefore, these operations are included in the primary government.

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's Governing Board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the City has no component units. The basic financial statements of the reporting entity include only those of the City (the primary government).

B. Basis of Presentation - Fund Accounting

The City's BFS consists of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental functions are self-financing or draw from the general revenues of the City.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for sales and services. Operating expenses for the enterprise fund include personnel and other expenses related to sewer, water and refuse operations. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General fund - The general fund accounts for all financial resources except those required to be accounted for in another fund.

Police services fund - The police services fund receives money from income taxes to provide and improve police services in the City.

Carlisle business park fund - The Carlisle business park fund receives money from the sale of notes earmarked for business park improvements.

SR 123 Phase V fund - This fund receives money from OPWC and the sale of notes earmarked for the construction of Phase V of State Route 123.

SR 123 Phase VI fund - The SR 123 Phase VI fund receives money from OPWC and the sale of notes earmarked for the construction of Phase VI of State Route 123.

SR 123 Phase VII fund - The SR 123 Phase VII fund receives money from OPWC and the sale of notes earmarked for the construction of Phase VII of State Route 123.

Other governmental funds of the City are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds - Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City does not have any internal services funds. The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Sewer fund - This fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

Water fund - This fund accounts for the operations of providing water treatment and distribution to the residents and commercial users located within the City.

Refuse fund - This fund accounts for the operations of providing refuse removal to its residential and commercial users located within the City.

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City does not have any trust funds. The City's only agency fund accounts for monies collected and distributed for court fines and forfeitures. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the financial statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Agency funds do not report a measurement focus as they do not report operations.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days of year-end.

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 8). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, State-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, fees and special assessments.

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

Property taxes for which there is an enforceable legal claim as of December 31, 2008, but which were levied to finance year 2009 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2008, are recorded as deferred revenue on the fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

F. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are required to be budgeted and appropriated. The legal level of budgetary control is at the object level for all funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Tax Budget - During the first Council meeting in July, the Mayor presents the following year's annual operating budget to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to January 1, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include encumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that estimates need to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the first and final amended official certificate of estimated resources issued during 2008.

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

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are not reappropriated as part of the subsequent year appropriations.

G. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented as "cash and cash equivalents in segregated accounts" since they are not required to be deposited in the City treasury.

During 2008, investments were limited to nonnegotiable certificates of deposit which are reported at cost.

CITY OF CARLISLE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2008 amount to \$111,281 which includes \$81,212 assigned from other City funds.

For purposes of the statement of cash flows and for presentation on the statement of net assets, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

An analysis of the City's investment account at year-end is provided in Note 4.

H. Inventories of Materials and Supplies

On government-wide financial statements, purchased inventories are presented at the lower of cost or market and donated commodities and presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of the proprietary funds are expensed when used.

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of storm sewers, streets, and water and sewer lines. The City did not retroactively report governmental activities infrastructure, in accordance with Phase III implementation of GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement.

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Buildings and improvements	50 years	50 years
Furniture and equipment	10 years	10 years
Vehicles	5 - 15 years	5 - 15 years
Infrastructure	25 - 50 years	40 years

J. Compensated Absences

Compensated absences of the City consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

In conformity with GASB Statement No. 16, "Accounting for Compensated Absences", vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

CITY OF CARLISLE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivable/payable”. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities; which are presented as internal balances.

M. Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the BFS.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

N. Prepayments

Payments made to vendors for services that will benefit beyond December 31, 2008, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

O. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The City reports a reservation of fund balance for amounts representing encumbrances outstanding, prepayments, materials and supplies inventory and debt service in the governmental fund financial statements.

P. Contributions of Capital

Contributions of capital in governmental activities and proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, from grants or outside contributions of resources restricted to capital acquisition and construction, or from other funds within the City. The City’s governmental activities received \$10,429 in capital contributions from the sewer fund. These are presented as transfers on the statement of activities.

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Q. Estimates

The preparation of the BFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the BFS and accompanying notes. Actual results may differ from those estimates.

R. Net Assets

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

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. During 2008, the City had no extraordinary or special items.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

For 2008, the City has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the City; however, certain disclosures related to postemployment benefits (see Note 15) have been modified to conform to the new reporting requirements.

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the City.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the City.

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at December 31, 2008, included the following individual fund deficit:

Indian Trace TIF	\$43,204
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This fund complied with Ohio State law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits and provides transfers when cash is required, not when accruals occur. The deficit fund balance is the result of a cash basis deficit (see Note 5.B.).

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

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

A. Cash in Segregated Accounts

At December 31, 2008, \$9,982 was deposited in a segregated account for the City's Mayor's Court. This amount is excluded from the internal cash pool and is reported on the statement of fiduciary net assets as "cash in segregated accounts".

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At December 31, 2008, the carrying amount of all City deposits was \$3,138,235. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2008, \$2,501,838 of the City's bank balance of \$3,336,820 was exposed to custodial risk as discussed below, while \$834,982 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

C. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,138,235
Cash in segregated accounts	<u>9,982</u>
Total	<u>\$ 3,148,217</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 1,805,406
Business type activities	1,332,829
Agency funds	<u>9,982</u>
Total	<u>\$ 3,148,217</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended December 31, 2008, consisted of the following, as reported in the fund financial statements:

<u>Transfers to</u>	<u>Transfers from</u>
	<u>General</u>
Carlisle business park	<u>\$ 124,000</u>

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- B.** Interfund balances at December 31, 2008 as reported on the fund statements, consist of the following amounts:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 43,204

The primary purpose of the interfund balances is to cover negative cash balances in specific funds where revenues were not received by December 31, 2008. This interfund balance will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of December 31, 2007. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 6.25% for 2008. This percentage will be reduced to zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 6 - PROPERTY TAXES - (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2008-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Carlisle. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2008 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2008 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all City operations for the year ended December 31, 2008 was \$55.59 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real property

Residential/agricultural	\$ 83,711,050
Commercial/industrial/mineral	34,080
Tangible personal property	201,360

Public utility

Real	5,130
Personal	<u>4,269,960</u>
Total assessed value	<u>\$ 88,221,580</u>

NOTE 7 - RECEIVABLES

Receivables at December 31, 2008, consisted of taxes, accounts (billings for user charged services), accrued interest, special assessments and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2008.

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 7 - RECEIVABLES - (Continued)

A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Income taxes	\$ 240,839
Real and other taxes	190,554
Accounts	77,332
Accrued interest	35,765
Special assessments	1,435
Due from other governemnts	208,778

Business-type activities:

Accounts	130,383
Special assessments	21,342

Receivables have been disaggregated on the face of the BFS. The only receivable not expected to be collected within the subsequent year is the special assessments which are collected over the life of the assessment.

NOTE 8 - MUNICIPAL INCOME TAXES

The City levies a 1.5 percent income tax on substantially all income earned in the City. In addition, City residents employed in municipalities having an income tax less than 1.5 percent must pay the difference to the City. Additional increases in the income tax rate require voter approval. Employers within the City withhold income tax on employee compensation and remit at least quarterly and file an annual declaration.

The City's income tax ordinance requires a portion of the income tax receipts to be used to finance public safety forces. As a result, this portion of the receipts is allocated to the police services special revenue fund each year. The remaining income tax receipts are to be used to pay the cost of administering the tax and general fund operations, as determined by Council. Income tax revenue for 2008 was \$825,956 as reported in the fund financial statements.

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 9 - CAPITAL ASSETS

A. Governmental Activities

Capital asset activity for the governmental activities for the year ended December 31, 2008, was as follows:

<u>Governmental activities:</u>	<u>Balance</u> <u>12/31/07</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/08</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,471,040	\$ -	\$ -	\$ 1,471,040
Total capital assets, not being depreciated	<u>1,471,040</u>	<u>-</u>	<u>-</u>	<u>1,471,040</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	1,052,404	109,237	-	1,161,641
Furniture and equipment	148,369	-	-	148,369
Vehicles	802,311	23,798	-	826,109
Infrastructure	<u>1,961,307</u>	<u>313,750</u>	<u>-</u>	<u>2,275,057</u>
Total capital assets, being depreciated	<u>3,964,391</u>	<u>446,785</u>	<u>-</u>	<u>4,411,176</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(461,491)	(22,140)	-	(483,631)
Furniture and equipment	(73,992)	(13,476)	-	(87,468)
Vehicles	(593,515)	(53,596)	-	(647,111)
Infrastructure	<u>(42,874)</u>	<u>(85,391)</u>	<u>-</u>	<u>(128,265)</u>
Total accumulated depreciation	<u>(1,171,872)</u>	<u>(174,603)</u>	<u>-</u>	<u>(1,346,475)</u>
Total capital assets, being depreciated, net	<u>2,792,519</u>	<u>272,182</u>	<u>-</u>	<u>3,064,701</u>
Governmental activities capital assets, net	<u>\$ 4,263,559</u>	<u>\$ 272,182</u>	<u>\$ -</u>	<u>\$ 4,535,741</u>

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:

General government	\$ 16,337
Security of persons and property	67,095
Community environment	4,419
Transportation	83,473
Leisure time activity	<u>3,279</u>
Total depreciation expense - governmental activities	<u>\$ 174,603</u>

B. Business-type activities

Capital asset activity for the business-type activities for the year ended December 31, 2008, was as follows:

	<u>Balance</u> <u>12/31/2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/2008</u>
<u>Business-type activities</u>				
<i>Capital assets, being depreciated</i>				
Furniture and equipment	\$ 160,113	\$ -	\$ -	\$ 160,113
Vehicles	176,048	31,362	-	207,410
Infrastructure	<u>12,901,514</u>	<u>-</u>	<u>-</u>	<u>12,901,514</u>
Total capital assets, being depreciated	<u>13,237,675</u>	<u>31,362</u>	<u>-</u>	<u>13,269,037</u>
<i>Less: accumulated depreciation:</i>				
Furniture and equipment	(74,977)	(10,861)	-	(85,838)
Vehicles	(157,202)	(12,509)	-	(169,711)
Infrastructure	<u>(7,143,968)</u>	<u>(322,538)</u>	<u>-</u>	<u>(7,466,506)</u>
Total accumulated depreciation	<u>(7,376,147)</u>	<u>(345,908)</u>	<u>-</u>	<u>(7,722,055)</u>
Business-type activities capital assets, net	<u>\$ 5,861,528</u>	<u>\$ (314,546)</u>	<u>\$ -</u>	<u>\$ 5,546,982</u>

Depreciation was charged to departments of the City as follows:

Business-type activities:

Sewer	\$ 292,536
Water	<u>53,372</u>
Total depreciation expense - business-type activities	<u>\$ 345,908</u>

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 10 - OTHER EMPLOYEE BENEFITS - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn ten to thirty days of vacation per year, depending upon length of service. Earned, unused vacation time is paid upon termination of employment. Employees earn sick leave at different rates depending upon length of service and type of employment. Sick leave accrual is continuous, without limit. Upon retirement or death, an employee can be paid a maximum of one-half of the 960 hours maximum of accumulated, unused sick leave. As of December 31, 2008, the liability for unpaid compensated absences was \$20,318 for the entire City, which is reported as a fund liability and/or on the government-wide financial statements as applicable.

NOTE 11 - LONG-TERM OBLIGATIONS

During 2008, the following changes occurred in the City's long-term obligations:

	Balance 12/31/2007	<u>Additions</u>	<u>Reductions</u>	Balance 12/31/2008	Amounts Due in One Year
<u>Governmental Activities:</u>					
<u>General obligation bonds and notes:</u>					
Road Improvements-4.26%	\$340,000	\$ -	\$(15,000)	\$325,000	\$15,000
Real Estate Acquisition-4.05%	385,000	-	(385,000)	-	-
Real Estate Acquisition-2.75%	-	355,000	-	355,000	355,000
Equipment Acquisition-4.00%	148,000	-	(148,000)	-	-
Equipment Acquisition-3.80%	-	111,000	-	111,000	111,000
Business Park Improvements-3.71%	914,097	-	(914,097)	-	-
Business Park Improvements-3.40%	-	863,750	-	863,750	863,750
Bond Anticipation Notes-4.05%	735,000	-	(735,000)	-	-
Bond Anticipation Notes-2.50%	-	885,000	-	885,000	885,000
Roadway Improvements-4.20%	350,000	-	(350,000)	-	-
Roadway Improvements-2.50%	-	350,000	-	350,000	350,000
Total general obligation bonds	<u>2,872,097</u>	<u>2,564,750</u>	<u>(2,547,097)</u>	<u>2,889,750</u>	<u>2,579,750</u>
<u>Special assessment bonds:</u>					
Jamaica Road Improvements-6.00%	25,604	-	(1,218)	24,386	1,292
Union Road Extension-6.25%	127,000	-	(11,000)	116,000	11,000
Road Improvements-4.15%	245,000	-	(15,000)	230,000	20,000
Total special assessment bonds	<u>397,604</u>	<u>-</u>	<u>(27,218)</u>	<u>370,386</u>	<u>32,292</u>
<u>Other long-term obligations:</u>					
Compensated absences	8,271	16,611	(7,244)	17,638	15,605
Total other long-term obligations	<u>8,271</u>	<u>16,611</u>	<u>(7,244)</u>	<u>17,638</u>	<u>15,605</u>
Total governmental activities long-term obligations	<u>\$3,277,972</u>	<u>\$2,581,361</u>	<u>\$(2,581,559)</u>	<u>\$3,277,774</u>	<u>\$2,627,647</u>

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

<u>Business-type activities:</u>	Balance <u>12/31/07</u>	Additions	Reductions	Balance <u>12/31/08</u>	Amounts Due in <u>One Year</u>
<u>Other long-term obligations:</u>					
Compensated absences	\$ 246	\$ 2,680	\$ (246)	\$ 2,680	\$ 1,841
Total business-type activities					
long-term obligations	<u>\$ 246</u>	<u>\$ 2,680</u>	<u>\$ (246)</u>	<u>\$ 2,680</u>	<u>\$ 1,841</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid which for the City is primarily the general fund, road, fire and police services special revenue funds and the sewer fund.

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2008, the City's total debt margin was \$8,916,882 and the unvoted debt margin was \$4,837,021.

Principal and interest requirements to retire the City's bonds outstanding at December 31, 2008 were:

Year Ending <u>December 31,</u>	<u>Jamaica Road Improvements</u>			<u>Union Road Extension</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,292	\$ 1,463	\$ 2,755	\$ 11,000	\$ 7,250	\$ 18,250
2010	1,369	1,386	2,755	12,000	6,563	18,563
2011	1,451	1,303	2,754	13,000	5,813	18,813
2012	1,538	1,216	2,754	14,000	5,000	19,000
2013	1,631	1,124	2,755	15,000	4,125	19,125
2014 - 2018	9,742	4,031	13,773	51,000	6,501	57,501
2019 - 2021	<u>7,363</u>	<u>901</u>	<u>8,264</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 24,386</u>	<u>\$ 11,424</u>	<u>\$ 35,810</u>	<u>\$ 116,000</u>	<u>\$ 35,252</u>	<u>\$ 151,252</u>

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Year Ending December 31,	Eagle Court			General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 20,000	\$ 11,830	\$ 31,830	\$ 15,000	\$ 14,430	\$ 29,430
2010	20,000	10,850	30,850	15,000	13,950	28,950
2011	20,000	9,860	29,860	15,000	13,425	28,425
2012	20,000	8,860	28,860	20,000	12,870	32,870
2013	20,000	7,850	27,850	20,000	12,100	32,100
2014 - 2018	130,000	21,151	151,151	105,000	47,980	152,980
2019 - 2023	-	-	-	135,000	20,976	155,976
Total	<u>\$ 230,000</u>	<u>\$ 70,401</u>	<u>\$ 300,401</u>	<u>\$ 325,000</u>	<u>\$ 135,731</u>	<u>\$ 460,731</u>

The Real Estate Acquisition Note was issued March 28, 2008 and will mature on March 27, 2009. The Equipment Acquisition Note was issued January 7, 2008 and will mature on January 6, 2009. The Road Improvement Bond Anticipation Note was issued May 22, 2008 and will mature on May 21, 2009. The Business Park Improvement Note was issued on December 11, 2008 and will mature on December 11, 2009. The Roadway Improvement Note was issued June 19, 2008 and will mature on June 19, 2009.

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2008, the City contracted with several companies for various types of insurance as follows. The risk of loss transfers to the insurance carrier upon payment of the premium. The following is a summary of the City's insurance coverage:

<u>Company</u>	<u>Type</u>	<u>Deductible</u>	<u>Coverage</u>
The Ohio Plan	Commercial Property	\$ 1,000	\$ 2,784,583
The Ohio Plan	Scheduled & Miscellaneous Equipment	1,000	587,107
The Ohio Plan	Auto Comprehensive & Collision	500	AVC
The Ohio Plan	Emergency Auto Comprehensive & Collision	500	980,178
The Ohio Plan	Auto Liability	-	5,000,000
The Ohio Plan	General Liability	-	5,000,000
The Ohio Plan	Public Officials Liability	1,000	5,000,000
The Ohio Plan	Employee Bonding		
	- City Manager	-	35,000
	- Finance Director	-	35,000
	- Public Employee	-	35,000
The Ohio Plan	Law Enforcement Operations	1,000	5,000,000
The Ohio Plan	Wrongful Acts	5,000	5,000,000

There have been no material changes in this coverage for the prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

Health insurance is provided to eligible employees through a commercial carrier.

NOTE 13 - PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 13 - PENSION PLANS - (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2008 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.10%.

The City's contribution rate for 2008 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.40% of covered payroll. For 2008, a portion equal to 7.00% of covered payroll was allocated to fund the post-employment health care plan.

The City's contribution rate for pension benefits for 2008 was 7.00%, except for those plan members in law enforcement and public safety. For those classifications, the City's pension contributions were 10.40% of covered payroll. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2008, 2007, and 2006 were \$34,595, \$41,544, and \$43,441, respectively; 91.56% has been contributed for 2008 and 100% has been contributed for 2007 and 2006.

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2008, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers were \$48,545 for the year ended December 31, 2008, \$32,813 for the year ended December 31, 2007 and \$27,887, for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 80.71% has been contributed for police and firefighters for 2008.

CITY OF CARLISLE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 14 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14.00% of covered payroll (17.40% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment healthcare for 2008 was 7.00% of covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$34,595, \$27,458 and \$21,248, respectively; 91.56% has been contributed for 2008 and 100% has been contributed for 2007 and 2006.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 14 - POSTRETIREMENT BENEFIT PLANS - (Continued)

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The OP&F's post-employment healthcare plan was established and is administered as an Internal Revenue Code Section 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as a percentage of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers were \$25,700 for the year ended December 31, 2008, \$21,603 for the year ended December 31, 2007 and \$18,360 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 80.71% has been contributed for police and firefighters for 2008.

CITY OF CARLISLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balances - budget and actual (non-GAAP budgetary basis) presented for the general fund and police services fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
2. Expenditures and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP); and,
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for the general fund and the police services fund.

Net Change in Fund Balance

	General	Police Services
Budget basis	\$ (21,919)	\$ (4,213)
Net adjustment for revenue accruals	(20,744)	(17,237)
Net adjustment for expenditure accruals	31,256	11,852
Adjustment for encumbrances	18,627	16,500
GAAP basis	\$ 7,220	\$ 6,902

NOTE 16 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2008.

B. Litigation

The City is currently not involved in litigation for which the City's legal counsel anticipates a loss.

CITY OF CARLISLE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 17 - SIGNIFICANT SUBSEQUENT EVENTS

On March 26, 2009, the City issued a \$325,000 general obligation note to retire a portion of the \$355,000 general obligation note used for real estate acquisition that was issued on March 28, 2008 (See Note 11). This note bears an interest rate of 2.50% and matures on March 26, 2010.

On January 6, 2009, the City issued a \$74,000 general obligation note to retire a portion of the \$111,000 general obligation note used for equipment acquisition that was issued on January 7, 2008 (See Note 11). This note bears an interest rate of 3.40% and matures on January 6, 2010.

On May 21, 2009, the City issued an \$840,750 general obligation note to retire a portion of the \$885,000 general obligation note used for road improvements that was issued on May 22, 2008 (See Note 11). This note bears an interest rate of 2.50% and matures on May 20, 2010.

On December 11, 2009, the City issued an \$813,750 bond anticipation note to retire a portion of the \$863,750 bond anticipation note that was issued on December 11, 2008 (See Note 11). This note bears an interest rate of 3.40% and matures on December 11, 2010.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Carlisle
Warren County
760 W. Central Avenue
Carlisle, Ohio 45005

To the Members of City Council:

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Carlisle, Warren County, Ohio (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 18, 2009, except for Note 17, which is dated May 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a 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's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

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

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris and Associates, Inc.

December 18, 2009, which is dated May 29, 2010

**CITY OF CARLISLE
WARREN COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2008**

The prior report, for the year ending December 31, 2007, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

CITY OF CARLISLE

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 24, 2010