



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE

February 28, 2014

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Carlisle, Iowa.

The City's receipts totaled \$7,185,092 for the year ended June 30, 2013, a 27.5% decrease from the prior year. The receipts included \$1,603,234 in property tax, \$16,566 from tax increment financing, \$3,841,840 from charges for service, \$488,694 from operating grants, contributions and restricted interest, \$181,141 from capital grants, contributions and restricted interest, \$23,009 from unrestricted interest on investments, \$988,035 from the sale of electric revenue capital loan notes and \$42,573 from other general receipts.

Disbursements for the year ended June 30, 2013 totaled \$7,877,396, a 4% decrease from the prior year, and included \$942,443 for public safety, \$611,800 for public works and \$595,145 for capital projects. Also, disbursements for business type activities totaled \$4,465,772.

The decrease in receipts and disbursements is due primarily to a decrease in the amount of capital loan note proceeds received and a decrease in capital projects disbursements from fiscal year 2012.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of the Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1320-0870-B00F.pdf>.

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CITY OF CARLISLE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2013

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City of Carlisle

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ruth Randleman	Mayor	Jan 2014
Eric Mahnke	Mayor Pro tem	(Resigned Dec 2012)
Joe Grandstaff (Appointed)	Mayor Pro tem	Jan 2016
Eric Goodhue (Appointed Feb 2013)	Council Member	Nov 2013
Doug Hammerand	Council Member	Jan 2014
Drew Merrifield	Council Member	Jan 2016
Robert Van Ryswyk	Council Member	Jan 2016
Neil Ruddy	Administrator/City Clerk	Indefinite
Andra K. Black	Deputy City Clerk	Indefinite
Robert L. Stuyvesant	Attorney	Indefinite

City of Carlisle



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carlisle, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carlisle as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carlisle's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

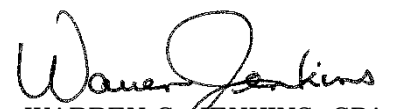
The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 34 through 36, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 27, 2014 on our consideration of the City of Carlisle's internal control over financial reporting and on 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 in considering the City of Carlisle's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 27, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Carlisle provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 35%, or approximately \$1,487,000, from fiscal year 2012 to fiscal year 2013, primarily due to a decrease in general obligation capital loan note proceeds as the City did not issue any general obligation debt in fiscal year 2013.
- The City's governmental activities disbursements decreased 21%, or approximately \$904,000, from fiscal year 2012 to fiscal year 2013, primarily due to a decrease in capital projects function disbursements as the 1st Street and 5th Street projects were essentially complete at the end of fiscal year 2012.
- The City's governmental activities cash balance at June 30, 2013 decreased 22%, or approximately \$601,000, from June 30, 2012.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

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

Fund Financial Statements

The City has three kinds of funds:

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

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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

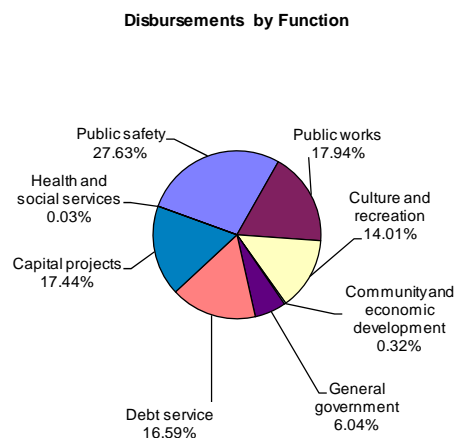
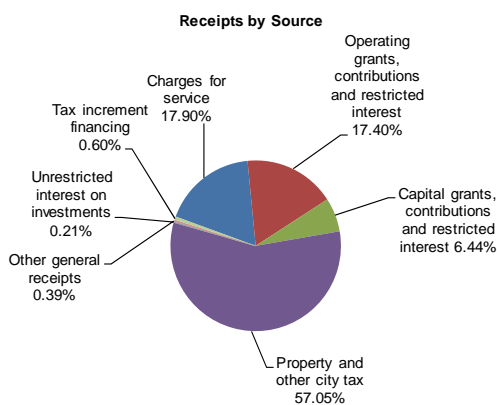
3) The fiduciary fund (the Agency, Carlisle Little League Fund) accounts for resources held for others.

The required financial statement for fiduciary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing approximately \$601,000 to approximately \$2.124 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service	\$ 503	472
Operating grants, contributions and restricted interest	489	456
Capital grants, contributions and restricted interest	181	454
General receipts:		
Property and other city tax	1,603	1,536
Tax increment financing	17	23
Unrestricted interest on investments	6	7
General obligation capital loan note proceeds, net of discount	-	1,326
Other general receipts	11	23
Total receipts	2,810	4,297
Disbursements:		
Operating:		
Public safety	942	816
Public works	612	519
Health and social services	1	-
Culture and recreation	478	498
Community and economic development	11	14
General government	206	155
Debt service	566	513
Capital projects	595	1,800
Total disbursements	3,411	4,315
Change in cash basis net position	(601)	(18)
Cash basis net position beginning of year	2,725	2,743
Cash basis net position end of year	\$ 2,124	2,725



Total governmental activities receipts for the fiscal year were approximately \$2.810 million and total governmental activities disbursements for the fiscal year were approximately \$3.411 million.

Changes in Cash Basis Net Position of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 526	512
Sewer	873	808
Electric	1,940	2,042
Capital grants and contributions:		
Sewer	-	913
General receipts:		
Unrestricted interest on investments	17	14
General obligation capital loan note proceeds	-	270
Sewer revenue capital loan note proceeds	-	1,026
Electric revenue capital loan note proceeds	988	-
Miscellaneous	31	32
Total receipts	4,375	5,617
Disbursements:		
Water	688	492
Sewer	852	1,420
Electric	2,926	1,963
Total disbursements	4,466	3,875
Change in cash basis net position	(91)	1,742
Cash basis net position beginning of year	2,614	872
Cash basis net position end of year	\$ 2,523	2,614

Total business type activities receipts for the fiscal year were approximately \$4.375 million compared to approximately \$5.617 million last year. The significant decrease is due primarily to a decrease in capital grants, which the City received at the completion of the sewer project in fiscal year 2012. The decrease is also due to the City issuing less general obligation and revenue capital loan notes in fiscal year 2013 compared to fiscal year 2012. Business type activities disbursements increased \$591,000. The increase is due primarily to electric capital projects.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Carlisle completed the year, its governmental funds reported a combined fund balance of \$2,105,836, a decrease of \$586,348 from last year's total of \$2,692,184. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$71,005 from the prior year, resulting in an ending cash balance of \$883,421 at June 30, 2013. This decrease is due to an increase in disbursements for building inspections, site plan reviews and payroll for the Police Department.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$44,578 during the fiscal year to \$156,375 at June 30, 2013. This decrease is due to an increase in expenses for street overlays as well as the purchase of a vehicle.

- The Debt Service Fund cash balance increased \$66,679 to \$229,352 at June 30, 2013. This is primarily due to an increase in receipts from special assessments.
- The Capital Projects Fund cash balance decreased \$545,200 to \$623,979 at June 30, 2013. The decrease is due to timing differences between receipts from debt proceeds and grant reimbursements and disbursements for various capital projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$122,403 from the prior year to \$590,512. The decrease is due to costs incurred for water system improvements and painting the water tower.
- The Enterprise, Sewer Fund cash balance increased \$33,122 from the prior year to \$1,286,840. The increase in cash balance is due primarily to an increase in receipts from customer charges for service.
- The Enterprise, Electric Fund cash balance increased \$14,396 to \$630,252 during the fiscal year. Although there was an increase in receipts from revenue capital loan note proceeds and an increase in capital project disbursements, operating receipts remained relatively stable while disbursements increased approximately \$161,000, primarily due to an increase in the cost of purchasing power, from fiscal year 2012 to fiscal year 2013.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 28, 2013 and resulted in an increase of \$1,041,018 in budgeted receipts and other financing sources, primarily related to proceeds from the issuance of electric revenue capital loan notes. Budgeted disbursements increased \$1,457,018 due to water system improvements, the new electric building and other capital projects.

The City's total receipts were \$3,426,907 less than budgeted, mainly due to the timing of grant reimbursements for capital projects.

Total disbursements were \$4,232,459 less than budgeted. Actual capital projects function disbursements were \$3,819,955 less than budgeted due to projects not being completed as budgeted, as well as the timing of project disbursements compared to when the expenses were budgeted. Business type activities disbursements were \$293,044 less than budgeted due to the City budgeting for land that was not purchased and spending less than originally budgeted for new vehicles and the new water and electric meter system. Additionally, the new electric building was not completed at June 30, 2013, as originally budgeted. Culture and recreation function disbursements were \$75,288 less than budgeted due to the City spending less than amounts budgeted for cemetery fence and road repairs, aquatic center and parks department salaries, library materials, pool repair and maintenance, concession and pool operations supplies and supplies for the community center. Additionally, the City budgeted for the purchase of a new mower which was not purchased prior to June 30, 2013.

The City exceeded the amount budgeted in the general government function for the year ended June 30, 2013, due primarily to greater than expected building inspection and site plan/zoning review costs caused by an increase in new construction within the City.

DEBT ADMINISTRATION

At June 30, 2013, the City had \$8,009,102 of notes outstanding, compared to \$7,799,102 of bonds and notes last year, as shown below:

	Outstanding Debt at Year-End	
	(Expressed in Thousands)	
	June 30,	
	2013	2012
General obligation capital loan notes	\$ 4,120	4,675
Revenue capital loan notes	3,889	3,089
Revenue bonds	-	35
Total	\$ 8,009	7,799

Debt increased as a result of current year debt issuances.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$4,120,000, excluding the annual payments on a \$63,600 tax increment financing rebate agreement, is significantly below its constitutional debt limit of approximately \$9.9 million.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget. One of those factors is the economy. The City's total assessed valuations have increased slightly. However, funding from the State has decreased due to the State's budget constraints. The City Council worked hard to retain the same tax rate for fiscal year 2014 with no increase to the taxpayers.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Andy Lent, City Clerk, or Kay Black, Deputy City Clerk, 195 N 1st Street, Carlisle, Iowa 50047.

Basic Financial Statements

City of Carlisle

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 942,443	151,299	71,717	11,814
Public works	611,800	212,085	374,826	-
Health and social services	1,278	-	-	-
Culture and recreation	477,770	81,695	38,451	-
Community and economic development	11,100	19,182	1,135	-
General government	205,727	38,956	-	-
Debt service	566,361	-	2,349	119,382
Capital projects	595,145	-	-	49,945
Total governmental activities	3,411,624	503,217	488,478	181,141
Business type activities:				
Water	687,446	525,860	-	-
Sewer	852,148	873,260	-	-
Electric	2,926,178	1,939,503	216	-
Total business type activities	4,465,772	3,338,623	216	-
Total	\$ 7,877,396	3,841,840	488,694	181,141

General Receipts:

Property and other city tax levied for:
 General purposes
 Debt service
 Tax increment financing
 Unrestricted interest on investments
 Electric revenue capital loan note proceeds, including premium of \$28,781 and net of \$35,746 of issuance costs
 Miscellaneous
 Total general receipts
 Change in cash basis net position
 Cash basis net position beginning of year
 Cash basis net position end of year

Cash Basis Net Position

Restricted:
 Nonexpendable:
 Cemetary perpetual care
 Expendable:
 Urban renewal purposes
 Debt service
 Streets
 Capital projects
 Other purposes
 Unrestricted

Total cash basis net position

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(707,613)	-	(707,613)
(24,889)	-	(24,889)
(1,278)	-	(1,278)
(357,624)	-	(357,624)
9,217	-	9,217
(166,771)	-	(166,771)
(444,630)	-	(444,630)
(545,200)	-	(545,200)
(2,238,788)	-	(2,238,788)
-	(161,586)	(161,586)
-	21,112	21,112
-	(986,459)	(986,459)
-	(1,126,933)	(1,126,933)
(2,238,788)	(1,126,933)	(3,365,721)
1,091,925	-	1,091,925
511,309	-	511,309
16,566	-	16,566
6,207	16,802	23,009
-	988,035	988,035
11,172	31,401	42,573
1,637,179	1,036,238	2,673,417
(601,609)	(90,695)	(692,304)
2,725,161	2,614,123	5,339,284
\$ 2,123,552	2,523,428	4,646,980
\$ 43,253	-	43,253
57,836	-	57,836
229,352	396,408	625,760
156,375	-	156,375
623,979	18,944	642,923
111,620	-	111,620
901,137	2,108,076	3,009,213
\$ 2,123,552	2,523,428	4,646,980

City of Carlisle

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

As of and for the year ended June 30, 2013

	General	Special Revenue Road Use Tax
Receipts:		
Property tax	\$ 980,652	-
Tax increment financing	-	-
Other city tax	15,971	-
Licenses and permits	62,733	-
Use of money and property	20,934	-
Intergovernmental	83,886	374,826
Charges for service	398,089	-
Special assessments	-	-
Miscellaneous	56,406	1,258
Total receipts	1,618,671	376,084
Disbursements:		
Operating:		
Public safety	912,047	-
Public works	187,890	420,662
Health and social services	1,278	-
Culture and recreation	467,524	-
Community and economic development	11,100	-
General government	205,139	-
Debt service	-	-
Capital projects	-	-
Total disbursements	1,784,978	420,662
Excess (deficiency) of receipts over (under) disbursements	(166,307)	(44,578)
Other financing sources (uses):		
Operating transfers in	95,302	-
Operating transfers out	-	-
Total other financing sources (uses)	95,302	-
Change in cash balances	(71,005)	(44,578)
Cash balances beginning of year	954,426	200,953
Cash balances end of year	\$ 883,421	156,375
Cash Basis Fund Balances		
Nonspendable - Cemetary perpetual care	\$ -	-
Restricted for:		
Urban renewal purposes	-	-
Debt service	-	-
Streets	-	156,375
Capital projects	-	-
Other purposes	-	-
Unassigned	883,421	-
Total cash basis fund balances	\$ 883,421	156,375

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
505,843	-	95,302	1,581,797
-	-	16,566	16,566
5,466	-	-	21,437
-	-	-	62,733
2,349	420	-	23,703
-	49,525	-	508,237
-	-	-	398,089
119,382	-	-	119,382
-	-	20,162	77,826
633,040	49,945	132,030	2,809,770
-	-	20,809	932,856
-	-	-	608,552
-	-	-	1,278
-	-	8,163	475,687
-	-	-	11,100
-	-	-	205,139
566,361	-	-	566,361
-	595,145	-	595,145
566,361	595,145	28,972	3,396,118
66,679	(545,200)	103,058	(586,348)
-	-	-	95,302
-	-	(95,302)	(95,302)
-	-	(95,302)	-
66,679	(545,200)	7,756	(586,348)
162,673	1,169,179	204,953	2,692,184
229,352	623,979	212,709	2,105,836
-	-	43,253	43,253
-	-	57,836	57,836
229,352	-	-	229,352
-	-	-	156,375
-	623,979	-	623,979
-	-	111,620	111,620
-	-	-	883,421
229,352	623,979	212,709	2,105,836

City of Carlisle

City of Carlisle

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

As of and for the year ended June 30, 2013

Total governmental funds cash balances (page 17)	\$ 2,105,836
<i>Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:</i>	
The Internal Service Fund is used by management to charge the costs of partial self funding of the City's insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.	<u>17,716</u>
Cash basis net position of governmental activities (page 15)	<u>\$ 2,123,552</u>
Change in cash balances (page 17)	\$ (586,348)
<i>Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:</i>	
The Internal Service Fund is used by management to charge the costs of partial self funding of the City's insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.	<u>(15,261)</u>
Change in cash basis net position of governmental activities (page 15)	<u>\$ (601,609)</u>

See notes to financial statements.

Exhibit D

City of Carlisle

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

As of and for the year ended June 30, 2013

	Enterprise				Internal
	Water	Sewer	Electric	Total	Service Self Funded Insurance
Operating receipts:					
Charges for service	\$ 525,860	873,260	1,939,503	3,338,623	-
Miscellaneous	-	-	216	216	15,925
Total operating receipts	525,860	873,260	1,939,719	3,338,839	15,925
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	14,463
Public works	-	-	-	-	4,899
Culture and recreation	-	-	-	-	3,142
General government	-	-	-	-	886
Business type activities	457,711	350,394	1,938,449	2,746,554	23,851
Total operating disbursements	457,711	350,394	1,938,449	2,746,554	47,241
Excess (deficiency) of operating receipts over (under) operating disbursements	68,149	522,866	1,270	592,285	(31,316)
Non-operating receipts (disbursements):					
Interest on investments	3,761	7,989	5,052	16,802	245
Rental income	31,401	-	-	31,401	-
Electric revenue capital loan note proceeds, including premium of \$28,781 and net of \$35,746 of issuance costs	-	-	988,035	988,035	-
Debt service	(36,900)	(405,808)	(10,870)	(453,578)	-
Capital projects	(188,814)	(91,925)	(969,091)	(1,249,830)	-
Total non-operating receipts (disbursements)	(190,552)	(489,744)	13,126	(667,170)	245
Change in cash balances	(122,403)	33,122	14,396	(74,885)	(31,071)
Cash balances beginning of year	712,915	1,253,718	615,856	2,582,489	64,611
Cash balances end of year	\$ 590,512	1,286,840	630,252	2,507,604	33,540
Cash Basis Fund Balances					
Restricted for:					
Debt service	\$ -	320,604	75,804	396,408	-
Capital projects	-	-	18,944	18,944	-
Unrestricted	590,512	966,236	535,544	2,092,252	33,540
Total cash basis fund balances	\$ 590,512	1,286,840	630,292	2,507,604	33,540

See notes to financial statements.

City of Carlisle

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

As of and for the year ended June 30, 2013

Total enterprise funds cash balances (page 20) \$ 2,507,604

Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund are included in business type activities in the Cash Basis Statement of Activities and Net Position.

15,824

Cash basis net position of business type activities (page 15)

\$ 2,523,428

Change in cash balances (page 20)

\$ (74,885)

Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

(15,810)

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

\$ (90,695)

See notes to financial statements.

City of Carlisle

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Fiduciary Fund

As of and for the year ended June 30, 2013

	<u>Agency</u>
	<u>Carlisle</u>
	<u>Little</u>
	<u>League</u>
Additions:	
Grants and contributions	\$ 5,000
Deductions:	
Distributions to Carlisle Little League	<u>5,000</u>
Change in cash balance	-
Cash balance beginning of year	<u>-</u>
Cash balance end of year	<u>\$ -</u>

See notes to financial statements.

City of Carlisle

City of Carlisle

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

Blended Component Units

The Carlisle Firemen's Enterprises Corporation and Friends of the Carlisle Library are entities which are legally separate from the City, but are so intertwined with the City they are, in substance, the same as the City. They are reported as part of the City and blended into the appropriate funds.

Jointly Governed Organizations

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

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

B. Basis of Presentation

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

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

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

The Special Revenue, Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

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

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

The City reports the following major proprietary funds:

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

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

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

The City also reports the following additional proprietary fund:

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

Additionally, the City reports an Agency Fund which is used to account for assets held by the City as an agent for the Carlisle Little League.

C. Measurement Focus and Basis of Accounting

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

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

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the general government function.

(2) Cash and Pooled Investments

The City's deposits in banks and credit unions at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Capital Loan Notes		Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 645,000	90,433	313,777	127,963	958,777	218,396
2015	505,000	80,988	269,341	118,534	774,341	199,522
2016	515,000	72,708	274,844	111,201	789,844	183,909
2017	525,000	62,752	285,363	103,512	810,363	166,264
2018	475,000	51,250	290,902	95,013	765,902	146,263
2019-2023	1,455,000	95,707	1,613,289	325,836	3,068,289	421,543
2024-2028	-	-	104,939	143,386	104,939	143,386
2029-2033	-	-	124,761	123,564	124,761	123,564
2034-2038	-	-	148,373	99,952	148,373	99,952
2039-2043	-	-	176,501	71,824	176,501	71,824
2044-2048	-	-	182,265	38,874	182,265	38,874
2049-2051	-	-	104,747	7,932	104,747	7,932
Total	\$ 4,120,000	453,838	3,889,102	1,367,591	8,009,102	1,821,429

The Code of Iowa requires principal and interest on general obligation notes be paid from the Debt Service Fund. However, \$90,000 of principal and \$1,800 of interest on general obligation notes was paid from the Enterprise, Sewer Fund during the year ended June 30, 2013.

Revenue Bonds and Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$3,160,000 of sewer revenue capital loan notes issued November 1, 2003 and May 28, 2008. The notes were issued for the purpose of paying the costs of improvements and extensions to the sewer system. The City has also pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,026,000 of USDA subordinate sewer revenue capital loan notes issued October 26, 2011. The notes were issued for the purpose of paying the costs of improvements and extensions to the sewer system, including the construction of a sanitary sewer collection system for the Avon Lake Area. The notes are payable solely and only out of the net earnings of the sewer utility system and are payable through 2051. The total principal and interest remaining to be paid on the notes is \$4,152,055. For the current year, sewer revenue capital loan note principal and interest paid and total customer net receipts were \$312,508 and \$522,866, respectively. Annual principal and interest payments on these sewer revenue notes are expected to require approximately 60% of net receipts.

The City has pledged future electric customer receipts, net of specified operating disbursements, to repay \$995,000 of electric revenue capital loan notes issued October 23, 2012. The notes were issued for the purpose of paying costs of constructing extensions and improvements to the municipal electric utility, including constructing and equipping a utility facility building addition. The notes are payable solely and only out of the net earnings of the electric utility system and are payable through 2023. The total principal and interest remaining to be paid on the notes is \$1,104,638. For the current year, electric revenue capital loan note principal and interest paid and total customer net receipts were \$10,620 and \$1,270, respectively. Annual principal and interest payments on these electric revenue notes are expected to require more than 100% of net receipts.

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

- (1) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (2) Sufficient monthly transfers shall be made to separate sewer and electric revenue sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (3) Additional monthly transfers shall be made to separate sewer and electric reserve accounts until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying note principal and interest payments when insufficient money is available in the sinking accounts.
- (4) Sewer and electric user rates shall be established at a level which produces net revenues at a level not less than 125% of the amount of principal and interest due on the bonds and notes during the same year.
- (5) For the sewer revenue capital loan notes, an amount equal to \$279,537 shall be deposited in the reserve account.
- (6) For the electric revenue capital loan notes, an amount equal to \$99,500 shall be deposited in the reserve account.

The City has not complied with the USDA subordinate sewer revenue note provision which states separate subordinate sinking and reserve accounts will be created within the Sewer Fund. The transfers required by the note provisions were put into the existing sewer sinking and reserve accounts which relate to the 2003 and 2008 sewer revenue notes.

The City's electric reserve account was not maintained at an amount equal to the reserve account requirement as required by the provisions of the electric revenue capital loan notes. Additionally, monthly transfers to the electric reserve account were not made. The City has not complied with the electric revenue capital loan note provision which states the rates must be sufficient to produce net revenues not less than 125% of the principal and interest requirements.

(4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$102,656, \$95,395 and \$80,241, respectively, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug, vision and dental benefits for employees, retirees and their spouses. There are 21 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug and vision benefits are provided through fully-insured plans with Wellmark and Avesis. The dental benefits are self-funded. Retirees under age 65 pay the same premium for the medical/prescription drug, vision and dental benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$453 for single coverage, \$930 for employee and spouse coverage, \$867 for employee and child coverage and \$1,368 for family coverage. For the year ended June 30, 2013, the City contributed \$227,016 and plan members eligible for benefits contributed \$43,603 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, retirement or death. Unused sick leave hours are lost upon resignation or termination. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 94,000
Compensatory time	<u>82,000</u>
Total	<u>\$176,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2013.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits	\$ 95,302

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

(8) Risk Management

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

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

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

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

Monthly payments of service fees and plan contributions to the Internal Service, Self Funded Insurance Fund are recorded as disbursements from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to TRISTAR Benefit Administrators. The City's contribution to the fund for the year ended June 30, 2013 was \$15,925.

(10) Development Agreement

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

The total to be paid by the City under the agreement is not to exceed \$63,600. The City is to begin rebating incremental property tax June 1, 2014. The outstanding balance of the agreement at June 30, 2013 was \$63,600.

The agreement is not a general obligation of the City. The agreement includes an annual appropriation clause and, accordingly, only the amount payable in the succeeding year is subject to the constitutional debt limitation of the City.

(11) Construction Commitments

Construction commitments at June 30, 2013 totaled \$801,945, which will be paid as work on the projects progress. These projects will be funded through note proceeds, grants and local funds on hand.

(12) Contract Arbitration

The City has entered into arbitration with a contractor over project expenses allegedly not covered by the contract bid. The amount the City may be required to pay, if any, is unknown.

(13) Subsequent Events

The City issued general obligation capital loan notes of \$620,000 in August 2013 for the purpose of paying costs of the construction, reconstruction and repair of street improvements, equipping of fire, police, sanitation, street and civil defense departments and the acquiring, developing and improving a geographic computer data base system suitable for automated mapping and facilities management.

The City issued urban renewal revenue capital loan notes of \$145,000 in November 2013 for the purpose of assisting in the acquisition of property for an urban renewal project.

Other Information

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

Other Information

Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,581,797	-	-
Tax increment financing	16,566	-	-
Other city tax	21,437	-	-
Licenses and permits	62,733	-	-
Use of money and property	23,703	48,448	(245)
Intergovernmental	508,237	-	-
Charges for service	398,089	3,338,623	-
Special assessments	119,382	-	-
Miscellaneous	77,826	16,141	(32,618)
Total receipts	<u>2,809,770</u>	<u>3,403,212</u>	<u>(32,863)</u>
Disbursements:			
Public safety	932,856	14,463	(35,272)
Public works	608,552	4,899	(4,899)
Health and social services	1,278	-	-
Culture and recreation	475,687	3,142	(11,305)
Community and economic development	11,100	-	-
General government	205,139	886	(886)
Debt service	566,361	-	-
Capital projects	595,145	-	-
Business type activities	-	4,473,813	(23,851)
Total disbursements	<u>3,396,118</u>	<u>4,497,203</u>	<u>(76,213)</u>
Excess (deficiency) of receipts over (under) disbursements	(586,348)	(1,093,991)	43,350
Other financing sources, net	-	988,035	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(586,348)	(105,956)	43,350
Balances beginning of year	2,692,184	2,647,100	(187,160)
Balances end of year	<u>\$ 2,105,836</u>	<u>2,541,144</u>	<u>(143,810)</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,581,797	1,590,588	1,590,588	(8,791)
16,566	12,000	12,000	4,566
21,437	15,030	15,030	6,407
62,733	60,600	60,600	2,133
71,906	22,750	22,750	49,156
508,237	3,427,796	3,454,468	(2,946,231)
3,736,712	4,084,020	4,084,020	(347,308)
119,382	-	-	119,382
61,349	341,259	367,570	(306,221)
6,180,119	9,554,043	9,607,026	(3,426,907)
912,047	904,013	948,861	36,814
608,552	646,147	646,147	37,595
1,278	2,500	2,500	1,222
467,524	533,177	542,812	75,288
11,100	28,300	28,300	17,200
205,139	143,110	143,110	(62,029)
566,361	579,731	579,731	13,370
595,145	4,162,600	4,415,100	3,819,955
4,449,962	3,592,971	4,743,006	293,044
7,817,108	10,592,549	12,049,567	4,232,459
(1,636,989)	(1,038,506)	(2,442,541)	805,552
988,035	1,290,386	2,278,421	(1,290,386)
(648,954)	251,880	(164,120)	(484,834)
5,152,124	3,534,448	3,534,448	1,617,676
4,503,170	3,786,328	3,370,328	1,132,842

City of Carlisle

Notes to Other Information – Budgetary Reporting

June 30, 2013

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,457,018. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the general government function.

Supplementary Information

City of Carlisle

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

As of and for the year ended June 30, 2013

	Special Revenue		
		Urban	
	Employee	Gifts	Renewal
	Benefits	and	Tax
		Bequests	Increment
Receipts:			
Property tax	\$ 95,302	-	-
Tax increment financing	-	-	16,566
Miscellaneous	-	-	-
Total receipts	95,302	-	16,566
Disbursements:			
Operating:			
Public safety	-	-	-
Culture and recreation	-	-	-
Total disbursements	-	-	-
Excess (deficiency) of receipts over (under) disbursements	95,302	-	16,566
Other financing uses:			
Operating transfers out	(95,302)	-	-
Change in cash balances	-	-	16,566
Cash balances beginning of year	-	1,350	41,270
Cash balances end of year	\$ -	1,350	57,836
Cash Basis Fund Balances			
Nonspendable - Cemetary perpetual care	\$ -	-	-
Restricted for:			
Urban renewal purposes	-	-	57,836
Other purposes	-	1,350	-
Total cash basis fund balances	\$ -	1,350	57,836

See accompanying independent auditor's report.

Friends of the Carlisle Library	Carlisle Firemen's Enterprises Corporation	Permanent Cemetery Perpetual Care	Total
-	-	-	95,302
-	-	-	16,566
7,364	9,329	3,469	20,162
7,364	9,329	3,469	132,030
-	20,809	-	20,809
8,163	-	-	8,163
8,163	20,809	-	28,972
(799)	(11,480)	3,469	103,058
-	-	-	(95,302)
(799)	(11,480)	3,469	7,756
8,890	113,659	39,784	204,953
8,091	102,179	43,253	212,709
-	-	43,253	43,253
-	-	-	57,836
8,091	102,179	-	111,620
8,091	102,179	43,253	212,709

City of Carlisle
 Schedule of Indebtedness
 Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
General obligation capital loan refunding	Apr 28, 2009	1.75-2.80%	\$ 830,000
General obligation capital loan	Oct 14, 2009	1.30-3.70	1,020,000
General obligation capital loan	May 10, 2011	1.50-3.65	2,300,000
General obligation capital loan	Aug 31, 2011	1.00	270,000
General obligation capital loan	May 15, 2012	0.55-2.20	1,335,000
Total			
Revenue capital loan notes:			
Sewer refunding	Nov 1, 2003	1.70-4.00%	\$ 1,015,000
Sewer	May 28, 2008	2.65-4.20	2,145,000
Sewer subordinate RCLN-1	Oct 26, 2011	3.75	700,000
Sewer subordinate RCLN-2	Oct 26, 2011	3.75	58,000
Sewer subordinate RCLN-3	Oct 26, 2011	3.00	268,000
Electric	Oct 23, 2012	1.25-2.50	995,000
Total			
Revenue bonds:			
Water	Oct 1, 2003	2.75-4.00%	\$ 280,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
220,000	-	155,000	65,000	5,695
755,000	-	100,000	655,000	21,880
2,185,000	-	210,000	1,975,000	52,902
180,000	-	90,000	90,000	1,800
1,335,000	-	-	1,335,000	18,884
\$ 4,675,000	-	555,000	4,120,000	101,161
215,000	-	105,000	110,000	8,495
1,870,000	-	90,000	1,780,000	73,107
699,928	-	-	699,928	26,320
57,994	-	-	57,994	2,180
246,180	-	-	246,180	7,406
-	995,000	-	995,000	10,620
\$ 3,089,102	995,000	195,000	3,889,102	128,128
35,000	-	35,000	-	1,400

City of Carlisle

Note Maturities

June 30, 2013

Year Ending June 30,	General Obligation					
	Issued April 28, 2009		Issued Oct 14, 2009		Issued May 10, 2011	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2014	2.80%	\$ 65,000	2.30%	\$ 100,000	1.50%	\$ 240,000
2015		-	2.60	105,000	1.75	255,000
2016		-	2.90	110,000	2.10	260,000
2017		-	3.20	115,000	2.35	265,000
2018		-	3.40	115,000	2.70	215,000
2019		-	3.70	110,000	2.90	210,000
2020		-		-	3.20	175,000
2021		-		-	3.40	180,000
2022		-		-	3.65	175,000
Total		<u>\$ 65,000</u>		<u>\$ 655,000</u>		<u>\$ 1,975,000</u>

See accompanying independent auditor's report.

Capital Loan Notes					
Issued Aug 31, 2011			Issued May 15, 2012		
Interest Rates	Amount		Interest Rates	Amount	Total
1.00%	\$ 90,000		0.55%	\$ 150,000	645,000
	-		0.75	145,000	505,000
	-		0.90	145,000	515,000
	-		1.10	145,000	525,000
	-		1.30	145,000	475,000
	-		1.55	145,000	465,000
	-		1.75	150,000	325,000
	-		2.00	155,000	335,000
	-		2.20	155,000	330,000
	<u>\$ 90,000</u>			<u>\$ 1,335,000</u>	<u>4,120,000</u>

City of Carlisle

Note Maturities

June 30, 2013

Year Ending June 30,	Revenue Capital					
	Sewer Refunding		Sewer		Sewer Subordinate RCLN-1	
	Issued Nov 1, 2003		Issued May 28, 2008		Issued Oct 26, 2011	
	Interest		Interest		Interest	
Rates	Amount	Rates	Amount	Rates	Amount	
2014	4.00%	\$ 110,000	3.45%	\$ 95,000	3.75%	\$ 8,538
2015	-	-	3.60	155,000	3.75	8,933
2016	-	-	3.70	160,000	3.75	9,268
2017	-	-	3.80	170,000	3.75	9,615
2018	-	-	3.90	175,000	3.75	9,976
2019	-	-	4.00	185,000	3.75	10,350
2020	-	-	4.05	195,000	3.75	10,738
2021	-	-	4.10	205,000	3.75	11,141
2022	-	-	4.15	215,000	3.75	11,559
2023	-	-	4.20	225,000	3.75	11,992
2024	-	-	-	-	3.75	12,442
2025	-	-	-	-	3.75	12,908
2026	-	-	-	-	3.75	13,393
2027	-	-	-	-	3.75	13,895
2028	-	-	-	-	3.75	14,416
2029	-	-	-	-	3.75	14,956
2030	-	-	-	-	3.75	15,517
2031	-	-	-	-	3.75	16,099
2032	-	-	-	-	3.75	16,703
2033	-	-	-	-	3.75	17,329
2034	-	-	-	-	3.75	17,979
2035	-	-	-	-	3.75	18,653
2036	-	-	-	-	3.75	19,353
2037	-	-	-	-	3.75	20,078
2038	-	-	-	-	3.75	20,831
2039	-	-	-	-	3.75	21,613
2040	-	-	-	-	3.75	22,423
2041	-	-	-	-	3.75	23,264
2042	-	-	-	-	3.75	24,136
2043	-	-	-	-	3.75	25,041
2044	-	-	-	-	3.75	25,981
2045	-	-	-	-	3.75	26,955
2046	-	-	-	-	3.75	27,966
2047	-	-	-	-	3.75	29,014
2048	-	-	-	-	3.75	30,102
2049	-	-	-	-	3.75	31,231
2050	-	-	-	-	3.75	32,402
2051	-	-	-	-	3.75	33,138
Total		<u>\$ 110,000</u>		<u>\$ 1,780,000</u>		<u>\$ 699,928</u>

See accompanying independent auditor's report.

Loan Notes							
Sewer Subordinate RCLN-2		Sewer Subordinate RCLN-3		Electric			
Issued Oct 26, 2011		Issued Oct 26, 2011		Issued Oct 23, 2012			
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total	
3.75%	\$ 708	3.00%	\$ 4,531	1.25%	\$ 95,000	313,777	
3.75	741	3.00	4,667	1.25	100,000	269,341	
3.75	769	3.00	4,807	1.25	100,000	274,844	
3.75	797	3.00	4,951	1.50	100,000	285,363	
3.75	827	3.00	5,099	1.50	100,000	290,902	
3.75	858	3.00	5,252	1.75	100,000	301,460	
3.75	890	3.00	5,410	2.00	100,000	312,038	
3.75	924	3.00	5,572	2.20	100,000	322,637	
3.75	959	3.00	5,739	2.40	100,000	333,257	
3.75	994	3.00	5,911	2.50	100,000	343,897	
3.75	1,032	3.00	6,089		-	19,563	
3.75	1,070	3.00	6,271		-	20,249	
3.75	1,111	3.00	6,459		-	20,963	
3.75	1,152	3.00	6,653		-	21,700	
3.75	1,195	3.00	6,853		-	22,464	
3.75	1,240	3.00	7,058		-	23,254	
3.75	1,287	3.00	7,270		-	24,074	
3.75	1,335	3.00	7,488		-	24,922	
3.75	1,385	3.00	7,713		-	25,801	
3.75	1,437	3.00	7,944		-	26,710	
3.75	1,491	3.00	8,183		-	27,653	
3.75	1,547	3.00	8,428		-	28,628	
3.75	1,605	3.00	8,681		-	29,639	
3.75	1,665	3.00	8,941		-	30,684	
3.75	1,728	3.00	9,210		-	31,769	
3.75	1,792	3.00	9,486		-	32,891	
3.75	1,860	3.00	9,771		-	34,054	
3.75	1,929	3.00	10,064		-	35,257	
3.75	2,002	3.00	10,366		-	36,504	
3.75	2,077	3.00	10,677		-	37,795	
3.75	2,155	3.00	10,997		-	39,133	
3.75	2,235	3.00	11,327		-	40,517	
3.75	2,319	3.00	8,312		-	38,597	
3.75	2,406	3.00	-		-	31,420	
3.75	2,496		-		-	32,598	
3.75	2,590		-		-	33,821	
3.75	2,687		-		-	35,089	
3.75	2,699		-		-	35,837	
	<u>\$ 57,994</u>		<u>\$ 246,180</u>		<u>\$ 995,000</u>	<u>3,889,102</u>	

City of Carlisle

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

For the Last Ten Years

	2013	2012	2011	2010
Receipts:				
Property tax	\$ 1,581,797	1,515,682	1,454,014	1,387,198
Tax increment financing	16,566	23,089	-	-
Other city tax	21,437	20,344	19,440	14,371
Licenses and permits	62,733	59,968	43,148	59,735
Use of money and property	23,703	25,568	31,510	32,261
Intergovernmental	508,237	884,771	1,271,783	383,822
Charges for service	398,089	372,019	381,035	344,293
Special assessments	119,382	-	80,000	7,342
Miscellaneous	77,826	69,980	80,661	185,029
Total	\$ 2,809,770	2,971,421	3,361,591	2,414,051
Disbursements:				
Operating:				
Public safety	\$ 932,856	818,116	777,640	791,354
Public works	608,552	520,163	495,091	531,576
Health and social services	1,278	45	-	-
Culture and recreation	475,687	498,457	466,892	457,734
Community and economic development	11,100	14,177	13,272	21,227
General government	205,139	154,724	112,494	135,459
Debt service	566,361	513,452	483,634	477,535
Capital projects	595,145	1,800,137	1,457,253	543,200
Total	\$ 3,396,118	4,319,271	3,806,276	2,958,085

See accompanying independent auditor's report.

2009	2008	2007	2006	2005	2004
1,325,750	1,234,492	1,224,101	1,173,326	1,073,994	1,021,511
203	24,629	-	22,886	21,800	18,597
14,523	14,614	15,994	16,809	14,345	16,138
86,248	41,854	37,643	99,885	60,726	49,296
36,386	51,838	59,702	43,293	40,466	23,999
652,675	364,052	398,418	375,991	1,031,293	617,781
389,512	358,083	355,109	355,014	251,729	222,396
15,143	13,728	17,539	22,153	22,777	40,360
105,641	123,907	279,504	291,774	278,245	178,546
2,626,081	2,227,197	2,388,010	2,401,131	2,795,375	2,188,624
827,433	772,908	604,041	578,902	576,172	637,225
513,270	551,279	474,361	443,500	456,976	442,841
338	2,265	2,265	2,357	2,062	2,452
431,013	528,028	395,143	389,963	245,198	229,366
20,727	10,683	29,545	24,301	31,573	26,387
203,105	117,073	99,098	179,024	134,841	119,916
451,566	437,228	443,688	438,610	681,267	592,915
287,689	59,358	71,428	266,664	1,842,637	1,363,375
2,735,141	2,478,822	2,119,569	2,323,321	3,970,726	3,414,477

City of Carlisle



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Mary Mosiman, CPA
Auditor of State

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

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carlisle, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 27, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Carlisle's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Carlisle's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Carlisle's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Carlisle's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) through (D) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (E) through (H) to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


The City of Carlisle's Responses to the Findings


The City of Carlisle's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Carlisle's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 27, 2014

City of Carlisle

City of Carlisle

Schedule of Findings

Year ended June 30, 2013

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – One important element in designing internal control to safeguard assets and reasonably ensure the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one employee act as a check of those of another. During the audit, we identified the following incompatible duties:
- (1) While a monthly bank reconciliation is performed, there is no evidence the reconciliation is reviewed and approved by an independent person.
 - (2) Bank reconciliations are not performed by an individual who is not involved in the cash receipt or disbursement functions.
 - (3) The individual responsible for detailed record keeping of investments is also the custodian of the investments and reconciles the investment ledgers.
 - (4) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from recording and accounting for receipts.
 - (5) Mail is opened by an individual who is also responsible for recording and accounting for receipts. Also, an initial listing of receipts received in the mail is not prepared by the mail opener.
 - (6) Payroll journals are not reviewed and approved by an independent person.
 - (7) The individual approving credit card purchases also has access to credit cards.
 - (8) Journal entries are not reviewed and approved by an independent person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. The City should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons and should be evidenced by the signature or initials of the reviewer and the date of the review. Additionally, the mail should be opened by a person other than accounting personnel and a listing of receipts received in the mail should be prepared, at least on a test basis. The listing should be compared to the receipt records by an independent person.

Response –

- (1) The City administrator will review and initial all bank statements.
- (2) Deputy Clerk has limited cash involvement and will continue reconciling the bank statements with a review by the City Administrator.
- (3) Deputy Clerk keeps investment records, but two signatures are required for any investment transactions.

City of Carlisle

Schedule of Findings

Year ended June 30, 2013

- (4) The City will strive to separate duties and overlapping duties will be reviewed by someone else.
- (5) The City will strive to separate duties and a listing of receipts will be prepared by an independent person on a test basis.
- (6) Payroll journals will be reviewed and initialed by the City Administrator.
- (7) The City Administrator will approve any credit card purchases made with the Deputy Clerk's credit card.
- (8) The City Clerk will review journal entries.

Conclusion – Response accepted.

- (B) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Although the City is preparing monthly reconciliations of utility billings, collections and delinquent accounts, the reconciliations are not reviewed by an independent person.

Recommendation – The reconciliation of utility billings, collections and delinquent accounts should be reviewed by an independent person. Additionally, the reconciliation, as well as the delinquent account listing, should be reviewed by the City Council on a regular basis.

Response – Utility billings will be reconciled and reviewed by the Deputy Clerk and the City Administrator. The reports will be presented to the City Council at least quarterly.

Conclusion – Response accepted.

- (C) Financial Reporting – During the audit, we identified material amounts of receipts coded incorrectly in the financial statements. Adjustments were subsequently made by the City to properly record these amounts in the financial statements.

Recommendation – The City should properly record all transactions.

Response – The City will continue to strive to record all transactions properly.

Conclusion – Response accepted.

City of Carlisle

Schedule of Findings

Year ended June 30, 2013

- (D) Aquatic Center Policies and Procedures – The City has not established proper policies and procedures for segregating duties over cash receipts and inventory at the Aquatic Center. Additionally, Aquatic Center receipts were not deposited timely and deposits were not supported. Proper inventory records are not maintained and a periodic inventory count is not performed by a person independent of the custody of inventory. Aquatic Center receipts decreased from \$69,583 in fiscal year 2012 to \$45,315 in fiscal year 2013. Because of a lack of records, we were unable to determine the reason for the decrease.

Recommendation – The City should develop proper policies and procedures to segregate duties over cash receipts and inventory at the Aquatic Center. Aquatic Center cash receipts should be deposited daily and deposits should be supported with attendance and concession sales information. Detailed inventory records should be maintained and a periodic inventory count should be performed by a person independent of the custody of inventory.

Response – Policies and procedures will be developed to segregate duties at the Aquatic Center. Inventory and receipts will be properly recorded and supported.

Conclusion – Response accepted.

- (E) Segregation of Duties for Separately Maintained Records – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

For the component units of the City (i.e. Friends of the Carlisle Library and the Carlisle Firemen's Enterprises Corporation), the responsibilities for collection, deposit preparation, cash disbursement and bank reconciliation functions are not properly segregated. These duties are handled by one individual for each component unit. Additionally, there is no independent review of these duties.

In addition to the lack of segregation of duties, the following were noted:

- (1) For Friends of the Carlisle Library, there is no independent review of bank reconciliations and/or bank statements.
- (2) For the Carlisle Firemen's Enterprises Corporation, there is no independent review of bank reconciliations and/or bank statements.
- (3) For the Carlisle Firemen's Enterprises Corporation, while the disbursements appeared to be for proper purposes, nearly half of the disbursements were not supported by original invoices and other documentation.

Recommendation – We realize segregation of duties is difficult with a limited number of individuals. However, Friends of the Carlisle Library and the Carlisle Firemen's Enterprises Corporation should review their operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including Board members. All disbursements should be supported by an original invoice or contract.

Response – The City will stress to Friends of the Library and Firemen's Enterprise the importance of segregation of duties and record keeping.

Conclusion – Response accepted.

City of Carlisle

Schedule of Findings

Year ended June 30, 2013

- (F) Lack of Written Policies and Procedures – While the City has adopted a written disaster recovery plan, certain items were not included in the plan. Specifically, the plan does not include an inventory of all essential hardware components and software applications, a requirement essential supplies, relevant accounting manuals and other documentation, current system backups and a copy of the disaster recovery plan be located offsite and does not contain a requirement to test the plan annually.

Recommendation – The City should include the above items in its written disaster recovery plan.

Response – The disaster recovery plan will be reviewed and updated.

Conclusion – Response accepted.

- (G) Check Cashing – On occasion, the City cashes checks for individuals.

Recommendation – The City should not cash checks for individuals.

Response – All staff have been instructed we do not cash any checks.

Conclusion – Response accepted.

- (H) Vacation and Compensatory Time Policy – While the City Council has approved a policy for the accrual of vacation and compensatory time hours by City employees, the City is not currently following the policy, allowing employees to accrue hours above the maximum allowable limit.

Recommendation – The City should adhere to the policies and procedures approved by the City Council.

Response – The City will adhere to the policy and only on extreme occasions (with Council approval) will this be allowed.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Carlisle

Schedule of Findings

Year ended June 30, 2013

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amount budgeted in the general government function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – In the future, the City will do an amendment.

Conclusion – Response accepted.

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

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
IPERS	Late fee	\$ 70

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

Recommendation – The City Council should determine and document the public purpose served by this disbursement before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

Response – This is not a normal practice and we will establish a policy for the requirements for proper documentation when this does occur.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

Although minutes of City Council proceedings were published, they were not always published within fifteen days and did not include the total disbursements from each fund, a list of all claims allowed, including the purpose of the claim, or a summary of all receipts as required by Chapter 372.13(6) of the Code of Iowa.

City of Carlisle

Schedule of Findings

Year ended June 30, 2013

Recommendation – The City should publish minutes within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. The City should also publish the total disbursements from each fund, a listing of all claims allowed, including the purpose of the claim, and a summary of all receipts, as required.

Response – We will strive to meet this regulation and disbursements will be published in a timely manner.

Conclusion – Response accepted.

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Notes – Except as follows, no instances of non-compliance with the revenue note resolutions were noted.

The City has not complied with the USDA subordinate sewer revenue note provision which states separate subordinate sinking and reserve accounts will be created within the Sewer Fund. The transfers required by the note provisions were recorded in the existing sewer sinking and reserve accounts which relate to the 2003 and 2008 sewer revenue notes.

At June 30, 2013, the City’s electric reserve account was not maintained at an amount equal to the reserve account requirement required by the provisions of the electric revenue capital loan note. Additionally, monthly transfers to the electric reserve account were not made.

The City has not complied with the electric revenue capital loan note provision which states the rates must be sufficient to produce net revenues not less than 125% of the principal and interest requirements.

Recommendation – The City should set up the separate accounts required by the USDA note provisions. The City should make required transfers to the electric reserve account and ensure the account balance is maintained at the required amount. The City should ensure electric rates are sufficient to product net revenues of at least 125% of the principal and interest requirements.

Response – Separate accounts will be set up, transfers to reserve accounts will be made and electric rates will be reviewed to fulfill the requirements.

Conclusion – Response accepted.

- (9) Payment of General Obligation Notes – Certain general obligation note principal and interest were paid from the Enterprise, Sewer Fund. Chapter 384.4 of the Code of Iowa states, in part “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund.”

Recommendation – The City should transfer from the Enterprise, Sewer Fund to the Debt Service Fund for future funding contributions. Payments on the notes should then be disbursed from the Debt Service Fund.

City of Carlisle

Schedule of Findings

Year ended June 30, 2013

Response – All future funding contributions will be made from Debt Service Fund.

Conclusion – Response accepted.

- (10) Urban Renewal Annual Report – The urban renewal annual report was approved and certified to the Iowa Department of Management on or before December 1, 2012. However, the amount reported by the City as TIF debt outstanding was understated by \$63,600.

Recommendation – The City should ensure debt amounts reported on the Levy Authority Summary agree with the City's records.

Response – This report will be completed correctly in the future.

Conclusion – Response accepted.

City of Carlisle

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Manager
Jenny M. Podrebarac, Senior Auditor
Ryan T. Jelsma, Staff Auditor
Megan E. Irvin, Assistant Auditor
Jeremy L. Krajicek, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State