

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

March 31, 2015

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515/281-5834

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

The City's receipts totaled \$7,610,905 for the year ended June 30, 2014, a 5.9% increase over the prior year. The receipts included \$1,680,662 in property tax, \$2,082 from tax increment financing, \$4,091,574 from charges for service, \$549,380 from operating grants, contributions and restricted interest, \$462,565 from capital grants, contributions and restricted interest, \$14,711 from unrestricted interest on investments, \$627,378 of general obligation capital loan note proceeds, \$145,000 of urban renewal revenue capital loan note proceeds and \$37,553 from other general receipts.

Disbursements for the year ended June 30, 2014 totaled \$8,509,085, an 8% increase over the prior year, and included \$1,584,875 for public safety, \$900,988 for capital projects and \$680,017 for debt service. Also, disbursements for business type activities totaled \$3,771,140.

The increase in receipts and disbursements is due primarily to an increase in capital grants and capital loan note proceeds which were disbursed for capital projects.

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/1420-0870-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, 2014

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City of Carlisle

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Ruth Randleman	Mayor	Jan 2014
Joe Grandstaff (Appointed)	Mayor Pro Tem	Nov 2015
Eric Goodhue (Appointed)	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	(Retired Sept 2013)
Andrew Lent (Appointed)	Administrator/City Clerk	Indefinite
Andra K. Black	Deputy City Clerk	Indefinite
Robert L. Stuyvesant	Attorney	Indefinite

(After January 2014)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ruth Randleman	Mayor	Jan 2018
Joe Grandstaff (Appointed)	Mayor Pro tem	Nov 2015
Drew Merrifield	Council Member	Jan 2016
Robert Van Ryswyk	Council Member	Jan 2016
Eric Goodhue	Council Member	Jan 2018
Doug Hammerand	Council Member	Jan 2018
Andrew Lent	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, 2014, 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, 2014, and the respective changes in its 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 are 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, 2013 (which are not presented herein) and expressed unmodified 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 March 2, 2015 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

March 2, 2015

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, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 52.6%, or approximately \$1,479,000, from fiscal year 2013 to fiscal year 2014, primarily due to an increase in capital grants and the proceeds from two capital loan notes issued by the City.
- The City's governmental activities disbursements increased 38.9%, or approximately \$1,327,000, from fiscal year 2013 to fiscal year 2014, primarily due to an increase in capital projects function disbursements as well as a communications systems update and a new ambulance in the public safety function.
- The City's governmental activities cash balance at June 30, 2014 decreased 18.5%, or approximately \$392,000, from June 30, 2013.

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 are 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 two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and 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.

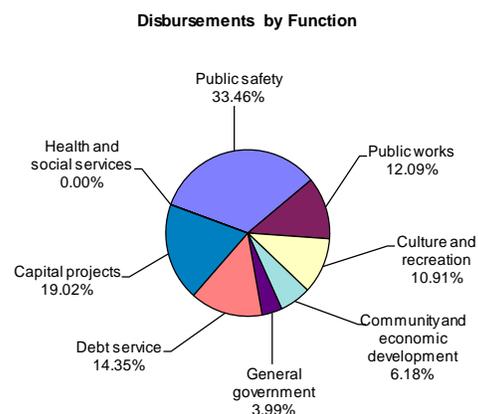
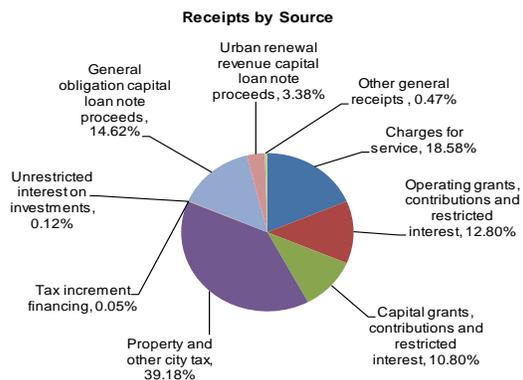
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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

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 from approximately \$2.124 million to approximately \$1.732 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,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service	\$ 797	503
Operating grants, contributions and restricted interest	549	489
Capital grants, contributions and restricted interest	463	181
General receipts:		
Property and other city tax	1,681	1,603
Tax increment financing	2	17
Unrestricted interest on investments	5	6
General obligation capital loan note proceeds	627	-
Urban renewal TIF revenue capital loan note proceeds	145	-
Other general receipts	20	11
Total receipts	4,289	2,810
Disbursements:		
Operating:		
Public safety	1,585	942
Public works	573	612
Health and social services	-	1
Culture and recreation	517	478
Community and economic development	293	11
General government	189	206
Debt service	680	566
Capital projects	901	595
Total disbursements	4,738	3,411
Change in cash basis net position before transfers	(449)	(601)
Transfers, net	57	-
Change in cash basis net position	(392)	(601)
Cash basis net position beginning of year	2,124	2,725
Cash basis net position end of year	\$ 1,732	2,124



Total governmental activities receipts for the fiscal year were approximately \$4.289 million and total governmental activities disbursements for the fiscal year were approximately \$4.738 million.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 510	526
Sewer	858	873
Electric	1,926	1,940
General receipts:		
Unrestricted interest on investments	10	17
Electric revenue capital loan note proceeds	-	988
Miscellaneous	18	31
Total receipts	<u>3,322</u>	<u>4,375</u>
Disbursements:		
Water	528	688
Sewer	862	852
Electric	2,381	2,926
Total disbursements	<u>3,771</u>	<u>4,466</u>
Change in cash basis net position before transfers	(449)	(91)
Transfers, net	(57)	-
Change in cash basis net position	<u>(506)</u>	<u>(91)</u>
Cash basis net position beginning of year	2,523	2,614
Cash basis net position end of year	<u>\$ 2,017</u>	<u>2,523</u>

Total business type activities receipts for the fiscal year were approximately \$3.322 million compared to approximately \$4.375 million last year. The significant decrease is due primarily to issuing an electric revenue capital loan in fiscal year 2013 with no similar issuance in fiscal year 2014. Business type activities disbursements decreased approximately \$695,000. The decrease is due primarily to the majority of the electric capital projects being completed in fiscal year 2013.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Carlisle completed the year, its governmental funds reported a combined fund balance of \$1,718,673, a decrease of \$387,163 from last year's total of \$2,105,836. 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 \$38,044 from the prior year, resulting in an ending cash balance of \$845,377 at June 30, 2014. This decrease is due to an increase in disbursements for a new communications system for the Police Department.
- The Special Revenue, Road Use Tax Fund cash balance increased \$49,781 during the fiscal year to \$206,246 at June 30, 2014. This increase is due to a decrease in expenses for street overlays and the purchase of a vehicle in fiscal year 2013.

- The Debt Service Fund cash balance increased \$81,030 to \$310,382 at June 30, 2014. This is primarily due to an increase in receipts from special assessments.
- The Capital Projects Fund cash balance decreased \$382,149 to \$241,830 at June 30, 2014. 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 \$54,675 from the prior year to \$535,837. The decrease is due to costs incurred for water system improvements and a decrease in water tower rental income.
- The Enterprise, Sewer Fund cash balance increased \$3,118 from the prior year to \$1,289,958. The increase in cash balance is due primarily to a decrease in capital project disbursements.
- The Enterprise, Electric Fund cash balance decreased \$449,810 to \$180,442 during the fiscal year. Operating receipts decreased slightly while operating disbursements increased approximately \$165,000, primarily due to an increase in the cost of purchasing power from fiscal year 2013 to fiscal year 2014. The City also began to make payments on the electric revenue capital loan notes issued in fiscal year 2013 and had disbursements to complete the electric capital project.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 27, 2014 and resulted in an increase of \$704,757 in budgeted receipts and other financing sources, primarily related to an increase in special assessments and the issuance of capital loan notes. Budgeted disbursements decreased \$120,874 due to a trail project being delayed until fiscal year 2015.

The City's total receipts were \$1,508,224 less than budgeted, mainly due to the delay of the trail project grant reimbursements as well as less than expected electric utility receipts.

Total disbursements were \$1,888,889 less than budgeted. Actual capital projects function disbursements were \$1,637,862 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. Debt service function disbursements were \$80,946 less than budgeted due to the City not having to make its first payment on the latest general obligation capital loan notes until after the end of fiscal year 2014. Business type activities disbursements were \$74,293 less than budgeted due to the City budgeting for land not purchased and spending less than originally budgeted for new vehicles and the new water and electric meter system.

The City exceeded the amount budgeted in the public safety and community and economic development functions for the year ended June 30, 2014, due primarily to greater than expected communication systems upgrade costs for the City's police department, purchasing a new ambulance and entering into an urban renewal agreement with Fareway Foods.

DEBT ADMINISTRATION

At June 30, 2014, the City had \$7,815, 325 of notes outstanding, compared to \$8,009,102 of notes last year, as shown below:

	Outstanding Debt at Year-End	
	(Expressed in Thousands)	
	June 30,	
	2014	2013
General obligation capital loan notes	\$ 4,095	4,120
Revenue capital loan notes	3,720	3,889
Total	\$ 7,815	8,009

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 \$4,243,600, including TIF debt of \$148,600, is significantly below its constitutional debt limit of approximately \$10.1 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 2015 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 a similar tax rate for fiscal year 2015 with only a small increase in the City's overall tax rate of \$.34 per \$1,000 of taxable valuation.

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, 2014

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 1,584,875	226,562	84,436	1,626
Public works	573,467	215,201	387,033	-
Culture and recreation	516,639	90,386	74,276	10,454
Community and economic development	293,260	807	1,079	-
General government	188,699	40,118	-	-
Debt service	680,017	224,218	2,340	-
Capital projects	900,988	-	-	450,485
Total governmental activities	4,737,945	797,292	549,164	462,565
Business type activities:				
Water	528,557	509,752	-	-
Sewer	862,008	858,047	-	-
Electric	2,380,575	1,926,483	216	-
Total business type activities	3,771,140	3,294,282	216	-
Total	\$ 8,509,085	4,091,574	549,380	462,565

General Receipts and Transfers:

Property and other city tax levied for:

General purposes

Debt service

Tax increment financing

Unrestricted interest on investments

General obligation capital loan note proceeds, including premium of \$10,557 and net of \$3,179 of issuance costs

Urban renewal TIF revenue capital loan note proceeds

Sale of capital assets

Miscellaneous

Transfers

Total general receipts and transfers

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:

Cemetery perpetual care

Expendable:

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
(1,272,251)	-	(1,272,251)
28,767	-	28,767
(341,523)	-	(341,523)
(291,374)	-	(291,374)
(148,581)	-	(148,581)
(453,459)	-	(453,459)
(450,503)	-	(450,503)
(2,928,924)	-	(2,928,924)
-	(18,805)	(18,805)
-	(3,961)	(3,961)
-	(453,876)	(453,876)
-	(476,642)	(476,642)
(2,928,924)	(476,642)	(3,405,566)
1,146,173	-	1,146,173
534,489	-	534,489
2,082	-	2,082
4,820	9,891	14,711
627,378	-	627,378
145,000	-	145,000
300	-	300
18,837	18,416	37,253
57,600	(57,600)	-
2,536,679	(29,293)	2,507,386
(392,245)	(505,935)	(898,180)
2,123,552	2,523,428	4,646,980
\$ 1,731,307	2,017,493	3,748,800
\$ 44,647	-	44,647
310,382	412,194	722,576
206,246	-	206,246
241,830	-	241,830
97,027	-	97,027
831,175	1,605,299	2,436,474
\$ 1,731,307	2,017,493	3,748,800

City of Carlisle

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

As of and for the year ended June 30, 2014

	General	Special Revenue Road Use Tax
Receipts:		
Property tax	\$ 1,028,639	-
Tax increment financing	-	-
Other city tax	15,516	-
Licenses and permits	120,990	-
Use of money and property	18,321	-
Intergovernmental	98,032	387,033
Charges for service	415,775	-
Special assessments	-	-
Miscellaneous	44,980	-
Total receipts	1,742,253	387,033
Disbursements:		
Operating:		
Public safety	1,528,911	-
Public works	200,326	372,162
Culture and recreation	495,437	-
Community and economic development	61,506	-
General government	188,513	-
Debt service	-	-
Capital projects	-	-
Total disbursements	2,474,693	372,162
Excess (deficiency) of receipts over (under) disbursements	(732,440)	14,871
Other financing sources (uses):		
General obligation capital loan proceeds, including premium of \$10,557 and net of \$3,179 of issuance costs	592,378	35,000
Urban renewal revenue capital loan note proceeds	-	-
Sale of capital assets	-	-
Transfers in	102,018	-
Transfers out	-	-
Total other financing sources (uses)	694,396	35,000
Change in cash balances	(38,044)	49,871
Cash balances beginning of year	883,421	156,375
Cash balances end of year	\$ 845,377	206,246
Cash Basis Fund Balances		
Nonspendable - Cemetary perpetual care	\$ -	-
Restricted for:		
Debt service	-	-
Streets	-	206,246
Capital projects	-	-
Other purposes	-	-
Unassigned	845,377	-
Total cash basis fund balances	\$ 845,377	206,246

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
529,190	-	102,018	1,659,847
-	-	2,082	2,082
5,299	-	-	20,815
-	-	-	120,990
2,340	283	-	20,944
-	450,202	-	935,267
-	-	-	415,775
224,218	-	-	224,218
-	10,454	59,947	115,381
<u>761,047</u>	<u>460,939</u>	<u>164,047</u>	<u>3,515,319</u>
-	-	52,816	1,581,727
-	-	-	572,488
-	-	20,330	515,767
-	-	231,754	293,260
-	-	-	188,513
680,017	-	-	680,017
-	900,988	-	900,988
<u>680,017</u>	<u>900,988</u>	<u>304,900</u>	<u>4,732,760</u>
<u>81,030</u>	<u>(440,049)</u>	<u>(140,853)</u>	<u>(1,217,441)</u>
-	-	-	627,378
-	-	145,000	145,000
-	300	-	300
-	57,600	-	159,618
-	-	(102,018)	(102,018)
-	57,900	42,982	830,278
<u>81,030</u>	<u>(382,149)</u>	<u>(97,871)</u>	<u>(387,163)</u>
<u>229,352</u>	<u>623,979</u>	<u>212,709</u>	<u>2,105,836</u>
<u>310,382</u>	<u>241,830</u>	<u>114,838</u>	<u>1,718,673</u>
-	-	44,647	44,647
310,382	-	-	310,382
-	-	-	206,246
-	241,830	-	241,830
-	-	97,027	97,027
-	-	(26,836)	818,541
<u>310,382</u>	<u>241,830</u>	<u>114,838</u>	<u>1,718,673</u>

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, 2014

Total governmental funds cash balances (page 17) \$ 1,718,673

Amounts reported for governmental 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 is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

12,634

Cash basis net position of governmental activities (page 15) \$ 1,731,307

Change in cash balances (page 17) \$ (387,163)

Amounts reported for governmental 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 governmental activities in the Cash Basis Statement of Activities and Net Position.

(5,082)

Change in cash basis net position of governmental activities (page 15) \$ (392,245)

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, 2014

	Enterprise				Internal Service
	Water	Sewer	Electric	Total	Self Funded Insurance
Operating receipts:					
Charges for service	\$ 509,752	858,047	1,926,483	3,294,282	-
Miscellaneous	-	-	216	216	13,263
Total operating receipts	509,752	858,047	1,926,699	3,294,498	13,263
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	7,427
Public works	-	-	-	-	2,311
Culture and recreation	-	-	-	-	2,058
General government	-	-	-	-	439
Business type activities	475,676	370,121	2,103,869	2,949,666	10,781
Total operating disbursements	475,676	370,121	2,103,869	2,949,666	23,016
Excess (deficiency) of operating receipts over (under) operating disbursements	34,076	487,926	(177,170)	344,832	(9,753)
Non-operating receipts (disbursements):					
Interest on investments	2,202	5,967	1,722	9,891	103
Rent	18,416	-	-	18,416	-
Debt service	-	(421,603)	(113,038)	(534,641)	-
Capital projects	(51,769)	(69,172)	(161,324)	(282,265)	-
Net non-operating receipts (disbursements)	(31,151)	(484,808)	(272,640)	(788,599)	103
Excess (deficiency) of receipts over (under) disbursements	2,925	3,118	(449,810)	(443,767)	(9,650)
Transfer outs	(57,600)	-	-	(57,600)	-
Change in cash balances	(54,675)	3,118	(449,810)	(501,367)	(9,650)
Cash balances beginning of year	590,512	1,286,840	630,252	2,507,604	33,540
Cash balances end of year	\$ 535,837	1,289,958	180,442	2,006,237	23,890
Cash Basis Fund Balances					
Restricted for debt service	\$ -	307,456	104,738	412,194	-
Unrestricted	535,837	982,502	75,704	1,594,043	23,890
Total cash basis fund balances	\$ 535,837	1,289,958	180,442	2,006,237	23,890

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, 2014

Total enterprise funds cash balances (page 20) \$ 2,006,237

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.

11,256

Cash basis net position of business type activities (page 15) \$ 2,017,493

Change in cash balances (page 20) \$ (501,367)

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.

(4,568)

Change in cash basis net position of business type activities (page 15) \$ (505,935)

See notes to financial statements.

City of Carlisle

City of Carlisle

Notes to Financial Statements

June 30, 2014

(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, the Friends of the Carlisle Library and the Library Foundation (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 Friends of the Carlisle Library, the Carlisle Library Foundation and the Carlisle Firemen's Enterprises Corporation 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 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 present 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. Enabling legislation did not result in any restricted net position.

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 demonstrate 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.

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net positions 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, 2014, disbursements exceeded the amounts budgeted in the public safety and community and economic development functions.

(2) Cash and Pooled Investments

The City's deposits in banks and credit unions at June 30, 2014 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
2015	\$ 605,000	93,440	292,759	118,534	897,759	211,974
2016	615,000	83,160	298,882	111,201	913,882	194,361
2017	630,000	71,205	313,666	103,512	943,666	174,717
2018	580,000	57,603	321,055	95,013	901,055	152,616
2019	570,000	43,903	333,463	86,130	903,463	130,033
2020-2024	1,095,000	58,210	1,338,477	269,808	2,433,477	328,018
2025-2029	-	-	108,630	139,695	108,630	139,695
2030-2034	-	-	129,160	119,165	129,160	119,165
2035-2039	-	-	153,611	94,714	153,611	94,714
2040-2042	-	-	182,743	65,582	182,743	65,582
2045-2049	-	-	176,953	32,270	176,953	32,270
2050-2051	-	-	70,926	4,004	70,926	4,004
Total	\$ 4,095,000	407,521	3,720,325	1,239,628	7,815,325	1,647,149

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 \$900 of interest on general obligation notes was paid from the Enterprise, Sewer Fund during the year ended June 30, 2014.

Urban Renewal Tax Increment Financing (TIF) Revenue Capital Loan Notes

The City issued \$145,000 of interest free urban renewal tax increment financing (TIF) revenue capital loan notes in April 2014 for the purpose of making a grant to a developer to assist with the purchase of development property. The notes are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the notes. The proceeds of the urban renewal tax increment financing revenue capital loan notes shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The notes are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal remaining on the notes is \$145,000, payable through June 2020. For the current year, total TIF receipts were \$2,082.

Revenue Bonds and Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,145,000 of sewer revenue capital loan notes issued 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 \$3,822,853. For the current year, sewer revenue capital loan

note principal and interest paid and total customer net receipts were \$329,203 and \$487,926, respectively. Annual principal and interest payments on the sewer revenue capital loan notes are expected to require approximately 67% 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 \$992,100. For the current year, electric revenue capital loan note principal and interest paid and total customer net receipts were \$112,538 and (\$177,170), respectively. Annual principal and interest payments on the electric revenue capital loan notes are expected to require more than 100% of net receipts.

The resolutions providing for the issuance of the sewer and electric revenue capital loan 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, \$279,537 shall be deposited in a reserve account.
- (6) For the electric revenue capital loan notes, \$99,500 shall be deposited in a reserve account.

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 5.95% of their annual covered salary and the City is required to contribute 8.93% 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, 2014, 2013 and 2012 were \$116,141, \$102,656 and \$95,395, 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 \$510 for single coverage, \$1,045 for employee and spouse coverage, \$974 for employee and child coverage and \$1,538 for family coverage. For the year ended June 30, 2014, the City contributed \$204,462 and plan members eligible for benefits contributed \$53,377 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, 2014, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 85,000
Compensatory time	<u>91,000</u>
Total	<u>\$176,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2014.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits	\$ 102,018
Capital Projects	Enterprise:	
	Water	57,600
Total		<u>\$ 159,618</u>

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, 2014 was \$13,263.

(10) Development Agreements

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 began rebating incremental property tax during fiscal year 2014. The outstanding balance of the agreement at June 30, 2014 was \$3,600.

The City entered into a development agreement on September 16, 2013 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 \$1,800,000. The City is to begin rebating incremental property tax June 1, 2017. The outstanding balance of the agreement at June 30, 2014 was \$1,800,000.

These agreements are not a general obligation of the City. The agreements include annual appropriation clauses 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, 2014 totaled \$16,301, 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) Deficit Balance

The Special Revenue, Urban Renewal Tax Increment Fund had a deficit balance of \$26,836 at June 30, 2014. The deficit was the result of legal fees for a development agreement incurred prior to the availability of funds. The deficit will be eliminated through receipt of urban renewal tax increment financing.

(13) 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.

(14) Subsequent Events

In October 2014, the City authorized the issuance of \$9,000,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa for the benefit of Village Assisted Living, Inc. for the purpose of building a retirement community within city limits. The bonds and related interest will be payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest will not constitute liabilities of the city.

(15) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and other information.

City of Carlisle

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, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,659,847	-	-
Tax increment financing	2,082	-	-
Other city tax	20,815	-	-
Licenses and permits	120,990	-	-
Use of money and property	20,944	28,410	(103)
Intergovernmental	935,267	-	-
Charges for service	415,775	3,294,282	-
Special assessments	224,218	-	-
Miscellaneous	115,381	13,479	(71,816)
Total receipts	<u>3,515,319</u>	<u>3,336,171</u>	<u>(71,919)</u>
Disbursements:			
Public safety	1,581,727	7,427	(60,243)
Public works	572,488	2,311	(2,311)
Health and social services	-	-	-
Culture and recreation	515,767	2,058	(22,388)
Community and economic development	293,260	-	-
General government	188,513	439	(439)
Debt service	680,017	-	-
Capital projects	900,988	-	-
Business type activities	-	3,777,353	(10,781)
Total disbursements	<u>4,732,760</u>	<u>3,789,588</u>	<u>(96,162)</u>
Excess (deficiency) of receipts over (under) disbursements	(1,217,441)	(453,417)	24,243
Other financing sources, net	830,278	(57,600)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(387,163)	(511,017)	24,243
Balances beginning of year	2,105,836	2,541,144	(143,810)
Balances end of year	<u>\$ 1,718,673</u>	<u>2,030,127</u>	<u>(119,567)</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,659,847	1,664,383	1,664,383	(4,536)
2,082	-	-	2,082
20,815	20,424	20,424	391
120,990	52,050	77,050	43,940
49,251	75,100	75,100	(25,849)
935,267	1,535,536	1,555,932	(620,665)
3,710,057	4,554,870	4,554,870	(844,813)
224,218	76,026	256,026	(31,808)
57,044	43,750	84,010	(26,966)
6,779,571	8,022,139	8,287,795	(1,508,224)
1,528,911	1,175,122	1,480,317	(48,594)
572,488	616,634	616,634	44,146
-	2,500	2,500	2,500
495,437	560,771	569,628	74,191
293,260	89,250	261,050	(32,210)
188,513	168,828	244,268	55,755
680,017	757,833	760,963	80,946
900,988	2,538,850	2,538,850	1,637,862
3,766,572	4,526,161	3,840,865	74,293
8,426,186	10,435,949	10,315,075	1,888,889
(1,646,615)	(2,413,810)	(2,027,280)	380,665
772,678	333,277	772,378	300
(873,937)	(2,080,533)	(1,254,902)	380,965
4,503,170	5,526,553	5,526,553	(1,023,383)
3,629,233	3,446,020	4,271,651	(642,418)

City of Carlisle

Notes to Other Information – Budgetary Reporting

June 30, 2014

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted disbursements by \$120,874. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public safety and community and economic development functions.

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, 2014

	Special Revenue		
	Employee Benefits	Gifts and Bequests	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 102,018	-	-
Tax increment financing	-	-	2,082
Miscellaneous	-	-	-
Total receipts	102,018	-	2,082
Disbursements:			
Operating:			
Public safety	-	-	-
Culture and recreation	-	-	-
Community and economic development	-	-	231,754
Total disbursements	-	-	231,754
Excess (deficiency) of receipts over (under) disbursements	102,018	-	(229,672)
Other financing sources (uses):			
Urban renewal TIF revenue capital loan note proceeds	-	-	145,000
Transfers out	(102,018)	-	-
Total other financing sources (uses)	(102,018)	-	145,000
Change in cash balances	-	-	(84,672)
Cash balances beginning of year	-	1,350	57,836
Cash balances end of year	\$ -	1,350	(26,836)
Cash Basis Fund Balances			
Nonspendable - Cemetary perpetual care	\$ -	-	-
Restricted for other purposes	-	1,350	-
Unassigned	-	-	(26,836)
Total cash basis fund balances	\$ -	1,350	(26,836)

See accompanying independent auditor's report.

Friends of the Carlisle Library	Carlisle Library Foundation	Carlisle Firemen's Enterprises Corporation	Permanent		Total
			Cemetery Perpetual Care		
-	-	-	-		102,018
-	-	-	-		2,082
6,297	32,187	20,069	1,394		59,947
6,297	32,187	20,069	1,394		164,047
-	-	52,816	-		52,816
5,901	14,429	-	-		20,330
-	-	-	-		231,754
5,901	14,429	52,816	-		304,900
396	17,758	(32,747)	1,394		(140,853)
-	-	-	-		145,000
-	-	-	-		(102,018)
-	-	-	-		42,982
396	17,758	(32,747)	1,394		(97,871)
8,091	-	102,179	43,253		212,709
8,487	17,758	69,432	44,647		114,838
-	-	-	44,647		44,647
8,487	17,758	69,432	-		97,027
-	-	-	-		(26,836)
8,487	17,758	69,432	44,647		114,838

City of Carlisle
Schedule of Indebtedness
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
General obligation refunding	Apr 28, 2009	1.75-2.80%	\$ 830,000
General obligation	Oct 14, 2009	1.30-3.70	1,020,000
General obligation	May 10, 2011	1.50-3.65	2,300,000
General obligation	Aug 31, 2011	1.00	270,000
General obligation	May 15, 2012	0.55-2.20	1,335,000
General obligation	Aug 6, 2013	2.00-2.50	620,000
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
Urban renewal tax increment financing (TIF)	Apr 8, 2014	0.00	145,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
65,000	-	65,000	-	1,820
655,000	-	100,000	555,000	19,880
1,975,000	-	240,000	1,735,000	49,753
90,000	-	90,000	-	900
1,335,000	-	150,000	1,185,000	18,080
-	620,000	-	620,000	10,204
\$ 4,120,000	620,000	645,000	4,095,000	100,637
110,000	-	110,000	-	4,400
1,780,000	-	95,000	1,685,000	70,138
699,928	-	8,538	691,390	26,322
57,994	-	708	57,286	2,181
246,180	-	4,531	241,649	7,385
995,000	-	95,000	900,000	17,538
-	145,000	-	145,000	-
\$ 3,889,102	145,000	313,777	3,720,325	127,964

City of Carlisle

Note Maturities

June 30, 2014

Year Ending June 30,	General Obligation					
	Issued Oct 14, 2009		Issued May 10, 2011		Issued May 15, 2012	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2015	2.60%	\$ 105,000	1.75%	\$ 255,000	0.75%	\$ 145,000
2016	2.90	110,000	2.10	260,000	0.90	145,000
2017	3.20	115,000	2.35	265,000	1.10	145,000
2018	3.40	115,000	2.70	215,000	1.30	145,000
2019	3.70	110,000	2.90	210,000	1.55	145,000
2020		-	3.20	175,000	1.75	150,000
2021		-	3.40	180,000	2.00	155,000
2022		-	3.65	175,000	2.20	155,000
Total		<u>\$ 555,000</u>		<u>\$ 1,735,000</u>		<u>\$ 1,185,000</u>

See accompanying independent auditor's report.

Capital Loan Notes		
Issued August 6, 2013		
Interest		
Rates	Amount	Total
2.00%	\$ 100,000	605,000
2.00	100,000	615,000
2.00	105,000	630,000
2.00	105,000	580,000
2.00	105,000	570,000
2.05	105,000	430,000
	-	335,000
	-	330,000
	<u>\$ 620,000</u>	<u>4,095,000</u>

City of Carlisle

Note Maturities

June 30, 2014

Year Ending June 30,	Revenue Capital					
	Sewer		Sewer Subordinate RCLN-1		Sewer Subordinate RCLN-2	
	Issued May 28, 2008		Issued Oct 26, 2011		Issued Oct 26, 2011	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2015	3.60%	\$155,000	3.75%	\$8,933	3.75%	\$741
2016	3.70	160,000	3.75	9,268	3.75	769
2017	3.80	170,000	3.75	9,615	3.75	797
2018	3.90	175,000	3.75	9,976	3.75	827
2019	4.00	185,000	3.75	10,350	3.75	858
2020	4.05	195,000	3.75	10,738	3.75	890
2021	4.10	205,000	3.75	11,141	3.75	924
2022	4.15	215,000	3.75	11,559	3.75	959
2023	4.20	225,000	3.75	11,992	3.75	994
2024		-	3.75	12,442	3.75	1,032
2025		-	3.75	12,908	3.75	1,070
2026		-	3.75	13,393	3.75	1,111
2027		-	3.75	13,895	3.75	1,152
2028		-	3.75	14,416	3.75	1,195
2029		-	3.75	14,956	3.75	1,240
2030		-	3.75	15,517	3.75	1,287
2031		-	3.75	16,099	3.75	1,335
2032		-	3.75	16,703	3.75	1,385
2033		-	3.75	17,329	3.75	1,437
2034		-	3.75	17,979	3.75	1,491
2035		-	3.75	18,653	3.75	1,547
2036		-	3.75	19,353	3.75	1,605
2037		-	3.75	20,078	3.75	1,665
2038		-	3.75	20,831	3.75	1,728
2039		-	3.75	21,613	3.75	1,792
2040		-	3.75	22,423	3.75	1,860
2041		-	3.75	23,264	3.75	1,929
2042		-	3.75	24,136	3.75	2,002
2043		-	3.75	25,041	3.75	2,077
2044		-	3.75	25,981	3.75	2,155
2045		-	3.75	26,955	3.75	2,235
2046		-	3.75	27,966	3.75	2,319
2047		-	3.75	29,014	3.75	2,406
2048		-	3.75	30,102	3.75	2,496
2049		-	3.75	31,231	3.75	2,590
2050		-	3.75	32,402	3.75	2,687
2051		-	3.75	33,138	3.75	2,699
Total		<u>\$ 1,685,000</u>		<u>\$ 691,390</u>		<u>\$ 57,286</u>

See accompanying independent auditor's report.

Loan Notes						
Sewer Subordinate RCLN-3		Electric		Urban Renewal TIF		
Issued Oct 26, 2011		Issued Oct 23, 2012		Issued Apr 8, 2014		
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
3.00%	\$4,667	1.25%	\$100,000	0.00%	\$23,418	292,759
3.00	4,807	1.25	100,000	0.00	24,038	298,882
3.00	4,951	1.50	100,000	0.00	28,303	313,666
3.00	5,099	1.50	100,000	0.00	30,153	321,055
3.00	5,252	1.75	100,000	0.00	32,003	333,463
3.00	5,410	2.00	100,000	0.00	7,085	319,123
3.00	5,572	2.20	100,000	-	-	322,637
3.00	5,739	2.40	100,000	-	-	333,257
3.00	5,911	2.50	100,000	-	-	343,897
3.00	6,089	-	-	-	-	19,563
3.00	6,271	-	-	-	-	20,249
3.00	6,459	-	-	-	-	20,963
3.00	6,653	-	-	-	-	21,700
3.00	6,853	-	-	-	-	22,464
3.00	7,058	-	-	-	-	23,254
3.00	7,270	-	-	-	-	24,074
3.00	7,488	-	-	-	-	24,922
3.00	7,713	-	-	-	-	25,801
3.00	7,944	-	-	-	-	26,710
3.00	8,183	-	-	-	-	27,653
3.00	8,428	-	-	-	-	28,628
3.00	8,681	-	-	-	-	29,639
3.00	8,941	-	-	-	-	30,684
3.00	9,210	-	-	-	-	31,769
3.00	9,486	-	-	-	-	32,891
3.00	9,771	-	-	-	-	34,054
3.00	10,064	-	-	-	-	35,257
3.00	10,366	-	-	-	-	36,504
3.00	10,677	-	-	-	-	37,795
3.00	10,997	-	-	-	-	39,133
3.00	11,327	-	-	-	-	40,517
3.00	8,312	-	-	-	-	38,597
-	-	-	-	-	-	31,420
-	-	-	-	-	-	32,598
-	-	-	-	-	-	33,821
-	-	-	-	-	-	35,089
-	-	-	-	-	-	35,837
	<u>\$ 241,649</u>		<u>\$ 900,000</u>		<u>\$ 145,000</u>	<u>3,720,325</u>

City of Carlisle

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

For the Last Ten Years

	2014	2013	2012	2011
Receipts:				
Property tax	\$ 1,659,847	1,581,797	1,515,682	1,454,014
Tax increment financing	2,082	16,566	23,089	-
Other city tax	20,815	21,437	20,344	19,440
Licenses and permits	120,990	62,733	59,968	43,148
Use of money and property	20,944	23,703	25,568	31,510
Intergovernmental	935,267	508,237	884,771	1,271,783
Charges for service	415,775	398,089	372,019	381,035
Special assessments	224,218	119,382	-	80,000
Miscellaneous	115,381	77,826	69,980	80,661
Total	\$ 3,515,319	2,809,770	2,971,421	3,361,591
Disbursements:				
Operating:				
Public safety	\$ 1,581,727	932,856	818,116	777,640
Public works	572,488	608,552	520,163	495,091
Health and social services	-	1,278	45	-
Culture and recreation	515,767	475,687	498,457	466,892
Community and economic development	293,260	11,100	14,177	13,272
General government	188,513	205,139	154,724	112,494
Debt service	680,017	566,361	513,452	483,634
Capital projects	900,988	595,145	1,800,137	1,457,253
Total	\$ 4,732,760	3,396,118	4,319,271	3,806,276

See accompanying independent auditor's report.

2010	2009	2008	2007	2006	2005
1,387,198	1,325,750	1,234,492	1,224,101	1,173,326	1,073,994
-	203	24,629	-	22,886	21,800
14,371	14,523	14,614	15,994	16,809	14,345
59,735	86,248	41,854	37,643	99,885	60,726
32,261	36,386	51,838	59,702	43,293	40,466
383,822	652,675	364,052	398,418	375,991	1,031,293
344,293	389,512	358,083	355,109	355,014	251,729
7,342	15,143	13,728	17,539	22,153	22,777
185,029	105,641	123,907	279,504	291,774	278,245
<u>2,414,051</u>	<u>2,626,081</u>	<u>2,227,197</u>	<u>2,388,010</u>	<u>2,401,131</u>	<u>2,795,375</u>
791,354	827,433	772,908	604,041	578,902	576,172
531,576	513,270	551,279	474,361	443,500	456,976
-	338	2,265	2,265	2,357	2,062
457,734	431,013	528,028	395,143	389,963	245,198
21,227	20,727	10,683	29,545	24,301	31,573
135,459	203,105	117,073	99,098	179,024	134,841
477,535	451,566	437,228	443,688	438,610	681,267
543,200	287,689	59,358	71,428	266,664	1,842,637
<u>2,958,085</u>	<u>2,735,141</u>	<u>2,478,822</u>	<u>2,119,569</u>	<u>2,323,321</u>	<u>3,970,726</u>

City of Carlisle



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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, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 2, 2015. 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) and (B) 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 (C) through (E) 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, 2014 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

March 2, 2015

City of Carlisle

City of Carlisle

Schedule of Findings

Year ended June 30, 2014

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 documented 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) Bank reconciliations are completed by the Deputy Clerk and are now being reviewed and initialed by the City Administrator.
- (2) With the staff available it is hard to segregate all duties. The City Administrator does review reconciliations and does not do cash receipts or disbursements.

City of Carlisle

Schedule of Findings

Year ended June 30, 2014

- (3) The Deputy Clerk keeps investment records, but two signatures are required for any investment transactions
- (4) The City staff does their best to segregate these duties. The receipts are mainly handled by one person and the other balances the transactions.
- (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 are now being 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) All journal entries are reviewed and approved now through the bank reconciliation review process.

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 and the review should be documented by the signature or initials of the reviewer and the date of the review. 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 are now being presented to the City Council at least quarterly.

Conclusion – Response accepted.

- (C) 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. the Friends of the Carlisle Library, the Library Foundation 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 the 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.

City of Carlisle

Schedule of Findings

Year ended June 30, 2014

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

Recommendation – We realize segregation of duties is difficult with a limited number of individuals. However, the Friends of the Carlisle Library, the Library Foundation 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 the Friends of the Library, the Firemen's Enterprise and the Library Foundation the importance of segregation of duties and record keeping.

Conclusion – Response accepted.

- (D) 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 city will complete an inventory and backups are now being stored virtually on cloud storage.

Conclusion – Response accepted.

- (E) 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, 2014

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public safety and the community and economic development functions. 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 budget amendments prior to disbursements exceeding the budget.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

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

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

Name, Title and Business Connection	Transaction Description	Amount
Ryan Rice, Volunteer Firefighter	Preparing house to burn for training	\$ 2,800

The transaction for the cleaning of a house to be burned does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

- (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.

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 – The City will continue to strive to meet this regulation and disbursements will be published in a timely manner.

Conclusion – Response accepted.

City of Carlisle

Schedule of Findings

Year ended June 30, 2014

- (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.

At June 30, 2014, 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 resolution. 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 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 produce net revenues of at least 125% of the principal and interest requirements.

Response – Transfers to reserve accounts will be made and the City has increased electric rates by 9.8% in March 2014 and 20.5% in January 2015.

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.

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

Conclusion – Response accepted.

- (10) Financial Condition – At June 30, 2014, the Special Revenue, Urban Renewal Tax Increment Fund had a deficit balance of \$26,836.

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

Response – This balance relates to certified debt for current projects and will be cleared when TIF revenue is collected to cover the deficit.

Conclusion – Response accepted.

City of Carlisle

Schedule of Findings

Year ended June 30, 2014

- (11) Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid.

During the year ended June 30, 2014, the City entered into a development agreement for the purpose of assisting a developer with the purchase of development property. In addition, the City paid \$26,754 of legal fees from the Special Revenue, Urban Renewal Tax Increment Fund and, of this total, \$25,173 was subsequently certified as TIF debt. These costs do not represent TIF debt and, accordingly, are not allowable uses of tax increment financing receipts in accordance with Chapter 403.19 of the Code of Iowa. While the City intended this payment to represent a loan from the General Fund to the Special Revenue, Urban Renewal Tax Increment Fund for the TIF project, the loan was not formally approved by the City Council, nor was a transfer made. Accordingly, the loan does not represent TIF debt which may be certified to the County Auditor.

Recommendation – The City should consult TIF legal counsel to determine the proper disposition of these matters and should establish procedures to ensure the TIF debt certification complies with Chapter 403 of the Code of Iowa and includes only allowable debt approved by the City Council prior to certification.

Response – We will consult with TIF legal counsel to determine the proper disposition of the legal expenses for TIF matters.

Conclusion – Response accepted.

- (12) Annual Urban Renewal Report – The City's ending cash balance of the Special Revenue, Urban Renewal Tax Increment Fund reported on the Levy Authority Summary did not agree with the City's general ledger. Also, the amount reported by the City as outstanding TIF debt was understated by \$1,970,173.

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

Response – We were unaware of the items to be reported on the Annual Urban Renewal Report and will correct this in the report for the next fiscal year.

Conclusion – Response accepted.

City of Carlisle

Staff

This audit was performed by:

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