



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

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Des Moines, Iowa 50319-0006

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NEWS RELEASE

FOR RELEASE

December 19, 2019

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on City of Carlisle, Iowa.

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$10,224,999 for the year ended June 30, 2019, a 1.4% decrease from the prior year. Disbursements for the year ended June 30, 2019 totaled \$9,258,078, a 3.4% decrease from the prior year.

AUDIT FINDINGS:

Sand reported fifteen findings related to the receipt and disbursement of taxpayer funds. They are found on pages 54 through 62 of this report. The findings address issues such as a lack of segregation of duties, preparation of monthly clerk's reports, the lack of timely utility reconciliations, lack of review of emergency medical services billings and collections, independent review of journal entries and disbursements exceeding the budgeted amount.

Sand provided the City with recommendations to address each of the findings.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/audit-reports>.

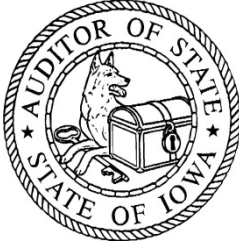
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CITY OF CARLISLE

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

JUNE 30, 2019

City of Carlisle



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
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Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

December 16, 2019

Officials of the City of Carlisle
Carlisle, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for the City of Carlisle for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Carlisle throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand
Auditor of State

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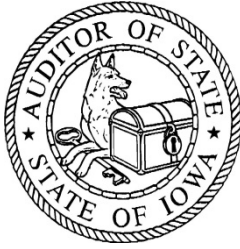
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City of Carlisle

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Drew Merrifield	Mayor	Jan 2022
Eric Goodhue	Mayor Pro tem	Jan 2022
Josiah Doughty	Council Member	(Resigned May 2019)
Ruth Randleman (Appointed Jul 2019)	Council Member	Nov 2019
Dan McCulloch	Council Member	Jan 2020
Robert Van Ryswyk	Council Member	Jan 2020
Doug Hammerand	Council Member	Jan 2022
Deven Markley (Appointed Sep 2018)	Administrator	Indefinite
Martha Becker	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, 2019, 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, 2019, 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 discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

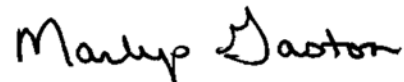
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carlisle's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2018 (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, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 34 through 40, 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 December 16, 2019 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 solely 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 effectiveness of the City's 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.



Marlys K. Gaston, CPA
Deputy Auditor of State

December 16, 2019

City of Carlisle

Basic Financial Statements

City of Carlisle

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2019

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 1,590,259	346,509	59,024	110
Public works	717,244	249,889	500,724	-
Health and social services	7,312	-	-	-
Culture and recreation	612,202	124,129	47,323	-
Community and economic development	184,520	28,639	4,444	-
General government	447,614	22,199	-	-
Debt service	1,058,911	-	4,206	73,523
Capital projects	1,145,427	-	-	153
Total governmental activities	5,763,489	771,365	615,721	73,786
Business type activities:				
Water	481,572	693,391	-	-
Sewer	654,554	913,591	-	-
Electric	2,358,463	3,031,151	-	-
Total business type activities	3,494,589	4,638,133	-	-
Total	\$ 9,258,078	5,409,498	615,721	73,786
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Utility franchise fees				
Note proceeds net of \$4,800 of issuance costs				
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				
Local option sales tax				
Capital projects				
Library				
Fire				
Other purposes				
Unrestricted				
Total cash basis net position				

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(1,184,616)	-	(1,184,616)
33,369	-	33,369
(7,312)	-	(7,312)
(440,750)	-	(440,750)
(151,437)	-	(151,437)
(425,415)	-	(425,415)
(981,182)	-	(981,182)
(1,145,274)	-	(1,145,274)
(4,302,617)	-	(4,302,617)
-	211,819	211,819
-	259,037	259,037
-	672,688	672,688
-	1,143,544	1,143,544
(4,302,617)	1,143,544	(3,159,073)
1,467,284	-	1,467,284
599,988	-	599,988
175,665	-	175,665
509,049	-	509,049
76,882	-	76,882
6,156	13,639	19,795
165,628	-	165,628
955,200	-	955,200
126,639	29,864	156,503
415,000	(415,000)	-
4,497,491	(371,497)	4,125,994
194,874	772,047	966,921
2,963,600	2,845,943	5,809,543
\$ 3,158,474	3,617,990	6,776,464
\$ 52,722	-	52,722
643,350	467,821	1,111,171
307,224	-	307,224
371,064	-	371,064
630,422	-	630,422
44,773	-	44,773
44,708	-	44,708
20,527	-	20,527
1,043,684	3,150,169	4,193,853
\$ 3,158,474	3,617,990	6,776,464

City of Carlisle

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

As of and for the year ended June 30, 2019

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 1,232,750	-	-
Tax increment financing	-	-	-
Other city tax	22,993	-	509,049
Licenses and permits	273,613	-	-
Use of money and property	23,092	-	-
Intergovernmental	152,740	500,724	-
Charges for service	528,101	-	-
Special assessments	-	-	-
Miscellaneous	157,851	6,639	-
Total receipts	2,391,140	507,363	509,049
Disbursements:			
Operating:			
Public safety	1,563,582	-	-
Public works	218,273	496,908	-
Health and social services	7,312	-	-
Culture and recreation	575,199	-	-
Community and economic development	60,381	-	-
General government	446,456	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	2,871,203	496,908	-
Excess (deficiency) of receipts over (under) disbursements	(480,063)	10,455	509,049
Other financing sources (uses):			
Note proceeds net of \$4,800 of issuance costs	-	-	-
Transfers in	652,890	-	-
Transfers out	-	-	(440,925)
Total other financing sources (uses)	652,890	-	(440,925)
Change in cash balances	172,827	10,455	68,124
Cash balances beginning of year	882,220	296,769	302,940
Cash balances end of year	\$ 1,055,047	307,224	371,064
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for:			
Debt service	-	-	-
Streets	-	307,224	-
Local option sales tax	-	-	371,064
Capital projects	-	-	-
Library	-	-	-
Fire	-	-	-
Other purposes	-	-	-
Unassigned	1,055,047	-	-
Total cash basis fund balances	\$ 1,055,047	307,224	371,064

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
588,506	-	207,603	2,028,859
-	-	175,665	175,665
11,482	-	3,938	547,462
-	-	-	273,613
4,206	153	-	27,451
44,510	-	4,430	702,404
-	-	-	528,101
73,523	-	-	73,523
-	-	66,595	231,085
<u>722,227</u>	<u>153</u>	<u>458,231</u>	<u>4,588,163</u>
-	-	22,227	1,585,809
-	-	-	715,181
-	-	-	7,312
-	-	35,523	610,722
-	-	124,139	184,520
-	-	-	446,456
1,026,908	-	32,003	1,058,911
-	1,145,427	-	1,145,427
<u>1,026,908</u>	<u>1,145,427</u>	<u>213,892</u>	<u>5,754,338</u>
<u>(304,681)</u>	<u>(1,145,274)</u>	<u>244,339</u>	<u>(1,166,175)</u>
-	955,200	-	955,200
128,875	292,050	-	1,073,815
-	-	(217,890)	(658,815)
<u>128,875</u>	<u>1,247,250</u>	<u>(217,890)</u>	<u>1,370,200</u>
<u>(175,806)</u>	<u>101,976</u>	<u>26,449</u>	<u>204,025</u>
<u>737,288</u>	<u>528,446</u>	<u>218,149</u>	<u>2,965,812</u>
<u>561,482</u>	<u>630,422</u>	<u>244,598</u>	<u>3,169,837</u>
-	-	52,722	52,722
561,482	-	81,868	643,350
-	-	-	307,224
-	-	-	371,064
-	630,422	-	630,422
-	-	44,773	44,773
-	-	44,708	44,708
-	-	20,527	20,527
-	-	-	1,055,047
<u>561,482</u>	<u>630,422</u>	<u>244,598</u>	<u>3,169,837</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, 2019

Total governmental funds cash balances (page 13) \$ 3,169,837

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.

(11,363)

Cash basis net position of governmental activities (page 11) \$ 3,158,474

Change in cash balances (page 13) \$ 204,025

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.

(9,151)

Change in cash basis net position of governmental activities (page 11) \$ 194,874

See notes to financial statements.

City of Carlisle

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

As of and for the year ended June 30, 2019

	Enterprise				Internal
	Water	Sewer	Electric	Total	Service Self - Funded Insurance
Operating receipts:					
Charges for service	\$ 693,391	910,552	2,873,134	4,477,077	-
Miscellaneous	17,600	3,039	158,017	178,656	61,715
Total operating receipts	710,991	913,591	3,031,151	4,655,733	61,715
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	24,628
Public works	-	-	-	-	11,414
Culture and recreation	-	-	-	-	8,190
General government	-	-	-	-	6,411
Business type activities	385,664	342,660	2,149,669	2,877,993	24,683
Total operating disbursements	385,664	342,660	2,149,669	2,877,993	75,326
Excess (deficiency) of operating receipts over (under) operating disbursements	325,327	570,931	881,482	1,777,740	(13,611)
Non-operating receipts (disbursements):					
Interest on investments	3,000	6,034	4,605	13,639	-
Rent	12,264	-	-	12,264	-
Debt service	(78,280)	(311,173)	(111,100)	(500,553)	-
Capital projects	(16,907)	-	(94,676)	(111,583)	-
Net non-operating receipts (disbursements)	(79,923)	(305,139)	(201,171)	(586,233)	-
Excess (deficiency) of receipts over (under) disbursements	245,404	265,792	680,311	1,191,507	(13,611)
Transfers out	(120,000)	(125,000)	(170,000)	(415,000)	-
Change in cash balances	125,404	140,792	510,311	776,507	(13,611)
Cash balances beginning of year	637,192	1,245,459	964,049	2,846,700	(2,969)
Cash balances end of year	\$ 762,596	1,386,251	1,474,360	3,623,207	(16,580)
Cash Basis Fund Balances					
Restricted for debt service	\$ 78,524	274,872	114,425	467,821	-
Unrestricted	684,072	1,111,379	1,359,935	3,155,386	(16,580)
Total cash basis fund balances	\$ 762,596	1,386,251	1,474,360	3,623,207	(16,580)

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, 2019

Total enterprise funds cash balances (page 16) \$ 3,623,207

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 is included in business type activities in the Cash Basis Statement of Activities and Net Position.

(5,217)

Cash basis net position of business type activities (page 11) \$ 3,617,990

Change in cash balances (page 16) \$ 776,507

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.

(4,460)

Change in cash basis net position of business type activities (page 11) \$ 772,047

See notes to financial statements.

City of Carlisle

Notes to Financial Statements

June 30, 2019

(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 Friends of the Carlisle Library, the Carlisle Library Foundation, the Carlisle Firemen's Enterprises Corporation, the Carlisle Police Auxiliary and the Carlisle Friends of the Park (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, the Carlisle Firemen's Enterprises Corporation, the Carlisle Police Auxiliary and the Carlisle Friends of the Park 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 911 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 receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

The Cash Basis Statement of Activities and Net Position 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.

Special Revenue:

The 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 Local Option Sales Tax (LOST) Fund is used to account for the collection and use of the local option sales tax, for purposes authorized in the LOST referendum.

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 position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. Disbursements at June 30, 2019 exceeded the amount budgeted in the debt service function.

(2) Cash and Pooled Investments

The City's deposits in banks and credit unions at June 30, 2019 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 ensure there will be no loss of public funds.

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

(3) 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
2020	\$ 765,000	118,385	434,123	77,257	1,199,123	195,642
2021	680,000	100,898	432,637	70,028	1,112,637	170,926
2022	700,000	84,293	438,257	61,966	1,138,257	146,259
2023	505,000	66,215	438,897	53,096	943,897	119,311
2024	420,000	55,015	164,563	43,650	584,563	98,665
2025-2029	1,620,000	114,660	498,630	158,245	2,118,630	272,905
2030-2034	-	-	129,160	119,165	129,160	119,165
2035-2039	-	-	153,611	94,714	153,611	94,714
2040-2044	-	-	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	\$ 4,690,000	539,465	3,120,500	779,977	7,810,500	1,319,442

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 \$7,085, payable through June 2020. For the current year, principal of \$32,003 was paid and total TIF receipts were \$175,665.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$720,000 of water revenue capital loan notes issued on July 12, 2017. The notes were issued to provide funds to pay the costs of improvements and extensions to the City's water utility system. The notes are payable solely and only out of the net earnings of the water utility system and are payable through 2027. The total principal and interest remaining to be paid on the notes is \$652,432. For the current year, water revenue capital loan note principal and interest paid and total customer net receipts were \$78,280 and \$205,327, respectively. Annual principal and interest payments on the water revenue capital loan notes are expected to require approximately 38% of net receipts.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,325,000 of sewer revenue refunding capital loan notes issued April 13, 2016. The notes were issued for the purpose of refunding the sewer revenue capital loan notes issued May 28, 2008. 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 City has also pledged future customer receipts, net of specified operating disbursements, to repay \$625,000 of sewer revenue capital loan notes issued October 28, 2015. The notes were issued for the purpose of paying the costs of improvements and extensions to the sewer collection system. 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 \$2,817,358. For the current year, sewer revenue capital loan note principal and interest paid and total customer net receipts were \$310,923 and \$445,931, respectively. Annual principal and interest payments on the sewer revenue capital loan notes are expected to require approximately 70% 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 \$423,600. For the current year, electric revenue capital loan note principal and interest paid and total customer net receipts were \$110,850 and \$711,482, respectively. Annual principal and interest payments on the electric revenue capital loan notes are expected to require approximately 16% of net receipts.

The resolutions providing for the issuance of the water, 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 water, sewer and electric revenue sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (3) For the sewer revenue capital loan notes, \$195,000 shall be deposited in a reserve account. For the electric revenue capital loan notes, \$99,500 shall be deposited in a reserve account. For the water revenue capital loan notes, \$72,000 shall be deposited in a reserve account. These accounts are restricted for the purpose of paying note principal and interest payments when insufficient money is available in the sinking accounts.
- (4) Water, 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.

Lease Purchase Agreement

On August 14, 2017, the City entered into a lease purchase agreement to acquire communications radios for the fire and police departments. The lease term is for seven years, with interest at 4.16% per annum.

The following is a schedule of future minimum lease payments and the present value of net minimum lease payments under the agreement in effect at June 30, 2019.

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 22,945
2021	22,945
2022	22,945
2023	22,945
2024	22,945
2025	<u>22,945</u>
Total minimum lease payments	137,670
Less amount representing interest	<u>(18,014)</u>
Present value of net minimum lease payment	<u>\$ 119,656</u>

(4) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member’s years of service plus the member’s age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member’s first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member’s monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member’s highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally at age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.81% of covered payroll and the City contributed 10.21% of covered payroll, for a total rate of 17.02%.

The City's contributions to IPERS for the year ended June 30, 2019 totaled \$163,855.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the City reported a liability of \$852,195 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the City’s proportion was 0.013467%, which was an increase of 0.000238% over its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$164,842, \$182,277 and \$65,013, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 1,773,132	852,195	80,153

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2019, the City contributed \$244,697 and plan members eligible for benefits contributed \$53,258 to the plan. At June 30, 2019, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City of Carlisle and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2019, there were 24 active employees and 1 inactive employees or beneficiaries receiving benefit payments.

(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, 2019, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 77,000
Compensatory time	<u>30,000</u>
Total	<u>\$ 107,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2019.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Employee Benefits	\$ 217,890
	Local Option Sales Tax	20,000
	Enterprise:	
	Water	120,000
	Sewer	125,000
	Electric	<u>170,000</u>
		<u>652,890</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	<u>292,050</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	<u>128,875</u>
Total		<u>\$ 1,073,815</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, 2019 was \$61,715.

(10) Development Agreements

The City has entered into development agreements to assist with urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developers in exchange for minimum improvements to be constructed on the development property.

The total to be paid by the City under the agreements is not to exceed \$2,030,000. The City began rebating incremental property tax on June 1, 2017. During the year ended June 30, 2019, the City rebated \$124,139 of incremental property tax to the developers. At June 30, 2019, the remaining balance to be paid on the agreements was \$1,857,898.

These agreements are not general obligations of the City. The agreements include an annual appropriation clause and, accordingly, only the amount payable in the succeeding year is subject to the constitutional debt limitation of the City.

(11) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2019, \$45,567 of property tax was diverted from the City under the urban renewal and economic development agreements.

(12) Deficit Balance

The Internal Service, Self-Funded Insurance Fund had a deficit balance of \$16,580 at June 30, 2019. The deficit was the result of costs incurred prior to the availability of funds. The deficit will be eliminated through contributions.

(13) Industrial Development Revenue Bonds

During the year ended June 30, 2015, the City issued \$14,000,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants on the properties constructed and the bond principal and interest do not constitute liabilities of the City.

(14) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

City of Carlisle

Other Information

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

Other Information

Year ended June 30, 2019

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 2,028,859	-	-
Tax increment financing	175,665	-	-
Other city tax	547,462	-	-
Licenses and permits	273,613	-	-
Use of money and property	27,451	-	-
Intergovernmental	702,404	-	-
Charges for service	528,101	4,477,077	-
Special assessments	73,523	-	-
Miscellaneous	231,085	266,274	127,210
Total receipts	<u>4,588,163</u>	<u>4,743,351</u>	<u>127,210</u>
Disbursements:			
Public safety	1,585,809	24,628	46,855
Public works	715,181	11,414	11,414
Health and social services	7,312	-	-
Culture and recreation	610,722	8,190	43,713
Community and economic development	184,520	-	-
General government	446,456	6,411	6,411
Debt service	1,058,911	-	-
Capital projects	1,145,427	-	-
Business type activities	-	3,514,812	24,683
Total disbursements	<u>5,754,338</u>	<u>3,565,455</u>	<u>133,076</u>
Excess (deficiency) of receipts over (under) disbursements	(1,166,175)	1,177,896	(5,866)
Other financing sources, net	<u>1,370,200</u>	<u>(415,000)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	204,025	762,896	(5,866)
Balances beginning of year	<u>2,965,812</u>	<u>2,843,731</u>	<u>94,784</u>
Balances end of year	<u>\$ 3,169,837</u>	<u>3,606,627</u>	<u>88,918</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
2,028,859	2,099,608	2,099,608	(70,749)
175,665	145,240	145,240	30,425
547,462	551,708	551,708	(4,246)
273,613	233,875	233,875	39,738
27,451	48,764	48,764	(21,313)
702,404	671,823	760,034	(57,630)
5,005,178	4,850,100	4,850,100	155,078
73,523	83,566	83,566	(10,043)
370,149	105,400	105,400	264,749
9,204,304	8,790,084	8,878,295	326,009
1,563,582	1,460,528	1,572,594	9,012
715,181	718,092	736,045	20,864
7,312	10,000	10,000	2,688
575,199	588,053	588,053	12,854
184,520	184,958	184,958	438
446,456	463,613	463,613	17,157
1,058,911	954,305	954,305	(104,606)
1,145,427	1,271,714	1,563,935	418,508
3,490,129	3,841,193	3,841,193	351,064
9,186,717	9,492,456	9,914,696	727,979
17,587	(702,372)	(1,036,401)	1,053,988
955,200	630,000	630,000	325,200
972,787	(72,372)	(406,401)	1,379,188
5,714,759	3,922,522	3,922,522	1,792,237
6,687,546	3,850,150	3,516,121	3,171,425

City of Carlisle

Notes to Other Information – Budgetary Reporting

June 30, 2019

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, three budget amendments increased budgeted disbursements by \$422,240. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2019, disbursements exceeded the amount budgeted in the debt service function.

City of Carlisle

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Five Years*
(In Thousands)

Other Information

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.013467%	0.013229%	0.012578%	0.010918%	0.009796%
City's proportionate share of the net pension liability	\$ 852	881	792	539	388
City's covered payroll	\$ 1,548	1,507	1,314	1,320	1,145
City's proportionate share of the net pension liability as a percentage of its covered payroll	55.04%	58.46%	60.27%	40.83%	33.89%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Carlisle
Schedule of City Contributions
Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Other Information

	2019	2018	2017	2016
Statutorily required contribution	\$ 164	143	140	121
Contributions in relation to the statutorily required contribution	<u>(164)</u>	<u>(143)</u>	<u>(140)</u>	<u>(121)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 1,673	1,548	1,507	1,314
Contributions as a percentage of covered payroll	9.80%	9.24%	9.29%	9.21%

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
124	116	103	95	80	73
(124)	(116)	(103)	(95)	(80)	(73)
-	-	-	-	-	-
1,320	1,145	1,120	1,105	1,032	1,024
9.39%	10.13%	9.20%	8.60%	7.75%	7.13%

City of Carlisle

Notes to Other Information – Pension Liability

Year ended June 30, 2019

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

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, 2019

	Employee Benefits	Gifts and Bequests	Urban Renewal Tax Increment	Special Police Seizure Fund
Receipts:				
Property tax	\$ 207,603	-	-	-
Tax increment financing	-	-	175,665	-
Other city tax	3,938	-	-	-
Intergovernmental	4,430	-	-	-
Miscellaneous	-	-	-	-
Total receipts	215,971	-	175,665	-
Disbursements:				
Operating:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	124,139	-
Debt Service	-	-	32,003	-
Total disbursements	-	-	156,142	-
Excess (deficiency) of receipts over (under) disbursements	215,971	-	19,523	-
Other financing uses:				
Transfers out	(217,890)	-	-	-
Change in cash balances	(1,919)	-	19,523	-
Cash balances beginning of year	1,919	1,350	62,345	3,160
Cash balances end of year	\$ -	1,350	81,868	3,160
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -	-	-	-
Restricted for:				
Debt service	-	-	81,868	-
Library	-	-	-	-
Fire	-	-	-	-
Other purposes	-	1,350	-	3,160
Total cash basis fund balances	\$ -	1,350	81,868	3,160

See accompanying independent auditor's report.

Revenue					Permanent		
Friends of the Carlisle Library	Carlisle Library Foundation	Carlisle Firemen's Enterprises Corporation	Carlisle Police Auxiliary	Carlisle Friends of the Park	Cemetery Perpetual Care		Total
-	-	-	-	-	-	-	207,603
-	-	-	-	-	-	-	175,665
-	-	-	-	-	-	-	3,938
-	-	-	-	-	-	-	4,430
18,030	4,789	20,636	12,362	9,678	1,100	-	66,595
18,030	4,789	20,636	12,362	9,678	1,100	-	458,231
-	-	8,860	13,367	-	-	-	22,227
9,108	1,012	-	-	25,403	-	-	35,523
-	-	-	-	-	-	-	124,139
-	-	-	-	-	-	-	32,003
9,108	1,012	8,860	13,367	25,403	-	-	213,892
8,922	3,777	11,776	(1,005)	(15,725)	1,100	-	244,339
-	-	-	-	-	-	-	(217,890)
8,922	3,777	11,776	(1,005)	(15,725)	1,100	-	26,449
21,075	10,999	32,932	3,749	28,998	51,622	-	218,149
29,997	14,776	44,708	2,744	13,273	52,722	-	244,598
-	-	-	-	-	52,722	-	52,722
-	-	-	-	-	-	-	81,868
29,997	14,776	-	-	-	-	-	44,773
-	-	44,708	-	-	-	-	44,708
-	-	-	2,744	13,273	-	-	20,527
29,997	14,776	44,708	2,744	13,273	52,722	-	244,598

City of Carlisle
Schedule of Indebtedness
Year ended June 30, 2019

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
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	May 15, 2012	0.55-2.20	1,335,000
General obligation	Aug 6, 2013	2.00-2.50	620,000
General obligation	Aug 25, 2015	1.50-3.40	1,015,000
General obligation	May 25, 2016	1.00-2.00	1,120,000
General obligation	Feb 9, 2017	2.00-3.00	1,110,000
General obligation	Aug 9, 2018	2.30-3.00	960,000
Total			
Revenue capital loan notes:			
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
Sewer	Oct 28, 2015	1.25-2.75	625,000
Sewer refunding	Apr 13, 2016	1.00-1.85	1,325,000
Water	Jul 12, 2017	1.3-2.60	720,000
Total			
Lease-purchase agreement:			
Communications radios	Aug 14, 2017	4.16%	\$ 136,906

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
110,000	-	110,000	-	4,070
740,000	-	210,000	530,000	24,198
605,000	-	145,000	460,000	11,383
210,000	-	105,000	105,000	4,253
920,000	-	65,000	855,000	24,010
1,020,000	-	100,000	920,000	16,520
1,000,000	-	100,000	900,000	28,875
-	960,000	40,000	920,000	20,667
\$ 4,605,000	960,000	875,000	4,690,000	133,975
653,598	-	10,350	643,248	24,510
54,152	-	858	53,294	2,031
222,125	-	5,252	216,873	6,664
500,000	-	100,000	400,000	10,850
39,088	-	32,003	7,085	-
475,000	-	50,000	425,000	11,163
970,000	-	185,000	785,000	15,095
655,000	-	65,000	590,000	13,280
\$ 3,568,963	-	448,463	3,120,500	83,593
136,906	-	17,250	119,656	5,695

City of Carlisle

Note Maturities

June 30, 2019

Year Ending June 30,	General Obligation							
	Issued May 10, 2011		Issued May 15, 2012		Issued August 6, 2013		Issued Aug 25, 2015	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2020	3.20%	\$ 175,000	1.75%	\$ 150,000	2.05%	\$ 105,000	1.90%	\$ 70,000
2021	3.40	180,000	2.00	155,000	-	-	1.90	75,000
2022	3.65	175,000	2.20	155,000	-	-	2.30	80,000
2023	-	-	-	-	-	-	2.30	80,000
2024	-	-	-	-	-	-	2.60	85,000
2025	-	-	-	-	-	-	2.60	85,000
2026	-	-	-	-	-	-	3.00	90,000
2027	-	-	-	-	-	-	3.00	95,000
2028	-	-	-	-	-	-	3.40	95,000
2029	-	-	-	-	-	-	3.40	100,000
Total		<u>\$ 530,000</u>		<u>\$ 460,000</u>		<u>\$ 105,000</u>		<u>\$ 855,000</u>

See accompanying independent auditor's report.

Capital Loan Notes

Issued May 25, 2016		Issued Feb 9, 2017		Issued Aug 9, 2018		Total
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
1.25%	\$ 100,000	3.00%	\$ 105,000	2.30%	\$ 60,000	765,000
1.25	100,000	3.00	105,000	2.40	65,000	680,000
1.40	115,000	3.00	105,000	2.40	70,000	700,000
1.40	115,000	2.50	110,000	2.50	200,000	505,000
2.00	120,000	2.50	115,000	2.60	100,000	420,000
2.00	120,000	3.00	115,000	2.80	100,000	420,000
2.00	125,000	3.00	120,000	2.80	105,000	440,000
2.00	125,000	3.00	125,000	3.00	110,000	455,000
-	-	-	-	3.00	110,000	205,000
-	-	-	-	-	-	100,000
<u>\$ 920,000</u>		<u>\$ 900,000</u>		<u>\$ 920,000</u>		<u>4,690,000</u>

City of Carlisle

Note Maturities

June 30, 2019

Year Ending June 30,	Sewer Subordinate RCLN-1		Sewer Subordinate RCLN-2		Sewer Subordinate RCLN-3		Revenue Capital Electric	
	Issued Oct 26, 2011		Issued Oct 26, 2011		Issued Oct 26, 2011		Issued Oct 23, 2012	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2020	3.75%	\$ 10,738	3.75%	\$ 890	3.00%	\$ 5,410	2.00%	\$ 100,000
2021	3.75	11,141	3.75	924	3.00	5,572	2.20	100,000
2022	3.75	11,559	3.75	959	3.00	5,739	2.40	100,000
2023	3.75	11,992	3.75	994	3.00	5,911	2.50	100,000
2024	3.75	12,442	3.75	1,032	3.00	6,089	-	-
2025	3.75	12,908	3.75	1,070	3.00	6,271	-	-
2026	3.75	13,393	3.75	1,111	3.00	6,459	-	-
2027	3.75	13,895	3.75	1,152	3.00	6,653	-	-
2028	3.75	14,416	3.75	1,195	3.00	6,853	-	-
2029	3.75	14,956	3.75	1,240	3.00	7,058	-	-
2030	3.75	15,517	3.75	1,287	3.00	7,270	-	-
2031	3.75	16,099	3.75	1,335	3.00	7,488	-	-
2032	3.75	16,703	3.75	1,385	3.00	7,713	-	-
2033	3.75	17,329	3.75	1,437	3.00	7,944	-	-
2034	3.75	17,979	3.75	1,491	3.00	8,183	-	-
2035	3.75	18,653	3.75	1,547	3.00	8,428	-	-
2036	3.75	19,353	3.75	1,605	3.00	8,681	-	-
2037	3.75	20,078	3.75	1,665	3.00	8,941	-	-
2038	3.75	20,831	3.75	1,728	3.00	9,210	-	-
2039	3.75	21,613	3.75	1,792	3.00	9,486	-	-
2040	3.75	22,423	3.75	1,860	3.00	9,771	-	-
2041	3.75	23,264	3.75	1,929	3.00	10,064	-	-
2042	3.75	24,136	3.75	2,002	3.00	10,366	-	-
2043	3.75	25,041	3.75	2,077	3.00	10,677	-	-
2044	3.75	25,981	3.75	2,155	3.00	10,997	-	-
2045	3.75	26,955	3.75	2,235	3.00	11,327	-	-
2046	3.75	27,966	3.75	2,319	3.00	8,312	-	-
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>\$ 643,248</u>		<u>\$ 53,294</u>		<u>\$ 216,873</u>		<u>\$ 400,000</u>

See accompanying independent auditor's report.

Loan Notes									
Urban Renewal TIF		Sewer		Sewer Refunding		Water			
Issued Apr 8, 2014		Issued Oct 28, 2015		Issued Apr 13, 2016		Issued July 12, 2017			
Interest		Interest		Interest		Interest			
Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Total	
0.00%	\$ 7,085	1.70%	\$ 50,000	1.40%	\$ 190,000	1.60%	\$ 70,000	434,123	
-	-	2.20	50,000	1.55	195,000	1.60	70,000	432,637	
-	-	2.20	50,000	1.70	200,000	1.90	70,000	438,257	
-	-	2.50	50,000	1.85	200,000	1.90	70,000	438,897	
-	-	2.50	70,000	-	-	2.25	75,000	164,563	
-	-	2.75	75,000	-	-	2.25	75,000	170,249	
-	-	2.75	80,000	-	-	2.60	80,000	180,963	
-	-	-	-	-	-	2.60	80,000	101,700	
-	-	-	-	-	-	-	-	22,464	
-	-	-	-	-	-	-	-	23,254	
-	-	-	-	-	-	-	-	24,074	
-	-	-	-	-	-	-	-	24,922	
-	-	-	-	-	-	-	-	25,801	
-	-	-	-	-	-	-	-	26,710	
-	-	-	-	-	-	-	-	27,653	
-	-	-	-	-	-	-	-	28,628	
-	-	-	-	-	-	-	-	29,639	
-	-	-	-	-	-	-	-	30,684	
-	-	-	-	-	-	-	-	31,769	
-	-	-	-	-	-	-	-	32,891	
-	-	-	-	-	-	-	-	34,054	
-	-	-	-	-	-	-	-	35,257	
-	-	-	-	-	-	-	-	36,504	
-	-	-	-	-	-	-	-	37,795	
-	-	-	-	-	-	-	-	39,133	
-	-	-	-	-	-	-	-	40,517	
-	-	-	-	-	-	-	-	38,597	
-	-	-	-	-	-	-	-	31,420	
-	-	-	-	-	-	-	-	32,598	
-	-	-	-	-	-	-	-	33,821	
-	-	-	-	-	-	-	-	35,089	
-	-	-	-	-	-	-	-	35,837	
	<u>\$ 7,085</u>		<u>\$ 425,000</u>		<u>\$ 785,000</u>		<u>\$ 590,000</u>	<u>3,120,500</u>	

City of Carlisle

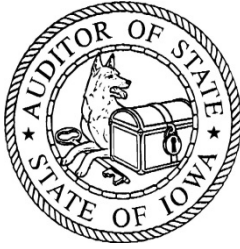
Schedule of Receipts By Source and Disbursements By Function –
All Governmental Funds

For the Last Ten Years

	2019	2018	2017	2016
Receipts:				
Property tax	\$ 2,028,859	1,941,554	1,854,161	1,787,144
Tax increment financing	175,665	106,280	97,489	87,855
Other city tax	547,462	537,782	500,845	40,175
Licenses and permits	273,613	275,688	214,516	154,925
Use of money and property	27,451	24,471	23,412	22,031
Intergovernmental	702,404	760,796	704,335	1,795,156
Charges for service	528,101	464,254	518,719	439,885
Special assessments	73,523	355,694	195,491	209,626
Miscellaneous	231,085	148,823	129,441	97,489
Total	\$ 4,588,163	4,615,342	4,238,409	4,634,286
Disbursements:				
Operating:				
Public safety	\$ 1,585,809	1,261,167	1,356,377	1,144,903
Public works	715,181	712,001	679,835	625,494
Health and social services	7,312	7,081	30,279	1,273
Culture and recreation	610,722	567,589	540,793	500,630
Community and economic development	184,520	119,333	116,084	71,901
General government	446,456	481,121	449,839	474,623
Debt service	1,058,911	938,479	893,654	731,448
Capital projects	1,145,427	716,758	2,530,469	1,419,147
Total	\$ 5,754,338	4,803,529	6,597,330	4,969,419

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
1,732,611	1,659,847	1,581,797	1,515,682	1,454,014	1,387,198
30,548	2,082	16,566	23,089	-	-
22,717	20,815	21,437	20,344	19,440	14,371
94,475	120,990	62,733	59,968	43,148	59,735
23,080	20,944	23,703	25,568	31,510	32,261
1,630,621	935,267	508,237	884,771	1,271,783	383,822
471,938	415,775	398,089	372,019	381,035	344,293
337,987	224,218	119,382	-	80,000	7,342
235,996	115,381	77,826	69,980	80,661	185,029
4,579,973	3,515,319	2,809,770	2,971,421	3,361,591	2,414,051
1,131,832	1,581,727	932,856	818,116	777,640	791,354
584,402	572,488	608,552	520,163	495,091	531,576
-	-	1,278	45	-	-
460,299	515,767	475,687	498,457	466,892	457,734
132,086	293,260	11,100	14,177	13,272	21,227
153,487	188,513	205,139	154,724	112,494	135,459
712,775	680,017	566,361	513,452	483,634	477,535
1,543,010	900,988	595,145	1,800,137	1,457,253	543,200
4,717,891	4,732,760	3,396,118	4,319,271	3,806,276	2,958,085



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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, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 16, 2019. 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 have not been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Carlisle's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) through (F) 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 deficiency described in the accompanying Schedule of Findings as item (G) to be a significant deficiency.

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, 2019 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.

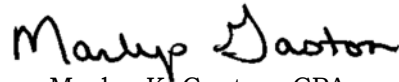
The City of Carlisle's Responses to the Findings

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.


Marlys K. Gaston, CPA
Deputy Auditor of State

December 16, 2019

City of Carlisle

Schedule of Findings

Year ended June 30, 2019

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – During the audit, we identified the following incompatible duties:

- (1) Bank reconciliations are not performed by an individual who is not involved in the cash receipt or disbursement functions. Also, bank reconciliations are not reviewed by an independent person. Additionally, the Bank reconciliations did not include all of the City's bank accounts.
- (2) The individual responsible for detailed record keeping of investments is also the custodian of the investments and reconciles the investment ledgers.
- (3) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from recording and accounting for receipts.
- (4) Mail is opened by an individual who is also responsible for recording and accounting for receipts.
- (5) The individual approving credit card purchases also has access to credit cards.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions. The lack of a bank to book reconciliation can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

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. The City should ensure bank reconciliations are completed and independently reviewed timely. The mail should be opened by a person other than accounting personnel.

Response – The City will continue to strive to address this issue in the future.

Conclusion – Response accepted.

City of Carlisle

Schedule of Findings

Year ended June 30, 2019

(B) Segregation of Duties – Component Units

Criteria – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another.

Condition – For the component units of the City (i.e. the Friends of the Carlisle Library, the Library Foundation, the Carlisle Firemen’s Enterprises Corporation, the Friends of the Park and the Carlisle Police Auxiliary), 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, for the Friends of the Carlisle Library, the Library Foundation, the Carlisle Firemen’s Enterprises Corporation, the Friends of the Park and the Carlisle Police Auxiliary there is no independent review of bank reconciliations and/or bank statements.

Cause – The component units noted above have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect each component unit’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of individuals. However, the Friends of the Carlisle Library, the Library Foundation, the Carlisle Firemen’s Enterprises Corporation, the Friends of the Park and the Carlisle Police Auxiliary should review their operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including Board members.

Response – The City will continue to strive to address this issue in the future. We will reach out to the component units and recommend changes to help in compliance.

Conclusion – Response accepted.

(C) Monthly City Clerk’s Report

Criteria – An effective internal control system provides for internal controls to provide elected City officials with a monthly report which includes cash balances, a summary of receipts and disbursements for the month, a summary of activity by fund including beginning and ending fund balances for each individual fund and a comparison of budget to actual expenditures by function.

Condition – A City Clerk’s report, including a summary of receipts, disbursements, transfers, beginning and ending balances by fund and a comparison of budget to actual disbursements was not prepared and provided to the City Council monthly.

City of Carlisle

Schedule of Findings

Year ended June 30, 2019

Cause – City policies and procedures have not been established to require detailed financial reports to the City Council, including a summary of receipts, disbursements, transfers and beginning and ending balances by fund.

Effect – The City Council is not provided with accurate and complete information which is needed to make informed decisions.

Recommendation – To provide better financial information, a City Clerk’s report should be prepared monthly and include a summary of receipts, disbursements, transfers and beginning and ending balances by fund. The report should also include a comparison of budget to actual disbursements by function.

Response – The City Clerk will be preparing a report monthly in the recommended format.

Conclusion – Response accepted.

(D) Reconciliation of Utility Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to reconciling utility billings, collections and delinquent accounts and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition – Utility billings, collections and delinquent accounts were not reconciled in a timely manner throughout the year. In addition, there was no evidence the reconciliation was reviewed by an independent person.

Cause – Policies have not been established and procedures have not been implemented to reconcile utility billings, collections and delinquent accounts timely and to reconcile utility collections to deposits.

Effect – This condition could result in unrecorded or misstated utility receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period and to reconcile collections to deposits. The City Council or a Council-designated independent person should review the reconciliations and monitor delinquencies. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

Response – The City will reconcile the utilities and have an internal employee review and sign off on the reconciliation.

Conclusion – Response accepted.

(E) Emergency Medical Services Billing and Collection

Criteria – An effective internal control system provides for internal controls related to reconciling emergency medical services billings and collections to ensure accuracy.

City of Carlisle

Schedule of Findings

Year ended June 30, 2019

Condition – The City contracts for emergency medical services billing and collection. City staff does not independently review billing and collection information prepared by the contractor to help ensure accuracy. The City does not maintain a listing of accounts receivable for emergency services and does not reconcile reported collections by the contractor to deposits. Additionally, the City does not recalculate and verify the amount charged by the contractor for providing these services.

Cause – Policies have not been established and procedures have not been implemented to ensure the accuracy of billings and collections for emergency medical services, receipts have been deposited and the City is billed the proper amount by the contractor for services.

Effect – This condition could result in inaccurate emergency medical services billings and collections and the City may not pay the correct contracted fee for services.

Recommendation – The City should establish procedures to independently review the billing information prepared by the contractor to help ensure emergency medical services are billed properly. In addition, the City should maintain a listing of accounts receivable and reconcile billings and collections each month. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review. The City should verify all collections have been deposited and ensure the fee charged by the contractor is accurate based on the contract.

Response – The City will work on addressing this item as recommended.

Conclusion – Response accepted.

(F) Journal Entries

Criteria – An effective internal control system provides for internal controls related to the preparation and independent review of journal entries. Independent review of journal entries helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – There is no evidence journal entries are reviewed and approved by an independent person.

Cause – City policies do not require and procedures have not been designed to document approval and independent review of journal entries.

Effect – The lack of independent review and approval may adversely affect the City's ability to prevent or detect and correct misstatements or errors on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – To strengthen controls, journal entries should be reviewed and approved by an independent person.

Response – The City Administrator will start reviewing and signing off on journal entries monthly.

Conclusion – Response accepted.

City of Carlisle

Schedule of Findings

Year ended June 30, 2019

(G) Expense Allocation

Criteria – A deficiency in internal control over financial reporting 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 properly record transactions in the financial statements. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City’s financial statements.

Condition – The City allocates payroll and other expenses between the General and Enterprise, Water, Sewer and Electric Funds. However, the City does not have documentation to support how the allocation of payroll and other expenses was determined.

Cause – Policies have not been established and procedures have not been implemented to document the allocation of payroll and other expenses between funds.

Effect – Lack of policies and procedures could result in inaccurate or inconsistent recording of payroll and other expenses in the financial statements.

Recommendation – The City should establish a written policy providing guidelines for proper and consistent allocation of payroll and other expenses to the proper funds.

Response – The City will review its allocation procedures and establish written guidelines for allocation of expenses.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Carlisle
Schedule of Findings
Year ended June 30, 2019

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements at June 30, 2019 exceeded the amount budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The City will amend the budget before exceeding budgetary limits.

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
Eric Goodhue, City Council Member, Parents own Sandridge Farms	Stump removal and crop expenses	\$ 5,296
Ruth Randleman, City Council Member, Owns Randleman Ridge	Mowing reimbursement	<u>963</u>
		<u>\$ 6,259</u>

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with Sandridge Farms may represent a conflict of interest since the total transactions were more than \$2,500 during the year and the transactions were not competitively bid.

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the above transaction with Randleman Ridge does not appear to represent a conflict of interest since the amount was less than \$2,500 during the year.

Response – Eric Goodhue did not directly receive these payments. The payments were made to Sandridge Farms which is under separate control of Mr. Goodhue’s father and brother. Still, the City will review contracts with Sandridge Farms to review how this conflict could be avoided in the future.

Conclusion – Response acknowledged. In accordance with Chapter 362.5(3)(j) of the Code of Iowa, transactions with Sandridge Farms should be competitively bid if they exceed \$2,500 in order to avoid conflict of interest.

City of Carlisle

Schedule of Findings

Year ended June 30, 2019

- (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.
- (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 – The City did not deposit \$72,000 of the water revenue capital loan note proceeds to a water reserve account as required by the closing and allocation of proceeds agreement. The City corrected their accounting records for reporting purposes.

Recommendation – In the future, the City should ensure funds are deposited as required.

Response – A transfer was made to cover the agreement. The City will review for compliance in the future.

Conclusion – Response accepted.

- (9) Financial Condition – At June 30, 2019, the Internal Service, Self-Funded Insurance Fund had a deficit balance of \$16,580.

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

Response – The City is reviewing options on how to eliminate the deficit in that fund.

Conclusion – Response accepted.

- (10) Tax Increment Financing Fund – Chapters 403.19(10)(b) and 403.22 of the Code of Iowa provide moneys in the Special Revenue, Tax Increment Financing (TIF) Fund shall not be used for any purpose except for the payment of loans, advances, indebtedness or bonds which qualify for payment from the TIF Fund.

The City certified \$25,000 as TIF debt for legal expenses in November 2017, however, the City never incurred the legal expenses as anticipated. The City has not decertified the TIF debt for legal expenses which have not been incurred.

Recommendation – The City should decertify the \$25,000 incorrectly certified as TIF debt.

Response – The City will review the TIF debt certification in the future.

Conclusion – Response accepted.

City of Carlisle

Schedule of Findings

Year ended June 30, 2019

- (11) Annual Urban Renewal Report – The City’s beginning and ending cash balances of the Special Revenue, Urban Renewal Tax Increment Fund reported on the Levy Authority Summary did not agree with the City’s general ledger. In addition, the TIF debt outstanding was understated by approximately \$270,000.

Recommendation – The City should ensure the cash balances reported on the Levy Authority Summary and the TIF Debt outstanding reported as Debts/Obligations agree with the City’s records.

Response – The City will strive to submit accurate Urban Renewal reports in the future.

Conclusion – Response accepted.

- (12) Enterprise Fund Transfers – During the year ended June 30, 2019, the Enterprise Water, Sewer and Electric Funds transferred \$120,000, \$125,000 and \$170,000 respectively to the City’s General Fund. Per City personnel, the funds were transferred from the Enterprise Water, Sewer and Electric Funds to the General Fund to reimburse the General Fund for payroll and other expenses incurred for the operation of the Enterprise Funds which were paid by the General Fund. In addition, City personnel stated the transfers included the transfer of surplus funds from the Enterprise, Water, Sewer and Electric Funds to the General Fund.

Chapter 384.89 of the Code of Iowa states a governing body of a city utility may transfer surplus funds to any other fund of the city. Iowa Administrative Code (IAC), Chapter 545.2.5 defines a “surplus” as the cash balance in excess of: a) the amount of disbursements for operating and maintaining the utility for the preceding three months and b) the amount necessary to make all required transfers to restricted accounts for the succeeding three months.

IAC Chapter 545.2.1 also states “A fund transfer resolution must be completed for all transfers between funds and must include a clear statement of reason or purpose for the transfer, the name of the fund from which the transfer is originating, the name of the fund into which the transfer is to be received, and the dollar amount to be transferred. For transfers of utility surpluses outlined in subrule 2.5(5), the calculation proving the surplus must also be shown in the resolution.”

The transfer resolution did not include a clear statement of the reason or purpose for the transfer or the calculation proving there were surplus funds in the Enterprise Water, Sewer and Electric Funds. In addition, the reimbursement of payroll and other expenses from the Enterprise Water, Sewer and Electric Funds to the General Fund were not properly supported.

Recommendation – The City should prepare and maintain documentation of the calculation of surplus funds transferred from each of the Enterprise Funds to the General Fund. This calculation of surplus funds must be shown in the resolution and the purpose of the transfer clearly stated. In addition, the City should ensure documentation is maintained to support the reimbursement of payroll and other expenses to be reimbursed to the General Fund.

City of Carlisle

Schedule of Findings

Year ended June 30, 2019

Response – The City will document expenses allocated to the general fund. The City will also prepare and maintain documentation of the surplus determination prior to the transfer of funds and include with the transfer resolution.

Conclusion – Response accepted.

- (13) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all cities to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. The City did not remit all outstanding obligations held for more than two years to the Office of Treasurer of State annually.

Recommendation – Outstanding obligations should be reviewed annually and amounts over two years old should be remitted to the Office of Treasurer of State annually, as required.

Response – The City Clerk is working on compiling the list and remitting to the Treasurer's Office.

Conclusion – Response accepted.

City of Carlisle

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Michelle B. Meyer, CPA, Manager
Karen J. Kibbe, Senior Auditor II
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