



**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

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NEWS RELEASE

FOR RELEASE

January 18, 2013

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Carlisle, Iowa.

The City's receipts totaled \$9,914,898 for the year ended June 30, 2012, a 2.6% increase over the prior year. The receipts included \$1,536,026 in property tax, \$23,089 from tax increment financing, \$3,834,650 from charges for service, \$456,427 from operating grants, contributions and restricted interest, \$1,366,749 from capital grants, contributions and restricted interest, \$20,637 from unrestricted interest on investments, \$2,621,922 from the sale of general obligation capital loan notes and sewer revenue capital loan notes and \$53,398 from other general receipts.

Disbursements for the year totaled \$4,315,186, a 15.3% decrease from the prior year, and included \$1,800,137 for capital projects, \$815,482 for public safety and \$519,285 for public works. Also, disbursements for business type activities totaled \$3,874,923.

The decrease in disbursements is due primarily to payments made to refund or redeem general obligation capital loan and grant anticipation project notes in fiscal year 2011.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of the Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1220-0870-B00F.pdf>.

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**CITY OF CARLISLE**

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

**JUNE 30, 2012**

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**City of Carlisle**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2012)</b>		
Ruth Randleman	Mayor	Jan 2014
Eric Mahnke	Mayor Pro tem	Jan 2014
Drew Merrifield	Council Member	Jan 2012
Alma Reed	Council Member	Jan 2012
Robert Van Ryswyk	Council Member	Jan 2012
Doug Hammerand	Council Member	Jan 2014
Neil Ruddy	Administrator/Clerk	Indefinite
Andra K. Black	Deputy Clerk	Indefinite
Robert L. Stuyvesant	Attorney	Indefinite
<b>(After January 2012)</b>		
Ruth Randleman	Mayor	Jan 2014
Eric Mahnke	Mayor Pro tem	Jan 2014
Doug Hammerand	Council Member	Jan 2014
Joe Grandstaff	Council Member	Jan 2016
Drew Merrifield	Council Member	Jan 2016
Robert Van Ryswyk	Council Member	Jan 2016
Neil Ruddy	Administrator/Clerk	Indefinite
Andra K. Black	Deputy 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:

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, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Carlisle's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

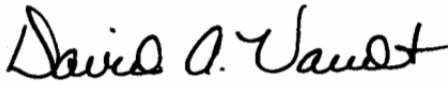
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carlisle as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 20, 2012 on our consideration of the City of Carlisle's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carlisle's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of

Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our 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 financial statements or to the 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.

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. Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 32 through 34 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information 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.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 20, 2012



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of Carlisle provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities decreased 30%, or approximately \$1,850,000, from fiscal year 2011 to fiscal year 2012, primarily due to a decrease in the amount of general obligation capital loan and grant anticipation project notes issued in fiscal year 2012.
- The City's governmental activities disbursements decreased 15.3%, or approximately \$779,000, from fiscal year 2011 to fiscal year 2012. The City refunded or redeemed \$1,280,000 of general obligation capital loan and grant anticipation project notes in fiscal year 2011. Capital projects function disbursements increased approximately \$343,000, primarily due to the 1<sup>st</sup> Street project.
- The City's governmental activities cash balance at June 30, 2012 decreased 0.6%, or approximately \$18,000, from June 30, 2011.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

## **BASIS OF ACCOUNTING**

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

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

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

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

The Statement of Activities and Net Assets is divided into two kinds of activities:

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

### *Fund Financial Statements*

The City has two kinds of funds:

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

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

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

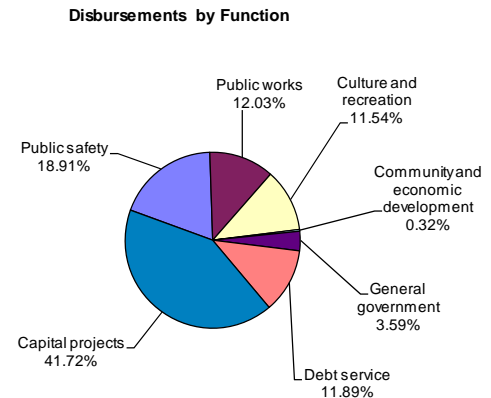
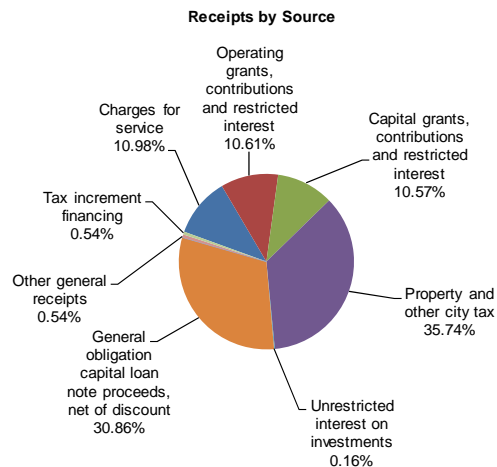
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased slightly from a year ago, decreasing approximately \$18,000 to approximately \$2.725 million. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2012	2011
<b>Receipts:</b>		
Program receipts:		
Charges for service	\$ 472	529
Operating grants, contributions and restricted interest	456	442
Capital grants, contributions and restricted interest	454	866
General receipts:		
Property and other city tax	1,536	1,474
Tax increment financing	23	-
Unrestricted interest on investments	7	10
General obligation capital loan note proceeds, net of discount	1,326	2,284
General obligation capital loan note and grant anticipation project note proceeds	-	500
Other general receipts	23	42
<b>Total receipts</b>	<b>4,297</b>	<b>6,147</b>
<b>Disbursements:</b>		
Operating:		
Public safety	816	783
Public works	519	497
Culture and recreation	498	468
Community and economic development	14	13
General government	155	112
Debt service	513	484
Capital projects	1,800	1,457
General obligation capital loan and grant anticipation project notes refunded or redeemed	-	1,280
<b>Total disbursements</b>	<b>4,315</b>	<b>5,094</b>
<b>Change in cash basis net assets</b>	<b>(18)</b>	<b>1,053</b>
<b>Cash basis net assets beginning of year</b>	<b>2,743</b>	<b>1,690</b>
<b>Cash basis net assets end of year</b>	<b>\$ 2,725</b>	<b>2,743</b>



Total governmental activities receipts for the fiscal year were approximately \$4.297 million and total governmental activities disbursements for the fiscal year were approximately \$4.315 million.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 512	479
Sewer	808	738
Electric	2,042	2,019
Operating grants and contributions:		
Sewer	-	21
Capital grants and contributions:		
Sewer	913	220
General receipts:		
Unrestricted interest on investments	14	14
General obligation capital loan note proceeds	270	-
Sewer revenue capital loan note proceeds	1,026	-
Miscellaneous	32	30
Total receipts	5,617	3,521
Disbursements:		
Water	492	484
Sewer	1,420	956
Electric	1,963	1,568
Total disbursements	3,875	3,008
Change in cash basis net assets	1,742	513
Cash basis net assets beginning of year	872	359
Cash basis net assets end of year	\$ 2,614	872

Total business type activities receipts for the fiscal year were approximately \$5.617 million compared to approximately \$3.521 million last year. The significant increase is due primarily to the City receiving \$1.026 million in sewer revenue capital loan note proceeds and a \$693,000 increase in capital grants at the completion of the sewer project. Business type activities disbursements increased \$867,000. The increase is due primarily to sewer and electric capital projects.

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

As the City of Carlisle completed the year, its governmental funds reported a combined fund balance of \$2,692,184, a decrease of \$21,928 from last year's total of \$2,714,112. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$54,595 from the prior year, resulting in an ending cash balance of \$954,426 at June 30, 2012. This increase was due to an increase in receipts from licenses and permits and property tax.
- The Special Revenue, Road Use Tax Fund cash balance increased \$28,930 during the fiscal year to \$200,953 at June 30, 2012. This increase was due to an increase in state road use tax receipts.

- The Debt Service Fund cash balance decreased \$19,655 to \$162,673 at June 30, 2012. This is primarily due to an increase in principal and interest payments on the City's general obligation notes.
- The Capital Projects Fund cash balance decreased \$104,879 to \$1,169,179 at June 30, 2012. The decrease is due to an increase in project disbursements for various capital projects.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund cash balance increased \$55,201 from the prior year to \$712,915. This increase is due to an increase in the sale of water from fiscal year 2011 due to a very dry summer in fiscal year 2012.
- The Enterprise, Sewer Fund cash balance increased \$1,600,367 from the prior year to \$1,253,718. The increase in cash balance is due to the City receiving loan and grant proceeds from the USDA upon completion of the Avon sewer project. The receipt of these funds reimbursed the Sewer Fund for project costs previously incurred.
- The Enterprise, Electric Fund cash balance increased \$82,211 to \$615,856 during the fiscal year. This increase is smaller than the fiscal year 2011 increase of \$458,761 due to an increase in operating disbursements as well as work started on electric utility capital projects.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 29, 2012 and resulted in an increase of \$60,637 in receipts, primarily related to grants and an insurance premium refund. Budgeted disbursements increased \$231,837 due to vehicle repairs, equipment purchases, park and cemetery repairs, insurance, legal expenses and land acquisition for the electric building.

The City's total receipts were \$43,880 more than budgeted, mainly due to the timing of grant reimbursements for capital projects.

Total disbursements were \$682,316 less than budgeted. Actual capital projects function disbursements were \$830,926 less than budgeted due to the City budgeting for all capital projects, including projects of the Enterprise Funds, under the capital projects function rather than the business type activities function. Additionally, the variance is due to the timing of project disbursements compared to when the expenses were budgeted. Public works function disbursements were \$58,698 less than budgeted due to the mild winter and little snowfall, as well as lower than budgeted costs for consulting and professional fees and street maintenance contracts. Business type activities function disbursements were \$314,370 over budget, mainly due to the City budgeting for the sewer and lagoon project disbursements in the capital projects function rather than the business type activities function.

## DEBT ADMINISTRATION

At June 30, 2012, the City had \$7,799,102 of bonds and other long-term debt outstanding, compared to \$5,925,000 last year, as shown below:

	Outstanding Debt at Year-End	
	(Expressed in Thousands)	
	June 30,	
	2012	2011
General obligation capital loan notes	\$ 4,675	3,580
Revenue capital loan notes	3,089	2,275
Revenue bonds	35	70
Total	\$ 7,799	5,925

Debt increased as a result of current year debt issuances.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$4,675,000, excluding the annual payments on a \$63,600 tax increment financing rebate agreement, is significantly below its constitutional debt limit of approximately \$9.8 million.

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

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget. One of those factors is the economy. The City's total assessed valuations have increased slightly. However, funding from the State has decreased due to the State's budget constraints. The City Council worked hard to retain the same tax rate for fiscal year 2013 with no increase to the taxpayers.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

## **Basic Financial Statements**

City of Carlisle

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2012

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 815,482	132,024	52,441	5,000
Public works	519,285	210,720	367,643	-
Health and social services	45	-	-	-
Culture and recreation	497,964	92,078	32,633	-
Community and economic development	14,177	100	1,203	-
General government	154,644	37,378	-	-
Debt service	513,452	-	2,291	-
Capital projects	1,800,137	-	-	449,112
Total governmental activities	4,315,186	472,300	456,211	454,112
Business type activities:				
Water	491,865	511,861	-	-
Sewer	1,420,393	808,102	-	912,637
Electric	1,962,665	2,042,387	216	-
Total business type activities	3,874,923	3,362,350	216	912,637
Total	\$ 8,190,109	3,834,650	456,427	1,366,749

**General Receipts:**

Property and other city tax levied for:

General purposes

Debt service

Tax increment financing

Unrestricted interest on investments

General obligation capital loan note proceeds, net of \$9,078 discount

Sewer revenue capital loan note proceeds

Miscellaneous

Total general receipts

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:

Nonexpendable:

Cemetery perpetual care

Expendable:

Urban renewal purposes

Debt service

Streets

Capital projects

Other purposes

Unrestricted

**Total cash basis net assets**

See notes to financial statements.



Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(626,017)	-	(626,017)
59,078	-	59,078
(45)	-	(45)
(373,253)	-	(373,253)
(12,874)	-	(12,874)
(117,266)	-	(117,266)
(511,161)	-	(511,161)
(1,351,025)	-	(1,351,025)
(2,932,563)	-	(2,932,563)
-	19,996	19,996
-	300,346	300,346
-	79,938	79,938
-	400,280	400,280
(2,932,563)	400,280	(2,532,283)
1,044,520	-	1,044,520
491,506	-	491,506
23,089	-	23,089
6,876	13,761	20,637
1,325,922	270,000	1,595,922
-	1,026,000	1,026,000
23,157	32,241	55,398
2,915,070	1,342,002	4,257,072
(17,493)	1,742,282	1,724,789
2,742,654	871,841	3,614,495
\$ 2,725,161	2,614,123	5,339,284
\$ 39,784	-	39,784
41,270	-	41,270
162,673	393,734	556,407
200,953	-	200,953
1,169,179	28,828	1,198,007
123,899	-	123,899
987,403	2,191,561	3,178,964
\$ 2,725,161	2,614,123	5,339,284

City of Carlisle

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

As of and for the year ended June 30, 2012

	General	Special Revenue Road Use Tax
Receipts:		
Property tax	\$ 938,862	-
Tax increment financing	-	-
Other city tax	14,010	-
Licenses and permits	59,968	-
Use of money and property	22,763	-
Intergovernmental	68,530	367,643
Charges for service	372,019	-
Miscellaneous	48,919	117
Total receipts	1,525,071	367,760
Disbursements:		
Operating:		
Public safety	802,500	-
Public works	181,333	338,830
Health and social services	45	-
Culture and recreation	489,121	-
Community and economic development	14,177	-
General government	154,724	-
Debt service	-	-
Capital projects	-	-
Total disbursements	1,641,900	338,830
Excess (deficiency) of receipts over (under) disbursements	(116,829)	28,930
Other financing sources (uses):		
General obligation capital loan note proceeds, net of \$9,078 discount	79,776	-
Operating transfers in	91,648	-
Operating transfers out	-	-
Total other financing sources (uses)	171,424	-
Net change in cash balances	54,595	28,930
Cash balances beginning of year	899,831	172,023
Cash balances end of year	\$ 954,426	200,953
<b>Cash Basis Fund Balances</b>		
Nonspendable - Cemetary perpetual care	\$ -	-
Restricted for:		
Urban renewal purposes	-	-
Debt service	-	-
Streets	-	200,953
Capital projects	-	-
Other purposes	-	-
Unassigned	954,426	-
Total cash basis fund balances	\$ 954,426	200,953

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
485,172	-	91,648	1,515,682
-	-	23,089	23,089
6,334	-	-	20,344
-	-	-	59,968
2,291	514	-	25,568
-	448,598	-	884,771
-	-	-	372,019
-	-	20,944	69,980
493,797	449,112	135,681	2,971,421
-	-	15,616	818,116
-	-	-	520,163
-	-	-	45
-	-	9,336	498,457
-	-	-	14,177
-	-	-	154,724
513,452	-	-	513,452
-	1,800,137	-	1,800,137
513,452	1,800,137	24,952	4,319,271
(19,655)	(1,351,025)	110,729	(1,347,850)
-	1,246,146	-	1,325,922
-	-	-	91,648
-	-	(91,648)	(91,648)
-	1,246,146	(91,648)	1,325,922
(19,655)	(104,879)	19,081	(21,928)
182,328	1,274,058	185,872	2,714,112
162,673	1,169,179	204,953	2,692,184
-	-	39,784	39,784
-	-	41,270	41,270
162,673	-	-	162,673
-	-	-	200,953
-	1,169,179	-	1,169,179
-	-	123,899	123,899
-	-	-	954,426
162,673	1,169,179	204,953	2,692,184

**City of Carlisle**

City of Carlisle

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

As of and for the year ended June 30, 2012

<b>Total governmental funds cash balances (page 17)</b>	\$ 2,692,184
<b><i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i></b>	
The Internal Service Fund is used by management to charge the costs of partial self funding of the City's insurance benefit plan to individual funds. A portion of the assets of the Internal Service Fund are included in governmental activities in the Statement of Activities and Net Assets.	32,977
<b>Cash basis net assets of governmental activities (page 15)</b>	<u>\$ 2,725,161</u>
<b>Net change in cash balances (page 17)</b>	\$ (21,928)
<b><i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i></b>	
The Internal Service Fund is used by management to charge the costs of partial self funding of the City's insurance benefit plan to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with governmental activities.	4,435
<b>Change in cash basis net assets of governmental activities (page 15)</b>	<u>\$ (17,493)</u>

See notes to financial statements.

**Exhibit D**

## City of Carlisle

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

As of and for the year ended June 30, 2012

	Enterprise				Internal Service
	Water	Sewer	Electric	Total	Self Funded Insurance
Operating receipts:					
Charges for service	\$ 511,861	808,102	2,042,387	3,362,350	-
Miscellaneous	-	-	216	216	29,708
Total operating receipts	511,861	808,102	2,042,603	3,362,566	29,708
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	6,478
Public works	-	-	-	-	2,159
Culture and recreation	-	-	-	-	1,214
General government	-	-	-	-	198
Business type activities	435,685	316,875	1,777,849	2,530,409	11,071
Total operating disbursements	435,685	316,875	1,777,849	2,530,409	21,120
Excess (deficiency) of operating receipts over (under) operating disbursements	76,176	491,227	264,754	832,157	8,588
Non-operating receipts (disbursements):					
Intergovernmental	-	912,637	-	912,637	-
Interest on investments	4,297	5,354	4,110	13,761	350
Rental income	32,241	-	-	32,241	-
General obligation capital loan note proceeds	-	270,000	-	270,000	-
Sewer revenue capital loan note proceeds	-	1,026,000	-	1,026,000	-
Debt service	(38,248)	(415,028)	-	(453,276)	-
Capital projects	(19,265)	(689,823)	(186,653)	(895,741)	-
Total non-operating receipts (disbursements)	(20,975)	1,109,140	(182,543)	905,622	350
Net change in cash balances	55,201	1,600,367	82,211	1,737,779	8,938
Cash balances beginning of year	657,714	(346,649)	533,645	844,710	55,673
Cash balances end of year	\$ 712,915	1,253,718	615,856	2,582,489	64,611
<b>Cash Basis Fund Balances</b>					
Restricted for:					
Debt service	\$ 53,791	339,943	-	393,734	-
Capital projects	-	28,828	-	28,828	-
Unrestricted	659,124	884,947	615,856	2,159,927	64,611
Total cash basis fund balances	\$ 712,915	1,253,718	615,856	2,582,489	64,611

See notes to financial statements.

City of Carlisle

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

As of and for the year ended June 30, 2012

**Total enterprise funds cash balances (page 20)** \$ 2,582,489

***Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:***

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

31,634

**Cash basis net assets of business type activities (page 15)** \$ 2,614,123

**Net change in cash balances (page 20)** \$ 1,737,779

***Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's insurance benefit plan to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with business type activities.

4,503

**Change in cash basis net assets of business type activities (page 15)** \$ 1,742,282

See notes to financial statements.

City of Carlisle

Notes to Financial Statements

June 30, 2012

**(1) Summary of Significant Accounting Policies**

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

A. Reporting Entity

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

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

Blended Component Units

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

Jointly Governed Organizations

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

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



B. Basis of Presentation

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

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

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

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

The City also reports the following additional proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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 imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the business type activities function.

**(2) Cash and Pooled Investments**

The City's deposits in banks and credit unions at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

**(3) Bonds and Notes Payable**

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

Year Ending June 30,	General Obligation Capital Loan Notes		Revenue Capital Loan Notes	
	Principal	Interest	Principal	Interest
2013	\$ 555,000	101,161	195,634	117,434
2014	645,000	90,433	218,796	110,407
2015	505,000	80,988	169,360	102,165
2016	515,000	72,708	174,864	96,081
2017	525,000	62,752	185,383	89,642
2018-2022	1,930,000	146,957	1,060,407	333,719
2023-2027	-	-	326,505	156,270
2028-2032	-	-	120,669	127,656
2033-2037	-	-	143,493	104,832
2038-2042	-	-	170,679	77,646
2043-2047	-	-	185,967	45,406
2048-2051	-	-	137,345	13,083
Total	\$ 4,675,000	554,999	3,089,102	1,374,341

Year Ending June 30,	Revenue Bonds		Total	
	Principal	Interest	Principal	Interest
2013	\$ 35,000	1,400	785,634	219,995
2014	-	-	863,796	200,840
2015	-	-	674,360	183,153
2016	-	-	689,864	168,789
2017	-	-	710,383	152,394
2018-2022	-	-	2,990,407	480,676
2023-2027	-	-	326,505	156,270
2028-2032	-	-	120,669	127,656
2033-2037	-	-	143,493	104,832
2038-2042	-	-	170,679	77,646
2043-2047	-	-	185,967	45,406
2048-2051	-	-	137,345	13,083
Total	\$ 35,000	1,400	7,799,102	1,930,740

The Code of Iowa requires principal and interest on general obligation notes be paid from the Debt Service Fund. However, \$90,000 of principal and \$2,032 of interest on general obligation notes was paid from the Enterprise, Sewer Fund during the year ended June 30, 2012.

#### Revenue Bonds and Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$3,160,000 of sewer revenue capital loan notes issued November 1, 2003 and May 28, 2008. The notes were issued for the purpose of paying the costs of improvements and extensions of the sewer system. The City has also pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,026,000 of USDA subordinate sewer revenue capital loan notes issued October 26, 2011. The notes were issued for the purpose of paying the costs of improvements and extensions of the sewer system, including the construction of a sanitary sewer collection system for the Avon Lake Area. The notes are payable solely and only out of the net earnings of the Sewer Utility System and are payable through 2051. The total principal and interest remaining to be paid on the notes is \$4,463,443. For the current year, sewer revenue capital loan note principal and interest paid and total customer net receipts were \$321,746 and \$491,227, respectively. Annual principal and interest payments on these sewer revenue notes are expected to require approximately 65% of net receipts.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$280,000 of water revenue bonds issued October 1, 2003. The bonds were issued for the purpose of paying the costs of improvements and extensions of the water system. The bonds are payable solely and only out of the net earnings of the Water Utility System and are payable through 2013. The total principal and interest remaining to be paid on the bonds is \$36,400. For the current year, principal and interest paid and total customer net receipts were \$37,748 and \$76,176, respectively. Annual principal and interest payments on these water revenue bonds are expected to require approximately 50% of net receipts.

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

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

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

On August 31, 2011, the City issued \$270,000 of general obligation capital loan notes for the purpose of paying costs of improvements and extensions to the City's sewer system, including the lagoon rehab project. The notes mature on June 1, 2014.

On May 15, 2012, the City issued \$1,335,000 of general obligation capital loan notes for the purpose of paying costs of street, sidewalk, culvert, bridge and utility improvements, equipping the police department and improvements to parks already owned. The notes mature on June 1, 2022.

#### **(4) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$95,395, \$80,241 and \$73,214, respectively, equal to the required contributions for each year.

#### **(5) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug, vision and dental benefits for employees, retirees and their spouses. There are 22 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$453 for single coverage, \$930 for employee and spouse coverage, \$867 for employee and child coverage and \$1,368 for family coverage. For the year ended June 30, 2012, the City contributed \$181,610 and plan members eligible for benefits contributed \$34,800 to the plan.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, retirement or death. Unused sick leave hours are lost upon resignation or termination. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payable to employees at June 30, 2012, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 90,000
Compensatory time	<u>73,000</u>
Total	<u>\$163,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2012.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Employee Benefits	<u>\$ 91,648</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, 2012 was \$29,708.

**(10) Development Agreement**

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

The total to be paid by the City under the agreement is not to exceed \$63,600. The City is to begin rebating incremental property tax starting June 1, 2014. The outstanding balance of the agreement at June 30, 2012 was \$63,600.

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

**(11) Construction Commitments**

Construction commitments at June 30, 2012 totaled \$114,596, which will be paid as work on the projects progress. These projects will be funded through note proceeds, grants and local funds on hand.

**(12) Subsequent Events**

The City authorized the issuance of electric revenue capital loan notes in an amount not to exceed \$1,060,000 in September 2012 for the purpose of paying the costs of constructing extensions and improvements to the electric system, including constructing and equipping a utility facility building addition.

The City entered into a contract for \$704,738 for the construction of additions and renovations to the electric facility.

**City of Carlisle**



## **Other Information**

City of Carlisle

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

Other Information

Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>			
Property tax	\$ 1,515,682	-	-
Tax increment financing	23,089	-	-
Other city tax	20,344	-	-
Licenses and permits	59,968	-	-
Use of money and property	25,568	46,352	(350)
Intergovernmental	884,771	912,637	-
Charges for service	372,019	3,362,350	-
Miscellaneous	69,980	29,924	(49,202)
<b>Total receipts</b>	<b>2,971,421</b>	<b>4,351,263</b>	<b>(49,552)</b>
<b>Disbursements:</b>			
Public safety	818,116	6,478	(22,094)
Public works	520,163	2,159	(2,159)
Health and social services	45	-	-
Culture and recreation	498,457	1,214	(10,550)
Community and economic development	14,177	-	-
General government	154,724	198	(198)
Debt service	513,452	-	-
Capital projects	1,800,137	-	-
Business type activities	-	3,890,497	(11,071)
<b>Total disbursements</b>	<b>4,319,271</b>	<b>3,900,546</b>	<b>(46,072)</b>
Excess (deficiency) of receipts over (under) disbursements	(1,347,850)	450,717	(3,480)
Other financing sources (uses), net	1,325,922	1,296,000	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(21,928)	1,746,717	(3,480)
Balances beginning of year	2,714,112	900,383	(183,680)
Balances end of year	<b>\$ 2,692,184</b>	<b>2,647,100</b>	<b>(187,160)</b>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,515,682	1,512,238	1,512,238	3,444
23,089	18,000	18,000	5,089
20,344	18,195	18,195	2,149
59,968	57,100	57,100	2,868
71,570	17,000	17,000	54,570
1,797,408	1,629,851	1,669,293	128,115
3,734,369	3,827,850	3,827,850	(93,481)
50,702	88,381	109,576	(58,874)
7,273,132	7,168,615	7,229,252	43,880
802,500	808,935	833,511	31,011
520,163	578,861	578,861	58,698
45	2,500	2,500	2,455
489,121	513,760	538,821	49,700
14,177	32,300	32,300	18,123
154,724	130,698	154,898	174
513,452	519,051	519,051	5,599
1,800,137	2,631,063	2,631,063	830,926
3,879,426	3,407,056	3,565,056	(314,370)
8,173,745	8,624,224	8,856,061	682,316
(900,613)	(1,455,609)	(1,626,809)	726,196
2,621,922	1,431,235	1,431,235	1,190,687
1,721,309	(24,374)	(195,574)	1,916,883
3,430,815	2,646,676	2,646,676	784,139
5,152,124	2,622,302	2,451,102	2,701,022

City of Carlisle

Notes to Other Information – Budgetary Reporting

June 30, 2012

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$231,837. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the business type activities function.

**Supplementary Information**

City of Carlisle

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

As of and for the year ended June 30, 2012

	Special Revenue		
	Employee Benefits	Gifts and Bequests	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 91,648	-	-
Tax increment financing	-	-	23,089
Miscellaneous	-	-	-
Total receipts	91,648	-	23,089
Disbursements:			
Operating:			
Public safety	-	-	-
Culture and recreation	-	-	-
Total disbursements	-	-	-
Excess of receipts over disbursements	91,648	-	23,089
Other financing uses:			
Operating transfers out	(91,648)	-	-
Net change in cash balances	-	-	23,089
Cash balances beginning of year	-	1,350	18,181
Cash balances end of year	\$ -	1,350	41,270
<b>Cash Basis Fund Balances</b>			
Nonspendable - Cemetary perpetual care	\$ -	-	-
Restricted for:			
Urban renewal purposes	-	-	41,270
Other purposes	-	1,350	-
Total cash basis fund balances	\$ -	1,350	41,270

See accompanying independent auditor's report.

Friends of the Carlisle Library	Carlisle Firemen's Enterprises Corporation	Permanent		Total
		Cemetery Perpetual Care		
-	-	-		91,648
-	-	-		23,089
7,697	11,797	1,450		20,944
<u>7,697</u>	<u>11,797</u>	<u>1,450</u>		<u>135,681</u>
-	15,616	-		15,616
9,336	-	-		9,336
<u>9,336</u>	<u>15,616</u>	<u>-</u>		<u>24,952</u>
(1,639)	(3,819)	1,450		110,729
-	-	-		(91,648)
<u>(1,639)</u>	<u>(3,819)</u>	<u>1,450</u>		<u>19,081</u>
10,529	117,478	38,334		185,872
<u>8,890</u>	<u>113,659</u>	<u>39,784</u>		<u>204,953</u>
-	-	39,784		39,784
-	-	-		41,270
8,890	113,659	-		123,899
<u>8,890</u>	<u>113,659</u>	<u>39,784</u>		<u>204,953</u>

City of Carlisle  
 Schedule of Indebtedness  
 Year ended June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
General obligation capital loan refunding	Apr 28, 2009	1.75-2.80%	\$ 830,000
General obligation capital loan	Oct 14, 2009	1.30-3.70	1,020,000
General obligation capital loan	May 10, 2011	1.50-3.65	2,300,000
General obligation capital loan	Aug 31, 2011	1.00	270,000
General obligation capital loan	May 15, 2012	0.50-2.20	1,335,000
Total			
Revenue capital loan notes:			
Sewer refunding	Nov 1, 2003	1.70-4.00%	\$ 1,015,000
Sewer	May 28, 2008	2.65-4.20	2,145,000
Sewer subordinate RCLN-1	Oct 26, 2011	3.75	700,000
Sewer subordinate RCLN-2	Oct 26, 2011	3.75	58,000
Sewer subordinate RCLN-3	Oct 26, 2011	3.00	268,000
Total			
Revenue bonds:			
Water	Oct 1, 2003	2.75-4.00%	\$ 280,000

See accompanying independent auditor's report.



Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
425,000	-	205,000	220,000	10,308
855,000	-	100,000	755,000	23,630
2,300,000	-	115,000	2,185,000	57,814
-	270,000	90,000	180,000	2,032
-	1,335,000	-	1,335,000	-
<b>\$ 3,580,000</b>	<b>1,605,000</b>	<b>510,000</b>	<b>4,675,000</b>	<b>93,784</b>
315,000	-	100,000	215,000	12,245
1,960,000	-	90,000	1,870,000	75,943
-	700,000	72	699,928	15,606
-	58,000	6	57,994	1,293
-	268,000	21,820	246,180	4,761
<b>\$ 2,275,000</b>	<b>1,026,000</b>	<b>211,898</b>	<b>3,089,102</b>	<b>109,848</b>
70,000	-	35,000	35,000	2,748

City of Carlisle  
Bond and Note Maturities  
June 30, 2012

Year Ending June 30,	General Obligation					
	Issued April 28, 2009		Issued Oct 14, 2009		Issued May 10, 2011	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2013	2.50%	\$ 155,000	2.00%	\$ 100,000	1.50%	\$ 210,000
2014	2.80	65,000	2.30	100,000	1.50	240,000
2015		-	2.60	105,000	1.75	255,000
2016		-	2.90	110,000	2.10	260,000
2017		-	3.20	115,000	2.35	265,000
2018		-	3.40	115,000	2.70	215,000
2019		-	3.70	110,000	2.90	210,000
2020		-		-	3.20	175,000
2021		-		-	3.40	180,000
2022		-		-	3.65	175,000
Total		<u>\$ 220,000</u>		<u>\$ 755,000</u>		<u>\$ 2,185,000</u>

See accompanying independent auditor's report.

Capital Loan Notes					
Issued Aug 31, 2011			Issued May 15, 2012		
Interest Rates	Amount		Interest Rates	Amount	Total
1.00%	\$ 90,000		0.55%	\$ -	555,000
1.00	90,000		0.55	150,000	645,000
	-		0.75	145,000	505,000
	-		0.90	145,000	515,000
	-		1.10	145,000	525,000
	-		1.30	145,000	475,000
	-		1.55	145,000	465,000
	-		1.75	150,000	325,000
	-		2.00	155,000	335,000
	-		2.20	155,000	330,000
	<u>\$ 180,000</u>			<u>\$ 1,335,000</u>	<u>4,675,000</u>

City of Carlisle  
Bond and Note Maturities  
June 30, 2012

Year Ending June 30,	Sewer Refunding		Sewer		Revenue Capital Sewer Subordinate RCLN-1	
	Issued Nov 1, 2003		Issued May 28, 2008		Issued Oct 26, 2011	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2013	3.90%	\$ 105,000	3.30%	\$ 90,000	3.75%	\$ -
2014	4.00	110,000	3.45	95,000	3.75	8,538
2015		-	3.60	155,000	3.75	8,933
2016		-	3.70	160,000	3.75	9,268
2017		-	3.80	170,000	3.75	9,615
2018		-	3.90	175,000	3.75	9,976
2019		-	4.00	185,000	3.75	10,350
2020		-	4.05	195,000	3.75	10,738
2021		-	4.10	205,000	3.75	11,141
2022		-	4.15	215,000	3.75	11,559
2023		-	4.20	225,000	3.75	11,992
2024		-		-	3.75	12,442
2025		-		-	3.75	12,908
2026		-		-	3.75	13,393
2027		-		-	3.75	13,895
2028		-		-	3.75	14,416
2029		-		-	3.75	14,956
2030		-		-	3.75	15,517
2031		-		-	3.75	16,099
2032		-		-	3.75	16,703
2033		-		-	3.75	17,329
2034		-		-	3.75	17,979
2035		-		-	3.75	18,653
2036		-		-	3.75	19,353
2037		-		-	3.75	20,078
2038		-		-	3.75	20,831
2039		-		-	3.75	21,613
2040		-		-	3.75	22,423
2041		-		-	3.75	23,264
2042		-		-	3.75	24,136
2043		-		-	3.75	25,041
2044		-		-	3.75	25,981
2045		-		-	3.75	26,955
2046		-		-	3.75	27,966
2047		-		-	3.75	29,014
2048		-		-	3.75	30,102
2049		-		-	3.75	31,231
2050		-		-	3.75	32,402
2051		-		-	3.75	33,138
Total		<u>\$ 215,000</u>		<u>\$ 1,870,000</u>		<u>\$ 699,928</u>

See accompanying independent auditor's report.

Loan Notes					Revenue Bonds		
Sewer Subordinate RCLN-2		Sewer Subordinate RCLN-3			Water		
Issued Oct 26, 2011		Issued Oct 26, 2011			Issued Oct 1, 2003		
Interest Rates		Interest Rates		Total	Interest Rates		
	Amount		Amount		Amount		
3.75%	\$ -	3.00%	\$ 634	195,634	4.00%	\$ 35,000	
3.75	708	3.00	4,550	218,796		-	
3.75	741	3.00	4,686	169,360		-	
3.75	769	3.00	4,827	174,864		-	
3.75	797	3.00	4,971	185,383		-	
3.75	827	3.00	5,121	190,924		-	
3.75	858	3.00	5,274	201,482		-	
3.75	890	3.00	5,432	212,060		-	
3.75	924	3.00	5,595	222,660		-	
3.75	959	3.00	5,763	233,281		-	
3.75	994	3.00	5,936	243,922		-	
3.75	1,032	3.00	6,114	19,588		-	
3.75	1,070	3.00	6,298	20,276		-	
3.75	1,111	3.00	6,487	20,991		-	
3.75	1,152	3.00	6,681	21,728		-	
3.75	1,195	3.00	6,882	22,493		-	
3.75	1,240	3.00	7,088	23,284		-	
3.75	1,287	3.00	7,301	24,105		-	
3.75	1,335	3.00	7,520	24,954		-	
3.75	1,385	3.00	7,745	25,833		-	
3.75	1,437	3.00	7,978	26,744		-	
3.75	1,491	3.00	8,217	27,687		-	
3.75	1,547	3.00	8,464	28,664		-	
3.75	1,605	3.00	8,718	29,676		-	
3.75	1,665	3.00	8,979	30,722		-	
3.75	1,728	3.00	9,248	31,807		-	
3.75	1,792	3.00	9,526	32,931		-	
3.75	1,860	3.00	9,812	34,095		-	
3.75	1,929	3.00	10,106	35,299		-	
3.75	2,002	3.00	10,409	36,547		-	
3.75	2,077	3.00	10,721	37,839		-	
3.75	2,155	3.00	11,043	39,179		-	
3.75	2,235	3.00	11,374	40,564		-	
3.75	2,319	3.00	6,680	36,965		-	
3.75	2,406		-	31,420		-	
3.75	2,496		-	32,598		-	
3.75	2,590		-	33,821		-	
3.75	2,687		-	35,089		-	
3.75	2,699		-	35,837		-	
	<u>\$ 57,994</u>		<u>\$ 246,180</u>	<u>3,089,102</u>		<u>\$ 35,000</u>	

City of Carlisle

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

For the Last Ten Years

	2012	2011	2010	2009
<b>Receipts:</b>				
Property tax	\$ 1,515,682	1,454,014	1,387,198	1,325,750
Tax increment financing	23,089	-	-	203
Other city tax	20,344	19,440	14,371	14,523
Licenses and permits	59,968	43,148	59,735	86,248
Use of money and property	25,568	31,510	32,261	36,386
Intergovernmental	884,771	1,271,783	383,822	652,675
Charges for service	372,019	381,035	344,293	389,512
Special assessments	-	80,000	7,342	15,143
Miscellaneous	69,980	80,661	185,029	105,641
<b>Total</b>	<b>\$ 2,971,421</b>	<b>3,361,591</b>	<b>2,414,051</b>	<b>2,626,081</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 818,116	777,640	791,354	827,433
Public works	520,163	495,091	531,576	513,270
Health and social services	45	-	-	338
Culture and recreation	498,457	466,892	457,734	431,013
Community and economic development	14,177	13,272	21,227	20,727
General government	154,724	112,494	135,459	203,105
Debt service	513,452	483,634	477,535	451,566
Capital projects	1,800,137	1,457,253	543,200	287,689
<b>Total</b>	<b>\$ 4,319,271</b>	<b>3,806,276</b>	<b>2,958,085</b>	<b>2,735,141</b>

See accompanying independent auditor's report.

2008	2007	2006	2005	2004	2003
1,234,492	1,224,101	1,173,326	1,073,994	1,021,511	992,648
24,629	-	22,886	21,800	18,597	19,001
14,614	15,994	16,809	14,345	16,138	13,389
41,854	37,643	99,885	60,726	49,296	51,173
51,838	59,702	43,293	40,466	23,999	47,053
364,052	398,418	375,991	1,031,293	617,781	378,410
358,083	355,109	355,014	251,729	222,396	211,970
13,728	17,539	22,153	22,777	40,360	40,369
123,907	279,504	291,774	278,245	178,546	104,090
2,227,197	2,388,010	2,401,131	2,795,375	2,188,624	1,858,103
772,908	604,041	578,902	576,172	637,225	530,542
551,279	474,361	443,500	456,976	442,841	415,834
2,265	2,265	2,357	2,062	2,452	1,224
528,028	395,143	389,963	245,198	229,366	238,693
10,683	29,545	24,301	31,573	26,387	22,667
117,073	99,098	179,024	134,841	119,916	129,550
437,228	443,688	438,610	681,267	592,915	303,553
59,358	71,428	266,664	1,842,637	1,363,375	396,976
2,478,822	2,119,569	2,323,321	3,970,726	3,414,477	2,039,039

**City of Carlisle**



## City of Carlisle

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	04-WS-012-03	10,891
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	ESL-1105(603)--7S-91	38,713
ARRA - Highway Planning and Construction	20.205	ESL-1105(603)--7S-91	377,999
			416,712
Iowa Department of Public Safety - Governor's Traffic Safety Bureau:			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	PAP 11-410, Task 10	1,833
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	PAP 12-410, Task 12	12,727
			14,560
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Department of Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1763-DRIA	140,227
Total			\$ 582,390

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Carlisle and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**City of Carlisle**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

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David A. Vaudt, CPA  
Auditor of State

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

To the Honorable Mayor and  
Members of the City Council:

We have audited 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, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 20, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Carlisle's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12 through II-C-12 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-D-12 through II-G-12 to be significant deficiencies.

Compliance and Other Matters


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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 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.

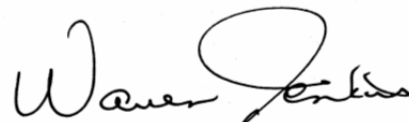
The City of Carlisle's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Carlisle's responses and, accordingly, we express no opinion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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Carlisle and other parties to whom the City of Carlisle may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 20, 2012

**Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133**

**City of Carlisle**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

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Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Compliance

We have audited the City of Carlisle, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Carlisle's major federal program for the year ended June 30, 2012. The City of Carlisle's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Carlisle's management. Our responsibility is to express an opinion on the City of Carlisle's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Carlisle's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Carlisle's compliance with those requirements.

In our opinion, the City of Carlisle complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

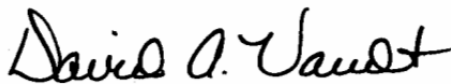
The management of the City of Carlisle is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Carlisle's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Carlisle's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

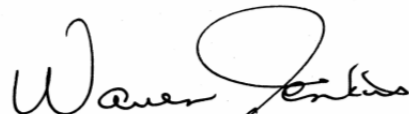
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-12 to be a material weakness.

The City of Carlisle's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the City's response, we did not audit the City of Carlisle's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Carlisle and other parties to whom the City of Carlisle may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 20, 2012



City of Carlisle

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction and AARA – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Carlisle did not qualify as a low-risk auditee.

City of Carlisle

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-12 Segregation of Duties – One important element in designing internal control to safeguard assets and reasonably ensure the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one employee act as a check of those of another. During the audit, we identified the following incompatible duties:

- (1) While a monthly bank reconciliation is performed, the reconciliation is not reviewed and approved by an independent person and evidence of the review is not documented.
- (2) Bank reconciliations are not performed by an individual who is not involved in the cash receipt or disbursement functions.
- (3) Deposit and recording of receipts is performed by an individual who is also responsible for cash.
- (4) The individual responsible for detailed record keeping of investments is also the custodian of the investments and reconciles the investment ledgers.
- (5) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from recording and accounting for receipts.
- (6) Mail is opened by an individual who is also responsible for recording and accounting for receipts. Also, an initial listing of receipts received in the mail is not prepared by the mail opener.
- (7) Payroll journals are not reviewed and approved by an independent person.
- (8) The individual approving credit card purchases also has access to credit cards.
- (9) Journal entries are not reviewed and approved by an independent person.

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

Response –

- (1) The City Administrator now reviews and initials all bank reconciliations.

City of Carlisle

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

- (2) The Deputy Clerk reconciles bank accounts and the City Administrator now reviews and initials. The Deputy Clerk is not involved with cash receipts unless other employees are sick or on vacation.
- (3) We do not have enough employees to divide these responsibilities. One employee runs most transactions and the other balances the cash drawer.
- (4) The Deputy Clerk keeps records, but all transactions concerning the investments must be signed by both the Deputy Clerk and the City Administrator.
- (5) & (6) Complete separation of internal controls would be very difficult in a small office. To have independent non-accounting personnel prepare listings of cash and receipts received in the mail before they are recorded would be virtually impossible. Most of the City's elected officials have full time jobs and would not be available. The City will strive to separate duties and the City Administrator and Deputy Clerk will spot check and review transactions, reconciliations and reports as much as possible.
- (7) These are now reviewed by the City Administrator.
- (8) The City Administrator will review all credit card transactions and the Deputy Clerk will review all of the City Administrator's credit card transactions before paying the statement.
- (9) The City Administrator now reviews journal entries.

Conclusion – Response accepted.

- II-B-12 Reconciliation of Utility Billings to Collections and Delinquent Accounts – The City no longer performs utility reconciliations of billings to collections and delinquent accounts.

Recommendation – Procedures should be established to reconcile utility billings to collections and delinquent accounts monthly. The reconciliation of billings to collections and delinquent accounts, as well as the delinquent account listing, should be reviewed by the City Council on a regular basis.

Response – The procedure to reconcile utility billings is being developed. The reconciliation will be presented to the City Council on a quarterly basis.

Conclusion – Response accepted.

- II-C-12 Financial Reporting – During the audit, we identified material amounts of receipts coded incorrectly in the financial statements. Adjustments were subsequently made by the City to properly record these amounts in the financial statements.

Recommendation – The City should properly record all transactions.

Response – The account numbers were coded wrong and are now corrected.

Conclusion – Response accepted.

City of Carlisle

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

- II-D-12 Segregation of Duties for Separately Maintained Records – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

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

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

- (1) For the Friends of the Carlisle Library, there is no independent review of bank reconciliations.
- (2) For the Carlisle Firemen’s Enterprises Corporation, blank checks are signed in advance for payment to certain vendors.

Recommendation – We realize segregation of duties is difficult with a limited number of individuals. However, Friends of the Carlisle Library and the Carlisle Firemen’s Enterprises Corporation should review their operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including Board members. Blank checks should not be signed in advance.

Response – We will continue to strive for more segregation of duties in all areas. We will remind the Library Board and Firemen’s Board to review all transactions. It is not the City’s policy to sign blank checks. This will be discussed and monitored with all persons in charge of writing checks.

Conclusion – Response accepted.

- II-E-12 Lack of Written Policies and Procedures – While the City has adopted a written disaster recovery plan, certain items were not included in the plan. Specifically, the plan does not include an inventory of all essential hardware components and software applications, a requirement essential supplies, relevant accounting manuals and other documentation, current system backups and a copy of the disaster recovery plan be located offsite and does not contain a requirement to test the plan annually.

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

Response – In September 2012, the City purchased and installed a new server with offsite cloud data backup. The City now has a contract with CST, Inc. for data backup and disaster recovery services. The disaster recovery policy will also be updated.

Conclusion – Response accepted.

City of Carlisle

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

- II-F-12 Timesheets – For the majority of City employees, timesheets are prepared by the employee and approved by the corresponding supervisor, with the City Administrator approving the timesheets for department supervisors. However, in the case of the City Administrator and Deputy City Clerk, timesheets are not prepared and submitted for approval.

Recommendation – All City employees should prepare a timesheet documenting hours worked, sick time used, vacation used and any other time taken. Timesheets should be submitted to an appropriate supervisor for approval and should be signed by the employee and supervisor.

Response – All employees will now do time sheets and will be signed by their supervisor.

Conclusion – Response accepted.

- II-G-12 Vacation Policy – While the City Council has approved a policy for the accrual of vacation hours by City employees, the City is not currently following the policy, allowing employees to accrue hours above the maximum allowable limit.

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

Response – The policy for carry over of vacation will be reviewed and clarified so it matches actual practice.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Carlisle

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

**CFDA Number 20.205: Highway Planning and Construction and ARRA – Highway Planning and Construction**  
**Pass-through Agency Number: ESL-1105(603)--7S-91**  
**Federal Award Year: 2012**  
**U.S. Department of Transportation – Federal Highway Administration**  
**Passed through the Iowa Department of Transportation**

III-A-12 Cash Management – OMB Circular A-133 requires a review of the City's reimbursement method to evaluate its adequacy. The City does not review claims prepared by the engineer for reimbursement.

Recommendation – The City should review the claims prepared by the engineer for reimbursement.

Response – All claims for reimbursement will be reviewed by the City Administrator and or Deputy Clerk before submitting to DOT for reimbursement.

Conclusion – Response accepted.

City of Carlisle

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

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

IV-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amount budgeted in the business type activities 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 budget will be amended in a timely manner. We thought it could not be amended after May, but we understand now that it can be and we will amend if necessary even if it is after the May deadline.

Conclusion – Response accepted.

IV-B-12 Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Carlisle Foods	Coffee	\$ 65
IPERS	Late fee	20
Great Western Bank	Late fees and finance charges	103

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

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

Response – The staff works hard trying to avoid all late charges and finance charges. This was a mistake and all disbursements are required to be paid before penalties. Coffee was purchased for public works department for meetings and citizens that come in.

Conclusion – Response acknowledged. The public purpose for all disbursements should be documented.

IV-C-12 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-12 Business Transactions – No business transactions between the City and City officials or employees were noted.

IV-E-12 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.

City of Carlisle

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

- IV-F-12 City Council Minutes – Certain disbursements were not approved and other disbursements were not approved by the City Council prior to disbursement in accordance with Chapter 372.13(6) of the Code of Iowa. The City does not have a written disbursement approval policy allowing certain items to be paid prior to City Council approval.

Certain transfers between funds were not approved by the City Council prior to making the transfer between funds.

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

Recommendation – The City should adopt a written disbursement policy to allow payment of certain bills prior to City Council approval. All City disbursements should be approved by the City Council prior to disbursement with the exception of those specifically allowed by a policy. For those disbursements paid prior to City Council approval, a listing should be provided to the City Council at the next City Council meeting for review and approval.

The City Council should approve all transfers prior to the actual transfer and document approval and amount(s) as part of the minutes record.

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

Response – The City Council has already adopted a written policy allowing specific items to be paid prior to City Council approval. The policy also includes the requirement to have the City Council review and approve the listing of these disbursements once a month.

These transfers are usually approved by the City Council. However, these transfers were overlooked. In the future, we plan to have all transfers approved by the City Council.

We will strive to get the minutes and disbursements published timely. It has become more difficult to make the 15 day requirement for the minutes as the deadline for the weekly paper is much shorter than it was previously. To get them published within 15 days, we must have them to the paper within 3-4 days of the actual meeting.

Conclusion – Response accepted.

- IV-G-12 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.



City of Carlisle

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

- IV-H-12 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted, except as follows:

Although the City complied with the sewer revenue note provision which states sufficient monthly transfers shall be made to a separate sewer revenue sinking account within the Sewer Fund for the purpose of making the bond and note principal and interest payments when due, the sinking account was in a deficit position at year end. The deficit was caused by the City making a duplicate payment on the USDA subordinate sewer revenue note.

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

Recommendation – The City should continue to make the required monthly transfers as well as make a transfer to resolve the sinking account year end deficit balance. The City should also set up the accounts required by the USDA note provisions.

Response – All required transfers will be made to the sinking account as required and approved by the City Council. We will set up completely separate accounts for the USDA note.

Conclusion – Response accepted.

- IV-I-12 Payment of General Obligation Notes – Certain general obligation note principal and interest were paid from the Enterprise, Sewer Fund. Chapter 384.4 of the Code of Iowa states, in part “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund.”

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

Response – These transfers will be made and payment will be disbursed from the Debt Service Fund.

Conclusion – Response accepted.

- IV-J-12 Annual Financial Report – The City did not publish the annual financial report for the fiscal year ended June 30, 2011 by December 1 as required by Chapter 384.22 of the Code of Iowa.

Recommendation – The City should publish the annual financial report as required by Chapter 384.22 of the Code of Iowa.

Response – The annual financial report will be published before the December 1 date as required. Paper deadlines and delay in audit caused more delay than usual last year.

Conclusion – Response accepted.

City of Carlisle

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Manager  
Jenny M. Podrebarac, Senior Auditor  
Lara K. Van Wyk, Staff Auditor  
Robert W. Endriss, CPA, Staff Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State