



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

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Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

January 25, 2022

Contact: Ernest Ruben
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$18,409,172 for the year ended June 30, 2021, a 103.9% increase over the prior year. Disbursements for the year ended June 30, 2021 totaled \$11,496,233, a 31.1% increase over the prior year. The significant increase in receipts and disbursements is primarily due to note proceeds net of premiums and issuance costs of \$8,383,943 and capital project disbursements.

AUDIT FINDINGS:

Sand reported eleven findings related to the receipt and disbursement of taxpayer funds. They are found on pages 52 through 59 of this report. The findings address issues such as a lack of segregation of duties, preparation of monthly utility reconciliations, lack of documentation to support payroll allocations, disbursements exceeding the budgeted amount, and lack of decertifying certain TIF debt incorrectly certified in fiscal year 2017. Sand provided the City with recommendations to address each finding.

Ten of the eleven findings discussed above for the City are repeated from the prior year. The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://www.auditor.iowa.gov/reports/file/67489/embed>.

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CITY OF CARLISLE

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

JUNE 30, 2021

City of Carlisle



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Rob Sand
Auditor of State

January 4, 2022

Officials of the City of Shenandoah
Carlisle, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Carlisle for the year ended June 30, 2021. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

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City of Carlisle

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Drew Merrifield	Mayor	Jan 2022
Eric Goodhue	Mayor Pro tem	Jan 2022
Doug Hammerand	Council Member	Jan 2022
Dan McCulloch	Council Member	Jan 2024
Ruth Randleman	Council Member	Jan 2024
Robert Van Ryswyk	Council Member	Jan 2024
Deven Markley	Administrator	Indefinite
Martha Becker	City Clerk	Indefinite
Robert L. Stuyvesant	Attorney	Indefinite

City of Carlisle



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carlisle, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carlisle as of June 30, 2021, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

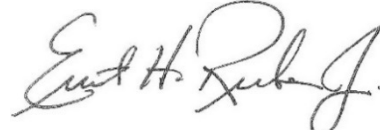
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carlisle's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2020 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 and 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 36 through 44, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 4, 2022 on our consideration of the City of Carlisle's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Carlisle's internal control over financial reporting and compliance.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

January 4, 2022

City of Carlisle

Basic Financial Statements

City of Carlisle

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2021

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 2,325,993	489,154	40,619	-
Public works	784,016	258,076	582,640	-
Health and social services	11,171	-	-	-
Culture and recreation	584,643	80,508	82,719	-
Community and economic development	234,178	36,718	766	-
General government	533,035	25,994	102,054	-
Debt service	979,768	-	4,143	78,839
Capital projects	2,000,041	-	-	8
Total governmental activities	7,452,845	890,450	812,941	78,847
Business type activities:				
Water	725,559	758,014	-	-
Sewer	810,517	936,486	-	-
Electric	2,507,312	2,931,896	-	-
Total business type activities	4,043,388	4,626,396	-	-
Total	\$ 11,496,233	5,516,846	812,941	78,847
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Utility franchise fees				
Note proceeds, including premium of \$400,430, net of \$96,487 issuance cost				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Cemetery perpetual care				
Expendable:				
Debt service				
Streets				
Local option sales tax				
Capital projects				
Library				
Fire				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(1,796,220)	-	(1,796,220)
56,700	-	56,700
(11,171)	-	(11,171)
(421,416)	-	(421,416)
(196,694)	-	(196,694)
(404,987)	-	(404,987)
(896,786)	-	(896,786)
<u>(2,000,033)</u>	<u>-</u>	<u>(2,000,033)</u>
<u>(5,670,607)</u>	<u>-</u>	<u>(5,670,607)</u>
-	32,455	32,455
-	125,969	125,969
-	424,584	424,584
-	583,008	583,008
<u>(5,670,607)</u>	<u>583,008</u>	<u>(5,087,599)</u>
1,825,696	-	1,825,696
779,565	-	779,565
55,049	-	55,049
597,127	-	597,127
64,713	-	64,713
10,122	21,907	32,029
138,626	-	138,626
8,383,943	-	8,383,943
110,931	12,859	123,790
415,000	(415,000)	-
<u>12,380,772</u>	<u>(380,234)</u>	<u>12,000,538</u>
6,710,165	202,774	6,912,939
2,940,392	4,094,589	7,034,981
<u>\$ 9,650,557</u>	<u>4,297,363</u>	<u>13,947,920</u>
\$ 58,453	-	58,453
609,043	482,165	1,091,208
399,913	-	399,913
735,336	-	735,336
6,850,083	-	6,850,083
43,226	-	43,226
40,743	-	40,743
56,123	-	56,123
857,637	3,815,198	4,672,835
<u>\$ 9,650,557</u>	<u>4,297,363</u>	<u>13,947,920</u>

City of Carlisle

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

As of and for the year ended June 30, 2021

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 1,546,857	-	-
Local option sales tax	-	-	597,127
Tax increment financing	-	-	-
Other city tax	28,119	-	-
Licenses and permits	273,768	-	-
Use of money and property	27,880	-	-
Intergovernmental	221,738	582,640	-
Charges for service	602,976	-	-
Special assessments	-	-	-
Miscellaneous	220,370	-	-
Total receipts	2,921,708	582,640	597,127
Disbursements:			
Operating:			
Public safety	2,293,476	-	-
Public works	248,737	533,272	-
Health and social services	11,171	-	-
Culture and recreation	537,192	-	-
Community and economic development	120,561	-	-
General government	530,350	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	3,741,487	533,272	-
Excess (deficiency) of receipts over (under) disbursements	(819,779)	49,368	597,127
Other financing sources (uses):			
Note proceeds, including premium of \$400,430, net of \$96,487 issuance cost	-	-	-
Transfers in	670,600	-	-
Transfers out	-	-	(347,420)
Total other financing sources (uses)	670,600	-	(347,420)
Change in cash balances	(149,179)	49,368	249,707
Cash balances beginning of year	1,030,064	350,545	485,629
Cash balances end of year	\$ 880,885	399,913	735,336
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for:			
Debt service	-	-	-
Streets	-	399,913	-
Local option sales tax	-	-	735,336
Capital projects	-	-	-
Library	-	-	-
Fire	-	-	-
Other purposes	-	-	-
Unassigned	880,885	-	-
Total cash basis fund balances	\$ 880,885	399,913	735,336

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
779,565	-	234,627	2,561,049
-	-	-	597,127
-	-	55,049	55,049
12,191	-	3,902	44,212
-	-	-	273,768
4,143	8	-	32,031
19,571	-	5,957	829,906
-	-	-	602,976
78,839	-	-	78,839
-	-	68,740	289,110
894,309	8	368,275	5,364,067
-	-	25,085	2,318,561
-	-	-	782,009
-	-	-	11,171
-	-	44,878	582,070
-	-	113,617	234,178
-	-	-	530,350
979,768	-	-	979,768
-	2,000,041	-	2,000,041
979,768	2,000,041	183,580	7,438,148
(85,459)	(2,000,033)	184,695	(2,074,081)
-	8,383,943	-	8,383,943
127,725	199,695	-	998,020
-	-	(235,600)	(583,020)
127,725	8,583,638	(235,600)	8,798,943
42,266	6,583,605	(50,905)	6,724,862
566,777	266,478	244,269	2,943,762
609,043	6,850,083	193,364	9,668,624
-	-	58,453	58,453
609,043	-	-	609,043
-	-	-	399,913
-	-	-	735,336
-	6,850,083	-	6,850,083
-	-	43,226	43,226
-	-	40,743	40,743
-	-	56,123	56,123
-	-	(5,181)	875,704
609,043	6,850,083	193,364	9,668,624

City of Carlisle

City of Carlisle

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

As of and for the year ended June 30, 2021

Total governmental funds cash balances (page 13) \$ 9,668,624

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

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

(18,067)

Cash basis net position of governmental activities (page 11) \$ 9,650,557

Change in cash balances (page 13) \$ 6,724,862

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

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

(14,697)

Change in cash basis net position of governmental activities (page 11) \$ 6,710,165

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, 2021

	Enterprise				Internal Service
	Water	Sewer	Electric	Total	Self - Funded Insurance
Operating receipts:					
Charges for service	\$ 717,271	930,618	2,886,628	4,534,517	-
Miscellaneous	40,743	5,868	45,268	91,879	75,608
Total operating receipts	<u>758,014</u>	<u>936,486</u>	<u>2,931,896</u>	<u>4,626,396</u>	<u>75,608</u>
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	35,180
Public works	-	-	-	-	9,499
Culture and recreation	-	-	-	-	12,181
General government	-	-	-	-	12,711
Business type activities	421,938	312,687	2,185,521	2,920,146	26,287
Total operating disbursements	<u>421,938</u>	<u>312,687</u>	<u>2,185,521</u>	<u>2,920,146</u>	<u>95,858</u>
Excess of operating receipts over operating disbursements	<u>336,076</u>	<u>623,799</u>	<u>746,375</u>	<u>1,706,250</u>	<u>(20,250)</u>
Non-operating receipts (disbursements):					
Interest on investments	3,780	7,855	10,272	21,907	-
Rent	12,859	-	-	12,859	-
Debt service	(81,565)	(314,750)	(107,350)	(503,665)	-
Capital outlay	(220,736)	(181,760)	(211,528)	(614,024)	-
Net non-operating receipts (disbursements)	<u>(285,662)</u>	<u>(488,655)</u>	<u>(308,606)</u>	<u>(1,082,923)</u>	<u>-</u>
Excess of receipts over (under) disbursements	50,414	135,144	437,769	623,327	(20,250)
Transfers out	(120,000)	(125,000)	(170,000)	(415,000)	-
Change in cash balances	(69,586)	10,144	267,769	208,327	(20,250)
Cash balances (deficits) beginning of year	722,303	1,468,303	1,905,864	4,096,470	(5,251)
Cash balances (deficits) end of year	<u>\$ 652,717</u>	<u>1,478,447</u>	<u>2,173,633</u>	<u>4,304,797</u>	<u>(25,501)</u>
Cash Basis Fund Balances (Deficits)					
Restricted for debt service	\$ 89,918	275,105	117,142	482,165	-
Unrestricted	562,799	1,203,342	2,056,491	3,822,632	(25,501)
Total cash basis fund balances (deficits)	<u>\$ 652,717</u>	<u>1,478,447</u>	<u>2,173,633</u>	<u>4,304,797</u>	<u>(25,501)</u>

See notes to financial statements.

City of Carlisle

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

As of and for the year ended June 30, 2021

Total enterprise funds cash balances (page 16) \$ 4,304,797

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

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

(7,434)

Cash basis net position of business type activities (page 11) \$ 4,297,363

Change in cash balances (page 16) \$ 208,327

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

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

(5,553)

Change in cash basis net position of business type activities (page 11) \$ 202,774

See notes to financial statements.

City of Carlisle

Notes to Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

Blended Component Units

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Warren County Assessor's Conference Board, Warren County Emergency Management Commission and Warren County Joint 911 Service Board.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

The City also reports the following additional proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in the governmental funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. Disbursements at June 30, 2021 exceeded the amount budgeted in the community and economic development function.

(2) Cash and Pooled Investments

The City's deposits in banks and credit unions at June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Bonds and Notes Payable

A summary of changes in bonds and notes payable for the year ended June 30, 2021 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation notes	\$ 3,925,000	8,080,000	815,000	11,190,000	825,000
Business type activities:					
Water revenue notes	\$ 520,000	-	70,000	450,000	70,000
Sewer revenue notes	1,866,377	-	262,637	1,603,740	268,527
Electric revenue notes	300,000	-	100,000	200,000	100,000
	<u>\$ 2,686,377</u>	<u>-</u>	<u>432,637</u>	<u>2,253,740</u>	<u>438,527</u>

General Obligation Capital Loan Notes

A summary of the City's June 30, 2021 general obligation capital loan notes payable is as follows:

Year Ending June 30,	Street, Parks, Stormwater, and Building's Improvements and Public Safety Equipment			Street and Utility Improvements and Public Safety Equipment		
	Issued May 10, 2011			Issued May 15, 2012		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	3.65%	\$ 175,000	6,388	2.20%	\$ 155,000	3,410
2023		-	-		-	-
2024		-	-		-	-
2025		-	-		-	-
2026		-	-		-	-
2027-2031		-	-		-	-
2032-2036		-	-		-	-
2037		-	-		-	-
Total		<u>\$ 175,000</u>	<u>6,388</u>		<u>\$ 155,000</u>	<u>3,410</u>

Year Ending June 30,	Street Construction and Public Safety Equipment			Sidewalks and Trails		
	Issued Aug 25, 2015			Issued May 25, 2016		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	2.30%	\$ 80,000	20,280	1.40%	\$ 115,000	13,020
2023	2.30	80,000	18,440	1.40	115,000	11,410
2024	2.60	85,000	16,600	2.00	120,000	9,800
2025	2.60	85,000	14,390	2.00	120,000	7,400
2026	3.00	90,000	12,180	2.00	125,000	5,000
2027-2031	3.00-3.40	290,000	19,510	2.00	125,000	2,500
2032-2036		-	-		-	-
2037		-	-		-	-
Total		<u>\$ 710,000</u>	<u>101,400</u>		<u>\$ 720,000</u>	<u>49,130</u>

Year Ending June 30,	Fire Station Addition and Public Safety Equipment			Street Improvements and Traffic Control Devices		
	Issued Feb 9, 2017			Issued Aug 9, 2018		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	3.00%	\$ 105,000	19,575	2.40%	\$ 70,000	21,620
2023	2.50	110,000	16,425	2.50	200,000	19,940
2024	2.50	115,000	13,675	2.60	100,000	14,940
2025	3.00	115,000	10,800	2.80	100,000	12,340
2026	3.00	120,000	7,350	2.80	105,000	9,540
2027-2031	3.00	125,000	3,750	3.00	220,000	9,900
2032-2036		-	-		-	-
2037		-	-		-	-
Total		<u>\$ 690,000</u>	<u>71,575</u>		<u>\$ 795,000</u>	<u>88,280</u>

Year Ending June 30,	Improvements for City Hall and Streets and Public Safety Equipment			Improvements for Police Facility, Street Improvements and Public Safety Equipment		
	Issued Nov 24, 2020			Issued April 27, 2021		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	2.00%	\$ 125,000	45,938	4.00%	\$ -	148,946
2023	2.00	125,000	43,437	4.00	320,000	136,092
2024	2.00	175,000	40,938	4.00	320,000	123,293
2025	2.00	185,000	37,437	4.00	320,000	110,492
2026	2.00	185,000	33,738	4.00	325,000	97,692
2027-2031	2.00-1.30	965,000	123,107	4.00-1.45	1,670,000	300,373
2032-2036	1.45-1.80	1,055,000	54,748	1.70-1.40	1,795,000	122,250
2037		-	-	1.75	380,000	6,650
Total		<u>\$ 2,815,000</u>	<u>379,343</u>		<u>\$ 5,130,000</u>	<u>1,045,788</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2022	\$ 825,000	279,177	1,104,177
2023	950,000	245,744	1,195,744
2024	915,000	219,246	1,134,246
2025	925,000	192,859	1,117,859
2026	950,000	165,500	1,115,500
2027-2031	3,395,000	459,140	3,854,140
2032-2036	2,850,000	176,998	3,026,998
2037	380,000	6,650	386,650
Total	<u>\$ 11,190,000</u>	<u>1,745,314</u>	<u>12,935,314</u>

On May 10, 2011, the City issued \$2,300,000 of general obligations notes with interest rates ranging from 1.50% to 3.65% per annum. The notes were issued for street improvements, improvements to City parks, equipping the police department, stormwater improvements and for improvements to City Hall, the Community Building and the City Library. During the year ended June 30, 2021, the City paid \$180,000 of principal and \$12,508 of interest on the notes.

On May 15, 2012, the City issued \$1,335,000 of general obligation notes with interest rates ranging from .55% to 2.20% per annum. The notes were issued for street, sidewalk, culvert, bridge and utility improvements, equipping the Police Department and improvements to parks. During the year ended June 30, 2021, the City paid \$155,000 of principal and \$6,510 of interest on the notes.

On August 25, 2015, the City issued \$1,015,000 of general obligation notes with interest rates ranging from 1.50% to 3.40% per annum. The notes were issued for construction, reconstruction and repair of street improvements, equipping the Police Department and improvements and equipping of the City Library. During the year ended June 30, 2021, the City paid \$75,000 of principal and \$21,705 of interest on the notes.

On May 25, 2016, the City issued \$1,120,000 of general obligation notes with interest rates ranging from 1.00% to 2.00% per annum. The notes were issued for construction, reconstruction and repair of sidewalks, trails and pedestrian underpasses and overpasses and the cost of real estate needed for such purposes, acquisition, construction, reconstruction, enlargement, improvement and repair of bridges, culverts, retaining walls, viaducts, underpasses, grade crossing separations and approaches and constructing, enlarging, improving and equipping, furnishing existing fire station. During the year ended June 30, 2021, the City paid \$100,000 of principal and \$14,270 of interest on the notes.

On February 9, 2017, the City issued \$1,110,000 of general obligation local option sales and service capital loan notes with interest rates ranging from 2.00% to 3.00% per annum. The notes were issued for public safety equipment and facilities, including construction of an addition to the fire station and acquisition of an ambulance and pumper truck. During the year ended June 30, 2021, the City paid \$105,000 of principal and \$22,725 of interest on the notes.

On August 9, 2018, the City issued \$960,000 of general obligation notes with interest rates ranging from 2.30% to 3.00% per annum. The notes were issued for the opening, widening, extending, grading and draining of right-of-way of streets, the construction, reconstruction, and repairing of street improvements and sidewalks, and the acquisition, installation, and repair of traffic control devices. During the year ended June 30, 2021, the City paid \$65,000 of principal and \$23,180 of interest on the notes.

On November 24, 2020, the City issued \$2,950,000 of general obligation notes with interest rates ranging from 1.80% to 2.00% per annum. The notes were issued for street, sidewalk, culvert, and bridge improvements, reconstructing, improving and equipping old bank building to be used as City Hall and purchase of public safety equipment. During the year ended June 30, 2021, the City paid \$135,000 of principal and \$25,264 of interest on the notes.

On April 27, 2021, the City issued \$5,130,000 of general obligation notes with interest rates ranging from 1.40% to 4.00% per annum. The notes were issued for building and parking lot improvements, Police Department facility and storage, equipping and furnishing the Police Department facility, street, sidewalk, culvert, and bridge improvements, traffic control devices, and purchase of an ambulance. The City made no payments of principal and interest on the notes during the year.

Revenue Notes

Year Ending June 30,	Water Issued July 12, 2017			Sewer Subordinate RCLN-1 Issued Oct 26, 2011		
	Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest
2022	1.90%	\$ 70,000	10,195	3.75%	\$ 11,559	23,301
2023	1.90	70,000	8,865	3.75	11,992	22,868
2024	2.25	75,000	7,535	3.75	12,442	22,418
2025	2.25	75,000	5,847	3.75	12,908	21,952
2026	2.60	80,000	4,160	3.75	13,393	21,467
2027-2031	2.60	80,000	2,080	3.75	74,883	99,417
2032-2036		-	-	3.75	90,017	84,283
2037-2041		-	-	3.75	108,209	66,091
2042-2046		-	-	3.75	130,079	44,221
2047-2051		-	-	3.75	155,887	17,934
Total		<u>\$ 450,000</u>	<u>38,682</u>		<u>\$ 621,369</u>	<u>423,952</u>

Year Ending June 30,	Sewer Subordinate RCLN-2 Issued Oct 26, 2011			Sewer Subordinate RCLN-3 Issued Oct 26, 2011		
	Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest
2022	3.75%	\$ 959	1,930	3.00%	\$ 5,739	6,177
2023	3.75	994	1,895	3.00	5,911	6,005
2024	3.75	1,032	1,857	3.00	6,089	5,827
2025	3.75	1,070	1,819	3.00	6,271	5,645
2026	3.75	1,111	1,778	3.00	6,459	5,457
2027-2031	3.75	6,209	8,236	3.00	35,322	24,258
2032-2036	3.75	7,465	6,980	3.00	40,949	18,631
2037-2041	3.75	8,974	5,471	3.00	47,472	12,108
2042-2046	3.75	10,788	3,657	3.00	51,679	4,547
2047-2051	3.75	12,878	1,478		-	-
Total		<u>\$ 51,480</u>	<u>35,101</u>		<u>\$ 205,891</u>	<u>88,655</u>

Year Ending June 30,	Sewer			Sewer Refunding		
	Issued Oct 28, 2015			Issued Apr 13, 2016		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	2.20%	\$ 50,000	8,362	1.70%	\$ 200,000	7,100
2023	2.50	50,000	7,263	1.85	200,000	3,700
2024	2.50	70,000	6,012		-	-
2025	2.75	75,000	4,263		-	-
2026	2.75	80,000	2,200		-	-
2027-2031		-	-		-	-
2032-2036		-	-		-	-
2037-2041		-	-		-	-
2042-2046		-	-		-	-
2047-2051		-	-		-	-
Total		<u>\$ 325,000</u>	<u>28,100</u>		<u>\$ 400,000</u>	<u>10,800</u>

Year Ending June 30,	Electric			Totals		
	Issued Oct 23, 2012					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2022	2.40%	\$ 100,000	4,900	\$ 438,257	61,965	500,222
2023	2.50	100,000	2,500	438,897	53,096	491,993
2024		-	-	164,563	43,649	208,212
2025		-	-	170,249	39,526	209,775
2026		-	-	180,963	35,062	216,025
2027-2031		-	-	196,414	133,991	330,405
2032-2036		-	-	138,431	109,894	248,325
2037-2041		-	-	164,655	83,670	248,325
2042-2046		-	-	192,546	52,425	244,971
2047-2051		-	-	168,765	19,412	188,177
Total		<u>\$ 200,000</u>	<u>7,400</u>	<u>\$ 2,253,740</u>	<u>632,690</u>	<u>2,886,430</u>

On July 12, 2017, the City issued \$720,000 of water revenue notes to fund improvements and extensions to the City's water utility system. The notes bear interest at rates ranging from 1.30% to 2.60%, per annum, and mature in 2027. During the year ended June 30, 2021, the City paid principal of \$70,000 and interest of \$11,315 on the notes.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the \$720,000 of water revenue capital loan notes issued on July 12, 2017. The notes are payable solely and only out of the net earnings of the water utility system. Annual principal and interest payments on the water revenue capital loan notes are expected to require approximately 24% of net receipts. The total principal and interest remaining to be paid on the notes is \$488,682. For the current year, water revenue capital loan note principal and interest paid and total customer net receipts were \$81,315 and \$336,076, respectively.

On October 26, 2011, the City issued \$1,026,000 of USDA subordinate sewer revenue capital loan notes for the purpose of paying the costs of improvements and extensions to the sewer system, including the construction of a sanitary sewer collection system for the Avon Lake Area. The notes bear interest of 3.75% per annum and mature in 2051. During the year ended June 30, 2021, the City paid principal of \$17,637 and interest of \$32,028 on the notes.

On October 28, 2015, the City issued \$625,000 of sewer revenue capital loan notes for the purpose of paying the costs of improvements and extensions to the sewer collection system. The notes bear interest at rates ranging from 1.25% to 2.75% per annum and mature in 2026. During the year ended June 30, 2021, the City paid principal of \$50,000 and interest of \$9,463 on the notes.

On April 13, 2016, the City issued \$1,325,000 of sewer revenue refunding capital loan notes for purpose of refunding the sewer capital loan note issued May 28, 2008. The notes bear interest at rates ranging from 1.00% to 1.85% per annum and mature in 2023. During the year ended June 30, 2021, the City paid principal of \$195,000 and interest of \$10,123 on the notes.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the \$1,325,000 sewer refunding capital loan note issued April 13, 2016, the \$625,000 of sewer revenue capital loan notes issued October 28, 2015 and \$1,026,000 of USDA subordinate sewer revenue capital loan notes issued October 26, 2011. The notes are payable solely and only out of the net earnings of the sewer utility system. Annual principal and interest payments on the notes are expected to require approximately 50% of net receipts. The total principal and interest remaining to be paid on the notes is \$2,190,348. For the current year, sewer revenue capital loan note principal and interest paid, and total customer net receipts were \$314,251 and \$623,798, respectively.

On October 23, 2012, the City issued \$995,000 of electric revenue capital loan notes for the purpose of paying costs of constructing extensions and improvements to the municipal electric utility, including constructing and equipping a utility facility building addition. The notes bear interest at rates ranging from 1.25% to 2.50%, per annum, and mature in 2023. During the year ended June 30, 2021, the City paid principal of \$100,000 and interest of \$7,100 on the notes.

The City has pledged future electric customer receipts, net of specified operating disbursements, to repay \$995,000 of electric revenue capital loan notes issued October 23, 2012. The notes are payable solely and only out of the net earnings of the electric utility system. Annual principal and interest payments on the electric revenue capital loan notes are expected to require approximately 14% of net receipts. The total principal and interest remaining to be paid on the notes is \$207,400. For the current year, electric revenue capital loan note principal and interest paid, and total customer net receipts were \$107,100 and \$746,376, respectively.

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

- (1) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (2) Sufficient monthly transfers shall be made to separate water, sewer and electric revenue sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.

- (3) For the sewer revenue capital loan notes, \$195,000 shall be deposited in a reserve account. For the electric revenue capital loan notes, \$99,500 shall be deposited in a reserve account. For the water revenue capital loan notes, \$72,000 shall be deposited in a reserve account. These accounts are restricted for the purpose of paying note principal and interest payments when insufficient money is available in the sinking accounts.
- (4) Water, sewer and electric user rates shall be established at a level which produces net revenues at a level not less than 125% of the amount of principal and interest due on the bonds and notes during the same year.

Lease Purchase Agreement

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

During the year, the City approved a motion to payoff the lease and paid \$8,306 towards the lease in addition to their annual payment of \$22,945.

(4) Pension Plan

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

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

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

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

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member’s monthly IPERS benefit includes:

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

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

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

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

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

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City's contributions to IPERS for the year ended June 30, 2021 totaled \$178,631.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City reported a liability of \$1,022,667 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the City's proportion was 0.014558%, which was an increase of 0.002447% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$241,579, \$185,872 and \$25,133, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	<u>100.0%</u>	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 2,115,211	1,022,667	107,116

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

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2021, the City contributed \$321,680 and plan members eligible for benefits contributed \$56,530 to the plan. At June 30, 2021, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2021, there were 29 active employees and 1 inactive employee or beneficiary receiving benefit payments.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, retirement or death. Unused sick leave hours are lost upon resignation or termination. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payable to employees at June 30, 2021, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 98,000
Compensatory time	38,000
Total	<u>\$ 136,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2021.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Employee Benefits	\$ 235,600
	Local Option Sales Tax	20,000
	Enterprise:	
	Water	120,000
	Sewer	125,000
	Electric	170,000
		<u>670,600</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	<u>199,695</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	<u>127,725</u>
Total		<u>\$ 998,020</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 \$2,000 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, 2021 was \$75,608.

(10) Development Agreements

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

The total to be paid by the City under the agreements is not to exceed \$2,318,136. The City began rebating incremental property tax on June 1, 2017. During the year ended June 30, 2021, the City rebated \$113,617 of incremental property tax to the developers. At June 30, 2021, the remaining balance to be paid on the agreements was \$1,953,174.

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

(11) Tax Abatements

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

City Tax Abatements

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

For the year ended June 30, 2021, \$29,817 of property tax was diverted from the City under the urban renewal and economic development agreements.

(12) Deficit Balance

The Internal Service, Self-Funded Insurance Fund had a deficit balance of \$25,501 at June 30, 2021. The deficit was the result of costs incurred prior to the availability of funds. The deficit will be eliminated through contributions.

The Special Revenue, Urban Renewal Tax Increment Fund had a deficit balance of \$5,181 at June 30, 2021. The deficit was the result of a TIF payment prior to the availability of tax funds. The deficit will be eliminated through incremental financing tax collections.

(13) Construction Commitments

The City has entered into contracts totaling \$3,983,965 for costs to remodel and improve buildings for City Hall and Police Building, costs of \$1,105,541 have been incurred. The remaining balance of \$2,878,424 will be paid as work progresses. These projects will be funded with note proceeds.

(14) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City of Carlisle, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of Carlisle. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Carlisle's operations and finances.

(15) Subsequent Event

On November 8, 2021, the City signed a contract with J&K Contracting, LLC for \$2,856,856 for the Avon Lake water main improvement project.

(16) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

Other Information

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

Other Information

Year ended June 30, 2021

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 2,561,049	-	-
Tax increment financing	55,049	-	-
Other city tax	641,339	-	-
Licenses and permits	273,768	-	-
Use of money and property	32,031	34,766	-
Intergovernmental	829,906	-	-
Charges for service	602,976	4,534,517	-
Special assessments	78,839	-	-
Miscellaneous	289,110	91,879	65,846
Total receipts	<u>5,364,067</u>	<u>4,661,162</u>	<u>65,846</u>
Disbursements:			
Public safety	2,318,561	-	25,085
Public works	782,009	-	-
Health and social services	11,171	-	-
Culture and recreation	582,070	-	44,878
Community and economic development	234,178	-	-
General government	530,350	-	-
Debt service	979,768	-	-
Capital projects	2,000,041	-	-
Business type activities	-	4,037,835	-
Total disbursements	<u>7,438,148</u>	<u>4,037,835</u>	<u>69,963</u>
Excess (deficiency) of receipts over (under) disbursements	(2,074,081)	623,327	(4,117)
Other financing sources, net	<u>8,798,943</u>	<u>(415,000)</u>	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	6,724,862	208,327	(4,117)
Balances beginning of year	<u>2,943,762</u>	<u>4,096,470</u>	<u>124,990</u>
Balances end of year	<u>\$ 9,668,624</u>	<u>4,304,797</u>	<u>120,873</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Total
			Variance
2,561,049	2,569,968	2,569,968	(8,919)
55,049	79,184	79,184	(24,135)
641,339	358,864	358,864	282,475
273,768	254,405	254,405	19,363
66,797	51,014	51,014	15,783
829,906	748,530	748,530	81,376
5,137,493	5,014,068	5,014,068	123,425
78,839	55,339	55,339	23,500
315,143	243,819	243,819	71,324
9,959,383	9,375,191	9,375,191	584,192
2,293,476	1,672,595	2,402,794	109,318
782,009	785,584	796,584	14,575
11,171	11,000	12,000	829
537,192	730,859	730,859	193,667
234,178	154,435	204,435	(29,743)
530,350	490,628	532,866	2,516
979,768	979,158	1,004,658	24,890
2,000,041	99,695	2,281,143	281,102
4,037,835	3,998,365	4,070,265	32,430
11,406,020	8,922,319	12,035,604	629,584
(1,446,637)	452,872	(2,660,413)	1,213,776
8,383,943	-	8,356,372	27,571
6,937,306	452,872	5,695,959	1,241,347
6,915,242	6,703,339	6,703,339	211,903
13,852,548	7,156,211	12,399,298	1,453,250

City of Carlisle

City of Carlisle

Notes to Other Information – Budgetary Reporting

June 30, 2021

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$3,113,285. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2021, disbursements exceeded the amount budgeted in the community and economic development function.

City of Carlisle

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

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

Other Information

	2021	2020	2019	2018
City's proportion of the net pension liability	0.014558%	0.012111%	0.013467%	0.013229%
City's proportionate share of the net pension liability	\$ 1,023	701	852	881
City's covered payroll	\$ 1,822	1,673	1,548	1,507
City's proportionate share of the net pension liability as a percentage of its covered payroll	56.15%	41.90%	55.04%	58.46%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%

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

See accompanying independent auditor's report.

2017	2016	2015
0.012578%	0.010918%	0.009796%
792	539	388
1,314	1,320	1,145
60.27%	40.83%	33.89%
81.82%	85.19%	87.61%

City of Carlisle

Schedule of City Contributions

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

Other Information

	2021	2020	2019	2018
Statutorily required contribution	\$ 179	175	164	143
Contributions in relation to the statutorily required contribution	(179)	(175)	(164)	(143)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 1,878	1,822	1,673	1,548
Contributions as a percentage of covered payroll	9.53%	9.60%	9.80%	9.24%

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
140	121	124	116	103	95
(140)	(121)	(124)	(116)	(103)	(95)
-	-	-	-	-	-
1,507	1,314	1,320	1,145	1,120	1,105
9.29%	9.21%	9.39%	10.13%	9.20%	8.60%

City of Carlisle

Notes to Other Information – Pension Liability

Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

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, 2021

	Employee Benefits	Gifts and Bequests	Urban Renewal Tax Increment	Special Police Seizure Fund
Receipts:				
Property tax	\$ 234,627	-	-	-
Tax increment financing	-	-	55,049	-
Other city tax	3,902	-	-	-
Intergovernmental	5,957	-	-	-
Miscellaneous	-	-	-	-
Total receipts	244,486	-	55,049	-
Disbursements:				
Operating:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	113,617	-
Total disbursements	-	-	113,617	-
Excess (deficiency) of receipts over (under) disbursements	244,486	-	(58,568)	-
Other financing uses:				
Transfers out	(235,600)	-	-	-
Change in cash balances	8,886	-	(58,568)	-
Cash balances beginning of year	5,823	1,350	53,387	3,160
Cash balances end of year	\$ 14,709	1,350	(5,181)	3,160
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -	-	-	-
Restricted for:				
Library	-	-	-	-
Fire	-	-	-	-
Other purposes	14,709	1,350	-	3,160
Unrestricted	-	-	(5,181)	-
Total cash basis fund balances	\$ 14,709	1,350	(5,181)	3,160

See accompanying independent auditor's report.

Revenue					Permanent	
Friends of the Carlisle Library	Carlisle Library Foundation	Carlisle Firemen's Enterprises Corporation	Carlisle Police Auxiliary	Carlisle Friends of the Park	Cemetery Perpetual Care	Total
-	-	-	-	-	-	234,627
-	-	-	-	-	-	55,049
-	-	-	-	-	-	3,902
-	-	-	-	-	-	5,957
11,474	3,021	16,118	10,619	24,614	2,894	68,740
11,474	3,021	16,118	10,619	24,614	2,894	368,275
-	-	13,979	11,106	-	-	25,085
8,101	63	-	-	36,714	-	44,878
-	-	-	-	-	-	113,617
8,101	63	13,979	11,106	36,714	-	183,580
3,373	2,958	2,139	(487)	(12,100)	2,894	184,695
-	-	-	-	-	-	(235,600)
3,373	2,958	2,139	(487)	(12,100)	2,894	(50,905)
18,148	18,747	38,604	4,219	45,272	55,559	244,269
21,521	21,705	40,743	3,732	33,172	58,453	193,364
-	-	-	-	-	58,453	58,453
21,521	21,705	-	-	-	-	43,226
-	-	40,743	-	-	-	40,743
-	-	-	3,732	33,172	-	56,123
-	-	-	-	-	-	(5,181)
21,521	21,705	40,743	3,732	33,172	58,453	193,364

City of Carlisle

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

For the Last Ten Years

	2021	2020	2019	2018
Receipts:				
Property tax	\$ 2,561,049	2,170,404	2,028,859	1,941,554
Local option sales tax	597,127	446,892	509,049	496,553
Tax increment financing	55,049	57,847	175,665	106,280
Other city tax	44,212	38,873	38,413	41,229
Licenses and permits	273,768	248,826	273,613	275,688
Use of money and property	32,031	38,766	27,451	24,471
Intergovernmental	829,906	709,056	702,404	760,796
Charges for service	602,976	451,477	528,101	464,254
Special assessments	78,839	79,589	73,523	355,694
Miscellaneous	289,110	209,134	231,085	148,823
Total	\$ 5,364,067	4,450,864	4,588,163	4,615,342
Disbursements:				
Operating:				
Public safety	\$ 2,318,561	1,660,299	1,585,809	1,261,167
Public works	782,009	679,202	715,181	712,001
Health and social services	11,171	11,419	7,312	7,081
Culture and recreation	582,070	697,519	610,722	567,589
Community and economic development	234,178	142,230	184,520	119,333
General government	530,350	457,564	446,456	481,121
Debt service	979,768	898,229	1,058,911	938,479
Capital projects	2,000,041	545,477	1,145,427	716,758
Total	\$ 7,438,148	5,091,939	5,754,338	4,803,529

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
1,854,161	1,787,144	1,732,611	1,659,847	1,581,797	1,515,682
468,667	-	-	-	-	-
97,489	87,855	30,548	2,082	16,566	23,089
32,178	40,175	22,717	20,815	21,437	20,344
214,516	154,925	94,475	120,990	62,733	59,968
23,412	22,031	23,080	20,944	23,703	25,568
704,335	1,795,156	1,630,621	935,267	508,237	884,771
518,719	439,885	471,938	415,775	398,089	372,019
195,491	209,626	337,987	224,218	119,382	-
129,441	97,489	235,996	115,381	77,826	69,980
4,238,409	4,634,286	4,579,973	3,515,319	2,809,770	2,971,421
1,356,377	1,144,903	1,131,832	1,581,727	932,856	818,116
679,835	625,494	584,402	572,488	608,552	520,163
30,279	1,273	-	-	1,278	45
540,793	500,630	460,299	515,767	475,687	498,457
116,084	71,901	132,086	293,260	11,100	14,177
449,839	474,623	153,487	188,513	205,139	154,724
893,654	731,448	712,775	680,017	566,361	513,452
2,530,469	1,419,147	1,543,010	900,988	595,145	1,800,137
6,597,330	4,969,419	4,717,891	4,732,760	3,396,118	4,319,271



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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carlisle, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 4, 2022. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

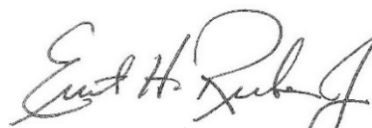
The City of Carlisle's Responses to the Findings

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

Purpose of this Report

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

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



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

January 4, 2022

City of Carlisle

Schedule of Findings

Year ended June 30, 2021

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

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

- (1) The individual responsible for detailed record keeping of investments is also the custodian of the investments and reconciles the investment ledgers.
- (2) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from recording and accounting for receipts.
- (3) Mail is opened by an individual who is also responsible for recording and accounting for receipts.

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

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

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 financial reports. The reviews should be documented by the signature or initials of the reviewer and the date of the review. The mail should be opened by a person other than accounting personnel.

Response – The City is aware this is an ongoing issue and will strive to address this item in the future.

Conclusion – Response accepted.

(B) Segregation of Duties – Component Units

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

City of Carlisle

Schedule of Findings

Year ended June 30, 2021

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

In addition to the lack of segregation of duties, for the Friends of the Carlisle Library, the Library Foundation, the Carlisle Firemen’s Enterprises Corporation, the Friends of the Park and the Carlisle Police Auxiliary there is no independent review of bank reconciliations and/or bank statements.

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

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

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

Response – The City Administrator will discuss ways to improve segregation of duties with the component units.

Conclusion – Response accepted.

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

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

Condition – Utility billings, collections and delinquent accounts were not reconciled in a timely (i.e., each billing period) manner throughout the year. In addition, there was no evidence the reconciliations were reviewed by an independent person.

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

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

City of Carlisle

Schedule of Findings

Year ended June 30, 2021

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

Response – The City will continue to reconcile the utilities, have the City Administrator review and sign off on the reconciliations, and develop internal goals for turnaround time on that process.

Conclusion – Response accepted.

(D) Emergency Medical Services Accounts Receivable

Criteria – A deficiency in internal control over service organization receipts 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. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial records.

Condition – The City contracts for ambulance billings and collections. The ambulance receipts are collected by the outside entity and remitted to the City. The outside entity provides the City with an accounts receivable listing; however, the City does not review the listing or reconcile the listing to collections and billings each month to ensure accuracy.

Cause – City policies and procedures have not been established to require a review of the accounts receivable listing and to reconcile collections and billings monthly or to maintain a listing of current billings.

Effect – Lack of policies and procedures could result in City employees not detecting errors in the normal course of performing their assigned functions.

Recommendation – The City should implement policies and procedures to review and retain the accounts receivable listing and reconcile listing to collections and billings monthly. The reviews should be documented by the signature or initials of the reviewer and the date of the review.

Response – The City has transitioned to a new processing company. We will work with the new vendor to accomplish proper oversight of billing.

Conclusion – Response accepted.

(E) Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling bank and book balances.

Condition – Reconciling items on the system generated bank reconciliation were not resolved in a timely manner.

City of Carlisle

Schedule of Findings

Year ended June 30, 2021

Cause – Procedures have not been designed to ensure reconciling items on the bank reconciliation are resolved timely.

Effect – Unresolved reconciling items can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – Reconciling items should be resolved each month.

Response – The City will strive to address this item in the future. Reconciliations will be reviewed within 30 days of processing.

Conclusion – Response accepted.

(F) Expense Allocation

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to properly record transactions in the financial statements. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

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

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

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

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

Response – The City will review its allocation procedures and establish written guidelines for allocation of expenses. This will be established in a council resolution.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Carlisle

Schedule of Findings

Year ended June 30, 2021

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements at June 30, 2021 exceeded the amount budgeted in the community services and economic development 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 are allowed to exceed the budget.

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

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Eric Goodhue, City Council Member, Parents own Sandridge Farms	Rent and crop expenses	\$ 836

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the above transactions with the City Council Member do not appear to represent a conflict of interest since total transactions were less than \$6,000 during the fiscal year.

- (5) Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (6) 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.
- (7) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (8) 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

Year ended June 30, 2021

- (9) Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.
- (10) Financial Condition – At June 30, 2021, the Internal Service, Self-Funded Insurance Fund and the Special Revenue, Urban Renewal Tax Increment Fund had deficit balances of \$25,501 and \$5,181, respectively.

Recommendation – The City should investigate alternatives to eliminate these deficits and return the funds to sound financial positions.

Response – The City is continuing to monitor the accounts and reviewing options on how to eliminate the deficits in the funds.

Conclusion – Response accepted.

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

The City certified \$25,000 of anticipated legal expenses as TIF debt in November 2017. Legal fees do not represent debt and accordingly, in accordance with Chapter 403 of the Code of Iowa, may not be certified as TIF debt. In addition, the City never incurred the legal expenses as anticipated. The City has not decertified the TIF debt for legal expenses which have not been incurred.

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

Response – The City will review the TIF debt certification and work to correct the issue.

Conclusion – Response accepted.

- (12) Annual Urban Renewal Report – The City’s beginning and ending cash balances of the Special Revenue, Urban Renewal Tax Increment Fund reported on the Levy Authority Summary did not agree with the City’s general ledger. In addition, the TIF debt outstanding was understated by approximately \$1,865,000.

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

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

Conclusion – Response accepted.

City of Carlisle

Schedule of Findings

Year ended June 30, 2021

- (13) Enterprise Fund Transfers – During the year ended June 30, 2021, the Enterprise Water, Sewer and Electric Funds transferred \$120,000, \$125,000 and \$170,000 respectively to the City’s General Fund. Per City personnel, the funds were transferred from the Enterprise Water, Sewer and Electric Funds to the General Fund to reimburse the General Fund for payroll and other expenses incurred for the operation of the Enterprise Funds which were paid by the General Fund. In addition, City personnel stated the transfers included the transfer of surplus funds from the Enterprise, Water, Sewer and Electric Funds to the General Fund.

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

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

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

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

Response – The City will prepare and maintain proper documentation of the surplus determination prior to the transfer of funds.

Conclusion – Response accepted.

City of Carlisle

Schedule of Findings

Year ended June 30, 2021

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

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

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

Conclusion – Response accepted.

City of Carlisle

Staff

This audit was performed by:

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