CITY OF CARLISLE, KENTUCKY
Carlisle, Kentucky

FINANCIAL STATEMENTS
June 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Mayor and the City Council
City of Carlisle, Kentucky

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, Kentucky as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively, comprise the City's basic financial statements as 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 accounting principles generally accepted in the United States of America; 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditors' 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 entity'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 entity'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 that 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 financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Carlisle, Kentucky, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and other post-employment benefits (OPEB) schedules on pages 3–9 and 36-44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Carlisle, Kentucky's basic financial statements. The statement of operating revenues and expenses – proprietary fund is presented for purposes of additional analysis and is not a required part of the financial statements.

The statement of operating revenues and expenses – proprietary fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2021, on our consideration of the City of Carlisle, Kentucky'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 of Carlisle, Kentucky'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, Kentucky's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
February 3, 2021

City of Carlisle

Management's Discussion and Analysis

Our discussion and analysis of the City of Carlisle financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2019. Please read the following in conjunction with the auditors' report on page 1 and the City's financial statements, which begin on page 10.

OVERVIEW OF THIS ANNUAL REPORT

This annual report consists of the management's discussion and analysis report, the independent auditors' report, the basic financial statements of the City, and the independent auditors' report on compliance. The financial statements also include notes that explain in more detail some of the information in the financial statements.

The City's financial statements present two kinds of statements, each with a different snapshot of the City's finances. The focus is both the City as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The fund financial statements, focus on the individual funds of the City, reporting the City's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the City's accountability.

GOVERNMENT – WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the City as a whole, using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the City's activities in a way that will help answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenditures are taken into account regardless of when cash is received or paid.

These two statements report the net position of the City and the changes in it. One can think of the City's net position-the difference between assets and liabilities-as one way to measure financial health or financial position. Over time, increases or decreases in the City's net position are an indicator of whether its financial health or position is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, changes in property tax rates or valuation, infrastructure asset condition, and new or changed government legislation.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

Governmental activities - Most of the City's basic services are reported here, including general government administration, police, fire, planning and zoning and streets. Property taxes, licenses and permits (including occupational licenses fees and franchise fees), and grants finance most of these activities.

Business-type activities - The City collects fees from customers to cover the costs of the services, provided by the water, gas, sewer and sanitation utility.

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the City's funds. The fund financial statements provide more information about the City's funds and not the City as a whole.

The City has two kinds of funds:

Governmental Fund – Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets, that can readily be converted to cash, flow in and out and the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statement that explains the relationship (or differences) between them.

Proprietary Fund - Services for which the City charges customers a fee are generally reported in proprietary funds.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

NET POSITION

Our analysis begins with a summary of the City's Statement of Net Position, which is presented on Table A-1 followed by an explanation of the results. Changes in net position are presented in Table A-2 which is also followed by an explanation of the results.

Table A-1

	Governmental Activities	Business-type Activities	Total Primary Government	2018 Totals
Current and Other Assets	$ 411,555	$ 178,385	$ 589,940	$ 480,093
Non Current and Capital Assets	1,377,854	3,401,557	4,779,411	4,846,627
Deferred Outflows of Resource	666,336	267,668	934,004	1,389,058
Total Assets and deferred outflows	2,455,745	3,847,610	6,303,355	6,715,778
Long-Term Debt Outstanding	134,387	302,871	437,258	435,995
Net Pension Liability	1,571,871	1,039,105	2,610,976	2,599,400
Net OPEB Liability	461,812	302,914	764,726	920,506
Current Liabilities	393,630	298,364	691,994	571,881
Total Liabilities	2,561,700	1,943,254	4,504,954	4,527,782
Deferred Inflows of Resources	232,176	225,743	457,919	368,530
Net Position:				
Net Investment in Capital Assets	1,172,547	3,025,110	4,197,657	4,191,371
Restricted	105	41,489	41,594	115,382
Unrestricted	(1,510,783)	(1,387,986)	(2,898,769)	(2,487,287)
Total Net Position	$ (338,131)	$ 1,678,613	$ 1,340,482	$ 1,819,466

Net position from one activity generally cannot be used to make up for any deficits in the other activities.

Table A-2

Condensed Statement of Activities

	Governmental Activities	Business-type Activities	Total Primary Government	2018 Totals
Program Revenues				
Charges for Services	$ -	$ 1,886,445	$ 1,886,445	$ 1,969,907
Operating Grants & Contributions	40,672	-	40,672	56,814
Capital Grants & Contributions	-	12,700	12,700	500
Total Revenue	40,672	1,899,145	1,939,817	2,027,221
Program Expenses				
General Government	$ 285,620	$ -	$ 285,620	$ 250,616
Public Safety – Police	856,293	-	856,293	779,062
Public Safety – Fire	60,847	-	60,847	74,868
Street Department	285,122	-	285,122	256,289
Planning & Zoning	1,480	-	1,480	1,590
Interest on long-term debt	9,102	-	9,102	5,353
Utilities	-	1,979,067	1,979,067	2,006,841
Total Program expenses	1,498,464	1,979,067	3,477,531	3,374,619
Net Program costs	$ (1,457,792)	$ (79,922)	$ (1,537,714)	$ (1,347,398)
General Revenues				
Taxes	$ 171,482	$ -	$ 171,482	$ 179,293
License fees	634,323	-	634,323	601,434
Permits	812	-	812	1,474
Fines & Forfeitures	9,626	-	9,626	13,669
Investment earnings	219	155	374	1,438
Miscellaneous	241,133	-	241,133	183,491
Gain on sale of assets	980	-	980	-
Transfers	283,383	(283,383)	-	-
Total General Revenue and transfers	1,341,958	(283,228)	1,058,730	980,799
Net Change in Net Position	$ (115,834)	$ (363,150)	$ (478,984)	$ (366,599)

The City's change in Net Position above appears to be analogous to the long-standing concept of net revenues, but under the full accrual basis utilized by the Government Activities, their numbers include dollars of "paper" depreciation expenses that are not cash expenditures of the City. Therefore, these "paper" bookkeeping entries are never considered as part of the City's budget process. Additionally, the principal portions of debt obligations are excluded from the above but are reflected as debt service expenditures along with capital outlay expenditures in the City's budget for governmental activities. The business-type activities have always been on the full accrual basis.

GOVERNMENTAL ACTIVITIES

Table A-3 details a condensed statement of the fiscal year's governmental activities.

Table A-3

Condensed Governmental Activities – Revenues & Expenditures

	General	Other Gov't Funds	Total	2018 Totals
Taxes	$ 171,482	$ -	$ 171,482	$ 179,290
Licenses and permits	635,135	-	635,135	602,908
Intergovernmental	173,417	-	173,417	201,595
Fines & Forfeits	9,626	-	9,626	13,669
Other Revenues	108,703	2	108,705	39,228
Total Revenues	$ 1,098,363	$ 2	$ 1,098,365	$ 1,036,690
General Government	$ 211,650	$ -	$ 211,650	$ 232,702
Public Safety-Police	639,789	-	639,789	672,699
Public Safety – Fire	51,913	-	51,913	64,073
Planning and Zoning	1,480	-	1,480	1,590
Public Works-Streets	189,473	-	189,473	193,573
Debt Service	119,516	-	119,516	37,053
Capital Outlay	434,922	-	434,922	86,724
Total Expenditures	$ 1,648,743	$ -	$ 1,648,743	$ 1,288,414
Excess Expenditures over Revenues before other Financing sources	$ (550,380)	$ 2	$ (550,378)	$ (251,724)

The bottom number of Table A-3 above, should not be confused with the end-of-year "Fund Balance" figure shown in the City's General Fund Budget, because the above does not reflect the General Fund's beginning-of-year balance and any debt proceeds or other financing sources received during the fiscal year.

BUDGET HIGHLIGHTS

Over the course of the fiscal year, the City amended its budget. The budget contains proposed expenditures and expected revenues. A comparison of the original budget to actual amounts for the General Fund is presented in the table below (Tables A-4 & A-5).

Table A-4

General Fund-Revenues

	Budget	Actual	Change
Taxes	$ 165,431	$ 171,482	$ 6,051
Licenses and permits	630,421	635,135	4,714
Intergovernmental	1,007,345	173,417	(833,928)
Fines and forfeitures	1,868	9,626	7,758
Other Revenues	58,994	108,703	49,709
Total Revenues	$ 1,864,059	$ 1,098,363	$ (765,696)

Table A-5

General Fund-Expenditures

	Budget	Actual	Change
General Government	$ 994,874	$ 211,650	$ (783,224)
Public Safety-Police	640,997	639,789	(1,208)
Public Safety-Fire	150,956	51,913	(99,043)
Planning and Zoning	1,790	1,480	(310)
Streets	152,670	189,473	36,803
Capital Outlay	-	434,922	434,922
Debt Service	-	119,516	119,516
	$ 1,941,287	$ 1,648,743	$ (292,544)

The City budgeted for a total of $1,864,059 in revenues for 2018-2019, but ended up having revenues of $1,098,363. The City was under budget on revenues by 41 percent. A total of $1,941,287 was budgeted for expenditures, but expenditures only totaled $1,648,743 at the end of 2019. The City was under budget on the expenditures by 15 percent.

CAPITAL ASSETS

Table A-6 shows summary totals for a broad range of capital assets, including police equipment, buildings, land, street equipment and fire equipment and all of the equipment and materials involved in the operation of water, gas and sewer utilities. Table A-6 shows the breakdown of non-depreciated capital assets for both governmental and business-type activities.

Table A-6

Capital Assets at Year End Without Depreciation

	Governmental Activities	Business-type Activities	Total Primary Government
Land	$ 271,572	$ 38,154	$ 309,726
Infrastructure	867,596	-	867,596
Building & Improvements	238,715	-	238,715
Vehicles & Equipment	650,350	308,552	958,902
Equipment	624,186	-	624,186
Water, Gas & Sewer System	-	11,552,660	11,552,660
Total Capital Assets	$ 2,652,419	$ 11,899,366	$ 14,551,785

DEBT

Table A-7 provides a summary of all of the City's outstanding indebtedness.

Table A-7

Debt Outstanding at Year End	**Governmental Activities**	**Business-type Activities**	**Total Primary Government**
Leases	$ 203,756	$ 44,958	$ 248,714
Bonds Payable	-	290,000	290,000
Total Debt Outstanding	$ 203,756	$ 334,958	$ 538,714

ECONOMIC FACTORS AND NEXT YEARS BUDGETS

The Mayor and City Council consider many factors when setting the fiscal year budget. Some of the factors are the local economy, expected grant money and anticipated tax revenue and utility services (water, gas, sewer and trash).

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens of the City, taxpayers, customers and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Angie Lyons, City Clerk, 107 E. Chestnut St., Carlisle, KY 40311.

CITY OF CARLISLE, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2019

	Primary Government		
	Governmental Activities	**Business-type Activities**	**Total**
ASSETS			
Current assets			
Cash and cash equivalents	$ 166,069	$ 54,808	$ 220,877
Receivables, net	231,432	116,848	348,280
Inventory	-	13,647	13,647
Prepaid assets	7,136	-	7,136
Internal balances	6,918	(6,918)	-
Total current assets	411,555	178,385	589,940
Noncurrent assets			
Restricted cash and cash equivalents	-	41,489	41,489
Capital assets			
Land and improvements, net	271,572	38,154	309,726
Depreciable infrastructure, net	624,213	-	624,213
Utility systems, net	-	3,321,914	3,321,914
Depreciable buildings, property, vehicles, and equipment, net	482,069	-	482,069
Total noncurrent assets	1,377,854	3,401,557	4,779,411
Total assets	1,789,409	3,579,942	5,369,351
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	483,372	203,570	686,942
Deferred outflows - OPEB	182,964	64,098	247,062
Total deferred outflows of resources	666,336	267,668	934,004
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 2,455,745	$ 3,847,610	$ 6,303,355
LIABILITIES			
Current liabilities			
Accounts payable	275,705	88,148	363,853
Customer deposits payable	-	142,732	142,732
Accrued liabilities	47,005	34,343	81,348
Accrued interest payable	1,551	1,054	2,605
Current portion of long-term obligations	69,369	32,087	101,456
Total current liabilities	393,630	298,364	691,994
Noncurrent liabilities			
Noncurrent portion of long-term obligations	134,387	302,871	437,258
Net pension liability	1,571,871	1,039,105	2,610,976
Net OPEB liability	461,812	302,914	764,726
Total noncurrent liabilities	2,168,070	1,644,890	3,812,960
Total liabilities	2,561,700	1,943,254	4,504,954
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	118,800	155,797	274,597
Deferred inflows - OPEB	113,376	69,946	183,322
Total deferred inflows of resources	232,176	225,743	457,919
NET POSITION			
Net investment in capital assets	1,172,547	3,025,110	4,197,657
Restricted for:			
Debt service	-	41,489	41,489
Other	105	-	105
Unrestricted	(1,510,783)	(1,387,986)	(2,898,769)
Total net position	(338,131)	1,678,613	1,340,482
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 2,455,745	$ 3,847,610	$ 6,303,355

The accompanying notes are an integral part of the financial statements.

CITY OF CARLISLE, KENTUCKY
STATEMENT OF ACTIVITIES
for the year ended June 30, 2019

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Position Primary Government: Total
Primary government:							
Governmental activities							
General government	$ 285,620	$ -	$ 4,355	$ -	$ (281,265)	$ -	$ (281,265)
Public safety-Police	856,293	-	25,317	-	(830,976)	-	(830,976)
Public safety-Fire	60,847	-	11,000	-	(49,847)	-	(49,847)
Planning & zoning	1,480	-	-	-	(1,480)	-	(1,480)
Street department	285,122	-	-	-	(285,122)	-	(285,122)
Interest on long-term debt	9,102	-	-	-	(9,102)	-	(9,102)
Total governmental activities	1,498,464	-	40,672	-	(1,457,792)	-	(1,457,792)
Business-type activities							
Utilities	1,979,067	1,886,445	-	12,700	-	(79,922)	(79,922)
Total business-type activities	1,979,067	1,886,445	-	12,700	-	(79,922)	(79,922)
Total primary government	$ 3,477,531	$ 1,886,445	$ 40,672	$ 12,700	(1,457,792)	(79,922)	(1,537,714)
		General revenues:					
		Taxes:					
		Property taxes, levied for general purposes			171,482	-	171,482
		License fees:					
		Franchise			127,563	-	127,563
		Insurance premiums			238,227	-	238,227
		Occupational			238,316	-	238,316
		Other			30,217	-	30,217
		Permits:					
		Building			812	-	812
		Fines & forfeitures			9,626	-	9,626
		Investment earnings			219	155	374
		Miscellaneous			241,133	-	241,133
		Total general revenues			1,057,595	155	1,057,750
		Gain (loss) on sale of assets			980	-	980
		Transfers in (out)			283,383	(283,383)	-
		Total general revenues and transfers			1,341,958	(283,228)	1,058,730
		Change in net position			(115,834)	(363,150)	(478,984)
		Net position-beginning			(222,297)	2,041,763	1,819,466
		NET POSITION-ENDING			$ (338,131)	$ 1,678,613	$ 1,340,482

The accompanying notes are an integral part of the financial statements.

CITY OF CARLISLE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General	Nonmajor Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 165,964	$ 105	$ 166,069
Receivables, net	231,432	-	231,432
Prepaid assets	7,136	-	7,136
Due from other funds	6,918	-	6,918
Total assets	$ 411,450	$ 105	$ 411,555
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	275,705	-	275,705
Accrued liabilities	47,005	-	47,005
Total liabilities	322,710	-	322,710
Fund balances			
Nonspendable	7,136	-	7,136
Restricted	-	105	105
Unassigned	81,604	-	81,604
Total fund balances	88,740	105	88,845
Total liabilities and fund balances	$ 411,450	$ 105	$ 411,555

Amounts reported for *governmental activities* in the statement of net position are different because:	
Fund blances reported above	$ 88,845
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,377,854
Net deferred inflows/outflows related to the long-term net pension/OPEB liabilities are not reported in the funds.	434,160
Interest accrued on general long-term debt is not a current expenditure and is not reported in the funds.	(1,551)
Long-term liabilities, including bonds/leases payable and net pension/OPEB liability, are not due and payable in the current period and therefore are not reported in the funds.	(2,237,439)
Net position of governmental activities	$ (338,131)

The accompanying notes are an integral part of the financial statements.

CITY OF CARLISLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
for the year ended June 30, 2019

	General	Nonmajor Fund	Total Governmental Funds
REVENUES			
Taxes	$ 171,482	$ -	$ 171,482
Licenses and permits	635,135	-	635,135
Intergovernmental	173,417	-	173,417
Fines and forfeitures	9,626	-	9,626
Other revenues	108,703	2	108,705
Total revenues	1,098,363	2	1,098,365
EXPENDITURES			
Current:			
General administration	211,650	-	211,650
Public safety-Police	639,789	-	639,789
Public safety-Fire	51,913	-	51,913
Planning and zoning	1,480	-	1,480
Streets	189,473	-	189,473
Capital outlay	434,922	-	434,922
Debt service	119,516	-	119,516
Total expenditures	1,648,743	-	1,648,743
Excess (deficiency) of revenues over expenditures	(550,380)	2	(550,378)
Other Financing Sources (Uses)			
Proceeds from sale of assets	980	-	980
Capital lease proceeds	162,508	-	162,508
Transfers	323,383	(40,000)	283,383
Total other financing sources (uses)	486,871	(40,000)	446,871
Net Change in Fund Balance	(63,509)	(39,998)	(103,507)
Fund balances - beginning	152,249	40,103	192,352
FUND BALANCES - ENDING	$ 88,740	$ 105	$ 88,845

Reconcilation to government-wide change in net position:	
Net change in fund balances	$ (103,507)
add: capital outlay expenditures capitalized	434,922
add: debt service expenditures	119,516
less: capital lease proceeds	(162,508)
less: change in net pension liability	(275,634)
add: change in OPEB liability	6,343
less: depreciation on governmental activities assets	(125,864)
less: interest on long - term debt	(9,102)
Change in net position, governmental activities	$ (115,834)

The accompanying notes are an integral part of the financial statements.

CITY OF CARLISLE, KENTUCKY
BALANCE SHEET
PROPRIETARY FUNDS
June 30, 2019

	Business-type Activities Utility Fund
ASSETS	
Current assets	
Cash and cash equivalents	$ 54,808
Receivables, net	116,848
Inventory	13,647
Total current assets	185,303
Noncurrent assets	
Restricted cash and cash equivalents	41,489
Capital assets:	
Land	38,154
Utility systems	11,861,212
Less accumulated depreciation	(8,539,298)
Total noncurrent assets	3,401,557
Total assets	3,586,860
DEFFERED OUTFLOW OF RESOURCES	
Deferred outflows - pension	203,570
Deferred outflows - OPEB	64,098
Total deferred outflows	267,668
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 3,854,528
LIABILITIES	
Current liabilities	
Accounts payable	$ 88,148
Customer deposits payable	142,732
Accrued liabilities	34,343
Accrued interest payable	1,054
Due to other funds	6,918
Current portion of long-term obligations	32,087
Total current liabilities	305,282
Noncurrent liabilities	
Noncurrent portion of long-term obligations	302,871
Net pension liability	1,039,105
Net OPEB liability	302,914
Total noncurrent liabilities	1,644,890
Total liabilities	1,950,172
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	155,797
Deferred inflows - OPEB	69,946
Total deferred inflows	225,743
NET POSITION	
Net investment in capital assets	3,025,110
Restricted for other purposes	41,489
Unrestricted	(1,387,986)
Total net position	1,678,613
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 3,854,528

The accompanying notes are an integral part of the financial statements.

CITY OF CARLISLE, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
for the year ended June 30, 2019

	Business-type Activities
	Utility Fund
Operating revenues	
Charges for services	$ 1,847,467
Penalties	28,857
Other revenue	10,121
Total operating revenues	1,886,445
Operating expenses	
Gas department	460,820
Water department	664,331
Sewer department	319,115
Sanitation department	218,044
Depreciation	296,363
Total operating expenses	1,958,673
Operating income (loss)	(72,228)
Nonoperating revenues (expenses)	
Interest and investment revenue	155
Interest expense	(20,394)
Total nonoperating revenues (expenses)	(20,239)
Income before capital contributions and transfers	(92,467)
Capital contributions	
Water and sewer tap fees	12,700
Transfers (out)	(283,383)
Increase (decrease) in net position	(363,150)
Total net position-beginning	2,041,763
TOTAL NET POSITION-ENDING	$ 1,678,613

The accompanying notes are an integral
part of the financial statements.

CITY OF CARLISLE, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the year ended June 30, 2019

	Business-type Activities Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 1,886,760
Payments to suppliers	(704,570)
Payments for employee services and benefits	(908,721)
Net cash and cash equivalents provided by operating activities	273,469
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers (to) from other funds	(283,383)
Net cash and cash equivalents (used by) noncapital financing activities	(283,383)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions - tap fees	12,700
Purchases of capital assets	(8,411)
Principal paid on capital debt	(37,275)
Interest paid on capital debt	(20,568)
Net cash and cash equivalents (used by) capital and related financing activities	(53,554)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	155
Net cash and cash equivalents provided by investing activities	155
Net increase (decrease) in cash and cash equivalents	(63,313)
Balances-beginning of the year	159,610
BALANCES-END OF THE YEAR	$ 96,297
Reconciliation of operating income (loss) to net cash and cash equivalents provided (used) by operating activities:	
Operating income (loss)	$ (72,228)
Adjustments to reconcile operating income (loss) to net cash and cash equivalents provided (used) by operating activities:	
Depreciation expense	296,363
Net pension liability activity	79,098
Net OPEB liability activity	51,851
Change in assets and liabilities:	
Receivables, net	315
Inventory	782
Accounts and other payables	30,503
Accrued expenses	(113,215)
Net cash and cash equivalents provided by operating activities	$ 273,469

The accompanying notes are an integral part of the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Carlisle, Kentucky (the City), operates under the City Council form of government and provides the following services as authorized by its charter: public safety and public works. The accounting policies of the City of Carlisle conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant accounting policies.

A. Reporting Entity

Generally accepted accounting principles require governmental entities to determine the agencies or entities which comprise the government for financial reporting purposes, the criteria of oversight responsibility over such agencies or entities, special financing relationships and scope of public service provided by the agencies or entities are used. Oversight responsibility is determined by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations, and accountability for fiscal matters. The Carlisle-Nicholas County Industrial Authority, Nicholas County Senior Citizens, Nicholas County Adult Education, Nicholas County Tourism Commission, and Nicholas County Public Library are not included in the accompanying financial statements. These are independent units that select management staff, set user charges, establish budgets, and control all aspects of daily activities. There are no other identified units not included.

B. Basis of Presentation

The City's financial statements consist of the following:

Management's discussion and analysis (required supplementary information)
Basic Financial Statements
- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

Budgetary Comparison and Pension Schedules (required supplementary information)

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements display information about the City as a whole. The statements distinguish between governmental and business-type activities of the City. These financial statements include the financial activities of the City except for fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. The government-wide statement of activities reflects costs of government by function for governmental activities and business-type activities. Program revenues include charges paid by recipient for the goods or services offered by the program and grants or contributions that are restricted to the program. Revenues which are not classified as program revenues are presented as general revenues of the City.

Fund Financial Statements

Fund financial statements report detailed information about the City. The accounts of the City are organized on the basis of funds each of which is considered to be a separate fiscal and accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that is comprised of its assets, liabilities, net position/fund balance, revenues and expenditures or expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation, continued

Governmental funds are those through which most governmental functions are financed. The governmental fund measurement focus is based upon determination of financial position and budgetary control over revenues and expenditures. Proprietary fund types are used to account for operations that are financed and operated in a manner similar to business enterprises - where intent of the governing body is that costs of providing services are to be financed or recovered primarily through user charges.

The following governmental funds are used by the City of Carlisle:

General Fund – The general operating fund of the City is a major fund used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund
Municipal Road Aid – This nonmajor fund accounts for receipts and expenditures from the State Municipal Aid program.

Proprietary Funds

Proprietary funds are used to account for the ongoing organizations and activities of the City, which are similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in cash flows.

Enterprise funds are established to account for the acquisition, operations and maintenance of the City's facilities and services which are entirely or predominantly self-supported by user charges or where the City has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The accounts are maintained on the accrual basis of accounting. The City's enterprise operations include the following:

Utility Fund – A major proprietary fund used to account for the gas, water, sewer, and sanitation utility services provided to the residents of the City of Carlisle, the operations of which are financed by user charges.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City as a whole. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for individual funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting, continued

Fund Financial Statements

The financial transactions of the City are recorded in individual funds. Their focus is on individual funds rather than reporting funds by type. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred.

Permits, fines and forfeits, and miscellaneous revenues (except for investment earnings) are recorded as revenues when received because they are generally not measurable until actually received. Taxes, intergovernmental revenues, investment earnings, and charges for services are accrued since they are measurable and available in all funds.

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and expenses are recognized when they are incurred.

D. Fund Balance

In fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into nonspendable and spendable components, if applicable. The City breaks down both nonspendable and spendable fund balance components into the following components:

Nonspendable – amounts that must be maintained intact legally or contractually.

Restricted – amounts constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed – amounts constrained for a specific purpose by the City using its highest level of decision making authority. For resources considered to be committed, the City issues an ordinance that can be changed with another corresponding ordinance.

Assigned – for all governmental funds, other than the General Fund, any remaining positive amounts not classified as nonspendable, restricted or committed. For the General Fund, amounts constrained, by intent, to be used for a specific purpose by the City or the elected City official given authority to assign amounts. For resources considered to be assigned, the City has designated the Mayor to carry the intent of the City Council.

Unassigned – for the General Fund, amounts not classified as nonspendable, restricted, committed or assigned. For all other government funds, amounts expended in excess of resources that are nonspendable, restricted, committed or assigned.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Balance, continued

It is the policy of the City to spend restricted funds first when both restricted and unrestricted funds are available. Once restricted funds are spent, the City will use committed funds first, assigned funds second and unassigned funds last.

E. Budgeting

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles.

The City adopts budget ordinances in a summarized format that provide totals on a functional or department basis. Budgeted amounts in the financial statements are presented in a summarized format.

F. Capital Assets

The City of Carlisle has elected to not report major infrastructure retroactively. Capital assets acquired are recorded at cost or estimated cost. Depreciation of capital assets is provided over the estimated useful lives of the respective assets using the straight-line basis. The estimated useful lives are as follows:

Infrastructure	20-40 years
Buildings and improvements	25-40 years
Land improvements	10-20 years
Vehicles, furniture, and equipment	5-10 years
Utility systems	25-40 years

G. Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through February 3, 2021, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2019, have not been evaluated by the City.

H. Other Accounting Policies

Inventory consists of utility supplies. Inventory amounts are stated at cost.

All cash and investments restricted and unrestricted are considered cash and cash equivalents for purposes of the statement of cash flows.

The City records investments with maturities of one year or less at acquisition at cost in conformity with the GASB Codification.

Accounts receivable from customers are stated less an allowance for doubtful accounts on June 30, 2019 of $659 for the Utility Fund and $1,757 for the property tax receivable in the General Fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Other Accounting Policies (continued)

Unearned revenues represent grant revenues received but unearned. Revenues are recognized when eligible expenditures are incurred.

The City does not use encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “internal balances”. Interfund receivables and payables between funds within governmental activities and proprietary activities are eliminated in the Statement of Net Position.

Proprietary funds report all revenues and expenses as operating, except interest income, interest expense, amortization, grant revenues and capital contributions.

2. CASH AND INVESTMENTS

KRS 66.480 authorizes the City to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which have a physical presence in Kentucky and are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). The Statute also authorizes investment in mutual funds, exchange traded funds, individual equity securities and high-quality corporate bonds that are managed by a professional investment manager and subject to additional requirements outlined in KRS 66.480.

The City of Carlisle’s deposits and investments at June 30, 2019, were covered by federal depository insurance. The book balances of the City’s deposits were $262,366, and the bank balances were $280,239. As of June 30, 2019, the City did not have any investments.

Statement of Cash Flow

The Utility Fund Statement of Cash Flows includes as cash and cash equivalents all cash restricted or unrestricted as follows:

Cash	$ 54,808
Cash-Restricted	41,489
Total cash and cash equivalents	$ 96,297

3. CAPITAL ASSETS

A summary of capital asset activity during the fiscal year follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities:				
Capital assets not depreciated:				
Land & Improvements	$ 271,572	$ -	$ -	$ 271,572
Capital assets that are depreciated:				
Buildings and Improvements	238,715	-	-	238,715
Vehicles	610,242	40,108	-	650,350
Equipment	487,754	136,432	-	624,186
Infrastructure Assets	609,214	258,382	-	867,596
Total depreciable capital assets	1,945,925	434,922	-	2,380,847
Total capital assets	2,217,497	434,922	-	2,652,419
Less Accumulated Depreciation:				
Buildings and Improvements	85,240	7,550	-	92,790
Vehicles	498,843	44,690	-	543,533
Equipment	362,010	32,849	-	394,859
Infrastructure Assets	202,608	40,775	-	243,383
Totals	1,148,701	125,864	-	1,274,565
Capital assets, net	$ 1,068,796	$ 309,058	$ -	$ 1,377,854
Business-Type Activities				
Capital assets:				
Land	$ 38,154	$ -	$ -	$ 38,154
Water, Gas, and Sewer System	11,547,220	5,440	-	11,552,660
Vehicle and Equipment	305,581	2,971	-	308,552
Totals	11,890,955	8,411	-	11,899,366
Less Accumulated Depreciation	8,242,935	296,363	-	8,539,298
Capital assets, net	$ 3,648,020	$ (287,952)	$ -	$ 3,360,068

Depreciation expense was charged to the Governmental functions as follows:

General government	$ 9,188
Police	46,883
Fire	7,532
Streets	62,261
Total Depreciation Expense	$ 125,864

4. BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT

Capital Lease – Garbage Truck

The City entered into a capital lease to purchase a new garbage truck and refinance an existing garbage truck during the fiscal year ended June 30, 2012. The total value of the lease was $143,799. This included $112,000 for a new Cobra garbage truck and $38,505 for the refinancing of a 2007 capital lease for an existing garbage truck. The capital lease calls for quarterly payments of $5,232 beginning on March 30, 2011 and ending on December 30, 2018. The lease bears interest at 3.8%. The final payment on the lease was made during fiscal year 2019. The net book value of the garbage trucks at June 30, 2019, totaled $11,322.

Capital Lease - Water, Sewer and Gas Trucks

On June 4, 2015, the City entered into two identical lease agreements for the purchase of two 2015 Chevrolet Silverado 1500 trucks to be used for the Water, Sewer and Gas departments. The total value of the leases was $52,874. The leases called for annual payments of $6,495 each beginning June 2016 and ending June 2020. The leases had an interest rate of 5.38%. In May 2017 the leases were refinanced to an interest rate of 5% with payments to be made quarterly over a period of four years. The net book value of the trucks at June 30, 2019, totaled $9,693.

The future capital lease payments are summarized as follows:

	Principal	Interest	Total
2020	$ 14,357	$ 3,248	$ 17,605
2021	3,892	2,842	6,734
	$ 18,249	$ 6,090	$ 24,339

BONDS AND LOANS PAYABLE

The City issued $402,000 of “City of Carlisle Utility System Revenue Bonds” dated January 1, 1999, bearing interest at the rate of 4.5% to provide funds for construction of sewer improvements. The bonds mature in 2039.

The future bond payments are summarized as follows:

	Principal	Interest	Total
2020	$ 9,000	$ 13,455	$ 22,455
2021	9,500	13,050	22,550
2022	10,000	12,623	22,623
2023	10,500	12,173	22,673
2024	11,000	11,700	22,700
2025-2029	62,500	50,626	113,126
2030-2034	78,500	35,191	113,691
2035-2039	99,000	15,879	114,879
	$ 290,000	$ 164,697	$ 454,697

4. BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT (CONTINUED)

Capital Lease – Sewer Camera

The City entered into a capital lease to purchases a sewer camera system on April 20, 2018. The total value of the lease was $36,035. The capital lease calls for monthly payments of $882.92 beginning on May 20, 2018 and ending on April 20, 2022. The net book value of the sewer camera system at June 30, 2019, totaled $31,831.

The future capital lease payments are summarized as follows:

	Principal	Interest	Total
2020	$ 8,730	$ 1,865	$ 10,595
2021	9,473	1,122	10,595
2022	8,506	323	8,829
	$ 26,709	$ 3,310	$ 30,019

A summary of changes in business-type activities long-term debt follows:

	July 1, 2018	Additions	Retirements	June 30, 2019
Utility Revenue Bonds – 1999	$ 299,000	$ -	$ (9,000)	$ 290,000
Trash Truck – Lease	10,318	-	(10,318)	-
Sewer Camera - Lease	34,756	-	(8,047)	26,709
Water, Sewer & Gas Truck – Leases	28,161	-	(9,912)	18,249
Total Debt	$ 372,235	$ -	$ (37,277)	$ 334,958

The debt service requirements for business-type long-term debt are summarized as follows:

Fiscal Year	Principal	Interest & Fees	Total
2020	$ 32,087	$ 16,703	$ 48,790
2021	22,865	17,017	39,882
2022	18,506	12,945	31,451
2023	10,500	12,173	22,673
2024	11,000	11,700	22,700
2025-2029	62,500	50,626	113,126
2030-2034	78,500	35,191	113,691
2035-2039	99,000	15,879	114,879
Total	$ 334,958	$ 172,234	$ 507,192

BOND ORDINANCE RESTRICTIONS

The "City of Carlisle Utility System Revenue Bonds" bond ordinances require that certain reserves be created and maintained as follows:

Utility Fund

Bond and interest reserve - This reserve is required to receive a monthly transfer equal to one twelfth of the next principal payment and one sixth of the next interest payment.

Depreciation reserve - This reserve is required to receive a monthly transfer of $190 per month after provision for bonds and interest until a balance of $22,800 is established.

As of June 30, 2019, the City set aside in a separate account $41,489 to meet the above reserve requirements.

5. GOVERNMENTAL ACTIVITIES LONG-TERM DEBT

BOND PAYABLE

The City issued $100,000 of "City of Carlisle General Obligation Bonds, Series 2008" dated January 30, 2008, bearing interest at the rate of 4.25% to provide funds for the acquisition of a fire truck. The bonds were scheduled to mature in 2023. The City elected to pay off the bonds in full during fiscal year 2019.

CAPITAL LEASES

On December 5, 2014, the City entered into two identical lease agreements for the purchase of two 2015 Ford Interceptor Utility vehicles for the police department with a total value of $77,994. The leases called for annual payments of $9,235 each beginning December 2015 and ending December 2020. In May 2017 the leases were refinanced to an interest rate of 5% with payments to be made quarterly for a period of three years. The net book value of the vehicles at June 30, 2019, is $7,800.

The future capital lease payments are summarized as follows:

	Principal	Interest	Total
2020	$ 13,100	$ 1,876	$ 14,976
2021	4,368	332	4,700
	$ 17,468	$ 2,208	$ 19,676

The City entered into a capital lease to purchase a new recorder during the fiscal year ended June 30, 2014. The capital lease calls for monthly payments of $481 beginning on June 20, 2014, and ending on May 20, 2019. The fair value of the recorder when purchased was $17,000, which resulted in a 24% implied interest rate on the lease. The net book value of the recorder at June 30, 2019, was $8,500. The final payment lease payment was made in May 2019.

On January 1, 2018, the City entered into a lease agreement for the purchase of a 2017 Ford F550 Salt Truck. The total value of the lease was $76,545. The lease calls for quarterly payments of $4,298 beginning February 2018 and ending February 2023. The lease bears interest at 5%. The book value of the Salt Truck as of June 30, 2019 was $54,857.

The future capital lease payments are summarized as follows:

	Principal	Interest	Total
2020	$ 15,052	$ 2,140	$ 17,192
2021	15,720	1,472	17,192
2022	16,418	774	17,192
2023	7,414	116	7,530
	$ 54,604	$ 4,502	$ 59,106

On October 26, 2018, the City entered into a capital lease agreement to purchase a computer-aided dispatch system. The capital lease calls for fourteen quarterly payments of $9,557 beginning on December 1, 2018. The lease bears interest at 5.274%. The book value of the computer-aided dispatch system as of June 30, 2019 was $116,280.

The future capital lease payments are summarized as follows:

	Principal	Interest	Total
2020	$ 33,758	$ 4,469	$ 38,227
2021	35,574	2,653	38,227
2022	27,930	740	28,670
	$ 97,262	$ 7,862	$ 105,124

5. GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (CONTINUED)

On November 6, 2018, the City entered into a lease agreement for the purchase of a 2018 Ford Police Interceptor. The total value of the lease was $40,108. The lease calls for quarterly payments of $2,250 beginning December 2018 and ending December 2023. The lease bears interest at 5%. The book value of the Police Interceptor as of June 30, 2019 was $34,760.

The future capital lease payments are summarized as follows:

	Principal	Interest	Total
2020	$ 7,459	$ 1,543	$ 9,002
2021	7,838	1,164	9,002
2022	8,237	765	9,002
2023	8,656	346	9,002
2024	2,232	740	2,972
	$ 34,422	$ 4,558	$ 38,980

A summary of changes in governmental long-term debt follows:

	July 1, 2018	Additions	Retirements	June 30, 2019
USDA Fire Truck Bonds	$ 40,500	$ -	$ (40,500)	$ -
Recorder Lease	4,703	-	(4,703)	-
Police Vehicles Leases	37,833	40,108	(26,051)	51,890
Salt Truck Leave	69,017	-	(14,413)	54,604
Dispatch System Lease	-	122,400	(25,138)	97,262
Total	$ 152,053	$ 162,508	$ (110,805)	$ 203,756

6. RETIREMENT PLAN

CERS

The City of Carlisle is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions – For the year ended June 30, 2019, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium.

6. RETIREMENT PLAN (CONTINUED)

The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with the actuarial basis adopted by the Board. For the year ended June 30, 2019, participating employers contributed 21.48% of each employee's wages for non-hazardous job classifications and 35.34% of each employee's wages for hazardous job classifications. The contributions are allocated to both the pension and insurance trust. The insurance trust is more fully described in Note 7. Plan members contributed 16.22% and 24.87% to the pension trust for non-hazardous and hazardous job classifications, respectively. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account for non-hazardous job classifications and 8% of wages to their own account for hazardous classifications. Plan members also contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. Each member's account is credited with a 4% employer pay credit for non-hazardous members, and a 7.5% pay credit for hazardous members. The employer pay credit represents a portion of the employer contribution.

For the year ended June 30, 2019, the City contributed $140,146 or 100% of the required contribution for non-hazardous job classifications, which was allocated $105,827 to the CERS pension fund and $34,319 to the CERS insurance fund. The City contributed $77,643, or 100% of the required contribution for hazardous job classifications, which was allocated $54,640 to the CERS pension fund and $23,003 to the CERS insurance fund.

Benefits – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are $5,000 in lump sum.

6. RETIREMENT PLAN (CONTINUED)

Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and $10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2019, the City reported a liability for its proportionate share of the net pension liability as follows:

Total Net Pension Liability	Non-hazardous	Hazardous
$ 2,610,976	$ 1,525,500	$ 1,085,476

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2018 was as follows:

Non-hazardous	Hazardous
.025%	.045%

The proportionate share at June 30, 2018, relative to June 30, 2017, decreased for non-hazardous by .001% and decreased for hazardous by .003%.

For the year ended June 30, 2019, the City recognized pension expense of $502,068. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	$ 136,144	$ 22,330
Changes of assumptions	264,631	-
Net difference between projected and actual earnings on Plan investments	-	30,535
Changes in proportion and differences between City contributions and proportionate share of contributions	134,583	221,732
City contributions subsequent to the measurement date	151,584	-
Total	$ 686,942	$ 274,597

The $151,584 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2020	$ 224,555
2021	84,858
2022	(35,564)
2023	(13,088)

6. RETIREMENT PLAN (CONTINUED)

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

Non-hazardous

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Hazardous

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP- 2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The total pension liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

The target allocation and best estimates of nominal real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	**17.50%**	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	**17.50%**	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	**24.00%**	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	**100.00%**	**6.09%**

6. RETIREMENT PLAN (CONTINUED)

Discount Rate – The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

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 6.25 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Non-hazardous		Hazardous	
	Discount rate	City's proportionate share of net pension liability	Discount rate	City's proportionate share of net pension liability
1% decrease	5.25%	$ 1,920,446	5.25%	$ 1,360,031
Current discount rate	6.25%	$ 1,525,500	6.25%	$ 1,085,476
1% increase	7.25%	$ 1,194,604	7.25%	$ 858,505

Payable to the Pension Plan – At June 30, 2019, the City reported a payable of $20,623 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019. The payable includes both the pension and insurance contribution allocation.

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 6, the City of Carlisle participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions – As more fully described in Note 6, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2019, the employer's contribution was 5.26% to the insurance trust for non-hazardous job classifications and 10.47% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

For the year ended June 30, 2019, the City contributed $34,319, or 100% of the required contribution for non-hazardous job classifications, and $23,003, or 100% of the required contribution for hazardous job classifications.

Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries.

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date Insurance eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date Insurance eligibility Benefit	Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date Insurance eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date Insurance eligibility Benefit	After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources - At June 30, 2019, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Total Net OPEB Liability	Non-hazardous	Hazardous
$ 764,726	$ 444,707	$ 320,019

The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined.

The City’s proportionate share at June 30, 2018 was as follows:

Non-hazardous	Hazardous
.025%	.045%

The proportionate share at June 30, 2018 relative to June 30, 2017 decreased for non-hazardous by .001% and hazardous by .003%.

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

For the year ended June 30, 2019, the City recognized OPEB expense of $102,944. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	$ -	$ 87,587
Changes of assumptions	187,018	1,903
Net difference between projected and actual earnings on Plan investments	-	61,055
Changes in proportion and differences between City contributions and proportionate share of contributions	-	32,777
City contributions subsequent to the measurement date	60,044	-
Total	$ 247,062	$ 183,322

The $60,044 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. This includes adjustments of $7,174 for the nonhazardous implicit subsidy and ($1,274) for the hazardous implicit subsidy, which are required to be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,	
2020	$ 13,298
2021	$ 13,298
2022	$ (4,365)
2023	$ (7,051)
2024	$ (7,525)
2025	$ (3,959)

Actuarial Assumptions – The total OPEB liability reported at June 30, 2018, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous and Hazardous

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	
Pre – 65:	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post – 65:	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2018 was based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	**17.50%**	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	**17.50%**	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	**24.00%**	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	**100.00%**	**6.09%**

Discount Rate – The discount rate used to measure the total net OPEB liability was 5.85% and 5.97% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Non-hazardous		Hazardous	
	Discount rate	City's proportionate share of net OPEB liability	Discount rate	City's proportionate share of net OPEB liability
1% decrease	4.85%	$ 577,600	4.97%	$ 444,842
Current discount rate	5.85%	$ 444,707	5.97%	$ 320,019
1% increase	6.85%	$ 331,502	6.97%	$ 220,095

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the City's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Non-hazardous	Hazardous
	City's proportionate share of net OPEB liability	City's proportionate share of net OPEB liability
1% decrease	$ 331,087	$ 217,948
Current trend rate	$ 444,707	$ 320,019
1% increase	$ 578,627	$ 446,438

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report.

8. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2019 were levied in October 2018 on the assessed property located in the City of Carlisle as of the preceding January 1. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	Date Per K.R.S. 134.020
1. Due date for payment of taxes	November 1, 2018
2. Discount of 2%	Before November 1, 2018
3. Face value amount payment dates	November 2 – December 31, 2018
4. 6% penalty delinquent dates	January 1, 2019

These taxes are collected by the City Clerk. Vehicle taxes are collected by the County Clerk of Nicholas County and are due in the birth month of the vehicle's licensee.

9. RISK MANAGEMENT

The City of Carlisle is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the City also carries commercial insurance for all other risks of loss such as worker's compensation and employee health and accident insurance. The City's workers' compensation insurance coverage lapsed during fiscal year 2018. This resulted in the City being liable for all medical and disability costs associated with employee injuries that occurred during the period that the City had no worker's compensation insurance coverage. During 2019, the City paid $1,301 in medical bills related to an injury that would have otherwise been covered had the City maintained its workers' compensation coverage. As of the audit report date, the City's workers' compensation coverage has been reinstated.

10. SUBSEQUENT EVENTS

Promissory Note

On September 26, 2019 the City took out a promissory note with City National Bank totaling $250,000. The proceeds were used to finance road paving throughout the City. The note was paid in full on February 24, 2020. The interest rate on the note was 4%.

COVID-19 Pandemic

In early 2020, various restrictions were placed on travel and business across the United States in response to the COVID-19 pandemic. The duration and pervasiveness of these restrictions are uncertain as of the date of these financial statements. The City is evaluating the impact of COVID-19 and related responses on the operations and finances of the City. Restrictions placed on the City could negatively impact the City's revenue and expenses for an unknown period of time. At this time, a specific estimate of the impact could not reasonably be determined due to a number of unknown factors regarding the severity and duration of the event.

Supplementary Information

CITY OF CARLISLE, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance
REVENUES				
Property taxes	$ 165,431	$ 165,431	$ 171,482	$ 6,051
Licenses and permits	630,421	630,421	635,135	4,714
Intergovernmental	1,007,345	1,007,345	173,417	(833,928)
Fines and forfeitures	1,868	1,868	9,626	7,758
Other revenues	58,994	58,994	108,703	49,709
Total Revenues	1,864,059	1,864,059	1,098,363	(765,696)
EXPENDITURES				
General Government	994,874	994,874	211,650	(783,224)
Public safety-Police	640,997	640,997	639,789	(1,208)
Public safety-Fire	150,956	150,956	51,913	(99,043)
Planning and Zoning	1,790	1,790	1,480	(310)
Streets	152,670	152,670	189,473	36,803
Capital outlay (Note 1)	-	-	434,922	434,922
Debt service	-	-	119,516	119,516
Total Expenditures	1,941,287	1,941,287	1,648,743	(292,544)
Excess (Deficiency) of Revenues over Expenditures	$ (77,228)	$ (77,228)	$ (550,380)	$ (473,152)

Note 1: Capital outlay expenditures are budgeted with their respective function.

CITY OF CARLISLE, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NONHAZARDOUS
Last Six Fiscal Years

Reporting Fiscal Year (Measurement Date)	**2014 (2013)**	**2015 (2014)**	**2016 (2015)**	**2017 (2016)**	**2018 (2017)**	**2019 (2018)**
City's proportion of the net pension liability	0.033%	0.033%	0.037%	0.034%	0.026%	0.025%
City's proportionate share of the net pension liability (asset)	$ 1,213,441	$ 1,075,321	$ 1,602,036	$ 1,653,465	$ 1,534,679	$ 1,525,500
City's covered employee payroll	$ 781,779	$ 802,779	$ 933,174	$ 846,465	$ 690,370	$ 687,755
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	155.22%	133.95%	171.68%	195.34%	222.30%	221.81%
Plan fiduciary net position as a percentage of the total pension liability	61.22%	66.80%	59.97%	55.50%	53.32%	53.54%

The above schedule will present 10 years of historical data, once available.

CITY OF CARLISLE, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - HAZARDOUS
Last Six Fiscal Years

Reporting Fiscal Year (Measurement Date)	**2014 (2013)**	**2015 (2014)**	**2016 (2015)**	**2017 (2016)**	**2018 (2017)**	**2019 (2018)**
City's proportion of the net pension liability	0.000%	0.000%	0.000%	0.031%	0.048%	0.045%
City's proportionate share of the net pension liability (asset)	$ -	$ -	$ -	$ 524,770	$ 1,064,721	$ 1,085,476
City's covered employee payroll	$ -	$ -	$ -	$ 158,034	$ 255,177	$ 225,497
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	0.00%	0.00%	0.00%	332.06%	417.25%	481.37%
Plan fiduciary net position as a percentage of the total pension liability	57.74%	63.46%	57.52%	53.95%	49.78%	49.26%

The above schedule will present 10 years of historical data, once available.

The City did not have any employees with hazardous job classifications until fiscal year 2016. Therefore, the City was not required to pick up the hazardous portion of the net pension liability until fiscal year 2017.

CITY OF CARLISLE, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF CONTRIBUTIONS - NONHAZARDOUS
Last Seven Fiscal Years

	2013	2014	2015	2016	2017	2018	2019
Contractually required employer contribution	$ 110,282	$ 104,476	$ 118,980	$ 95,410	$ 89,055	$ 99,587	$ 105,827
Contributions relative to contractually required employer contribution	110,282	104,476	118,980	95,410	89,055	99,587	105,827
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered employee payroll	$ 781,779	$ 802,779	$ 933,174	$ 846,465	$ 690,370	$ 687,755	$ 652,450
Employer contributions as a percentage of covered-employee payroll	14.11%	13.01%	12.75%	11.27%	12.90%	14.48%	16.22%

The above schedule will present 10 years of historical data, once available.

CITY OF CARLISLE, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF CONTRIBUTIONS - HAZARDOUS
Last Seven Fiscal Years

	2013	2014	2015	2016	2017	2018	2019
Contractually required employer contribution	$ -	$ -	$ -	$ 32,329	$ 56,715	$ 50,060	$ 54,640
Contributions relative to contractually required employer contribution	-	-	-	32,329	56,715	50,060	54,640
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered employee payroll	$ -	$ -	$ -	$ 158,034	$ 255,177	$ 225,497	$ 219,702
Employer contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	20.46%	22.23%	22.20%	24.87%

The above schedule will present 10 years of historical data, once available.

The City did not have any employees with hazardous job classifications until fiscal year 2016.

CITY OF CARLISLE, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - NONHAZARDOUS
Last Three Fiscal Years

Reporting Fiscal Year (Measurement Date)	**2017 (2016)**	**2018 (2017)**	**2019 (2018)**
City's proportion of the net OPEB liability	0.034%	0.026%	0.025%
City's proportionate share of the net OPEB liability (asset)	$ 413,435	$ 527,093	$ 444,707
City's covered employee payroll	$ 846,465	$ 690,370	$ 687,755
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	48.84%	76.35%	64.66%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%

The above schedule will present 10 years of historical data, once available.

CITY OF CARLISLE, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HAZARDOUS
Last Three Fiscal Years

Reporting Fiscal Year (Measurement Date)	**2017 (2016)**	**2018 (2017)**	**2019 (2018)**
City's proportion of the net OPEB liability	0.031%	0.048%	0.045%
City's proportionate share of the net OPEB liability (asset)	$ 235,079	$ 393,413	$ 320,019
City's covered employee payroll	$ 158,034	$ 255,177	$ 225,497
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	148.75%	154.17%	141.92%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	58.99%	64.24%

The above schedule will present 10 years of historical data, once available.

CITY OF CARLISLE, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS - NONHAZARDOUS
Last Seven Fiscal Years

	2013	2014	2015	2016	2017	2018	2019
Contractually required employer contribution	$ 54,177	$ 39,160	$ 45,912	$ 35,644	$ 30,196	$ 32,324	$ 34,319
Contributions relative to contractually required employer contribution	54,177	39,160	45,912	35,644	30,196	32,324	34,319
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered employee payroll	$ 781,779	$ 802,779	$ 933,174	$ 846,465	$ 690,370	$ 687,755	$ 652,450
Employer contributions as a percentage of covered-employee payroll	6.93%	4.88%	4.92%	4.21%	4.37%	4.70%	5.26%

The above schedule will present 10 years of historical data, once available.

CITY OF CARLISLE, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS - HAZARDOUS
Last Seven Fiscal Years

	2013	2014	2015	2016	2017	2018	2019
Contractually required employer contribution	$ -	$ -	$ -	$ 20,250	$ 24,426	$ 21,084	$ 23,003
Contributions relative to contractually required employer contribution	-	-	-	20,250	24,426	21,084	23,003
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered employee payroll	$ -	$ -	$ -	$ 158,034	$ 255,177	$ 225,497	$ 219,702
Employer contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	12.81%	9.57%	9.35%	10.47%

The above schedule will present 10 years of historical data, once available.

The City did not have any employees with hazardous job classifications until fiscal year 2016.

1. GENERAL INFORMATION

Contributions

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of OPEB Contributions.

Payroll

The City's covered payroll reported on the Proportionate Share of the Net Pension Liability and the Proportionate Share of the Net OPEB Liability Schedules is one year prior to the City's fiscal year payroll as reported on the Schedule of Contributions for Pension and OPEB.

2. CHANGES OF ASSUMPTIONS

June 30, 2018 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018 for either pension or OPEB.

June 30, 2017 – Pension – Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%

June 30, 2016 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016 for either pension or OPEB.

June 30, 2015 – Pension – Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
- For Disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2014 – Pension – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2014.

June 30, 2013 – Pension – Hazardous and Nonhazardous

The following assumptions were made by the Kentucky Legislature and reflected in the initial valuation performed as of June 30, 2013:

- The assumed rate of return was 7.75%.
- The assumed rate of inflation was 3.5%.
- The assumed rate of wage inflation was 1%.
- Payroll growth assumption was 4.5%.
- Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006. The 1994 Group Annuity Mortality Table was used for all other members.

CITY OF CARLISLE, KENTUCKY
STATEMENT OF OPERATING REVENUES AND EXPENSES
PROPRIETARY FUND
for the year ended June 30, 2019

	Gas	Water	Sewer	Sanitation	Utility Fund
OPERATING REVENUES					
Charges for services	$ 744,578	$ 538,141	$ 292,144	$ 272,604	$ 1,847,467
Penalties	10,741	10,739	7,377	-	28,857
Other revenue	625	8,114	1,382	-	10,121
Total operating revenues	755,944	556,994	300,903	272,604	1,886,445
OPERATING EXPENSES					
Salaries and wages	84,703	187,715	111,269	67,200	450,887
Payroll taxes	6,140	13,551	8,064	4,802	32,557
Employee insurance	12,938	23,523	14,386	7,322	58,169
Retirement	46,508	93,322	55,146	26,795	221,771
Sick leave benefit	435	2,491	823	1,126	4,875
Advertising	71	54	54	108	287
Professional services	14,531	21,434	20,181	2,025	58,171
Uniforms	-	57	-	-	57
Maintenance and repairs	2,015	88,202	37,233	26,186	153,636
Travel and lodging	-	-	295	-	295
Utilities	1,596	59,164	26,042	-	86,802
Telephone	863	1,283	1,368	862	4,376
Permit fees	-	-	132	36,018	36,150
Insurance	11,084	11,801	11,349	6,858	41,092
Fuel and lube	2,841	16,391	5,401	14,943	39,576
Gas purchased	251,490	-	-	-	251,490
Chemicals	-	71,069	5,617	-	76,686
Materials and supplies	18,662	65,348	18,350	21,690	124,050
Dues and subscriptions	2,168	4,129	1,948	1,855	10,100
Other	4,795	4,797	1,437	254	11,283
Depreciation	24,480	157,102	101,958	12,823	296,363
Total operating expenses	485,320	821,433	421,053	230,867	1,958,673
Operating income (loss)	$ 270,624	$ (264,439)	$ (120,150)	$ 41,737	$ (72,228)

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CPAs | Consultants

INDEPENDENT AUDITORS' 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*

Mayor and the City Council
City of Carlisle, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America 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, Kentucky, as of and for the year ended June 30, 2019, which collectively comprise the City of Carlisle, Kentucky's basic financial statements and have issued our report thereon dated February 3, 2021.

Internal Control Over Financial Reporting

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

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 over financial reporting that might be material weaknesses, or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the schedule of findings and responses, we identified deficiencies in internal control that 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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (2019-001, 2019-002, 2019-003, 2019-004, 2019-005, 2019-006, 2019-007 and 2019-008).

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency (2019-009).

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the City of Carlisle, Kentucky, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items (2019-003, 2019-004, 2019-005, 2019-006, and 2019-009).

We noted certain other matters that we reported to management of the City of Carlisle, Kentucky in a separate letter dated February 3, 2021.

The City of Carlisle, Kentucky's Responses to Findings

The City of Carlisle, Kentucky's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City of Carlisle, Kentucky'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

This report is intended 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RFH

RFH, PLLC
Lexington, Kentucky
February 3, 2021

2019-001 - The City should have an internal control environment that promotes effective internal control over financial reporting. (Repeat)

Criteria: The City is required to have internal controls in place that enable it to prepare complete financial statements, including note disclosures, in compliance with generally accepting accounting principles.

Condition: The City did not have adequate personnel to perform accounting functions necessary in order to draft financial statements and related notes as well as provide organizational oversight to ensure adequate documentation was maintained.

Cause: The City had turnover in the finance department and failed to adequately train and monitor the new City Clerk.

Effect: The City was not able to ensure the financial statements were prepared timely in accordance with generally accepted accounting principles.

Recommendation: We recommend that the City review the deficiencies described below and implement changes to address all weaknesses in internal control.

Management's Response: The City has reviewed all deficiencies and has begun to implement changes as noted below.

2019-002 - The City should have personnel employed that have adequate financial experience and training to properly perform their tasks. (Repeat)

Criteria: The City should have adequate personnel to accurately report the financial activity of the City and to ensure compliance with laws and regulations.

Condition: Personnel employed to perform accounting functions for the City did not have sufficient financial experience and training to properly perform their tasks.

Cause: The City had turnover in the finance department and failed to adequately train and monitor the new City Clerk.

Effect: There were numerous errors in recording, classifying and reporting financial activity of the City. The City utilized incomplete and inaccurate data in making financial decisions.

Recommendation: We recommend that the City evaluate and review the capabilities of current personnel and determine the need to either hire additional personnel, with the required expertise, and/or provide additional training in accounting and reporting for existing personnel. The City needs personnel with adequate accounting expertise on hand throughout the year and not just at year end. This will allow the City to make informed financial decisions that are in the best interest of the City on a contemporaneous basis.

Management's Response: The City hired a consultant with the necessary accounting expertise to assist and train the current City Clerk. Training is ongoing.

2019-003 - Kentucky Revised Statute (KRS) 91A.030(11) requires the City Council to review budgetary comparison reports no less than once every three months. (Repeat)

Criteria: The City should provide sufficient financial accounting and reporting oversight in accordance with (KRS) 91A.030(11).

Condition: During the first half of fiscal year 2019, the City failed to provide the Council with budgetary comparison reports.

Cause: The City had a new and inexperienced City Clerk and the City Council failed to request the necessary budgetary comparison reports.

Effect: The Council was unable to provide adequate oversight due to lack of appropriate financial information.

Recommendation: We recommend the City Council receive monthly budgetary comparison reports to assist in making appropriate financial decisions and to assist in evaluating the overall financial position of the City. Additional reviews of monthly financial reports will also assist in mitigating the risk of inadequate segregation of duties due to a small staff size.

Management's Response: The City Council, effective January 1, 2019, began to review quarterly budgetary comparison reports prepared by the City Clerk. In addition, the City Clerk has been working with a consultant to ensure the accuracy of these reports.

2019-004 - In accordance with KRS 65.140, local governments are required to pay for purchases within 30 days or else incur an interest penalty of 1%. (Repeat)

Criteria: The City should have internal controls in place to ensure compliance with KRS 65.140.

Condition: The City's internal controls failed to assure compliance with KRS 65.140.

Cause: The City had a new and inexperienced City Clerk who failed to pay numerous invoices timely. Other employees as well as the City Council did not recognize the City's failure to pay invoices timely.

Effect: During the year, the City failed to pay numerous invoices within 30 days of receipt of the invoice. In addition, the City failed to remit certain employment and sales and use tax payments in accordance with state and federal laws. These failures resulted in significant penalties.

Recommendation: We recommend that the City pay all bills and file all tax returns when due. Documentation on payments and tax filings should be retained and organized in an appropriate manner to create an appropriate audit trail.

Management's Response: The City believes it is currently in compliance with KRS 65.140. Changes in personnel during 2012 are believed to have been the reason for failure to pay bills in a timely manner. The City Clerk has been receiving additional training and assistance to ensure that all bills are paid and returns are filed when due effective January 1, 2019.

2019-005 - The City should timely file all required financial reports with the state. (Repeat)

Criteria: The state requires that the City file annually required financial reports including the Uniform Financial Information Report.

Condition: Deficiencies in the City's internal controls prevented the timely completion and submission of the Uniform Financial Information report.

Effect: The City did not file timely the 2019 Uniform Financial Information Report and the City did not timely complete its annual financial statement audit.

Recommendation: We recommend the City implement the changes from the above itemized findings to allow for timely completion of accurate financial reports. This will allow them to be in compliance with laws and regulations that govern them.

Management's Response: The City believes that with the additional training provided to the City Clerk the City should be able to catch up on all required audit reporting and feels it is currently in compliance.

2019-006 - The City should expend monies in accordance with a budget ordinance as required by KRS 91A.030. (Repeat)

Criteria**:** KRS 91A.030 prohibits the expenditure of monies except in accordance with a budget ordinance.

Condition: The City adopted a budget ordinance; however the ordinance contained numerous mathematical errors and inconsistencies.

Cause: City personnel did not have sufficient training and expertise to ensure the annual budget was prepared and adhered to in accordance with KRS 91A.030.

Effect: Expenditures of the City were not in accordance with KRS 91A.030. In addition, the approved budget contained errors, which indicates failure to properly oversee the budget process.

Recommendation: We recommend that the City implement a more thorough process for budget preparation that includes appropriate oversight. In addition, we recommend that detail budget worksheets, used to assist in the creation of the budget, should be checked for mathematical accuracy and tied to the summarized budget ordinance.

Management's Response: The Mayor and the City Clerk will work with a consultant to ensure the budget and expenditures are in accordance with KRS 91A.030.

2019-007 - Purchases on the City's credit card should be approved and receipts should be maintained for every purchase. (Repeat)

Criteria: The City should have internal controls in place to ensure purchases made on the City's credit card are properly approved and documented.

Condition: The City did not have receipts or proper documentation to support all purchases made on the credit card during the year under audit.

Cause: Accounting personnel did not match purchases made on the credit card with receipts.

Effect: While not material, during the audit we could not verify whether all purchases made on the City's credit card were properly approved. Additionally, we could not determine if all purchases made were valid purchases for the City.

2019-007 - Purchases on the City's credit card should be approved and receipts should be maintained for every purchase. (Repeat) (Continued)

Recommendation: We recommend that all purchases made on the City's credit card be approved prior to being made and that the City maintain sufficient supporting documentation for all purchases including but not limited to receipts.

Management's Response: All credit card purchases are to be approved by the Mayor and it is only used in situations that we cannot charge or be deemed an emergency situation.

2019-008 - The City should have compensating controls to account for a lack of segregation of duties related to cash disbursements, receipts, utility adjustments, and bank reconciliations. (Repeat)

Criteria: The City should have proper segregation of duties and compensating controls to ensure all cash disbursements are for a valid business purpose. The City should be reconciling deposits and performing adequate oversight of receipts to ensure deposits are made timely.

Condition: During the year, the City determined checks had been written for which documentation could not be provided. Additionally, the City had instances of receipts that were not timely deposited into one of the City's bank accounts. Also, monthly bank reconciliations were not reviewed by an individual other than the preparer.

Cause: Due to the size of the City, the City does not have sufficient segregation of duties related to cash disbursements, receipts, utility billing, and bank reconciliations. The City did not provide adequate oversight to compensate for the lack of segregation of duties.

Effect: While not material, we were not able to verify whether certain checks written were for a valid business purpose. The City did not provide adequate oversight related to the monthly bank reconciliation process.

Recommendation: We recommend the City implement compensating controls to address the lack of segregation of duties related to cash disbursements, receipts, utility billing adjustments and monthly bank reconciliations. The Mayor and/or a member of City Council should review all cash disbursements monthly to determine if they are appropriate and if adequate supporting documentation is maintained. The Mayor should open and review all bank statements prior to submitting them for reconciliation. The Mayor and/or a member of City Council should review monthly bank reconciliations. The City should have trained personnel to ensure all receipts are timely deposited and reconciled. An individual outside of the utility billing function should review and approve monthly utility billing adjustments.

Management's Response: The Mayor reviews all cash disbursements monthly to verify all documentation is attached. The Mayor also reviews all bank reconciliations monthly. All receipts are deposited and reconciled daily. The Collections Clerk writes all adjustments and only enters them after the Mayor has signed off on them.

2019-009 – In accordance with the provisions of Section 3 of the Kentucky Constitution, the City should not pay bonuses to employees. (Repeat)

Criteria: The City is required to compensate employees in accordance with the Kentucky Constitution.

Condition: The Mayor and the City Clerk during fiscal year 2019 were relatively new to their positions. They did not have adequate knowledge related to KRS and the Kentucky Constitution.

Cause: The City was unaware that payment of bonuses to employees is a violation of the Kentucky Constitution.

Effect: In December 2018, the City issued bonuses to employees. The bonuses were a violation of Section 3 of the Kentucky Constitution.

Recommendation: Bonuses to City employees should not be issued in the future. The City may issue longevity employee benefits. However, such benefits should be approved through a pay and classification ordinance for actual services rendered which establishes the criteria that will govern the decision to pay the bonuses or extra compensation.

Management's Response: We no longer issue bonuses; we do currently offer longevity employee benefits.

CITY OF CARLISLE, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2019

PRIOR AUDIT FINDINGS

2018-001 - The City should have an internal control environment that promotes effective internal control over financial reporting. (Repeat)

2018-002 - The City should have personnel employed that have adequate financial experience and training to properly perform their tasks. (Repeat)

2018-003 - Kentucky Revised Statute (KRS) 91A.030(11) requires the City Council to review budgetary comparison reports no less than once every three months. (Repeat)

2018-004 - In accordance with KRS 65.140 local governments are required to pay for purchases within 30 days or else incur an interest penalty of 1%. (Repeat)

2018-005 - The City should timely file all required financial reports with the state. (Repeat)

2018-006 - The City should expend monies in accordance with KRS 91A.030. (Repeat)

2018-007 - Purchases on the City's credit card should be approved and receipts should be maintained for every purchase. (Repeat)

2018-008 - The City should have compensating controls to account for a lack of segregation of duties related to cash disbursements, receipts, utility adjustments, and bank reconciliations. (Repeat)

2018-009 – In accordance with the provisions of Section 3 of the Kentucky Constitution, the City should not pay bonuses to employees.
(Repeat)

2018-010 – The City should expend funds in accordance with Kentucky Revised Statute 424.260.
(Resolved)