

**CITY OF CARLISLE, KENTUCKY**  
**Carlisle, Kentucky**



**FINANCIAL STATEMENTS**  
**June 30, 2020**

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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 and each major fund of the City of Carlisle, Kentucky as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Carlisle, Kentucky'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.

### ***Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 and each major fund of the City of Carlisle, Kentucky, as of June 30, 2020, 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 and 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 opinions 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 June 9, 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  
June 9, 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, 2020. 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 internal control and 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 deferred outflows of resources and liabilities and deferred inflows of resources-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**

	<u>Governmental Activities</u>	<u>Business-type Activites</u>	<u>Total Primary Activities</u>	<u>2019 Totals</u>
Current and Other Assets	\$ 419,414	\$ 406,653	\$ 826,067	\$ 847,985
Non Current and Capital Assets	1,576,786	3,476,014	5,052,800	4,832,542
Deferred Outflows of Resource	<u>503,513</u>	<u>307,467</u>	<u>810,980</u>	<u>934,004</u>
Total Assets and deferred outflows	<u>2,499,713</u>	<u>4,190,134</u>	<u>6,689,847</u>	<u>6,614,531</u>
Long-Term Debt Outstanding	70,888	385,830	456,718	437,258
Net Pension Liability	1,561,738	1,168,111	2,729,849	2,610,976
Net OPEB Liability	402,246	279,302	681,548	764,726
Current Liabilities	<u>300,925</u>	<u>280,404</u>	<u>581,329</u>	<u>697,401</u>
Total Liabilities	<u>2,335,797</u>	<u>2,113,647</u>	<u>4,449,444</u>	<u>4,510,361</u>
Deferred Inflows of Resources	<u>363,070</u>	<u>197,545</u>	<u>560,615</u>	<u>457,919</u>
Net Position:				
Net Investment in Capital Assets	1,272,674	3,001,248	4,273,922	4,250,788
Restricted	565	32,982	33,547	41,594
Unrestricted	<u>(1,472,393)</u>	<u>(1,155,288)</u>	<u>(2,627,681)</u>	<u>(2,646,131)</u>
Total Net Position	<u>\$ (199,154)</u>	<u>\$ 1,878,942</u>	<u>\$ 1,679,788</u>	<u>\$ 1,646,251</u>

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**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activites</u>	<u>Total Primary</u> <u>Activities</u>	<u>2019</u> <u>Totals</u>
<b>Program Revenues</b>				
Charges for Services	\$ -	\$ 1,869,219	\$ 1,869,219	\$ 1,886,445
Operating Grants & Contributions	41,264	-	41,264	40,672
Capital Grants & Contributions	<u>298,311</u>	<u>2,049</u>	<u>300,360</u>	<u>12,700</u>
<b>Total Revenue</b>	<b><u>\$ 339,575</u></b>	<b><u>\$ 1,871,268</u></b>	<b><u>\$ 2,210,843</u></b>	<b><u>\$ 1,939,817</u></b>
<b>Program Expenses</b>				
General Government	\$ 269,346	\$ -	\$ 269,346	\$ 285,620
Public Safety – Police	864,505	-	864,505	856,293
Public Safety – Fire	61,635	-	61,635	60,847
Street Department	264,098	-	264,098	285,122
Planning & Zoning	3,351	-	3,351	1,480
Interest on long-term debt	22,281	-	22,281	9,102
Utilities	<u>-</u>	<u>1,756,050</u>	<u>1,756,050</u>	<u>1,931,343</u>
<b>Total Program expenses</b>	<b><u>\$ 1,485,216</u></b>	<b><u>\$ 1,756,050</u></b>	<b><u>\$ 3,241,266</u></b>	<b><u>\$ 3,429,807</u></b>
<b>Net Program costs</b>	<b><u>\$ (1,145,641)</u></b>	<b><u>\$ 115,218</u></b>	<b><u>\$ (1,030,423)</u></b>	<b><u>\$ (1,489,990)</u></b>
<b>General Revenues</b>				
Taxes	\$ 205,225	\$ -	\$ 205,225	\$ 171,482
License fees	615,693	-	615,693	634,323
Permits	1,370	-	1,370	812
Fines & Forfeitures	11,803	-	11,803	9,626
Investment earnings	322	286	608	374
Miscellaneous	229,261	-	229,261	499,175
Gain on sale of assets	-	-	-	980
Transfers	<u>220,944</u>	<u>(220,944)</u>	<u>-</u>	<u>-</u>
<b>Total General Revenue and transfers</b>	<b><u>\$ 1,284,618</u></b>	<b><u>\$ (220,658)</u></b>	<b><u>\$ 1,063,960</u></b>	<b><u>\$ 1,316,772</u></b>
<b>Net Change in Net Position</b>	<b><u>\$ 138,977</u></b>	<b><u>\$ (105,440)</u></b>	<b><u>\$ 33,537</u></b>	<b><u>\$ (173,218)</u></b>

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

	<u>General</u>	Other <u>Gov't Funds</u>	<u>Total</u>	2019 <u>Totals</u>
Taxes	\$ 205,225	\$ -	\$ 205,225	\$ 171,482
Licenses and permits	617,063	-	617,063	635,135
Intergovernmental	178,214	298,311	476,525	173,417
Fines & Forfeits	11,803	-	11,803	9,626
Other Revenues	<u>92,511</u>	<u>117</u>	<u>92,628</u>	<u>108,705</u>
Total Revenues	<u>\$ 1,104,816</u>	<u>\$ 298,428</u>	<u>\$ 1,403,244</u>	<u>\$ 1,098,365</u>
General Government	\$ 206,803	\$ -	\$ 206,803	\$ 211,650
Public Safety-Police	658,922	-	658,922	639,789
Public Safety – Fire	53,008	-	53,008	51,913
Planning and Zoning	3,351	-	3,351	1,480
Public Works-Streets	172,460	-	172,460	189,473
Debt Service	90,418	251,057	341,475	119,516
Capital Outlay	<u>122,890</u>	<u>220,411</u>	<u>343,301</u>	<u>434,922</u>
Total Expenditures	<u>\$ 1,307,852</u>	<u>\$ 471,468</u>	<u>\$ 1,779,320</u>	<u>\$ 1,648,743</u>
Excess Expenditures over Revenues before other Financing sources	<u>\$ (203,036)</u>	<u>\$ (173,040)</u>	<u>\$ (376,076)</u>	<u>\$ (550,378)</u>

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

The budget contains proposed expenditures and expected revenues. A comparison of the original budget to actual amounts for the General Fund and Road Aid Fund is presented in the tables below (Tables A-4 through A-7).

**Table A-4**

### General Fund - Revenues

	<u>Budget</u>	<u>Actual</u>	<u>Change</u>
Property Taxes	\$ 206,532	\$ 205,225	\$ (1,307)
Licenses and Permits	651,007	617,063	(33,944)
Intergovernmental	668,306	178,214	(490,092)
Fines and Forfeitures	12,538	11,803	(735)
Other Revenues	<u>119,270</u>	<u>92,511</u>	<u>(26,759)</u>
Total Revenues	<u>\$ 1,657,653</u>	<u>\$ 1,104,816</u>	<u>\$ (552,837)</u>

**Table A-5****General Fund - Expenditures**

	<u>Budget</u>	<u>Actual</u>	<u>Change</u>
General Government	\$ 693,720	\$ 206,803	\$ (486,917)
Public Safety-Police	695,537	658,922	(36,615)
Public Safety-Fire	52,066	53,008	942
Planning and Zoning	2,400	3,351	951
Streets	192,005	172,460	(19,545)
Capital Outlay	133,000	122,890	(10,110)
Debt Service	30,419	90,418	59,999
Total Expenditures	<u>\$ 1,799,147</u>	<u>\$ 1,307,852</u>	<u>\$ (491,295)</u>

**Table A-6****Municipal Road Aid - Revenues**

	<u>Budget</u>	<u>Actual</u>	<u>Change</u>
Intergovernmental	\$ 264,000	\$ 298,311	\$ 34,311
Other Revenues	-	117	117
Total Revenues	<u>\$ 264,000</u>	<u>\$ 298,428</u>	<u>\$ 34,428</u>

**Table A-7****Municipal Road Aid - Expenditures**

	<u>Budget</u>	<u>Actual</u>	<u>Change</u>
Capital Outlay	\$ 264,000	\$ 220,411	\$ (43,589)
Debt Service	-	251,057	251,057
Total Expenditures	<u>\$ 264,000</u>	<u>\$ 471,468</u>	<u>\$ 207,468</u>

The City budgeted for a total of \$1,921,653 in revenues for 2019-2020, but ended up having revenues of \$1,403,249. The City was under budget on revenues by 27 percent. A total of \$2,063,147 was budgeted for expenditures, but expenditures totaled \$1,779,320 at the end of 2020. The City was under budget on the expenditures by 14 percent.

**CAPITAL ASSETS**

Table A-8 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-8 shows the breakdown of non-depreciated capital assets for both governmental and business-type activities.

**Table A-8****Capital Assets at Year End Without Depreciation**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Land	\$ 271,572	\$ 38,154	\$ 309,726
Infrastructure	1,088,007	-	1,088,007
Building & Improvements	238,715	-	238,715
Vehicles & Equipment	700,350	460,495	1,160,845
Equipment	697,076	-	697,076
Water, Gas & Sewer System	-	11,807,577	11,807,577
Total Capital Assets	<u>\$ 2,995,720</u>	<u>\$ 12,306,226</u>	<u>\$ 15,301,946</u>

## DEBT

Table A-9 provides a summary of all of the City's outstanding indebtedness.

Table A-9

<b><u>Debt Outstanding at Year End</u></b>	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Total Primary Government</u></b>
Notes/Leases Payable	\$ 302,388	\$ 160,784	\$ 463,172
Bonds Payable	<u>-</u>	<u>281,000</u>	<u>281,000</u>
Total Debt Outstanding	<u>\$ 302,388</u>	<u>\$ 441,784</u>	<u>\$ 744,172</u>

## 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, 2020**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 221,078	\$ 274,095	\$ 495,173
Receivables, net	184,125	127,462	311,587
Inventory	-	12,014	12,014
Prepaid assets	7,293	-	7,293
Internal balances	6,918	(6,918)	-
Total current assets	<u>419,414</u>	<u>406,653</u>	<u>826,067</u>
Noncurrent assets			
Restricted cash and cash equivalents	-	32,982	32,982
Capital assets			
Land and improvements, net	271,572	38,154	309,726
Depreciable infrastructure, net	790,930	-	790,930
Utility systems, net	-	3,404,878	3,404,878
Depreciable buildings, property, vehicles, and equipment, net	514,284	-	514,284
Total noncurrent assets	<u>1,576,786</u>	<u>3,476,014</u>	<u>5,052,800</u>
Total assets	<u>1,996,200</u>	<u>3,882,667</u>	<u>5,878,867</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - pension	333,901	220,803	554,704
Deferred outflows - OPEB	169,612	86,664	256,276
Total deferred outflows of resources	<u>503,513</u>	<u>307,467</u>	<u>810,980</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>\$ 2,499,713</u></b>	<b><u>\$ 4,190,134</u></b>	<b><u>\$ 6,689,847</u></b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	20,330	34,663	54,993
Customer deposits payable	-	152,242	152,242
Accrued liabilities	47,371	36,493	83,864
Accrued interest payable	1,724	1,052	2,776
Current portion of long-term obligations	231,500	55,954	287,454
Total current liabilities	<u>300,925</u>	<u>280,404</u>	<u>581,329</u>
Noncurrent liabilities			
Noncurrent portion of long-term obligations	70,888	385,830	456,718
Net pension liability	1,561,738	1,168,111	2,729,849
Net OPEB liability	402,246	279,302	681,548
Total noncurrent liabilities	<u>2,034,872</u>	<u>1,833,243</u>	<u>3,868,115</u>
Total liabilities	<u>2,335,797</u>	<u>2,113,647</u>	<u>4,449,444</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows - pension	191,435	81,613	273,048
Deferred inflows - OPEB	171,635	115,932	287,567
Total deferred inflows of resources	<u>363,070</u>	<u>197,545</u>	<u>560,615</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,272,674	3,001,248	4,273,922
Restricted for:			
Debt service	-	32,982	32,982
Other	565	-	565
Unrestricted	<u>(1,472,393)</u>	<u>(1,155,288)</u>	<u>(2,627,681)</u>
Total net position	<u>(199,154)</u>	<u>1,878,942</u>	<u>1,679,788</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b><u>\$ 2,499,713</u></b>	<b><u>\$ 4,190,134</u></b>	<b><u>\$ 6,689,847</u></b>

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

**CITY OF CARLISLE, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
for the year ended June 30, 2020

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
<b>Governmental activities</b>							
General government	\$ 269,346	\$ -	\$ 2,328	\$ -	\$ (267,018)	\$ -	\$ (267,018)
Public safety-Police	864,505	-	28,436	-	(836,069)	-	(836,069)
Public safety-Fire	61,635	-	10,500	-	(51,135)	-	(51,135)
Planning & zoning	3,351	-	-	-	(3,351)	-	(3,351)
Streets	264,098	-	-	298,311	34,213	-	34,213
Interest on long-term debt	22,281	-	-	-	(22,281)	-	(22,281)
Total governmental activities	<u>1,485,216</u>	<u>-</u>	<u>41,264</u>	<u>298,311</u>	<u>(1,145,641)</u>	<u>-</u>	<u>(1,145,641)</u>
<b>Business-type activities</b>							
Utilities	1,756,050	1,869,219	-	2,049	-	115,218	115,218
Total business-type activities	<u>1,756,050</u>	<u>1,869,219</u>	<u>-</u>	<u>2,049</u>	<u>-</u>	<u>115,218</u>	<u>115,218</u>
<b>Total primary government</b>	<u>\$ 3,241,266</u>	<u>\$ 1,869,219</u>	<u>\$ 41,264</u>	<u>\$ 300,360</u>	<u>(1,145,641)</u>	<u>115,218</u>	<u>(1,030,423)</u>
<b>General revenues:</b>							
Taxes:							
Property taxes, levied for general purposes					205,225	-	205,225
License fees:							
Franchise					136,035	-	136,035
Insurance premiums					228,864	-	228,864
Occupational					222,787	-	222,787
Other					28,007	-	28,007
Permits:							
Building					1,370	-	1,370
Fines & forfeitures					11,803	-	11,803
Investment earnings					322	286	608
Miscellaneous					229,261	-	229,261
Total general revenues					1,063,674	286	1,063,960
Transfers in (out)					220,944	(220,944)	-
Total general revenues and transfers					<u>1,284,618</u>	<u>(220,658)</u>	<u>1,063,960</u>
<b>Change in net position</b>					138,977	(105,440)	33,537
Net position-beginning, as restated					(338,131)	1,984,382	1,646,251
<b>NET POSITION-ENDING</b>					<u>\$ (199,154)</u>	<u>\$ 1,878,942</u>	<u>\$ 1,679,788</u>

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

**CITY OF CARLISLE, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2020

	General	Municipal Road Aid	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 220,513	\$ 565	\$ 221,078
Receivables, net	184,125	-	184,125
Prepaid assets	7,293	-	7,293
Due from other funds	6,918	-	6,918
<b>Total assets</b>	<b>\$ 418,849</b>	<b>\$ 565</b>	<b>\$ 419,414</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 20,330	\$ -	\$ 20,330
Accrued liabilities	47,371	-	47,371
Total liabilities	67,701	-	67,701
Fund balances			
Nonspendable	7,293	-	7,293
Restricted	-	565	565
Unassigned	343,855	-	343,855
Total fund balances	351,148	565	351,713
<b>Total liabilities and fund balances</b>	<b>\$ 418,849</b>	<b>\$ 565</b>	<b>\$ 419,414</b>

Amounts reported for *governmental activities* in the statement of net position are different because:

Fund balances reported above	\$ 351,713
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,576,786
Net deferred inflows/outflows related to the long-term net pension/OPEB liabilities are not reported in the funds.	140,443
Interest accrued on general long-term debt is not a current expenditure and is not reported in the funds.	(1,724)
Long-term liabilities, including notes/leases payable and net pension/OPEB liability, are not due and payable in the current period and therefore are not reported in the funds.	(2,266,372)
Net position of governmental activities	<b>\$ (199,154)</b>

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, 2020**

	<b>General</b>	<b>Municipal Road Aid</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Property Taxes	\$ 205,225	\$ -	\$ 205,225
Licenses and permits	617,063	-	617,063
Intergovernmental	178,214	298,311	476,525
Fines and forfeitures	11,803	-	11,803
Other revenues	92,511	117	92,628
Total revenues	1,104,816	298,428	1,403,244
<b>EXPENDITURES</b>			
Current:			
General government	206,803	-	206,803
Public safety-Police	658,922	-	658,922
Public safety-Fire	53,008	-	53,008
Planning and zoning	3,351	-	3,351
Streets	172,460	-	172,460
Capital outlay	122,890	220,411	343,301
Debt service	90,418	251,057	341,475
Total expenditures	1,307,852	471,468	1,779,320
Excess (deficiency) of revenues over expenditures	(203,036)	(173,040)	(376,076)
<b>Other Financing Sources (Uses)</b>			
Note proceeds	250,000	168,000	418,000
Transfers	215,444	5,500	220,944
Total other financing sources (uses)	465,444	173,500	638,944
<b>Net Change in Fund Balance</b>	262,408	460	262,868
Fund balances - beginning	88,740	105	88,845
<b>FUND BALANCES - ENDING</b>	<b>\$ 351,148</b>	<b>\$ 565</b>	<b>\$ 351,713</b>
Reconciliation to government-wide change in net position:			
Net change in fund balances			\$ 262,868
add: capital outlay expenditures capitalized			343,301
add: debt service expenditures			341,475
less: capital lease proceeds			(418,000)
less: change in net pension liability			(211,975)
less: change in OPEB liability			(12,041)
less: depreciation on governmental activities assets			(144,369)
less: interest on long - term debt			(22,282)
Change in net position, governmental activities			<b>\$ 138,977</b>

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

**CITY OF CARLISLE, KENTUCKY  
BALANCE SHEET  
PROPRIETARY FUNDS  
June 30, 2020**

	<b>Business-type Activities Utility Fund</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 274,095
Receivables, net	127,462
Inventory	12,014
Total current assets	413,571
Noncurrent assets	
Restricted cash and cash equivalents	32,982
Capital assets:	
Land	38,154
Utility systems	12,268,072
Less accumulated depreciation	(8,863,194)
Total noncurrent assets	3,476,014
Total assets	3,889,585
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Deferred outflows - pension	220,803
Deferred outflows - OPEB	86,664
Total deferred outflows	307,467
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 4,197,052</b>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	\$ 34,663
Customer deposits payable	152,242
Accrued liabilities	36,493
Accrued interest payable	1,052
Due to other funds	6,918
Current portion of long-term obligations	55,954
Total current liabilities	287,322
Noncurrent liabilities	
Noncurrent portion of long-term obligations	385,830
Net pension liability	1,168,111
Net OPEB liability	279,302
Total noncurrent liabilities	1,833,243
Total liabilities	2,120,565
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows - pension	81,613
Deferred inflows - OPEB	115,932
Total deferred inflows	197,545
<b>NET POSITION</b>	
Net investment in capital assets	3,001,248
Restricted for other purposes	32,982
Unrestricted	(1,155,288)
Total net position	1,878,942
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 4,197,052</b>

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, 2020

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	<b>Business-type Activities</b>
	<b>Utility Fund</b>
<b>Operating revenues</b>	
Charges for services	\$ 1,826,899
Penalties	33,750
Other revenue	8,570
	1,869,219
<b>Operating expenses</b>	
Gas department	366,933
Water department	520,304
Sewer department	315,656
Sanitation department	208,015
Depreciation	323,897
	1,734,805
Operating income (loss)	134,414
<b>Nonoperating revenues (expenses)</b>	
Interest and investment revenue	286
Interest expense	(21,245)
	(20,959)
Income before capital contributions and transfers	113,455
Capital contributions	
Water and sewer tap fees	2,049
Transfers (out)	(220,944)
	(218,895)
<b>Increase (decrease) in net position</b>	(105,440)
Total net position-beginning, as restated	1,984,382
<b>TOTAL NET POSITION-ENDING</b>	<b>\$ 1,878,942</b>

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, 2020**

	<b>Business-type Activities</b>
	<b>Utility Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 2,116,647
Payments to suppliers	(741,880)
Payments for employee services and benefits	(677,231)
Net cash and cash equivalents provided by operating activities	697,536
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers (to) from other funds	(220,944)
Net cash and cash equivalents (used by) noncapital financing activities	(220,944)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital contributions - tap fees	2,049
Purchases of capital assets	(201,786)
Principal paid on capital debt	(45,119)
Interest paid on capital debt	(21,242)
Net cash and cash equivalents (used by) capital and related financing activities	(266,098)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	286
Net cash and cash equivalents provided by investing activities	286
<b>Net increase (decrease) in cash and cash equivalents</b>	210,780
Balances-beginning of the year	96,297
<b>BALANCES-END OF THE YEAR</b>	<b>\$ 307,077</b>
<b>Reconciliation of operating income (loss) to net cash and cash equivalents provided (used) by operating activities:</b>	
Operating income (loss)	\$ 134,414
Adjustments to reconcile operating income (loss) to net cash and cash equivalents provided (used) by operating activities:	
Depreciation expense	323,897
Net pension liability activity	37,588
Net OPEB liability activity	(192)
Change in assets and liabilities:	
Receivables, net	247,428
Inventory	1,633
Accounts and other payables	(49,382)
Accrued expenses	2,150
<b>Net cash and cash equivalents provided by operating activities</b>	<b>\$ 697,536</b>
<b>Supplemental disclosure of cash flow information:</b>	
Noncash capital and related financing activities:	
Capital lease	\$ 151,943

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

**CITY OF CARLISLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**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/OPEB 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.

**CITY OF CARLISLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**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 major 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.

**CITY OF CARLISLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**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.

**CITY OF CARLISLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**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.

The City did not budget for a loan taken out near fiscal year end for road paving. This caused expenditures in the Municipal Road Aid Fund to exceed the budget by \$207,468 during fiscal year 2020.

**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 June 9, 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, 2020, 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, 2020 of \$1,758 for the Utility Fund and \$2,899 for the property tax receivable in the General Fund.

**CITY OF CARLISLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**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, 2020, were not fully covered by federal depository insurance and pledged collateral. The book balances of the City's deposits were \$528,155, and the bank balances were \$562,708. As of June 30, 2020, the City had deposits totaling \$250,000 that were covered by FDIC insurance and \$12,708 that was uninsured and uncollateralized. The City does 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	\$ 274,095
Cash-Restricted	<u>32,982</u>
Total cash and cash equivalents	<u>\$ 307,077</u>

**CITY OF CARLISLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**3. CAPITAL ASSETS**

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

	<b>Balance July 1, 2019</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2020</b>
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	650,350	50,000	-	700,350
Equipment	624,186	72,890	-	697,076
Infrastructure Assets	<u>867,596</u>	<u>220,411</u>	<u>-</u>	<u>1,088,007</u>
Total depreciable capital assets	<u>2,380,847</u>	<u>343,301</u>	<u>-</u>	<u>2,724,148</u>
Total capital assets	<u>2,652,419</u>	<u>343,301</u>	<u>-</u>	<u>2,995,720</u>
Less Accumulated Depreciation:				
Buildings and Improvements	92,790	7,550	-	100,340
Vehicles	543,533	39,062	-	582,595
Equipment	394,859	44,063	-	438,922
Infrastructure Assets	<u>243,383</u>	<u>53,694</u>	<u>-</u>	<u>297,077</u>
Totals	<u>1,274,565</u>	<u>144,369</u>	<u>-</u>	<u>1,418,934</u>
Capital assets, net	<u>\$ 1,377,854</u>	<u>\$ 198,932</u>	<u>\$ -</u>	<u>\$ 1,576,786</u>
Business-Type Activities				
Capital assets:				
Land	\$ 38,154	\$ -	\$ -	\$ 38,154
Water, Gas, and Sewer System	11,552,660	254,917	-	11,807,577
Vehicle and Equipment	308,552	151,943	-	460,495
Construction in Progress	<u>53,131</u>	<u>164,059</u>	<u>(217,190)</u>	<u>-</u>
Totals	11,952,497	570,919	(217,190)	12,306,226
Less Accumulated Depreciation	<u>8,539,297</u>	<u>323,897</u>	<u>-</u>	<u>8,863,194</u>
Capital assets, net	<u>\$ 3,413,200</u>	<u>\$ 247,022</u>	<u>\$ (217,190)</u>	<u>\$ 3,443,032</u>

Depreciation expense was charged to the Governmental functions as follows:

General government	\$ 9,187
Police	55,426
Fire	7,609
Streets	<u>72,147</u>
Total Depreciation Expense	<u>\$ 144,369</u>

**CITY OF CARLISLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**4. BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT**

Capital Lease – Garbage Truck

On December 5, 2019, the City entered into a capital lease to purchase a new garbage truck. The total value of the lease was \$151,943. The capital lease calls for monthly payments of \$2,761 beginning on December 31, 2019 and ending on November 30, 2024. The lease bears interest at 3.45%. The net book value of the garbage truck at June 30, 2020, totaled \$143,080.

The future capital lease payments are summarized as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 28,907	\$ 4,221	\$ 33,128
2022	29,920	3,208	33,128
2023	30,969	2,159	33,128
2024	32,054	1,074	33,128
2025	<u>13,685</u>	<u>118</u>	<u>13,803</u>
	<u>\$ 135,535</u>	<u>\$ 10,780</u>	<u>\$ 146,315</u>

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 ending March 2021. The net book value of the trucks at June 30, 2020, totaled \$0.

The future capital lease payments are summarized as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	<u>\$ 8,029</u>	<u>\$ 2,842</u>	<u>\$ 10,871</u>

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:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	11,500	11,205	22,705
2026-2030	65,500	47,814	113,314
2031-2035	82,000	31,658	113,658
2036-2039	<u>81,000</u>	<u>11,019</u>	<u>92,019</u>
	<u>\$ 281,000</u>	<u>\$ 151,242</u>	<u>\$ 432,242</u>

**CITY OF CARLISLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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

Capital Lease – Sewer Camera

The City entered into a capital lease to purchase 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, 2020, totaled \$24,023.

The future capital lease payments are summarized as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 9,518	\$ 1,180	\$ 10,698
2022	<u>7,702</u>	<u>264</u>	<u>7,966</u>
	<u>\$ 17,220</u>	<u>\$ 1,444</u>	<u>\$ 18,664</u>

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

	<b>July 1, 2019</b>	<b>Additions</b>	<b>Retirements</b>	<b>June 30, 2020</b>
Direct Placement - Revenue Bonds	\$ 290,000	\$ -	\$ (9,000)	\$ 281,000
Trash Truck – Lease	-	151,943	(16,408)	135,535
Sewer Camera - Lease	26,711	-	(9,491)	17,220
Water, Sewer & Gas Truck – Leases	18,249	-	(10,220)	8,029
Net Pension Liability	1,039,105	129,006	-	1,168,111
Net OPEB Liability	<u>302,914</u>	<u>-</u>	<u>(23,612)</u>	<u>279,302</u>
Total Debt	<u>\$ 1,676,979</u>	<u>\$ 280,949</u>	<u>\$ (68,731)</u>	<u>\$ 1,889,197</u>

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

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest &amp; Fees</b>	<b>Total</b>
2021	\$ 55,954	\$ 21,293	\$ 77,247
2022	47,622	16,095	63,717
2023	41,469	14,332	55,801
2024	43,054	12,774	55,828
2025	25,185	11,323	36,508
2026-2030	65,500	47,814	113,314
2031-2035	82,000	31,658	113,658
2036-2039	<u>81,000</u>	<u>11,019</u>	<u>92,019</u>
Total	<u>\$ 441,784</u>	<u>\$ 166,308</u>	<u>\$ 608,092</u>

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, 2020, the City set aside in a separate account \$32,982 for the reserve requirements.

**CITY OF CARLISLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**5. GOVERNMENTAL ACTIVITIES LONG-TERM DEBT**

Notes Payable

In July 2019, the City entered into a promissory note agreement with City National Bank totaling \$250,000 to finance road work. The note bore interest at 5.00% and matured in December 2019. At June 30, 2020, the principal balance of the note was \$0.

In June 2020, the City entered into a promissory note agreement with City National Bank totaling \$168,000 to finance additional road work performed during the fiscal year. The note bore interest at 4.75% and matured in December 2020. At June 30, 2020, the principal balance of the note was \$168,000.

The future payments on the promissory note are summarized as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	<u>\$ 168,000</u>	<u>\$ 3,990</u>	<u>\$ 171,990</u>

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, 2020, is \$1,300.

The future capital lease payments are summarized as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	<u>\$ 4,368</u>	<u>\$ 332</u>	<u>\$ 4,700</u>

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 \$39,548.

The future capital lease payments are summarized as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 15,720	\$ 1,472	\$ 17,192
2022	16,418	774	17,192
2023	<u>7,414</u>	<u>116</u>	<u>7,530</u>
	<u>\$ 39,552</u>	<u>\$ 2,362</u>	<u>\$ 41,914</u>

On October 26, 2018, the City entered into a capital lease agreement to purchase a computer-aided dispatch system. The total value of the lease was \$122,400. 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, 2020 was \$104,040.

The future capital lease payments are summarized as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 35,574	\$ 2,653	\$ 38,227
2022	<u>27,931</u>	<u>740</u>	<u>28,671</u>
	<u>\$ 63,505</u>	<u>\$ 3,393</u>	<u>\$ 66,898</u>

**CITY OF CARLISLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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, 2020 was \$26,739.

The future capital lease payments are summarized as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 7,838	\$ 1,164	\$ 9,002
2022	8,237	765	9,002
2023	8,656	346	9,002
2024	<u>2,232</u>	<u>19</u>	<u>2,251</u>
	<u>\$ 26,963</u>	<u>\$ 2,294</u>	<u>\$ 29,257</u>

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

	<b>July 1, 2019</b>	<b>Additions</b>	<b>Retirements</b>	<b>June 30, 2020</b>
Paving Notes Payable	\$ -	\$ 418,000	\$ (250,000)	\$ 168,000
Police Vehicles Leases	51,890	-	(20,559)	31,331
Salt Truck Leave	54,604	-	(15,052)	39,552
Dispatch System Lease	97,262	-	(33,757)	63,505
Net Pension Liability	1,571,871	-	(10,133)	1,561,738
Net OPEB Liability	<u>461,812</u>	<u>-</u>	<u>(59,566)</u>	<u>402,246</u>
Total	<u>\$ 2,237,439</u>	<u>\$ 418,000</u>	<u>\$ (389,067)</u>	<u>\$ 2,266,372</u>

**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, 2020, 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.

**CITY OF CARLISLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**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, 2020, participating employers contributed 24.06% of each employee's wages for non-hazardous job classifications and 39.58% 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 19.33% and 30.06% 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, 2020, the City contributed \$148,606 or 100% of the required contribution for non-hazardous job classifications, which was allocated \$119,206 to the CERS pension fund and \$29,400 to the CERS insurance fund. The City contributed \$89,499, or 100% of the required contribution for hazardous job classifications, which was allocated \$67,972 to the CERS pension fund and \$21,527 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.

**CITY OF CARLISLE, KENTUCKY**  
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**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, 2020, the City reported a liability for its proportionate share of the net pension liability as follows:

<b>Total Net Pension Liability</b>	<b>Non-hazardous</b>	<b>Hazardous</b>
\$ <u>2,729,849</u>	\$ <u>1,724,152</u>	\$ <u>1,005,697</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward using generally accepted actuarial procedures. 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, 2019 was as follows:

<b>Non-hazardous</b>	<b>Hazardous</b>
.025%	.036%

The proportionate share at June 30, 2019, relative to June 30, 2018, remained the same for non-hazardous and decreased for hazardous by .009%.

For the year ended June 30, 2020, the City recognized pension expense of \$416,140. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 86,753	\$ 7,285
Changes of assumptions	272,126	-
Net difference between projected and actual earnings on Plan investments	-	42,028
Changes in proportion and differences between City contributions and proportionate share of contributions	33,565	223,735
City contributions subsequent to the measurement date	<u>162,260</u>	<u>-</u>
<b>Total</b>	<b>\$ <u>554,704</u></b>	<b>\$ <u>273,048</u></b>

The \$162,260 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, 2021. 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,**

2021	\$ 108,891
2022	\$ 3,080
2023	\$ 4,540
2024	\$ 2,885

**CITY OF CARLISLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**6. RETIREMENT PLAN (CONTINUED)**

*Actuarial Assumptions* – The total pension liability reported at June 30, 2019, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Non-hazardous**

Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

**Hazardous**

Inflation	2.30%
Salary increases	3.55 to 19.05%, varies by service, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2018, actuarial 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, 2018) to the plan's fiscal year ending June 30, 2019.

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 nominal real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Growth</b>	<b>62.50%</b>	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	2.60%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
<b>Total</b>	<b>100.00%</b>	<b>6.25%</b>

**CITY OF CARLISLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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 24-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%	\$ 2,156,424	5.25%	\$ 1,257,346
Current discount rate	6.25%	\$ 1,724,152	6.25%	\$ 1,005,697
1% increase	7.25%	\$ 1,363,856	7.25%	\$ 799,380

*Payable to the Pension Plan* – At June 30, 2020, the City reported a payable of \$21,740 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020. 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, 2020, the employer's contribution was 4.76% to the insurance trust for non-hazardous job classifications and 9.52% 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.

**CITY OF CARLISLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

For the year ended June 30, 2020, the City contributed \$29,400, or 100% of the required contribution for non-hazardous job classifications, and \$21,527, 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, 2020, the City reported a liability for its proportionate share of the net OPEB liability as follows:

<b>Total Net</b>		
<b>OPEB Liability</b>	<b>Non-hazardous</b>	<b>Hazardous</b>
<u>\$ 681,548</u>	<u>\$ 412,230</u>	<u>\$ 269,318</u>

The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018 and rolled forward using generally accepted actuarial procedures. 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, 2019 was as follows:

<b>Non-hazardous</b>	<b>Hazardous</b>
.025%	.036%

The proportionate share at June 30, 2019 relative to June 30, 2018 remained the same for non-hazardous and decreased for hazardous by .009%.

**CITY OF CARLISLE, KENTUCKY**  
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**7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

For the year ended June 30, 2020, the City recognized OPEB expense of \$65,461. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ -	\$ 174,481
Changes of assumptions	203,368	1,326
Net difference between projected and actual earnings on Plan investments	-	33,793
Changes in proportion and differences between City contributions and proportionate share of contributions	-	77,967
City contributions subsequent to the measurement date	<u>52,908</u>	<u>-</u>
Total	<u>\$ 256,276</u>	<u>\$ 287,567</u>

The \$52,908 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, 2021. This includes adjustments of \$8,851 for the nonhazardous implicit subsidy and \$193 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,**

2021	\$ (7,472)
2022	\$ (21,794)
2023	\$ (22,650)
2024	\$ (19,406)
2025	\$ (10,967)
2026	\$ (1,910)

*Actuarial Assumptions* – The total OPEB liability reported at June 30, 2019, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Non-hazardous and  
Hazardous**

Inflation	2.30%
Salary increases	3.30 to 10.30%, varies by service, 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 12 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 10 years.

**CITY OF CARLISLE, KENTUCKY**  
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**7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumption used in the June 30, 2018, valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019.

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Growth</b>	<b>62.50%</b>	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	2.60%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
<b>Total</b>	<b>100.00%</b>	<b>6.25%</b>

*Discount Rate* – The discount rate used to measure the total OPEB liability was 5.68% and 5.69% 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 24-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 28, 2019. 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.

**CITY OF CARLISLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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	4.68%	\$ 552,219	4.69%	\$ 375,751
Current discount rate	5.68%	\$ 412,230	5.69%	\$ 269,318
1% increase	6.68%	\$ 296,889	6.69%	\$ 182,923

*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	
	Discount rate	City's proportionate share of net OPEB liability	Discount rate	City's proportionate share of net OPEB liability
1% decrease		\$ 306,578		\$ 187,394
Current trend rate		\$ 412,230		\$ 269,318
1% increase		\$ 540,347		\$ 369,257

*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 2020 were levied in October 2019 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, 2019
2. Discount of 2%	Before November 1, 2019
3. Face value amount payment dates	November 2 – December 31, 2019
4. 6% penalty delinquent dates	January 1, 2020

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.

**CITY OF CARLISLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**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 2020, the City did not pay any 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**

Excavator Loan

On August 8, 2020, the City entered into a capital lease agreement to purchase an excavator. The capital lease calls for 60 monthly payments of \$837.40 beginning on September 1, 2020. The lease bears interest at 2.75%.

Skid Steer Loan

On September 15, 2020, the City entered into a capital lease agreement to purchase a skid steer. The capital lease calls for 60 monthly payments of \$1,034 beginning on October 15, 2020. The lease bears interest at 2.82%

**11. 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.

**12. RESTATEMENT OF NET POSITION**

Utility Fund

The beginning net position of the Utility fund has been restated to correct prior year accounts receivable, accounts payable and construction in progress primarily related to an insurance claim that was realized prior to June 30, 2019. The effect of this restatement on net position is as follows:

Utility Fund

Net position, beginning of year	\$ 1,678,613
Construction in progress correction	53,131
Accounts payable correction	(5,407)
Accounts receivable correction	<u>258,045</u>
Net position, beginning of year, as restated	<u>\$ 1,984,382</u>

## Supplementary Information

**CITY OF CARLISLE, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**MAJOR GOVERNMENTAL FUNDS**  
**for the year ended June 30, 2020**

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	<b>GENERAL FUND</b>			
	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>				
Property taxes	\$ 206,532	\$ 206,532	\$ 205,225	\$ (1,307)
Licenses and permits	651,007	651,007	617,063	(33,944)
Intergovernmental	668,306	668,306	178,214	(490,092)
Fines and forfeitures	12,538	12,538	11,803	(735)
Other revenues	119,270	119,270	92,511	(26,759)
<b>Total Revenues</b>	<u>1,657,653</u>	<u>1,657,653</u>	<u>1,104,816</u>	<u>(552,837)</u>
<b>EXPENDITURES</b>				
General government	693,720	693,720	206,803	(486,917)
Public safety-police	695,537	695,537	658,922	(36,615)
Public safety-fire	52,066	52,066	53,008	942
Planning and zoning	2,400	2,400	3,351	951
Streets	192,005	192,005	172,460	(19,545)
Capital outlay	133,000	133,000	122,890	(10,110)
Debt service	30,419	30,419	90,418	59,999
<b>Total Expenditures</b>	<u>1,799,147</u>	<u>1,799,147</u>	<u>1,307,852</u>	<u>(491,295)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>\$ (141,494)</u>	<u>\$ (141,494)</u>	<u>\$ (203,036)</u>	<u>\$ (61,542)</u>

	<b>MUNICIPAL ROAD AID</b>			
	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>				
Intergovernmental	\$ 264,000	\$ 264,000	\$ 298,311	\$ 34,311
Other revenues	-	-	117	117
<b>Total Revenues</b>	<u>264,000</u>	<u>264,000</u>	<u>298,428</u>	<u>34,428</u>
<b>EXPENDITURES</b>				
Capital outlay	264,000	264,000	220,411	(43,589)
Debt service	-	-	251,057	251,057
<b>Total Expenditures</b>	<u>264,000</u>	<u>264,000</u>	<u>471,468</u>	<u>207,468</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (173,040)</u>	<u>\$ (173,040)</u>

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

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<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2014 (2013)</b>	<b>2015 (2014)</b>	<b>2016 (2015)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>
City's proportion of the net pension liability	0.033%	0.033%	0.037%	0.034%	0.026%	0.025%	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	\$ 1,724,152
City's covered employee payroll	\$ 781,779	\$ 802,779	\$ 933,174	\$ 846,465	\$ 690,370	\$ 687,755	\$ 652,450
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%	264.26%
Plan fiduciary net position as a percentage of the total pension liability	61.22%	66.80%	59.97%	55.50%	53.32%	53.54%	50.45%

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 Seven Years**

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<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2014 (2013)</b>	<b>2015 (2014)</b>	<b>2016 (2015)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>
City's proportion of the net pension liability	0.000%	0.000%	0.000%	0.031%	0.048%	0.045%	0.036%
City's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ 524,770	\$ 1,064,721	\$ 1,085,476	\$ 1,005,697
City's covered employee payroll	\$ -	\$ -	\$ -	\$ 158,034	\$ 255,177	\$ 225,497	\$ 219,702
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%	457.76%
Plan fiduciary net position as a percentage of the total pension liability	57.74%	63.46%	57.52%	53.95%	49.78%	49.26%	46.63%

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 Eight Fiscal Years**

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	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Contractually required employer contribution	\$ 110,282	\$ 104,476	\$ 118,980	\$ 95,410	\$ 89,055	\$ 99,587	\$ 105,827	\$ 119,206
Contributions relative to contractually required employer contribution	<u>110,282</u>	<u>104,476</u>	<u>118,980</u>	<u>95,410</u>	<u>89,055</u>	<u>99,587</u>	<u>105,827</u>	<u>119,206</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 781,779	\$ 802,779	\$ 933,174	\$ 846,465	\$ 690,370	\$ 687,755	\$ 652,450	\$ 617,646
Employer contributions as a percentage of covered-employee payroll	14.11%	13.01%	12.75%	11.27%	12.90%	14.48%	16.22%	19.30%

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

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

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	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Contractually required employer contribution	\$ -	\$ -	\$ -	\$ 32,329	\$ 56,715	\$ 50,060	\$ 54,640	\$ 67,972
Contributions relative to contractually required employer contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,329</u>	<u>56,715</u>	<u>50,060</u>	<u>54,640</u>	<u>67,972</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ -	\$ -	\$ -	\$ 158,034	\$ 255,177	\$ 225,497	\$ 219,702	\$ 226,122
Employer contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	20.46%	22.23%	22.20%	24.87%	30.06%

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 Four Years**

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<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>
City's proportion of the net OPEB liability	0.034%	0.026%	0.025%	0.025%
City's proportionate share of the net OPEB liability (asset)	\$ 413,435	\$ 527,093	\$ 444,707	\$ 412,230
City's covered employee payroll	\$ 846,465	\$ 690,370	\$ 687,755	\$ 652,450
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	48.84%	76.35%	64.66%	63.18%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%

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 Four Years**

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<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>
City's proportion of the net OPEB liability	0.031%	0.048%	0.045%	0.036%
City's proportionate share of the net OPEB liability (asset)	\$ 235,079	\$ 393,413	\$ 320,019	\$ 269,318
City's covered employee payroll	\$ 158,034	\$ 255,177	\$ 225,497	\$ 219,702
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	148.75%	154.17%	141.92%	122.58%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	58.99%	64.24%	64.44%

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

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

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	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Contractually required employer contribution	\$ 54,177	\$ 39,160	\$ 45,912	\$ 35,644	\$ 30,196	\$ 32,324	\$ 34,319	\$ 29,400
Contributions relative to contractually required employer contribution	<u>54,177</u>	<u>39,160</u>	<u>45,912</u>	<u>35,644</u>	<u>30,196</u>	<u>32,324</u>	<u>34,319</u>	<u>29,400</u>
Contribution deficiency (excess)	<u>\$ -</u>							
City's covered employee payroll	\$ 781,779	\$ 802,779	\$ 933,174	\$ 846,465	\$ 690,370	\$ 687,755	\$ 652,450	\$ 617,646
Employer contributions as a percentage of covered-employee payroll	6.93%	4.88%	4.92%	4.21%	4.37%	4.70%	5.26%	4.76%

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

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

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	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Contractually required employer contribution	\$ -	\$ -	\$ -	\$ 20,250	\$ 24,426	\$ 21,084	\$ 23,003	\$ 21,527
Contributions relative to contractually required employer contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,250</u>	<u>24,426</u>	<u>21,084</u>	<u>23,003</u>	<u>21,527</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ -	\$ -	\$ -	\$ 158,034	\$ 255,177	\$ 225,497	\$ 219,702	\$ 226,122
Employer contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	12.81%	9.57%	9.35%	10.47%	9.52%

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**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2020**

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**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, 2019 – Pension and OPEB – Hazardous and Nonhazardous**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both the pension and OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.30% to 10.30% on average.

**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.

**CITY OF CARLISLE, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2020**

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**2. CHANGES OF ASSUMPTIONS (CONTINUED)**

**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.

**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, 2020**

	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Utility Fund</u>
<b>OPERATING REVENUES</b>					
Charges for services	\$ 682,479	\$ 560,723	\$ 299,091	\$ 284,606	\$ 1,826,899
Penalties	11,286	14,904	7,560	-	33,750
Other revenue	268	7,428	874	-	8,570
Total operating revenues	<u>694,033</u>	<u>583,055</u>	<u>307,525</u>	<u>284,606</u>	<u>1,869,219</u>
<b>OPERATING EXPENSES</b>					
Salaries and wages	80,050	158,987	109,776	76,857	425,670
Payroll taxes	6,278	12,703	8,712	5,860	33,553
Employee insurance	8,643	18,803	13,779	7,872	49,097
Retirement	21,958	51,563	36,193	24,026	133,740
Sick leave benefit	(262)	(238)	21	20	(459)
Advertising	-	90	-	79	169
Professional services	11,282	22,974	27,752	9,141	71,149
Maintenance and repairs	5,118	28,728	26,091	5,186	65,123
Travel and lodging	63	778	63	63	967
Utilities	1,626	64,661	34,700	-	100,987
Telephone	1,000	903	1,001	1,000	3,904
Permit fees	-	-	264	36,409	36,673
Insurance	4,150	14,114	7,677	5,761	31,702
Fuel and lube	2,244	12,075	3,159	8,852	26,330
Gas purchased	200,657	-	-	-	200,657
Chemicals	-	102,278	4,875	-	107,153
Materials and supplies	11,361	26,017	37,749	23,510	98,637
Dues and subscriptions	3,149	5,868	3,149	3,378	15,544
Other	9,616	-	695	1	10,312
Depreciation	23,937	172,977	105,597	21,386	323,897
Total operating expenses	<u>390,870</u>	<u>693,281</u>	<u>421,253</u>	<u>229,401</u>	<u>1,734,805</u>
<b>Operating income (loss)</b>	<u>\$ 303,163</u>	<u>\$ (110,226)</u>	<u>\$ (113,728)</u>	<u>\$ 55,205</u>	<u>\$ 134,414</u>



**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 and each major fund of the City of Carlisle, Kentucky, as of and for the year ended June 30, 2020, which collectively comprise the City of Carlisle, Kentucky's basic financial statements and have issued our report thereon dated June 9, 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 certain 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 as items 2020-001, 2020-002 and 2020-003 in the accompanying schedule of findings and responses to be material weaknesses.

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 deficiencies described as items 2020-004 and 2020-005 in the accompanying schedule of findings and responses to be significant deficiencies.

## **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 2020-003 and 2020-004.

We noted certain other matters that we reported to management of the City of Carlisle, Kentucky in a separate letter dated June 9, 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  
June 9, 2021

**CITY OF CARLISLE, KENTUCKY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2020**

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**2020-001 - 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, including the related notes to the financial statements as well as provide organizational oversight to ensure adequate documentation was maintained.

Cause: The City failed to provide proper oversight over period-end financial reporting, which resulted in the misstated accounting records prior to the performance of the audit.

Effect: The City relied on auditor prepared adjustments to ensure the financial records were properly stated in accordance with generally accepted accounting principles. The City reviewed, approved and accepted responsibility for the accounting adjustments as the auditor cannot be a component of the City's internal controls.

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.

**2020-002 - 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 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.

**CITY OF CARLISLE, KENTUCKY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2020**

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**2020-003 - 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 did not include certain loan proceeds received and road expenditures incurred during the year.

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 in the Municipal Road Aid Fund were not in accordance with KRS 91A.030.

Recommendation: We recommend that the City implement a more thorough process for budget preparation that includes appropriate oversight.

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.

**2020-004 – Compensation of elected City officers and employees should be in accordance with the provisions of Section 3 of the Kentucky Constitution. (Repeat)**

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

Condition: The Mayor and City Council members received pay adjustments related to services rendered during fiscal year 2020 that exceeded allowable increases stipulated by the Department of Local Government. City Officers did not have adequate knowledge related to KRS and the Kentucky Constitution.

Cause: The City was unaware of certain rules included in KRS 83A.070 and Section 3 of the Kentucky Constitution.

Effect: Pay adjustments during fiscal year 2020 for the Mayor and City Council members were in violation of the Kentucky Constitution.

Recommendation: An elected officer's compensation shall not be changed after his/her election or during their time in office with the exception being annual increases at a rate no greater than that stipulated by the Department for Local Government. The City may also 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 for services rendered.

Management's Response: During the current year, a lump sum amount was added to compensation to cover past year allowable annual increases that were missed. No further adjustments will be made unless approved by an annual cost of living increase.

**CITY OF CARLISLE, KENTUCKY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2020**

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**2020-005 - The City should have internal controls in place to ensure customers are billed at the rates approved by the City Council.**

Criteria: The City adjusts utility billing rates each year in accordance with changes in the cost of living. The City must update the billing software to reflect such changes to ensure utility customers are billed correctly.

Condition: The City did not correctly update the new water and sewer billing rates in the City's billing software in June 2020.

Cause: The City did not have adequate safeguards in place to ensure that updated utility rates are entered into the utility billing software accurately to reflect approved rate changes.

Effect: Utility customers were over billed for water and sewer services for the month of June 2020. While some customers received adjustments to correct this error, the majority received no adjustment.

Recommendation: We recommend the City put in place safeguards to ensure changes to utility billing rates are entered into the billing software correctly and that all utility customers are billed accurately.

Management's Response: All billing will be checked before being sent out by the Mayor, City Clerk and Assistant City Clerk for accuracy.

**CITY OF CARLISLE, KENTUCKY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
June 30, 2020

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**PRIOR AUDIT FINDINGS**

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

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

**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. (Resolved)**

**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%. (Resolved)**

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

**2019-006 - The City should expend monies in accordance with KRS 91A.030. (Repeat)**

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

**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. (Resolved)**

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