PROCTOR W. BLAIR
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Mayor Lee Scott and
City Council Members
City of Carlisle, Kentucky

I have examined the general purpose financial statements of the City of Carlisle, Kentucky, and the combining financial statements of the City as of and for the year ended June 30, 1987, as listed in the table of contents. My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

In my opinion, the general purpose financial statements referred to above present fairly the financial position of the City of Carlisle, Kentucky, at June 30, 1987, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in my opinion, the combining financial statements referred to above present fairly the financial position of each of the individual funds of the City of Carlisle, Kentucky, at June 30, 1987, and the results of operations of such funds for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Proctor W. Blair
Proctor W. Blair
Carlisle, Kentucky
October 7, 1987

CITY OF CARLISLE
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP
June 30, 1987

	Governmental Fund Types		Proprietary Fund Type	Account Group	Total (Memorandum Only)
	General	Special Revenue	Enterprise	General Fixed Assets	June 30, 1987
LIABILITIES AND FUND EQUITY					
Liabilities					
Vouchers payable	$ 9,144	$ --	$ 42,685	$ --	$ 51,829
Notes payable	--	--	14,555	--	14,555
Accrued liabilities	2,899	--	7,718	--	11,617
Payable from restricted assets					
Accrued interest	--	--	12,191	--	12,191
Bonds payable	--	--	23,000	--	23,000
Deposits	--	--	10,039	--	10,039
Notes payable	--	--	83,391	--	83,391
Revenue bonds payable	--	--	483,000	--	483,000
Total liabilities	$ 12,043	$ --	$ 676,579	$ --	$ 689,622
Fund Equity					
Utility reserve	$ --	$ --	$ 50,000	$ --	$ 50,000
Depreciation reserve	--	--	40,000	--	40,000
Gas restoration reserve	--	--	80,426	--	80,426
Bond and interest redemption reserve	--	--	50,891	--	50,891
Capital contributions	--	--	343,105	--	343,105
Fund balance	190,993	66,896	--	--	257,889
Retained earnings	--	--	1,097,852	--	1,097,852
Investment in fixed assets					
Total fund equity	190,993	66,896	$1,662,274	$290,522	$2,210,685
Total liabilities and fund equity	$206,036	$ 66,896	$2,338,873	$290,522	$ 2,900,327

The Notes to Financial Statements are an integral part of this statement.

CITY OF CARLISLE
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP
June 30, 1987

	Governmental Fund Types		Proprietary Fund Type	Account Group	Total (Memorandum Only)
	General	Special Revenue	Enterprise	General Fixed Assets	June 30, 1987
ASSETS					
Cash	$ 202,244	$ 66,896	$ 488,279	$ --	$ 757,419
Receivables, net of allowance for uncollectibles					
Accounts	--	--	2,600	--	2,600
Property taxes	1,792	--	--	--	1,792
Restricted assets					
Cash	--	--	221,317	--	221,317
Accrued interest	--	--	1,824	--	1,824
Property, plant and equipment-water					
at cost	--	--	868,987	--	868,987
Accumulated depreciation	--	--	(297,341)	--	(297,341)
Property, plant and equipment-sewer					
at cost	--	--	927,709	--	927,709
Accumulated depreciation	--	--	(478,415)	--	(478,415)
Property, plant and equipment-gas					
at cost	--	--	656,645	--	656,645
Accumulated depreciation	--	--	(52,532)	--	(52,532)
Property, plant and equipment	--	--	--	$ 290,522	290,522
Total assets	$ 204,036	$ 66,896	$2,338,873	$ 290,522	$ 2,900,327

CITY OF CARLISLE
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
For the Fiscal Year Ended June 30, 1987

	Governmental Fund Type		Total (Memorandum Only) Year Ended
	General	Special Revenue	June 30, 1987
Revenues			
Taxes	$ 86,251	$ 2,008	$ 88,259
Licenses and permits	179,054	--	179,054
Intergovernmental revenues	20,137	30,801	50,938
Fines and cost	8,306	--	8,306
Miscellaneous revenues	12,507	--	12,507
Interest income	8,004	3,133	11,137
Services	47,352	--	47,352
Transfers, net	34,104	--	34,104
Total revenues	$ 395,915	$ 35,942	$431,857
Expenditures			
General government	$ 108,796	$ 3,155	$111,951
Public safety	139,684	3,427	143,111
Public works, streets	67,815	37,468	105,323
Subsidies and other	7,358	22,481	29,839
Transfers, net	--	2,000	2,000
Total expenditures	$ 323,693	$ 68,731	$393,224
Excess of revenues over (under) expenditures	$ 72,422	$(32,789)	$ 39,633
Fund balance, July 1, 1986	118,571	99,685	218,256
Fund balance, June 30, 1987	$ 190,993	$ 66,896	$257,889

The Notes to Financial Statements are an integral part of this statement.

CITY OF CARLISLE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL AND SPECIAL REVENUE FUND TYPES
For the Fiscal Year Ended June 30, 1987

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	$ 80,000	$ 86,251	$ 6,251	$ --	$ 2,008	$ 2,008
Licenses and permits	151,500	179,054	27,554	--	--	--
Intergovernmental revenues	--	20,137	20,137	65,091	30,801	(34,290)
Fines and costs	7,600	8,306	706	--	--	--
Miscellaneous revenues	26,900	12,507	(14,393)	--	--	--
Interest income	5,000	8,004	3,004	3,133	3,133	--
Services	46,000	47,352	1,352	--	--	--
Transfers, net	--	34,104	34,104	--	--	--
Total revenues	$317,000	$395,913	$ 78,915	$ 68,224	$ 35,942	$ (32,282)
Expenditures						
General government	$122,950	$108,796	$ 14,154	$ --	$ 3,155	$ (3,155)
Public safety	173,951	139,684	34,467	4,800	3,427	1,373
Public works, streets	109,250	67,815	41,395	75,182	37,468	37,914
Subsidies and other	3,100	7,358	(4,258)	18,700	22,481	(3,781)
Transfers, net	--	--	--	--	2,000	(2,000)
Total expenditures	$409,251	$323,693	$ 85,758	$ 98,682	$ 68,731	$ 30,151
Excess of revenues over (under) expenditures	$(92,251)	$ 72,422	$ 164,673	$ (30,458)	$ (32,789)	$ (2,331)
Fund balance, July 1, 1986	118,571	118,571	--	99,685	99,685	--
Fund balance, June 30, 1987	$ 26,320	$190,993	$ 164,673	$ 69,227	$ 66,896	$ (2,331)

The Notes to Financial Statements are an integral part of this statement.

CITY OF CARLISLE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - ENTERPRISE FUND
For the Fiscal Year Ended June 30, 1987

Operating revenue		
Gas	$ 1,093,269	
Water	200,499	
Sewer	74,003	
Other	40,931	
Total operating revenue		$ 1,408,702
Operating expenses		
Salaries and fringe benefits	$ 218,517	
Payroll taxes	15,017	
Gas purchased	765,256	
Maintenance and repair	59,136	
Advertising	273	
Professional and technical fees	19,362	
Insurance	23,737	
Materials and supplies	30,979	
Telephone and utilities	44,363	
Depreciation	8,106*	
Chemicals	27,321	
Contractual supplies	68,773	
Fuel and lube	3,398	
Uniforms	2,582	
Travel and lodging	1,299	
Depreciation	52,741	
Other operating expenses	1,665	
Total operating expenses		1,338,726
Operating income		$ 69,976
Nonoperating revenues (expenses)		
Interest revenue	$ 40,122	
Interest expense	(17,439)	
Transfers, net	(52,105)	
Total nonoperating expenses		(29,421)*
Net income		40,555
Retained earnings, July 1, 1986		1,621,319
Retained earnings, June 30, 1987		$ 1,662,274

*Depreciation on utility plant allocated to contributed capital

The Notes to Financial Statements are an integral part of this statement.

CITY OF CARLISLE
STATEMENT OF CHANGES IN FINANCIAL POSITION - ENTERPRISE FUND
For the Fiscal Year Ended June 30, 1987

SOURCES OF WORKING CAPITAL		
Operations		
Net income		$ 40,555
Items not requiring working capital		
Depreciation		52,741
Total sources of working capital		$ 93,296
USES OF WORKING CAPITAL		
Addition to water system	$48,376	
Long-term debt transferred to current liabilities	37,555	
Total uses of working capital		85,931
Net increases in working capital		$ 7,365
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL		
Cash		$ 49,936
Receivables (net of allowance for uncollectibles)		(9,321)
Restricted assets		(30,951)
Vouchers payable		13,058
Notes payable		(759)
Accrued liabilities		(7,716)
Delinquent coupons payable		1,068
Payable from restricted assets		$ (11,960)
Net increases in working capital		$ 7,365

The Notes to Financial Statements are an integral part of this statement.

CITY OF CARLISLE
STATEMENT OF CHANGES IN RESERVES AND RETAINED EARNINGS - ENTERPRISE FUND
For the Fiscal Year Ended June 30, 1987

	Utility Reserve	Depreciation Reserve	Gas Restoration Reserve
Balance, June 30, 1986	$ 50,000	$ 53,343	$ 103,199
Net income for year	--	--	--
Transfers, net	(2,850)	(15,623)	(8,712)
Interest earned	2,850	2,280	5,515
Bond or note principal paid	--	--	(13,847)
Bond or note interest expense	--	--	(5,729)
Depreciation on utility plant allocated to contributed capital	--	--	--
Balance, June 30, 1987	$ 50,000	$ 40,000	$ 80,426

The Notes to Financial Statements are an integral part of this statement.

	Bond and Interest Redemption Reserve	Capital Contribution	Retained Earnings	Total
	$ 47,550	$ 395,846	$ 971,781	$ 1,621,719
	--	--	40,555	40,555
	51,167	--	(23,982)	--
	--	--	(10,645)	--
	(23,000)	--	36,847	--
	(24,826)	--	30,555	--
	--	(52,741)	52,741	--
	$ 50,891	$ 343,105	$1,097,852	$ 1,662,274

CITY OF CARLISLE
COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
June 30, 1987

	Municipal Aid Fund	Local Government Economic Assistance Fund	Library and Archives Grant Fund
ASSETS			
Cash	$ 63,668	$ 2,008	$ 1,290
Total assets	$ 63,668	$ 2,008	$ 1,290
LIABILITIES AND FUND BALANCES			
Liabilities	$ --	$ --	$ --
Fund balances	63,668	2,008	1,290
Total liabilities and fund balances	$ 63,668	$ 2,008	$ 1,290

The Notes to Financial Statements are an integral part of this statement.

	Revenue Sharing Fund	Total June 30, 1987
	$19,930	$ 66,896
	$19,930	$ 66,896
	$ --	$ --
	19,930	$ 66,896
	$19,930	$ 66,896

CITY OF CARLISLE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 1987

	Municipal Aid Fund	Local Government Economic Assistance Fund	Library and Archives Grant Fund
Revenues			
Taxes	$ --	$ 2,008	$ --
Intergovernmental revenues	19,136	--	4,445
Interest income	2,091	--	--
Total revenues	$ 21,227	$ 2,008	$ 4,445
Expenditures			
General government	$ --	$ --	$ 3,155
Public safety	37,468	--	--
Public works, streets	--	--	--
Subsidies and other	--	--	--
Transfers to general fund			
Total expenditures	$ 37,468	$ --	$ 3,155
Excess of revenues over (under) expenditures	$ (16,241)	$ 2,008	$ 1,290
Fund balance, July 1, 1986	59,909	--	--
Fund balance, June 30, 1987	$ 43,668	$ 2,008	$ 1,290

The Notes to Financial Statements are an integral part of this statement.

	Revenue Sharing Fund	Total June 30, 1987
	$ --	$ 2,008
	7,220	30,801
	1,042	3,133
	$ 8,262	$ 35,942
	$ --	$ 3,155
	3,427	3,427
	--	37,468
	22,481	22,481
	2,000	2,000
	$ 28,100	$ 68,731
	$ (19,838)	$ (32,789)
	39,776	99,685
	$ 19,930	$ 66,896

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

Funds of Accounting

The following funds are established and classified in accordance with guidelines issued by the Governmental Accounting Standards Board:

1. General Fund - a governmental fund type maintained to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds - a government fund type which is used to account for revenues received from Revenue Sharing, Municipal Aid Program, etc., that are legally restricted to specific expenditures.

3. Enterprise Fund - a proprietary fund type established and maintained to account for operations of the Water, Sewer and Gas Fund which is operated in a manner similar to a private business enterprise whereas it is intended that the cost of providing services to the citizens of the community on a continuing basis be financed by user charges.

4. General Fixed Assets - the fixed assets used in governmental type operations are accounted for in the General Fixed Assets Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements are capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets. All assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

All funds of the City, with the exception of the Enterprise Fund, are maintained using the modified accrual basis of accounting which is recommended by the Governmental Accounting Standards Board. Modification of such method from the accrual basis follows:

1. Revenues are recorded as received except for revenues susceptible to accrual. Revenues considered to be susceptible to accrual include property taxes, interest and grant income. All other revenues would be substantially the same whether on the cash or accrual basis.

2. Expenditures are recorded using the accrual method (except for encumbrance techniques consistent with guidelines established by the Governmental Accounting Standards Board. Encumbrances are purchase and/or commitments obligated by the City but qualifying for payment as payables.

The accounts of the Enterprise (Water, Sewer and Gas) Fund are maintained using the accrual method of accounting consistent with generally accepted accounting principles.

Note 2. Water and Sewer Bonded Debt Requirements

A water and sewer revenue bond ordinance, dated July 1, 1969, requires that certain reserves be accumulated and minimum balances be maintained as follows:

1. Flow of Revenues - Bond Interest Redemption Fund of 1969 (Sinking Fund). Revenues shall first be used to pay into this fund each month, an amount sufficient to pay at least one-sixth of the next interest installment and at least one-twelfth of the amount of principal (if any) becoming due on the next succeeding January 1 on the bonds herein authorized, the Utility (Water, Sewer and Gas) Revenue Bonds, dated January 1, 1966, and January 1, 1967, and any parity bonds as may be outstanding until all of the bonds have been retired. In any event the deposit made into this fund shall be sufficient to pay all interest, due each January 1, and July 1, and principal due January 1.

2. Utility Project Reserve Fund - (Within Sinking Fund). There will be set aside monthly sums sufficient to accumulate within five years from the date of issuance of these bonds a reserve equal to the maximum annual principal and interest requirements on this issue of bonds, and on the Utility (Water, Sewer and Gas) Revenue Bonds dated January 1, 1966, and January 1, 1967. If additional parity bonds are issued in the future, provisions shall be made for adjustment of the reserve to be deposited into this account so that within five years from the date of issuance, a reserve of one year's maximum requirements will be accumulated. The required balance at June 30, 1987 is $67,619.

The actual balance of the reserve at June 30, 1987 was $30,000 and is in compliance with bond ordinance agreements.

3. Operation and Maintenance Fund - Seventy percent of the remaining revenues shall next be used to pay into this fund the proper cost of operating, maintaining, and keeping the Utility System (Water, Sewer and Gas). Payments in excess of current operating costs need not be made into this account after accumulation of six months' normal requirements, but are then earmarked for Sinking Fund Reserve. Depreciation Reserve until all required reserves are accumulated.

4. Depreciation Reserve (Fund) - Four hundred dollars ($400.00) per Month minimum of the revenues shall next be set aside into this fund and shall be used to set reasonable reserves for renewals, replacements, new construction and contingencies in the operation of the Utility System (Water, Sewer and Gas). Payments need not be made into this account after accumulation and maintenance of $38,000 balance.

The balance of the Depreciation Fund at June 30, 1987 was $40,000.

5. Surplus Revenues - After all funds have been accumulated to the maximum requirements under paragraphs 1 through 4 above, and there is a balance in the Revenue Fund in excess of three months' current requirements, such excess may be used (1) to retire or redeem bonds in advance of maturity, (2) to make extensions and improvements to the combined systems, and (3) for any lawful purpose.

NOTES TO FINANCIAL STATEMENTS

Note 3. Gas System Restoration Project

Notes payable for improvements to the gas utility system consist of a note from the Department of Local Government bearing interest at 4% and is payable in annual installments of $19,375 through 1993. The balance is $97,946 at June 30, 1987.

PROCTOR W. BLAIR
CERTIFIED PUBLIC ACCOUNTANT
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Mayor Lee Scott and
City Council Members
City of Carlisle, Kentucky

I have examined the general purpose financial statements of the City of Carlisle, Kentucky, for the year ended June 30, 1987, and have issued my report thereon dated October 7, 1987. As part of my examination, I made a study and evaluation of the City's internal control systems, including applicable internal administrative controls, which are used in administering federal financial assistance programs for the year ended June 30, 1987, in order to determine my auditing procedures necessary to evaluate the systems as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions," issued by the U. S. General Accounting Office, the Single Audit Act of 1984, and the provisions of OMB Circular A-128, Audits of State and Local Governments.

The management of the City of Carlisle, Kentucky, is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to those systems, resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and disclosed in reports.

Because of inherent limitations in any system of internal accounting, and administrative controls used in administering federal financial assistance programs, errors, irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of the City of Carlisle, Kentucky. Accordingly, I do not express an opinion on the internal control systems used in administering the federal financial assistance programs of the City of Carlisle, Kentucky. Further, I do not express an opinion that the internal control systems used in administering the major federal financial assistance programs of the City of Carlisle, Kentucky