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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and the City Council
City of Carlisle, Kentucky

We have audited the accompanying general purpose financial statements of the City of Carlisle, Kentucky, as of and for the year ended June 30, 1993. These general purpose financial statements are the responsibility of the City of Carlisle, Kentucky's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the City of Carlisle, Kentucky as of June 30, 1993, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

Our audit of the 1993 financial statements was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying information listed as supplemental schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the City of Carlisle, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Morris, Ingram & Brunker
Cynthiana, Kentucky
October 18, 1993

In compliance with KRS 91A.040(7), following is the combined balance sheet, combined statement of revenues, expenditures and changes in fund balance for governmental fund types, combined statement of revenues, expenses and changes in retained earnings for proprietary fund type, combined statement of cash flows for proprietary fund type, and the notes to the financial statement of the auditor's report of the general purpose financial statements of the City of Carlisle, Kentucky for the year ending June 30, 1993. A copy of the complete auditor's report for the City of Carlisle, Kentucky as of and for the year ending June 30, 1993 is available for public inspection at the office of the City Clerk during normal working hours.

Any citizen may obtain from the City a copy of the complete auditor's reports, including financial statements and supplemental information, for his personal use. Citizens requesting a personal copy of the city audit report will be charged for duplication at a rate of not to exceed twenty-five cents ($0.25) per page.

(Copy of pages 1 thru 25 of audit report to follow.)

CITY OF CARLISLE, KENTUCKY
COMBINED BALANCE SHEET -
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1993

	GOVERNMENTAL FUND TYPE GENERAL	PROPRIETARY FUND TYPE UTILITY	ACCOUNT GROUPS GENERAL FIXED ASSETS	ACCOUNT GROUPS GENERAL LONG-TERM DEBT	TOTALS (MEMORANDUM ONLY) JUNE 30, 1993	TOTALS (MEMORANDUM ONLY) JUNE 30, 1992
ASSETS AND OTHER DEBITS						
Assets:						
Cash and Investments	$ 32,416.67	$ 292,142.38	$	$	$ 324,559.05	$ 624,148.02
Receivables:						
Taxes	6,232.63				6,232.63	8,478.20
Customers		101,244.19			101,244.19	101,820.22
Inventory of Supplies, at Cost		35,769.38			35,769.38	29,685.03
Restricted Assets:						
Cash and Investments	29,042.38	187,652.20			216,694.58	219,948.02
Bond Service Reserve		199,262.49			199,262.49	199,262.49
Property, Plant and Equipment:						
Water System		3,057,233.15			3,057,233.15	2,973,427.59
Sewer System		3,060,293.56			3,060,293.56	2,964,450.14
Gas System		681,641.84			681,641.84	678,054.98
General Fixed Assets			536,835.66		536,835.66	491,134.01
Less: Accumulated Depreciation		(1,452,077.12)			(1,452,077.12)	(1,291,300.48)
Other Debits:						
Amount to be Provided for Retirement of General Long-Term Debt				17,115.80	17,115.80	25,564.73
TOTAL ASSETS AND OTHER DEBITS	$ 67,691.68	$6,163,162.07	$ 536,835.66	$ 17,115.80	$6,784,805.21	$7,025,372.87

	GOVERNMENTAL FUND TYPE GENERAL	PROPRIETARY FUND TYPE UTILITY	ACCOUNT GROUPS GENERAL FIXED ASSETS	ACCOUNT GROUPS GENERAL LONG-TERM DEBT	TOTALS (MEMORANDUM ONLY) JUNE 30, 1993	TOTALS (MEMORANDUM ONLY) JUNE 30, 1992
LIABILITIES, EQUITY AND OTHER CREDITS						
Liabilities:						
Accounts Payable	$ 7,447.47	$ 51,983.19	$	$	$ 59,430.66	$ 36,615.69
Accrued Liabilities		5,727.69			5,727.69	6,540.91
Payable from Restricted Assets:						
Deposits		17,365.00			17,365.00	17,480.00
Accrued Interest		20,719.23			20,719.23	21,471.04
Current Maturities of Revenue Bonds		96,148.02			96,148.02	90,334.36
Bonds Payable		2,019,835.29			2,019,835.29	2,115,983.33
Capital Leases Payable				17,115.80	17,115.80	25,564.73
Total Liabilities	$ 7,447.47	$2,211,778.42	$	$ 17,115.80	$2,236,341.69	$2,313,990.04
Equity and Other Credits:						
Contributed Capital	$	$ 616,879.00	$	$	$ 616,879.00	$ 616,879.00
Investment in General Fixed Assets			536,835.66		536,835.66	491,134.01
Retained Earnings -						
Utility Reserve		50,000.00			50,000.00	50,000.00
Depreciation Reserve		40,000.00			40,000.00	40,000.00
Gas Restoration Reserve		61,911.14			61,911.14	59,020.40
Bond and Interest Redemption Reserve		33,737.48			33,737.48	33,737.48
Unreserved		3,148,856.03			3,148,856.03	3,359,700.31
Fund Balances -						
Designated for Future Expenditures	29,042.38				29,042.38	30,163.99
Undesignated	31,201.83				31,201.83	30,747.64
Total Equity and Other Credits	$ 60,244.21	$3,951,383.65	$ 536,835.66	$	$4,548,463.52	$4,711,382.83
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	$ 67,691.68	$6,163,162.07	$ 536,835.66	$ 17,115.80	$6,784,805.21	$7,025,372.87

CITY OF CARLISLE, KENTUCKY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENT FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1993

	GOVERNMENTAL FUND TYPE GENERAL	TOTALS (MEMORANDUM ONLY) JUNE 1993	TOTALS (MEMORANDUM ONLY) JUNE 1992
REVENUES:			
Property Taxes and Penalties	$ 92,558.35	$ 92,558.35	$ 91,248.11
Licenses and Permits	192,112.68	192,112.68	209,963.27
Intergovernmental Revenues	72,908.59	72,908.59	51,278.18
Fines and Forfeitures	5,282.33	5,282.33	5,277.33
Other Revenues	16,253.56	16,253.56	17,791.32
Total Revenues	$ 379,115.51	$ 379,115.51	$ 375,558.21
EXPENDITURES:			
Current -			
General Government	$ 104,837.52	$ 104,837.52	$ 110,120.28
Public Safety	251,947.17	251,947.17	235,165.68
Streets	88,194.95	88,194.95	83,650.97
Planning and Zoning	2,956.50	2,956.50	3,005.73
Capital Outlay	45,701.65	45,701.65	37,327.28
Total Expenditures	$ 493,637.79	$ 493,637.79	$ 469,269.94
Excess (Deficiency) of Revenues Over (Under) Expenditures	$(114,522.28)	$(114,522.28)	$(93,711.73)
Other Financing Sources (Uses):			
Operating Transfers In	$ 122,303.79	$ 122,303.79	$ 98,132.47
Capital Leases and Other	(8,448.93)	(8,448.93)	(7,766.31)
Total Other Financing Sources (Uses)	$ 113,854.86	$ 113,854.86	$ 90,366.16
Excess (Deficiency) of Revenues And Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	$(667.42)	$(667.42)	$(9,399.67)
Fund Balances - July 1	30,747.64	30,747.64	39,260.00
Equity Transfers Out	1,121.61	1,121.61	887.32
Fund Balances - June 30	$ 31,201.83	$ 31,201.83	$ 30,747.64

Continued on following page

Amortization of Deferred Charges			
Gain (Loss) on Sale of Assets			
Cash Provided by Used For Operating Activities	168,776.64	168,776.64	186,282.95
Depreciation			
Changes in Assets and Liabilities -			
(Increase) Decrease in Accounts Receivable	576.83	576.83	(7,954.88)
(Increase) Decrease in Inventories	(4,468.25)	(4,084.35)	5,181.98
Net Cash Provided by (Used For) Operating Activities	$ 325,181.79	$ 325,181.79	$ 215,367.84

CITY OF CARLISLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1993

1. Summary of Significant Accounting Policies:

The City of Carlisle, Kentucky ("City") is a fourth class city as defined by Kentucky Revised Statutes. The City operates under a Mayor-Council form of government with powers provided by the Kentucky Home Rule Act and provides the following services as authorized by its Charter: General Government; Public Safety - Police and Fire; Streets; and Planning and Zoning.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic--but not the only--criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

Excluded from the reporting entity:

a. Carlisle-Nicholas County Industrial Authority
b. Nicholas County Senior Citizens
c. Nicholas County Adult Education
d. Tourism Commission
e. Nicholas County Public Library

These are independent units that select management staff, set user charges, establish budgets and control all aspects of daily activities.

B. Fund Accounting

The accounts of the City are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses or expenditures. The following funds and groups of accounts are used by the City:

Governmental Fund Type:

General Fund -

The General Fund is the general operating fund of the City. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Proprietary Fund Type:

Utility Fund -

The Utility Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing gas, water and sewer, and sanitation services to the general public on a continuing basis is financed through user charges.

General Fixed Assets Account Group:

General Fixed Assets (GFA) -

The General Fixed Assets Account Group is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed 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 of donation. No depreciation is recorded on general fixed assets.

General Long-Term Debt

The General Long-Term Debt Account group is used to account for long-term liabilities to be financed from government funds.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus.

With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, franchise taxes, licenses, interest revenue and charges for services. Fines, penalts and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

D. Budgets and Budgetary Accounting

As set forth in the City Charter, the City Council adopts an annual budget for the General Fund and Utility Fund. The annual budget for the General Fund is prepared in accordance with the basis of accounting utilized by that fund. The budget for the Utility Fund is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, nonoperating income and expense items are not considered. At year-end, the City Council adopts an amended budget approving such additional expenditures/expenses. For 1993, the original budgeted expenditures of $652,908 were increased to $653,067 for the General Fund The amended budget for the General fund is presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual. The amended budget for the Utility Fund is presented in the Statement of Revenues, Expenses and Changes in Retained Earnings - Actual Compared to Budgetary Basis - Utility Fund. All annual appropriations lapse at fiscal year-end.

E. Inventories

Inventories consist primarily of supplies valued at cost, which approximates market. Cost is determined using the lower of first-in, first out cost or market. The costs of inventory are recognized as expenditures in governmental fund types when purchased and as expenses in proprietary fund when used.

F. Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, presentation of prior year totals by fund type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

G. Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable on or before December 31. All unpaid taxes become delinquent on January 1. The City bills and collects its own property taxes. Property tax revenues are recognized upon receipt which is when they are determined to become available.

H. Property, Plant and Equipment

General Fixed Assets Account Group -

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Group of Accounts, rather than in governmental funds. The City has adopted the accounting policy of not capitalizing "infrastructure" general fixed assets (road, bridges, curbs and gutter, streets, drainage system), lighting systems and similar assets that are immovable and of value only to the City). No depreciation has been provided on such assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair value on the date donated. Repairs and maintenance are recorded as expenditures; renewals and betterments are capitalized.

Utility System -

Additions to the utility plant in service are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expense; renewals and betterments are capitalized. The sale or disposit of fixed assets is recorded by removing cost and accumulated depreciation from the accounting records and charging the resulting gain or loss to income.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Water System Plant & Distribution System	20-99 Years
Sewer System Treatment Plant	40 Years
Sewer System Collection	20-50 Years
Maintenance and Office Equipment	3-10 Years

I. Total Columns on Combined Statements - Overview

Total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate analysis. Data in these columns do not present financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

J. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Utility Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Cash and Investments

At June 30, 1993 the bank balance was $541,573.63. Of the balance, $200,000.00 was covered by Federal Depository Insurance and $341,573.63 was covered by collateral held by the pledging banks in the City's name. The City does not carry any bank balance over and above the insured and secured amounts. The City records all interest revenue earned from investment activities in the respective funds.

3. Changes in Fixed Assets:

A. General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the year ended June 30, 1993:

	BALANCE JUNE 30, 1992	ADDITIONS	DELETIONS	BALANCE JUNE 30, 1993
Total General Fixed Assets	$491,134.01	$ 45,701.65	$ -0-	$536,835.66

B. Proprietary Fund Fixed Assets

The following is a summary of changes in the fixed assets of the utility fund for the year ended June 30, 1993:

	BALANCE JUNE 30, 1992	ADDITIONS	DELETIONS	BALANCE JUNE 30, 1993
Water System	$2,973,427.59	$ 87,805.56	$ -0-	$3,057,233.15
Sewer System	2,964,450.14	95,843.42	-0-	3,060,293.56
Gas System	678,054.98	2,886.86	-0-	680,941.84
	$6,616,932.63	$182,535.92	$ -0-	$6,799,168.55
Accumulated Depreciation	(1,291,300.48)	(160,776.64)	-0-	(1,452,077.12)
Total	$5,325,332.15	$ 21,759.28	$ -0-	$5,347,091.43

4. Changes in Long-Term Debt:

The following is a summary of revenue bonds and Kentucky Infrastructure Authority loans transactions of the City for the fiscal year ended June 30, 1993:

	REVENUE BONDS	KENTUCKY INFRASTRUCTURE AUTHORITY LOANS	TOTALS
Payable at June 30, 1992	$ 370,000.00	$1,936,317.65	$2,306,317.65
Less: Bond and Principal Payments	(29,000.00)	(61,334.35)	(90,334.35)
Payable at June 30, 1993	$ 341,000.00	$1,774,983.30	$2,115,983.30

Bonds Payable at June 30, 1993 are composed for the following individual issues:

REVENUE BONDS -

Series 1964 Sewer Revenue Bonds Due in annual installments of $30,000.00 to $32,000.00 through January 1, 1995, Interest Rate is 4.1%	$ 62,000.00
Series 1967 Water Revenue Bonds Due in annual installments of $15,000.00 to $40,000.00 through January 1, 2004, Interest Rate is 5.25%	279,000.00
Net Revenue Bonds Payable at June 30, 1993	$ 341,000.00

KENTUCKY INFRASTRUCTURE AUTHORITY LOANS -

Water Loan Due in Semi-Annual Installments (Including Interest) Of $45,683.43 through June 1, 2004, Interest Rate is 5.7%	$ 804,547.80
Sewer Loan Due in Semi-Annual Installments (Including Interest) Of $55,102.79 through	

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