

CITY OF CARLISLE WATER AND SEWER DEPARTMENT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

For the Years Ended December 31, 2019 and 2018

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

Mayor and City Council
City of Carlisle
Carlisle, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Carlisle Water and Sewer Department as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Carlisle Water and Sewer Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits 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 of material misstatements.

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

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

As described in Note 1, the financial statements present only the City of Carlisle Water and Sewer Department and are not intended to present fairly the financial position of the City of Carlisle and the results of its operations in conformity with generally accepted accounting principles.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the City of Carlisle Water and Sewer Department as of December 31, 2019 and 2018, and the results of its operations for the years then ended in conformity with the basis of accounting described in Note 1.

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 on pages 4-8 and 29-30 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 inquires 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 provided any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Carlisle Water and Sewer Department's basic financial statements. The schedule of sewer rates and users on page 31 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting 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 financial statements as a whole.

Mayor and City Council
City of Carlisle
Page Three

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2024, on our consideration of the City of Carlisle Water and Sewer Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 Carlisle Water and Sewer Department's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Cobb and Suskie, Ltd.".

Certified Public Accountants
October 17, 2024

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

This section presents management's analysis of the financial condition and activities of the City of Carlisle Water and Sewer Department (the Utility) for the year ended December 31, 2019.

Financial Highlights

Management believes the City of Carlisle Water and Sewer Department's financial condition is stable. The Utility is responsible for complying with debt covenants and financial policies and guidelines set by the City Council. The following are key financial highlights:

- Total assets at year-end were \$4,310,685 and exceeded liabilities in the amount of \$1,857,710, an increase of 12.6% from 2018. Total assets at year-end were \$3,829,850 and exceeded liabilities in the amount of \$1,786,042, an increase of 13.2% from 2017.
- Operating revenue was \$817,072 in 2019, which was an increase of 11.0% or \$81,003 from 2018. Operating revenue was \$736,069 in 2018, which was an increase of 5.0% or \$35,109 from 2017.
- In 2019, Operating expenses other than depreciation increased \$144,203 or 35.47% from 2018. In 2018, Operating expenses other than depreciation decreased \$263,709 or 39.35% from 2017.

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the City of Carlisle Water and Sewer Department's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Utility's strategic plan, budget, bond resolutions and other management tools were used for this analysis.

The financial statements include a statement of net assets; a statement of activities; a statement of cash flows; and notes to the financial statements. The statement of net assets presents the financial position of the Utility on an accrual historical cost basis. While the statement of net assets provides information about the nature and amount of resources and obligations at year-end, the statement of activities presents the results of the business activities over the course of the fiscal year, as well as information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. The statement of cash flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Overview of Annual Financial Report (Continued)

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Utility's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any. Supplementary information comparing the budget to actual expenses is also provided.

The Utility adopted Government Accounting Standard Board (GASB) 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27* during fiscal year ended December 31, 2015. GASB Statement 68 established accounting and financial reporting standards for employers, including reporting of the net pension asset or liability on the statement of net position, and deferred inflows and outflows associated with investment, economic and demographic gains and losses associated with pension plans. GASB Statement 68 also provides guidance related to the calculation of pension expense.

Summary of Organization and Business

The Utility provides retail water and wastewater collection and treatment service to approximately 945 customers within the corporate limits of Carlisle, Arkansas.

The facilities of the Utility include water and sewage treatment facilities acquired or contracted at a cost of \$7.4 million.

The Utility operates under the direction of the City Council of the City of Carlisle, Arkansas.

The operating and capital expenditures are incurred to repair, replace, or extend existing service facilities to meet customer service requirements, as well as to meet EPA requirements. The operation expenses are funded by customer revenue. The acquisition and construction of capital assets are funded by sewer revenue bonds.

Financial Analysis

The comparative financial statements on pages 9 through 12 and other selected information listed below serve as the key financial data and indicators for management, monitoring, and planning. Comments regarding budget-to-actual variances and year-to-year variances are included in each section by the name of the statement or account.

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Other Selected Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2018-2019 % Change</u>
Selected data for analysis:				
Customers at year end	945	968	963	-2.4%
Revenue:				
Utility Revenue	\$ 817,072	\$ 736,069	\$ 700,960	11.00%
Total Revenue	\$ 817,223	\$ 743,900	\$ 701,401	9.86%
Utilities Expenses:				
Expenses excluding depreciation and amortization	\$ 550,724	\$ 406,521	\$ 670,230	35.47%
Total Expenses	\$ 693,243	\$ 546,990	\$ 813,330	26.74%
Ratio of operating revenue to:				
Operating expenses, excluding depreciation	1.48	1.81	1.05	-18.23%
Operating expenses, total	1.18	1.35	0.86	-12.59%
Total assets	0.19	0.19	0.21	0.00%
Net position	0.43	0.41	0.42	4.88%
Debt related ratios:				
Debt to net position	1.18	1.00	1.00	18.00%

General Trends and Significant Events

The population of Carlisle, Arkansas remained generally constant for December 2019 and December 2018, while the number of customers serviced by the Utility decreased by 23 customers from 968 to 945 during the same period.

Financial Condition

The Utility's financial condition remained stable. Total unrestricted assets at December 31, 2019 increased \$132,497 or 67.4%. Restricted assets at December 31, 2019 were represented by an increase of \$5,843 which was the result of a decrease in restricted cash. Total unrestricted assets at December 31, 2018 increased \$46,342 or 30.8%, with \$132,497 represented as increase due to GASB 68. Restricted assets at December 31, 2018 were represented by an increase of \$122,258 which was the result of an increase in restricted cash.

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Financial Condition (Continued)

Operating revenues for 2019 were \$81,003 greater than 2018 while accounts receivable at year-end decreased by \$4,105. Operating revenues for 2018 were \$35,109 greater than 2017 while accounts receivable at year-end increased by \$15,544.

Results of Operations

Net Operating Income:

The net operating income (loss) was \$123,829 in 2019 and \$189,079 in 2018, a negative change resulting largely in 2019 from a decrease of customer base. The net operating revenues was \$817,072 in 2019 and \$736,089 in 2018, a positive change resulting largely from more usage in 2019 by the customer base.

Expenses:

The Utility's operating expense increased from \$546,990 in 2018 to \$693,243 or from 74.3% of operating revenue in 2018 to 84.8% in 2019. The Utility's operating expense decreased from \$813,330 in 2018 to \$546,990 or from 1.21% of operating revenue in 2017 to 74% in 2018.

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>Variance %</u>
Salaries & Related Taxes	\$ 158,190	\$ 173,970	\$ 213,262	-9.1%
Utilities & Telephone	78,891	52,968	71,374	48.9%
Depreciation & Amortization	142,519	140,469	143,100	1.5%
Insurance	29,450	26,589	46,962	10.8%
Repairs & Chemicals	57,055	64,653	134,621	-11.8%
Other	227,138	88,341	204,011	157.1%
Total Operating Expense	<u>\$ 693,243</u>	<u>\$ 546,990</u>	<u>\$ 813,330</u>	<u>26.74%</u>

Capital Assets and Long-Term Debt

The investment in plant and equipment increased by \$382,062 as a result of capital acquisitions during 2019. Total debt to net capital assets was 56.9 % at the end of 2019 and 55.6% at the end of 2018. The investment in plant and equipment increased by \$669,616 as a result of capital acquisitions during 2018. Total debt to net capital assets was 55.6% at the end of 2018 and 46.9% at the end of 2017.

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Final Comments

The Utility has maintained its mission of providing affordable, efficient, and reliable wastewater services.

Contacting the Utility's Financial Management

This financial report is designed to provide our citizens, taxpayers, and granting agencies with a general overview of the Utility's finances and to demonstrate the Utility's accountability for the money it receives. If there are questions about this report or a need for additional financial information arises, contact the City of Carlisle Water and Sewer Department, P.O. Box 49, Carlisle, Arkansas, 72024-0049.

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 363,528	\$ 254,807
Accounts Receivable, Less Allowance for Uncollectibles of \$30,745 and \$30,745	<u>85,702</u>	<u>89,807</u>
Total Current Assets	<u>449,230</u>	<u>344,614</u>
<u>RESTRICTED ASSETS</u>		
Cash - Restricted	70,228	64,340
Cash - Debt Service Fund	<u>127,875</u>	<u>139,606</u>
Total Restricted Assets	<u>198,103</u>	<u>203,946</u>
<u>PROPERTY, PLANT AND EQUIPMENT</u>		
Land	49,732	49,732
Construction Work In Progress	1,632,645	1,198,799
Water System General Plant	2,570,574	2,570,574
Sewer Plant	2,432,742	2,432,742
Operating Equipment	660,186	569,451
Buildings	<u>75,971</u>	<u>75,971</u>
	7,421,850	6,897,269
Less Accumulated Depreciation	<u>3,758,498</u>	<u>3,615,979</u>
Net Property, Plant and Equipment	<u>3,663,352</u>	<u>3,281,290</u>
Total Assets	<u>4,310,685</u>	<u>3,829,850</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pensions	<u>29,616</u>	<u>34,876</u>
Total Deferred Outflows of Resources	<u>29,616</u>	<u>34,876</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u>\$ 4,340,301</u>	 <u>\$ 3,864,726</u>

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

LIABILITIES AND NET POSITION

	<u>2019</u>	<u>2018</u>
<u>CURRENT LIABILITIES</u> (Payable from Current Assets)		
Accounts Payable	\$ -	\$ 32,740
Other Liabilities	21,765	20,124
Accrued Vacations Payable	<u>3,575</u>	<u>3,575</u>
Total Current Liabilities	<u>25,340</u>	<u>56,439</u>
<u>CURRENT LIABILITIES</u> (Payable from Restricted Cash)		
Current Maturities of Long - Term Debt	164,747	132,646
Accrued Interest Payable	2,734	2,734
Customer Meter Deposits	<u>46,919</u>	<u>48,021</u>
Total Current Liabilities	<u>214,400</u>	<u>183,401</u>
<u>LONG - TERM LIABILITIES</u> , Less Current Maturities		
Bonds Payable	2,095,096	1,691,339
Net Pension Liability	<u>118,139</u>	<u>112,629</u>
Total Long-Term Liabilities	<u>2,213,235</u>	<u>1,803,968</u>
Total Liabilities	<u>2,452,975</u>	<u>2,043,808</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pensions	<u>6,145</u>	<u>13,697</u>
Total Deferred Inflows of Resources	<u>6,145</u>	<u>13,697</u>
<u>NET POSITION</u>		
Invested in Capital Assets Net of Related Liabilities	1,400,775	1,454,571
Restricted for Capital Activity and Debt Service	151,184	155,925
Unrestricted	<u>329,222</u>	<u>196,725</u>
Total Net Position	<u>1,881,181</u>	<u>1,807,221</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	 <u>\$ 4,340,301</u>	 <u>\$ 3,864,726</u>

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>OPERATING REVENUES</u>		
Water	\$ 532,607	\$ 416,638
Sewer	224,170	269,854
Miscellaneous	60,295	49,577
TOTAL OPERATING REVENUES	<u>817,072</u>	<u>736,069</u>
<u>OPERATING EXPENSES</u>		
Salaries & Related Taxes	158,190	173,970
Equipment Rental	78	743
Materials & Operating Supplies	39,716	48,825
Utilities & Telephone	78,891	52,968
Depreciation & Amortization	142,519	140,469
Legal & Professional	62,678	14,189
Retirement	23,950	(90,876)
Insurance	29,450	26,589
Lab Analysis	12,328	12,782
Repairs & Chemicals	57,055	64,653
Bad Debt Expense	-	2,100
Miscellaneous	88,388	100,578
TOTAL OPERATING EXPENSES	<u>693,243</u>	<u>546,990</u>
NET OPERATING INCOME (LOSS)	<u>123,829</u>	<u>189,079</u>
<u>OTHER REVENUE (EXPENSES)</u>		
Interest Income	151	7,831
Interest Expense	(51,186)	(40,584)
TOTAL OTHER REVENUE (EXPENSES)	<u>(51,035)</u>	<u>(32,753)</u>
INCREASE (DECREASE) IN NET POSITION	72,794	156,326
TRANSFERRED FROM (TO) CITY	1,166	8,521
NET POSITION - BEGINNING OF YEAR	<u>1,807,221</u>	<u>1,642,374</u>
NET POSITION - END OF YEAR	<u>\$ 1,881,181</u>	<u>\$ 1,807,221</u>

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

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash Received from Customers	\$ 760,882	\$ 702,036
Cash Payments to Suppliers for Goods and Services	(420,415)	(342,502)
Cash Payments to Employees for Services	(158,190)	(173,970)
Other Operating Income	<u>60,295</u>	<u>49,577</u>
Net Cash Provided (Used) - Operating Activities	<u>242,572</u>	<u>235,141</u>
<u>CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Bonds Issued	645,533	671,146
Bond Principal Paid	(209,675)	(139,288)
Bond Interest Paid	<u>(51,186)</u>	<u>(40,584)</u>
Net Cash Provided - Capital and Related Financing	<u>384,672</u>	<u>491,274</u>
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Interest Received	151	7,831
Transfer From City	1,166	8,521
Purchase of Assets	<u>(524,581)</u>	<u>(669,616)</u>
Net Cash Provided - Investing Activities	<u>(523,264)</u>	<u>(653,264)</u>
<u>CASH FLOWS - OTHER ACTIVITIES</u>		
Meter Deposits- Net	<u>(1,102)</u>	<u>(5,831)</u>
Net Cash Provided - Other Activities	<u>(1,102)</u>	<u>(5,831)</u>
Net Increase (Decrease) in Cash	102,878	67,320
Cash, Beginning of Year	<u>458,753</u>	<u>391,433</u>
Cash, End of Year	<u><u>\$ 561,631</u></u>	<u><u>\$ 458,753</u></u>

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

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED FROM OPERATING ACTIVITIES		
Operating Income (Loss) Before Depreciation Adjustments	\$ 123,829	\$ 189,079
Depreciation and Amortization	142,519	140,469
Accounts Receivable (Increase) Decrease	4,105	(15,544)
Accounts Payable Increase (Decrease)	(32,740)	32,740
Accrued Interest Payable Increase (Decrease)	-	1,042
Other Liabilities Increase (Decrease)	<u>4,859</u>	<u>(112,645)</u>
Net Cash Provided from Operating Activities	<u>\$ 242,572</u>	<u>\$ 235,141</u>

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General Information

City of Carlisle Water and Sewer Department (the Utility) provides water and/or sewer services to approximately 1,000 residential and commercial users in the City of Carlisle (the City). As a component unit of a municipality, the City of Carlisle Water and Sewer Department is not subject to income tax. The accompanying financial statements have been prepared only for the reporting entity of the City of Carlisle Water and Sewer Department, which operates as a proprietary fund of the City of Carlisle, and do not purport to disclose other activities of the City of Carlisle. Accordingly, other funds of the City have been excluded from the reporting entity.

(b) Basis of Accounting

The financial statements of the Utility are prepared in accordance with generally accepted accounting principles (GAAP), as established for the Governmental Accounting Standards Board (GASB). Accordingly, the Utility uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

(c) Cash and Cash Equivalents

For purpose of the statement of cash flows, the Utility considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

(d) Investments

Investments, which consist of U.S. Government obligations, are stated at fair value. There were no investments at December 31, 2019 and 2018.

(e) Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Details of accounts receivable and the related valuation account as of December 31, 2019 and 2018 are more fully explained in Note 3.

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Restricted Assets

Restricted assets include cash, cash equivalents, and investments whose use is restricted by the covenants of Water and Sewer bond issues.

(g) Capital Assets

Purchased capital assets are stated at cost. Donated capital assets are stated at estimated fair value at the date of donation. Depreciation is computed by the straight-line method over the following estimated useful lives:

Waterworks and Sewer Plant	10-40 1/3 years
Operating Equipment	3-10 years
Office Building	20 years
Office Equipment	5-10 years
Furniture and Fixtures	5-10 years

A summary of changes in capital assets for the years ended December 31, 2019 and 2018 is presented in Note 4.

(h) Capitalization of Interest

Interest is capitalized on major construction projects based on the applicable rate of borrowed funds for that project. If funds were required in excess of specifically borrowed funds, an average rate for all borrowed funds was used to capitalize interest.

(i) Unamortized Bond Issuance Costs

Costs associated with the issuance of bonds are reported as current period expenses.

(j) Revenue Recognition

The accounts receivable and revenue recognized are based on monthly meter readings by Utility personnel. Unbilled revenue represents approximately ten days of water consumption during any month that remains unbilled at the end of the month.

(k) Basis for Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (1) Government Accounting Standards Board (GASB) Statement no. 68
The GASB issued the following three statements which became effective for the fiscal year ended December 31, 2015: Statement no. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement no. 27, Statement no. 69, Government Combinations and Disposals of Government Operations, and Statement no. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement no. 68. Management has determined that Statement no. 69 does not affect the City of Carlisle Water and Sewer Department. Statements no. 68 and no. 71 established standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions. Details of the effect of implementing these statements are disclosed in detail in footnote 6.

NOTE 2: CASH AND CASH EQUIVALENTS

A reconciliation of cash per the statement of cash flows to the statements of net assets as of December 31, 2019 and 2018, respectively, follows:

	<u>2019</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash at Beginning of Year	\$ 254,807	\$ 203,946	\$ 458,753
Net Increase (Decrease)	<u>108,721</u>	<u>(5,843)</u>	<u>102,878</u>
Cash at End of Year	<u>\$ 363,528</u>	<u>\$ 198,103</u>	<u>\$ 561,631</u>
	<u>2018</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash at Beginning of Year	\$ 197,222	\$ 194,211	\$ 391,433
Net Increase (Decrease)	<u>57,585</u>	<u>9,735</u>	<u>67,320</u>
Cash at End of Year	<u>\$ 254,807</u>	<u>\$ 203,946</u>	<u>\$ 458,753</u>

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

The System's funds are combined with the departmental bank accounts of the City of Carlisle in determining the appropriateness of collateralization from financial institutions.

The Utility's deposit policy for custodial credit risk requires compliance with the provisions of state law. Arkansas law requires collateralization of all municipal deposits by federal depository insurance (FDIC) and qualified pledged securities consisting of obligations of the U.S. Treasury and U.S. agencies.

Included in the Utility's total cash balances of \$561,631 and \$458,753 at December 31, 2019 and 2018, respectively, are deposits with financial institutions which are categorized as to credit risk as follows:

	<u>2019</u>	
	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC) and Collateralized	\$ 561,631	\$ 433,756
Uninsured and Uncollateralized	-	-
Total	<u>\$ 561,631</u>	<u>\$ 433,756</u>
	<u>2018</u>	
	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC) and Collateralized	\$ 458,753	\$ 391,433
Uninsured and Uncollateralized	-	-
Total	<u>\$ 458,753</u>	<u>\$ 391,433</u>

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Trade Receivables, Current	\$ 88,915	\$ 58,842
Trade Receivables, Past Due	<u>27,532</u>	<u>61,710</u>
Total	<u>\$ 116,447</u>	<u>\$ 120,552</u>
Allowance for Uncollectibles, Beginning of Year	\$ 30,745	\$ 28,645
Bad Debts Recovered	-	-
Provision for Bad Debt Expense	<u>-</u>	<u>2,100</u>
Allowance for Uncollectibles, End of Year	<u>\$ 30,745</u>	<u>\$ 30,745</u>
Accounts Receivable, Net of Allowance for Uncollectibles	<u>\$ 85,702</u>	<u>\$ 89,807</u>

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 4: CAPITAL ASSETS

A summary of changes in capital assets for the years ended December 31, 2019 and 2018 is as follows:

	Balance 12/31/2018	<u>2019</u>		Balance 12/31/2019
		Additions	Deletions	
Capital Assets Not Being Depreciated:				
Land	\$ 49,732	\$ -	\$ -	\$ 49,732
Construction Work in Progress	1,198,799	433,846	-	1,632,645
Total Capital Assets Not Being Depreciated	1,248,531	433,846	-	1,682,377
Capital Assets Being Depreciated:				
Water System:				
General Plant	2,570,574	-	-	2,570,574
Equipment	569,451	90,735	-	660,186
Buildings	75,971	-	-	75,971
Sewer Plant	2,432,742	-	-	2,432,742
Total Capital Assets Being Depreciated	5,648,738	90,735	-	5,739,473
Less Accumulated Depreciation for:				
Water System:				
General Plant	1,674,401	55,327	-	1,729,728
Equipment	511,882	24,230	-	536,112
Buildings	38,363	2,143	-	40,506
Sewer Plant	1,391,333	60,818	-	1,452,151
Total Accumulated Depreciation	3,615,979	142,519	-	3,758,498
Capital Assets, Net	<u>\$ 3,281,290</u>	<u>\$ 382,062</u>	<u>\$ -</u>	<u>\$ 3,663,352</u>

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 4: CAPITAL ASSETS (CONTINUED)

		<u>2018</u>		
	<u>Balance</u> <u>12/31/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2018</u>
Capital Assets Not Being Depreciated:				
Land	\$ 49,732	\$ -	\$ -	\$ 49,732
Construction Work in Progress	<u>529,183</u>	<u>669,616</u>	<u>-</u>	<u>1,198,799</u>
Total Capital Assets Not Being Depreciated	<u>578,915</u>	<u>669,616</u>	<u>-</u>	<u>1,248,531</u>
Capital Assets Being Depreciated:				
Water System:				
General Plant	2,570,574	-	-	2,570,574
Equipment	569,451	-	-	569,451
Buildings	75,971	-	-	75,971
Sewer Plant	<u>2,432,742</u>	<u>-</u>	<u>-</u>	<u>2,432,742</u>
Total Capital Assets Being Depreciated	<u>5,648,738</u>	<u>-</u>	<u>-</u>	<u>5,648,738</u>
Less Accumulated Depreciation for:				
Water System:				
General Plant	1,619,074	55,327	-	1,674,401
Equipment	489,702	22,180	-	511,882
Buildings	36,219	2,144	-	38,363
Sewer Plant	<u>1,330,515</u>	<u>60,818</u>	<u>-</u>	<u>1,391,333</u>
Total Accumulated Depreciation	<u>3,475,510</u>	<u>140,469</u>	<u>-</u>	<u>3,615,979</u>
Capital Assets, Net	<u>\$ 2,752,143</u>	<u>\$ 529,147</u>	<u>\$ -</u>	<u>\$ 3,281,290</u>

Depreciation expense for the years ended December 31, 2019 and 2018 amounted to \$142,519 and \$140,469, respectively.

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 5: BONDS PAYABLE

Net changes in bonds payable for the year ended December 31, 2019 and 2018 are as follows:

<u>2019</u>	<u>Balance 12/31/2018</u>	<u>Increases</u>	<u>Decreases</u>
<u>Bonds Payable</u>			
\$1,155,000 Series 2013 Water and Sewer Refunding Revenue Bonds due in annual installments ranging from \$90,000 to \$120,000 through 2024 with interest rates ranging from 2.4% to 3.2%.	\$ 665,000	\$ -	\$ 105,000
United States Department of Agriculture Rural Development: Payments commencing with interest on the unpaid balance of the total principal amount from the date of each advance at the rate of 2.75% per annum.	391,982	71,988	81,770
United States Department of Agriculture Rural Development: Payments commencing with interest on the unpaid balance of the total principal amount from the date of each advance at the rate of 2.75% per annum.	767,003	157,447	16,220
United States Department of Agriculture Rural Development: Payments commencing with interest on the unpaid balance of the total price principal amount from the date of each advance at the rate of .50% per annum.	-	329,953	-
First State Bank - \$86,145 loan payable in monthly installments of \$1,660.81 with interest at 4.625%.	-	86,145	6,685
Total	<u>\$ 1,823,985</u>	<u>\$ 645,533</u>	<u>\$ 209,675</u>

<u>Balance</u> <u>12/31/2019</u>	<u>Amount Due</u> <u>Within One Year</u>
\$ 560,000	\$ 105,000
382,200	9,327
908,230	14,639
329,953	19,187
<u>79,460</u>	<u>16,594</u>
<u>\$ 2,259,843</u>	<u>\$ 164,747</u>

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 5: BONDS PAYABLE (CONTINUED)

<u>2018</u>	<u>Balance 12/31/2017</u>	<u>Increases</u>	<u>Decreases</u>
<u>Bonds Payable</u>			
\$1,155,000 Series 2013 Water and Sewer Refunding Revenue Bonds due in annual installments ranging from \$90,000 to \$120,000 through 2024 with interest rates ranging from 2.4% to 3.2%.	\$ 770,000	\$ -	\$ 105,000
United States Department of Agriculture Rural Development: Payments commencing with interest on the unpaid balance of the total principal amount from the date of each advance at the rate of 2.75% per annum.	334,505	67,353	9,876
United States Department of Agriculture Rural Development: Payments commencing with interest on the unpaid balance of the total principal amount from the date of each advance at the rate of 2.75% per annum.	<u>187,622</u>	<u>603,793</u>	<u>24,412</u>
Total	<u>\$ 1,292,127</u>	<u>\$ 671,146</u>	<u>\$ 139,288</u>

<u>Balance</u> <u>12/31/2018</u>	<u>Amount Due</u> <u>Within One Year</u>
\$ 665,000	\$ 105,000
391,982	9,074
<u>767,003</u>	<u>18,572</u>
<u>\$ 1,823,985</u>	<u>\$ 132,646</u>

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 5: BONDS PAYABLE (CONTINUED)

Water and sewer bonds constitute special obligations of the City solely secured by a lien on a pledge of the net revenue of the water and sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Sales and use tax bonds are also secured by revenues of the City's 1/4% sales tax.

The annual requirements to amortize all bonds outstanding as of December 31, 2019, including interest payments, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 164,747	\$ 54,486	\$ 219,233
2021	190,541	50,505	241,046
2022	192,242	46,082	238,324
2023	199,001	41,354	240,355
2024	194,048	36,358	230,406
2025-2029	300,874	150,514	451,388
2030-2034	166,744	129,116	295,860
2035-2039	191,293	104,567	295,860
2040-2044	219,455	76,405	295,860
2045-2049	205,370	45,441	250,811
2050-2054	176,425	20,735	197,160
2055-2056	59,103	1,320	60,423
	<u>\$ 2,259,843</u>	<u>\$ 756,883</u>	<u>\$ 3,016,726</u>

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 6: DEFINED BENEFIT PENSION PLAN

GASB Statement no. 68 adopted for the year ending December 31, 2015, established standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions. Details of the effect of implementing these statements are discussed in detail below:

Arkansas Public Employees Retirement System (APERS) Plan Description

The Utility participates in a cost-sharing multiple-employer pension plan, administered by the Arkansas Public Employees Retirement System (APERS). APERS is a cost-sharing, multiple-employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings. The general administration and responsibility for the proper operation of the system is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration.

Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3 – year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory as follows:

Contributory, prior to 7/1/2005	2.07%
Contributory, on or after 7/1/2005, but prior to 7/1/2007	2.03%
Contributory, on or after 7/1/2007	2.00%
Non – Contributory	1.72%

Members are eligible to retire with a full benefit under the following conditions:

- (a) At age 65 with 5 years of service,
- (b) At any age with 28 years actual service,
- (c) At age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005), or
- (d) At age 55 with 35 years of credited service for elected or public safety officials

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 6: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided (Continued)

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service at age 55 or at any age with 25 years of service. Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost – of – living adjustment of 3% of the current benefit is added each year.

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). The Utility contributed 14.76% of compensation from January 1, 2019 until December 31, 2019. The Utility contributions for the year ended December 31, 2019 were \$20,732 and this amount is equal to the required contribution for the year.

APERS Fiduciary Net Position

Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at <http://www.apers.org/annualreports>.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

At December 31, 2019, the Utility reported a liability of \$118,139 for its proportionate share of the net pension liability. The collective 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 that date. The Utility's proportion of the Net Pension Liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. The Utility's proportion was .004897%.

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 6: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions (Continued)

For the year ended December 31, 2019, the Utility recognized a pension expense of \$23,950. At December 31, 2019, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,215	\$ (176)
Changes of Assumptions	-	(4,541)
Net difference between projected and Actual Investment Earnings on Pension Plan Investments	6,412	(897)
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	9,623	(531)
Contributions Made subsequent to the measurement date, net change	<u>10,366</u>	<u>-</u>
Total	<u>\$ 29,616</u>	<u>\$ (6,145)</u>

\$10,366 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the financial statements as follows:

2020	\$ 9,379
2021	\$ 436
2022	\$ 1,458
2023	\$ 1,832
2024	\$ -
Thereafter	\$ -

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 6: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	4-year smoothed market; 25% corridor
Actuarial Assumptions:	
Investment Rate of Return	7.15%
Salary Increases	3.25% wage inflation, 2.50% price inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality Table	Based on RP-2000 Combined Health mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females
Average Service Life of All Members	4.1431

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 6: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates are arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2019 are summarized in the table below:

<u>ASSET CLASS</u>	<u>TARGET ALLOCATION</u>	<u>LONG-TERM EXPECTED REAL RATE OF RETURN</u>
Broad Domestic Equity	37%	6.20%
International Equity	24%	6.33%
Real Assets	16%	3.32%
Absolute Return	5%	3.56%
Domestic Fixed	18%	1.54%
Total	<u>100%</u>	

Total Real Rate of Return	4.80%
Plus: Price Inflation – Activity Assumption	<u>2.50%</u>
Net Expected Return	7.30%

Discount Rate

A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to determine the total pension liability.

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 6: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Utility's proportionate share of the net pension liability using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

Sensitivity of Discount Rate		
1% Lower	Discount Rate	1% Higher
<u>6.15%</u>	<u>7.15%</u>	<u>8.15%</u>
<u>\$ 189,347</u>	<u>\$ 118,139</u>	<u>\$ 59,389</u>

NOTE 7: RISK MANAGEMENT

The Utility has purchased insurance policies from the Arkansas Municipal League as well as commercial carriers for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or natural disasters. Payments and premiums for these policies are recorded as expenses of the Utility. Insurance settlements have not exceeded insurance coverage in any of the past three years. There were no significant changes in coverage compared to the prior year.

NOTE 8: SUBSEQUENT EVENTS

The City of Carlisle Water and Sewer Department did not have any recognized or nonrecognized subsequent events occur after December 31, 2019, the date of the statement of financial position. Subsequent events and transactions have been evaluated for potential recognition or disclosure through October 17, 2024, the date the financial statements were available to be issued.

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
SCHEDULE OF BUDGETARY COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Actual (Budgetary Basis) (See Note A)	Variance
<u>Operating Revenue</u>			
Water	\$ 450,000	\$ 532,607	\$ 82,607
Sewer	390,000	224,170	(165,830)
Miscellaneous Operating	78,800	60,295	(18,505)
Interest	200	151	(49)
Total Operating Revenue	<u>919,000</u>	<u>817,223</u>	<u>(101,777)</u>
 <u>Expenses</u>			
Salaries & Wages & Taxes	147,975	158,190	(10,215)
Materials & Operating Supplies	50,000	39,716	10,284
Utilities & Telephone	50,400	78,891	(28,491)
Legal & Professional	15,000	62,678	(47,678)
Retirement	20,955	23,950	(2,995)
Insurance	27,235	29,450	(2,215)
Lab Analysis	12,336	12,328	8
Repairs & Chemicals	62,000	57,055	4,945
Debt Service - Principal	57,432	209,675	(152,243)
Debt Service - Interest	20,303	51,186	(30,883)
Miscellaneous	<u>330,316</u>	<u>88,466</u>	<u>241,850</u>
Total Operating Expenses	<u>793,952</u>	<u>811,585</u>	<u>(17,633)</u>
 Revenue in Excess of (Under) Expenses	 <u>\$ 125,048</u>	 <u>\$ 5,638</u>	 <u>\$ (119,410)</u>

See independent auditors' report on required supplementary information.

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
NOTE TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE A - BUDGET-TO-ACTUAL RECONCILIATION

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

Uses/Outflows of Resources:

Actual amounts (budgetary basis) from the Budgetary Comparison Schedule	\$ 5,638
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Differences - budget to GAAP:

Depreciation of capital items for GAAP purposes	(142,519)
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Debt service principal not an expense for GAAP purposes	209,675
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Capitalizable expenditures not an expense for GAAP purposes.	<u>-</u>
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Net Increase (Decrease) in Net Position	<u><u>\$ 72,794</u></u>
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See independent auditors' report on supplementary schedules.

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
SCHEDULE OF WATER AND SEWER RATES AND USERS
DECEMBER 31, 2019

Water rates in effect at December 31, 2019, for commercial and residential users:

Minimum Bill, first 1,000 gallons	\$14.61
Next 38,000 gallons per month, per 1,000 gallons	\$4.53
In excess of 39,000 gallons per month, per 1,000 gallons	\$3.21

Sewer rates in effect at December 31, 2019, for commercial and residential users:

Minimum Bill	\$7.40
First 1,000 gallons	\$7.90
Remaining gallons, per 1,000 gallons	\$3.15

Number of users of water and sewer at December 31, 2019:

Commercial and residential users, approximately	945
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Total annual billable water by sewer users for the year ended December 31, 2019:

Commercial and residential users	75,243,000 gallons
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See independent auditors' report on supplementary schedules.

COBB AND SUSKIE, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

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Michael L. Cobb

Anne Suskie Pinyan

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 City Council Members
Carlisle, Arkansas

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 business-type activities of the City of Carlisle Water and Sewer Department as of and for the year ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the City of Carlisle Water and Sewer Department's basic financial statements, and have issued our report thereon dated October 17, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Carlisle Water and Sewer Department'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Carlisle Water and Sewer Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Carlisle Water and Sewer Department's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, discussed in the accompanying schedule of findings and responses as item 2019-1 that we consider to be a material weakness.

Management's response to these findings and recommendations accompanies this letter. We did not audit the City's response; and, accordingly, we do not express an opinion on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Carlisle Water and Sewer Department's financial statements are free of material misstatement, 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 test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of 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.



Certified Public Accountants
October 17, 2024

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

MATERIAL WEAKNESSES

2019-1: Cash

Condition: Bank reconciliations had not been prepared on a timely basis.

Criteria: Bank statements should be reconciled to the general ledger on a monthly basis with any necessary adjustments made on a timely basis.

Cause: Adequate procedures to perform bank reconciliations had not been performed.

Effect: Adjusting entries were required to increase bank balance for the general ledger by \$196,299.

Context: Five Department bank accounts had not been reconciled as of December 31, 2019.

Recommendation: Ensure that all bank statements has been reconciled to the general ledger at the end of each month and any necessary adjustments are posted to the general ledger.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with this finding and will ensure that bank reconciliation are prepared in an appropriate manner.

CITY OF CARLISLE WATER AND SEWER DEPARTMENT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

2018-1: Internal Control – Accounts Receivable

Condition: Supporting documentation for adjustment transactions in customer billing subsidiaries that occurred during the December 31, 2018 fiscal year were not supported by adequate documentation.

Criteria: All transactions that occur should be supported by documentation that verifies the accuracy of financial reporting.

Cause: Procedures were not adequate to ensure that transactions that occurred during the December 31, 2018 fiscal year were supported by adequate documentation.

Effect: Adjustments to write off \$150,472 in customer account receivable that occurred during the December 31, 2018 fiscal year were not supported by adequate documentation.

Context: A sample of 286 customer accounts with transactions during the December 31, 2018 fiscal year contained billing adjustments amounting to \$71,633 that were not supported by documentation or approval.

Recommendation: The City of Carlisle Water and Sewer Department should ensure documentation of all billing adjustments be appropriately documented and authorized by the City Council.

Current Status: This condition was corrected during the year ended December 31, 2019.

2018-2: Cash

Condition: Bank reconciliations had not been prepared on a timely basis.

Criteria: Bank statements should be reconciled to the general ledger on a monthly basis with any necessary adjustments made on a timely basis.

Cause: Adequate procedures to perform bank reconciliations had not been performed.

Effect: Adjusting entries were required to reduce bank balance for the general ledger by \$69,950.

Context: Five Department bank accounts had not been reconciled as of December 31, 2018.

Recommendation: Ensure that all bank statements has been reconciled to the general ledger at the end of each month and any necessary adjustments are posted to the general ledger.

Current Status: This finding has not been corrected as of December 31, 2019.



Mike Cobb
Cobb & Suskie
P.O. Box 21675
Little Rock, AR 72221-1675

Dear Mr. Cobb:

The City of Carlisle has received the 2019 Water & Sewer Department Audit Findings and Recommendations and the City Council, and I understand these findings.

2019-1 Bank Reconciliations

The Department has installed an interface that will bring RVS files into our accounting system, CSA. This was done beginning August 2023 and bank accounts have been reconciled from August 31, 2023 and forward. Prior to this, previous personnel did not complete reconciliations as required that will cause a finding till this point. Reconciliations are to be reviewed and approved by a Council Member and the Department Head.

We believe that these actions constitute an adequate response to the audit findings mentioned above.

Please feel free to give me a call at 870.552.9420 or 870.552.3996 if you need additional information or have questions.

Sincerely,

A handwritten signature in blue ink that reads "Ray Glover".

Ray Glover
Mayor
City of Carlisle