

CITY OF PARIS
Paris, Kentucky

FINANCIAL STATEMENTS
June 30, 2020

CONTENTS

| | |
|--|-------|
| Independent Auditors' Report..... | 1-2 |
| Management's Discussion and Analysis | 3-16 |
| Government-wide Financial Statements | |
| Statement of Net Position | 17 |
| Statement of Activities..... | 18 |
| Fund Financial Statements | |
| Balance Sheet – Governmental Funds | 19 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds..... | 20 |
| Statement of Net Position – Proprietary Funds | 21 |
| Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund | 22 |
| Statement of Cash Flows – Proprietary Funds | 23 |
| Notes to Financial Statements..... | 24-43 |
| Required Supplementary Information | |
| Budget Information..... | 44 |
| Proportionate Share of the Net Pension Liability – Nonhazardous | 45 |
| Proportionate Share of the Net Pension Liability – Hazardous | 46 |
| Schedule of Pension Contributions – Nonhazardous | 47 |
| Schedule of Pension Contributions – Hazardous | 48 |
| Proportionate Share of the Net OPEB Liability – Nonhazardous | 49 |
| Proportionate Share of the Net OPEB Liability – Hazardous | 50 |
| Schedule of OPEB Contributions – Nonhazardous | 51 |
| Schedule of OPEB Contributions – Hazardous | 52 |
| Notes to Required Supplementary Information..... | 53-54 |
| Supplementary Information | |
| Combining Balance Sheet – Nonmajor Governmental Funds..... | 55 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds..... | 56 |
| Schedule of Operating Expenses – Utility Fund | 57 |
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 58-59 |
| Schedule of Findings and Responses | 60 |



INDEPENDENT AUDITORS' REPORT

To the Mayor and Commissioners
City of Paris, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Paris, Kentucky, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Paris, Kentucky's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Paris, Kentucky, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and OPEB schedules, and budgetary comparison information on pages 3–16 and 44–52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Paris, Kentucky's basic financial statements. The combining nonmajor fund financial statements and the utility fund schedule of operating expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the utility fund schedule of operating expenses are the responsibility of management and were derived from and relate 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 and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the utility fund schedule of operating expenses are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2021, on our consideration of the City of Paris, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Paris, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Paris, Kentucky's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
February 1, 2021

**CITY OF PARIS, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS**

The Management’s Discussion and Analysis of the City of Paris (the City) presents a discussion and analysis of the City’s financial performance for the fiscal year ended June 30, 2020. It is supplementary information required by the Governmental Accounting Standards Board (GASB) and is intended to provide a readable explanation of the information within the basic financial statements. It should be read in conjunction with the financial statements immediately following the analysis.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government - Wide Highlights

- In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 (COVID-19) outbreak a pandemic. Further, the United States Centers for Disease Control and Prevention confirmed the spread of the disease throughout the United States. As of the date of the financial statements were available to be issued, the Government’s operations have been significantly impacted by the COVID-19 outbreak. The currently known impacts are:
 - The Utility Fund experienced a slow down in collection of utility payments based on executive orders issued from the Governor of the Commonwealth of Kentucky. In addition to these executive orders The City anticipates losing \$100 thousand in penalty and late fees during fiscal year 2021.
 - The City was awarded grant funds from the Coronavirus Aid, Relief, and Economic Security Act (CARES) to be received in fiscal year 2021 in the amount of \$820 thousands to help off set salaries and wages in the Police and Fire Departments.
- Total assets plus deferred outflows of resources of the Primary Government exceeded total liabilities and deferred inflows of resources by approximately \$3.61 million at the close of fiscal year 2020. This amount includes a net investment in capital assets of \$12.3 million and an overall deficit in unrestricted net position of approximately \$9.85 million.
- Governmental Activities’ net position was \$2.23 million at the end of fiscal year 2020. This amount includes a net investment in capital assets of \$6.39 million and an overall deficit in unrestricted net position of approximately \$4.24 million. The net investment in capital assets comprises 286.27% of total net position.
- Business-Type Activities’ net position was \$1.38 million at the end of fiscal year 2020. This amount includes a net investment in capital assets of \$5.96 million and an overall deficit in unrestricted net position of approximately \$5.6 million. The net investment in capital assets comprises 432.34% of total net position.

Fund Highlights

- As of June 30, 2020, the City's governmental funds reported combined ending fund balances of \$7.90 million, an increase of \$1.90 million compared to the previous fiscal year. Of this amount, \$83 thousand is restricted for various projects: public works, public safety, and capital projects.
- The General Fund, the primary operating fund of the City, held unassigned fund balances of \$7.82 million or 84% of general fund expenditures.

The General Fund's cash and cash equivalents balance increased approximately \$831 thousand compared to the previous fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

Three key elements comprise the basic financial statements, including:

- Government-Wide Financial Statements;
- Fund Financial Statements, and;
- Notes to the Financial Statements

A. Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the City's finances in a manner similar, to a private-sector business. These statements report financial information, except for fiduciary activities, and provide both short-term and long-term information about the City's entire financial position and assist in the assessment of the City's economic condition at the end of the fiscal year. The statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. They take into account all revenues and expenses of the fiscal year regardless of when cash is received or paid. The *Government-Wide Financial Statements* include two statements: The *Statement of Net Position* and the *Statement of Activities*.

The *Statement of Net Position* reflects the financial position of the City at fiscal year ended June 30, 2019. Accordingly, The City's net position, the difference between assets (what the citizens own) plus deferred outflows of resources and liabilities (what the citizens owe) plus deferred inflows of resources, is one way to determine the financial condition of the City. Over time, increase or decreases in net position are one indicator of whether the financial health of the City is improving or deteriorating. However, additional factors such as changes in the City's revenue structure, its tax base, and its level of assets held, should be considered in order to assess thoroughly the overall financial condition of the City.

The *Statement of Activities* reflects the City's revenues and expenses, as well as other transactions that increase or decrease net position. Program revenues are offset by program expenses in order to provide better information regarding program costs financed by general government revenues.

The *Government-Wide Financial Statements* divide the City's activities into three types:

- **Governmental Activities** – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants), namely licenses and permits, property taxes, and charges for services. Most services normally associated with local government fall into these categories: including police, fire, streets, public works, parks and general administration. Internal Service Fund balances are reported as part of Governmental Activities.
- **Business-Type Activities** – These activities normally are intended to recover all or a significant portion of costs through user fees and charges to external services of goods and services provided by the City. The Business-Type Activities of the City include the operations of various Enterprise Funds, including electric, water, sanitary sewer services, landfill and disposal costs.

B. Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The *Fund Financial Statements* report the operations of the City in greater detail than the *Government-Wide Financial Statements* by providing information about the City's most significant funds. Local ordinance or bond covenants may require the creation of some funds; others may be created at the discretion of the Administration for management and fiscal control of financial resources. All funds of the City can be divided into two types of funds: Governmental Funds and Proprietary Funds.

- *Governmental funds* – Governmental funds are used to account for essentially the same functions reported as Governmental Activities in the *Government-Wide Financial Statements*. However, unlike the *Government-Wide Financial Statements*, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year.

Most of the basic services performed by the City are reported in the governmental funds' category. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. Because the focus of governmental funds is narrower than that of the *Government-Wide Financial Statements*, it is useful to compare the information presented for governmental funds with similar information presented for Governmental Activities in the *Government-Wide Financial Statements*. By doing so, readers may better understand the long-term impact of the City's near-term funding decisions. The governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and Governmental Activities. The following funds are used by the City:

- **General Fund** – the general operating fund of the City is used to account for all financial resources except those required to be accounted for in another fund. Most of the essential governmental services such as police and fire protection, community services and general administration are reported in this fund.
- **Special Revenue Funds** – The special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are restricted by law to be expended for specific purposes. The following special revenue funds are maintained by the City:

Municipal Road Aid Fund – A special revenue fund used to account for state municipal road aid.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

- *Proprietary funds* – when the City charges a fee for services which is intended to cover the cost of providing those services – whether to outside customers or other units of the City – those services are generally reported in the proprietary funds’ category.

The proprietary funds are reported in the same way that all activities are reported in the Government-Wide Financial Statements, but the fund statements provide more detail. The Government considers the Utility Fund as its major proprietary funds. The subcategories of the proprietary funds include enterprise funds and internal service funds. The subcategories of the proprietary funds include enterprise funds and internal service funds.

Enterprise funds are used to report the same functions presented as Business-Type Activities in the *Government-Wide Financial Statements*.

Utility Fund – The Utility Fund accounts for the electric, water, sewer and garbage disposal and incinerator services provided to residents of the City and surrounding areas, the operations of which are financed by user charges.

C. Notes to the Financial Statements

The notes to the financial statements provide information that is essential to a full understanding of the data provided in the *Government-Wide* and *Fund Financial Statements*. They are an integral part of the financial statements and focus on the primary government and its activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

Net position may serve as a useful indicator of the City's financial position. In Table 1 below, the City's combined net position (Governmental and Business-Type Activities) totaled \$3.61 million as of June 30, 2020, an increase of \$421 thousand from the previous year.

The largest proportion of the City's net position, \$12.35 million, is invested in capital assets (e.g. land, infrastructures, buildings and improvements, and machinery and equipment), minus any related debt, which is still outstanding and used to acquire those assets. The City uses these capital assets to provide services to its citizens. As such, these assets are not available for future spending.

Table 1
City of Paris, Kentucky
Summary of Net Position
For Years as Stated
(in thousands)

| | Total Net Position | | |
|---------------------------------------|---------------------------|------------------------|----------------------|
| | <u>2020</u> | <u>2019</u> | <u>Change</u> |
| ASSETS | | | |
| Current and other assets | \$ 10,006 | \$ 7,935 | \$ 2,071 |
| Restricted cash and other assets | 1,116 | 1,150 | (34) |
| Capital assets | <u>17,446</u> | <u>15,845</u> | <u>1,601</u> |
| Total assets | <u><u>28,568</u></u> | <u><u>24,930</u></u> | <u><u>3,638</u></u> |
| DEFERRED OUTFLOWS OF RESOURCES | 5,539 | 4,845 | 694 |
| LIABILITIES | | | |
| Current and other liabilities | 2,409 | 2,051 | 358 |
| Long-term liabilities | <u>25,598</u> | <u>22,325</u> | <u>3,273</u> |
| Total liabilities | <u><u>28,007</u></u> | <u><u>24,376</u></u> | <u><u>3,631</u></u> |
| DEFERRED INFLOWS OF RESOURCES | 2,490 | 2,209 | 281 |
| NET POSITON | | | |
| Net investment in capital assets | 12,349 | 11,992 | 357 |
| Restricted for: | | | |
| Debt service | 281 | 293 | (12) |
| Other purposes | 835 | 858 | (23) |
| Unrestricted | <u>(9,854)</u> | <u>(9,953)</u> | <u>99</u> |
| Total net position | <u><u>\$ 3,611</u></u> | <u><u>\$ 3,190</u></u> | <u><u>\$ 421</u></u> |

Table 2
City of Paris, Kentucky
Summary of Net Position
For Years as Stated
(in thousands)

| | Total Governmental Activities | | |
|---|--------------------------------------|----------------------------|--------------------------|
| | <u>2020</u> | <u>2019</u> | <u>Change</u> |
| ASSETS | | | |
| Current and other assets | \$ 8,366 | \$ 6,419 | \$ 1,947 |
| Restricted cash and other assets | 83 | 123 | (40) |
| Capital assets | <u>7,944</u> | <u>6,361</u> | <u>1,583</u> |
| Total assets | <u><u>16,393</u></u> | <u><u>12,903</u></u> | <u><u>3,490</u></u> |
| DEFERRED OUTFLOWS OF RESOURCES | 3,379 | 3,147 | 232 |
| LIABILITIES | | | |
| Current and other liabilities | 778 | 628 | 150 |
| Long-term liabilities | <u>14,988</u> | <u>12,450</u> | <u>2,538</u> |
| Total liabilities | <u><u>15,766</u></u> | <u><u>13,078</u></u> | <u><u>2,688</u></u> |
| DEFERRED INFLOWS OF RESOURCES | 1,773 | 1,670 | 103 |
| NET POSITON | | | |
| Net investment in capital assets | 6,389 | 6,107 | 282 |
| Restricted for: | | | |
| Debt service | | | - |
| Other purposes | 83 | 123 | (40) |
| Unrestricted | <u>(4,240)</u> | <u>(4,929)</u> | <u>689</u> |
| Total net position | <u><u>\$ 2,232</u></u> | <u><u>\$ 1,301</u></u> | <u><u>\$ 931</u></u> |

Table 2 indicates that the net position of Governmental Activities totaled approximately \$2.23 million, or 13.6% of total assets, an increase of \$931 thousand over the previous year. Of this total, \$6.39 million is invested in capital assets (e.g. land, infrastructures, buildings and improvements, and machinery and equipment), minus any related debt, which is still outstanding and used to acquire those assets.

Current assets exceeded currently liabilities by approximately \$7.59 million at the end of fiscal year 2020.

Table 3
City of Paris, Kentucky
Summary of Net Position
For Years as Stated
(in thousands)

| | Total Business-Type Activities | | |
|---------------------------------------|---------------------------------------|------------------------|------------------------|
| | <u>2020</u> | <u>2019</u> | <u>Change</u> |
| ASSETS | | | |
| Current and other assets | \$ 1,640 | \$ 1,516 | \$ 124 |
| Restricted cash and other assets | 1,033 | 1,027 | 6 |
| Capital assets | <u>9,502</u> | <u>9,484</u> | <u>18</u> |
| Total assets | <u><u>12,175</u></u> | <u><u>12,027</u></u> | <u><u>148</u></u> |
| DEFERRED OUTFLOWS OF RESOURCES | 2,160 | 1,698 | 462 |
| LIABILITIES | | | |
| Current and other liabilities | 1,630 | 1,428 | 202 |
| Long-term liabilities | <u>10,610</u> | <u>9,875</u> | <u>735</u> |
| Total liabilities | <u><u>12,240</u></u> | <u><u>11,303</u></u> | <u><u>937</u></u> |
| DEFERRED INFLOWS OF RESOURCES | 716 | 539 | 177 |
| NET POSITON | | | |
| Net investment in capital assets | 5,960 | 5,885 | 75 |
| Restricted for: | | | |
| Debt service | 281 | 292 | (11) |
| Other purposes | 752 | 735 | 17 |
| Unrestricted | <u>(5,614)</u> | <u>(5,023)</u> | <u>(591)</u> |
| Total net position | <u><u>\$ 1,379</u></u> | <u><u>\$ 1,889</u></u> | <u><u>\$ (510)</u></u> |

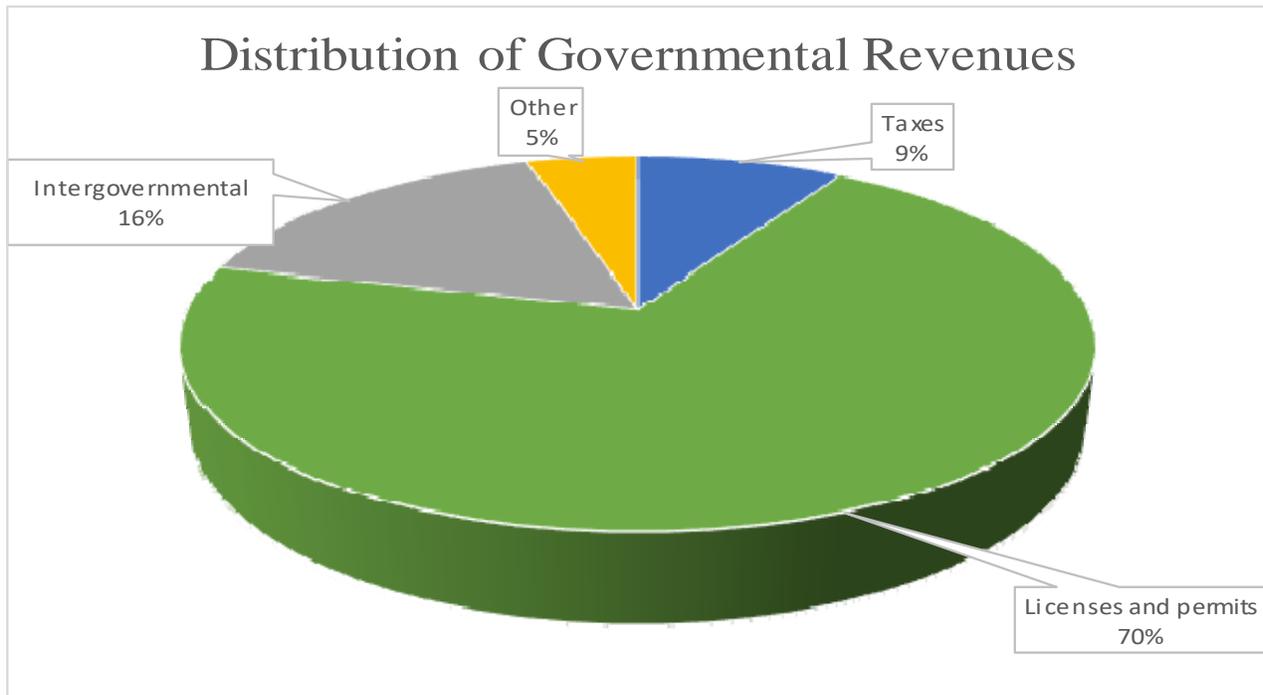
Table 3 indicates that the net position of Business-Type Activities totaled approximately \$1.38 million or 11.3% of total assets, a decrease of \$510 thousand over the previous year. Of this total, \$5.96 million is invested in capital assets, minus related debt which is still outstanding and used to acquire those assets. The City uses these capital assets in the same way as the capital assets held by Governmental Activities.

Current assets exceeded currently liabilities by approximately \$10 thousand at the end of the fiscal year.

Governmental Activities

As indicated in Chart 1, the City funds its Governmental activities from revenue received from two significant categories. A clear majority, 70%, of the City's revenue is provided through licenses and permits. This category includes fees placed on employee withholdings, business returns, insurance premiums, and franchise fees. Property taxes comprise 9% of governmental revenues. Federal and State grant funding represents 16% of governmental revenue. The remaining Other category represents miscellaneous revenues collected by the City.

Chart 1



As indicated in Chart 2, expenditures related to public safety for police and fire represent 26% and 19%, respectively, of total expenditures of the City's Governmental Activities.

Expenditures for police totaled approximately \$2.25 million (Table 4) for fiscal year 2020. A decrease of \$134 thousand compared to the previous fiscal year. Expenditures for fire totaled approximately \$1.68 million (Table 4) for fiscal year 2020. An increase of \$52 thousand compared to the previous fiscal year.

Salary and wage costs, including benefits for police totaled \$1.94 million for fiscal year 2020 or approximately 86% of total police expenditures for 2020.

Salary and wage costs, including benefits for fire totaled \$1.46 million for fiscal year 2020 or approximately 87% of the total fire expenditures for 2020.

Chart 2

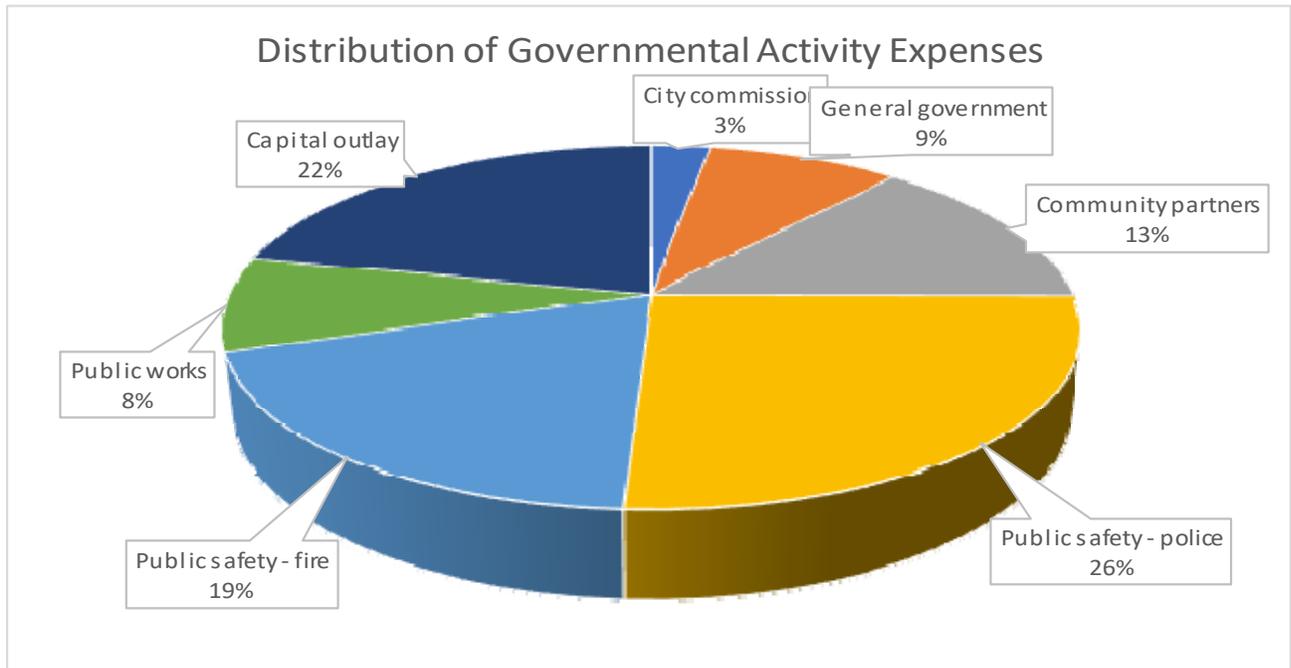


Table 4
City of Paris, Kentucky
Summary of Statement of Activities
For Years as Stated
(in thousands)

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|----------------------------|-------------------------|-----------------|--------------------------|-----------------|--------------------------|-----------------|
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| Program Revenue: | | | | | | |
| Charge for services | \$ 85 | \$ 147 | \$ 9,543 | \$ 9,506 | \$ 9,628 | \$ 9,653 |
| General revenues: | | | | | | |
| Tax | 845 | 826 | | | 845 | 826 |
| Licenses | 6,792 | 6,072 | | | 6,792 | 6,072 |
| Intergovernmental | 1,607 | 939 | | | 1,607 | 939 |
| Fines and forfeitures | 1 | 2 | | | 1 | 2 |
| Other revenues | 369 | 409 | 278 | 176 | 647 | 585 |
| Total revenues | <u>9,699</u> | <u>8,395</u> | <u>9,821</u> | <u>9,682</u> | <u>19,520</u> | <u>18,077</u> |
| Program Expenses: | | | | | | |
| City commission | 239 | 236 | | | 239 | 236 |
| General government | 1,541 | 1,383 | | | 1,541 | 1,383 |
| Community partners | 1,195 | 892 | | | 1,195 | 892 |
| Public safety - police | 2,710 | 2,723 | | | 2,710 | 2,723 |
| Public safety - fire | 2,099 | 1,841 | | | 2,099 | 1,841 |
| Public works | 967 | 833 | | | 967 | 833 |
| Interest on long-term debt | 17 | | | | 17 | - |
| Conveyance of property | | 650 | | | - | 650 |
| Electric | | | 5,254 | 4,790 | 5,254 | 4,790 |
| Sanitation | | | 769 | 1,100 | 769 | 1,100 |
| Water | | | 2,270 | 2,125 | 2,270 | 2,125 |
| Sewer | | | 2,038 | 1,901 | 2,038 | 1,901 |
| Total program expenses | <u>8,768</u> | <u>8,558</u> | <u>10,331</u> | <u>9,916</u> | <u>19,099</u> | <u>18,474</u> |
| Net change in net position | <u>\$ 931</u> | <u>\$ (163)</u> | <u>\$ (510)</u> | <u>\$ (234)</u> | <u>\$ 421</u> | <u>\$ (397)</u> |

As indicated by Table 4, revenues from Governmental Activities totaled \$9.7 million, which was an increase of \$1.3 million or 5.28%, from the previous year. Licenses and permits totaled \$6.07 million, representing 70% of total revenues. As stated earlier, this category includes employee withholdings in the form of an occupational license fee (OLF). This fee is comprised of an assessment of 1.50% on the total wages received by individuals employed in the City of Paris and an assessment of 1.50% on the net profits of businesses operating in the City of Paris. Licenses

and permits increased by \$720 thousand from the previous year. Property taxes increased by \$19 thousand.

As noted on Table 4, total expense of Governmental Activities was \$8.79 million, an increase of \$210 thousand from the previous fiscal year.

Business-Type Activities

Also indicated by Table 4, revenues from Business-Type Activities increased \$139 thousand from the previous fiscal year. Overall a stabilization in overall electric costs was a key factor in the increase from 2020 compared to 2019.

Total expenses for Business-Type Activities increased when compared to fiscal year 2019, by \$415 thousand. Overall lower electric maintenance costs were a key factor in the related increase from 2020 compared to 2019.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Commission revises the budget from time to time; thus, exercising one of the primary duties of the Commission as guardian of the City's funds. Supplemental appropriations are approved to reflect actual beginning fund balances and to re-appropriate funds for capital projects. As the year progresses and actual revenue collections and budgetary experience is known, amendments are processed in order to reflect the actual results and revised expectations of future revenue and expenditures.

For fiscal year 2020, General Fund revenues totaled \$9.33 million, a increase of 5.37% from the previous fiscal year. Total revenues were \$1.56 million above the budgeted amount. The increase in actual revenue is the result of continued growth in the local and U.S. economies, which affected both business returns and franchise fees. Total ad valorem taxes were \$77 thousand above the final budgeted amount. Intergovernmental revenues were \$489 thousand above the final budgeted amount.

General fund expenditures of the City totaled \$8.74 million, an increase of \$1.05 million over the previous fiscal year. Expenditures were \$319 thousand above the final budgeted amount.

The City's financial commitment to support Emergency Management Services within the City of Paris and Bourbon County remained the same at \$400 thousand compared to the previous fiscal year. In addition, the City's financial commitment to support Paris-Bourbon County E-11 services remained the same compared to the previous fiscal year for a total of \$222 thousand.

Table 5
City of Paris, Kentucky
General Fund Budgetary Highlights
For the Year Ended June 30, 2020
(in thousands)

| | <u>Budget</u> | <u>Actual</u> | Over (Under) <u>Budget</u> |
|---|------------------|---------------------|----------------------------------|
| REVENUES | | | |
| Taxes | \$ 768,000 | \$ 844,908 | \$ 76,908 |
| Licenses and permits | 5,772,500 | 6,791,706 | 1,019,206 |
| Fines and forfeitures | 2,500 | 1,355 | (1,145) |
| Intergovernmental | 1,028,000 | 1,516,642 | 488,642 |
| Charges for services | 130,000 | 85,047 | (44,953) |
| Other revenues | 73,750 | 92,428 | 18,678 |
| Total revenues | <u>7,774,750</u> | <u>9,332,086</u> | <u>1,557,336</u> |
| EXPENDITURES | | | |
| Current | | | |
| City commission | 307,040 | 239,003 | (68,037) |
| General government | 765,129 | 757,905 | (7,224) |
| Community partners | 1,089,875 | 1,194,566 | 104,691 |
| Public safety - police | 2,287,500 | 2,253,282 | (34,218) |
| Public safety - fire | 1,865,000 | 1,682,763 | (182,237) |
| Public works | 672,500 | 708,532 | 36,032 |
| Capital outlay | 1,433,000 | 1,902,685 | 469,685 |
| Debt service | | | - |
| Total expenditures | <u>8,420,044</u> | <u>8,738,736</u> | <u>318,692</u> |
| Excess (deficiency) of revenues over expenditures | (645,294) | 593,350 | 1,238,644 |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from sale of assets | | 86,873 | 86,873 |
| Proceeds from debt issuance | 902,934 | 1,483,947 | 581,013 |
| Transfers (out) | (257,640) | (214,308) | 43,332 |
| Total other financing sources (uses) | <u>645,294</u> | <u>1,356,512</u> | <u>711,218</u> |
| Net change in net position | <u>\$ -</u> | <u>\$ 1,949,862</u> | <u>\$ 1,949,862</u> |

CAPITAL ASSETS

The City's capital assets totaled \$17.45 million as of June 30, 2020. This investment includes land, buildings, equipment, park facilities, roads, bridges, and water and sewer systems. For Governmental Activities, the net investment in capital assets totaled \$7.94 million. For Business-Type Activities, the net investment in capital assets totaled \$9.50 million.

This year's major changes in capital assets included:

- Governmental Activities net investment in capital assets increased by \$1.58 million from the prior fiscal year. During 2020, the City's additions to capital assets included two (2) new fire vehicles in the amount \$1.46 million. Depreciation expense for Governmental Activities totaled \$640 thousand for the fiscal year ended 2020.
- Business-Type Activities net investment in capital assets increased by \$17 thousand from the prior fiscal year. During 2020, the City's additions to capital assets included a vacuum truck for the sewer department and a bucket truck for the electric department. Depreciation expense for Business-Type Activities totaled \$870 thousand for the fiscal year ended 2020.

Table 6
City of Paris, Kentucky
Summary of Capital Assets
For the Years as Stated
(in thousands)

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total Primary Government</u> | |
|--|--------------------------------|-----------------|---------------------------------|-----------------|---------------------------------|------------------|
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| Land and improvements | \$ 1,729 | \$ 1,555 | \$ 422 | \$ 422 | \$ 2,151 | \$ 1,977 |
| Building and improvements | 3,624 | 3,514 | | | 3,624 | 3,514 |
| Equipment and vehicles | 6,269 | 4,771 | 3,894 | 3,270 | 10,163 | 8,041 |
| Electric lines, poles and plant | | | 9,476 | 9,501 | 9,476 | 9,501 |
| Water treatment plant and water system improvements | | | 8,039 | 8,071 | 8,039 | 8,071 |
| Sewer treatment plant and improvements | | | 18,027 | 18,027 | 18,027 | 18,027 |
| Infrastructure assets | 4,250 | 3,901 | | | 4,250 | 3,901 |
| Construction in progress | 33 | 17 | 606 | 364 | 639 | 381 |
| | <u>15,905</u> | <u>13,758</u> | <u>40,464</u> | <u>39,655</u> | <u>56,369</u> | <u>53,413</u> |
| Less accumulated depreciation | <u>7,961</u> | <u>7,398</u> | <u>30,962</u> | <u>30,170</u> | <u>38,923</u> | <u>37,568</u> |
| Capital assets, net | <u>\$ 7,944</u> | <u>\$ 6,360</u> | <u>\$ 9,502</u> | <u>\$ 9,485</u> | <u>\$ 17,446</u> | <u>\$ 15,845</u> |

Construction in progress at June 30, 2020 includes costs of \$157 thousand for the Electric Department's SCADA system and \$381 thousand for construction of a metal frame building on one of the City's properties and \$69 thousand for installing new scales at the recycling center.

Additional information on the City's capital assets activity can be found in Note 4 to the financial statements.

DEBT ADMINISTRATION

As of the end of fiscal year 2020, the City had \$4.04 million in bonds and notes outstanding; Governmental Activities' debt increased by \$1.29 million, Business-Type Activities debt decreased by \$300 thousand.

Table 7
City of Paris, Kentucky
Summary of Outstanding Debt
For the Years as Stated
(in thousands)

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total Primary Government</u> | |
|--|--------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|-------------------|
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| General obligation bonds, notes and leases | \$ 1,523 | \$ 236 | \$ 1,985 | \$ 2,248 | \$ 3,508 | \$ 2,484 |
| Revenue bonds | | | 281 | 286 | 281 | 286 |
| Mortgage notes | | | 248 | 280 | 248 | 280 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Capital assets, net | <u>\$ 1,523</u> | <u>\$ 236</u> | <u>\$ 2,514</u> | <u>\$ 2,814</u> | <u>\$ 4,037</u> | <u>\$ 3,050</u> |

NEXT YEAR'S BUDGET

The City's fiscal year 2021 budget, for all funds combined, net of interfund transfers, is \$17.90 million. In fiscal year 2020, the City took the stance that tax rates and service fees should remain virtually level from previous fiscal years. Cost savings have been realized though not filling some employee vacancies, revised health benefit plan that provided level agency funding for all participants, ensuring that major expenditures are vetted through competitive bid process, and ensuring employees understand management's philosophy or responsible fiscal management.

REQUEST FOR INFORMATION

This financial report is designed to provide the citizens of the City, taxpayers, customers, and investors and creditors with a general overview of the City's finances, and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Manager at 525 High Street, Paris, Kentucky 40361 or by telephone at (859) 987-2110.

CITY OF PARIS, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2020

| | Primary Government | | |
|--|------------------------------------|-------------------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 5,538,436 | \$ 412,409 | \$ 5,950,845 |
| Receivables, net | 2,619,345 | 941,087 | 3,560,432 |
| Prepaid expense | - | - | - |
| Inventory | - | 494,320 | 494,320 |
| Internal balances | 208,113 | (208,113) | - |
| Total current assets | <u>8,365,894</u> | <u>1,639,703</u> | <u>10,005,597</u> |
| Noncurrent assets | | | |
| Restricted cash and cash equivalents | 83,089 | 1,032,722 | 1,115,811 |
| Capital assets | | | |
| Land and improvements | 1,728,917 | 422,052 | 2,150,969 |
| Construction in progress | 32,663 | 606,368 | 639,031 |
| Depreciable infrastructure, net | 2,765,796 | - | 2,765,796 |
| Depreciable buildings, property, and equipment, net | 3,416,587 | 8,473,853 | 11,890,440 |
| Total noncurrent assets | <u>8,027,052</u> | <u>10,534,995</u> | <u>18,562,047</u> |
| Total assets | <u>16,392,946</u> | <u>12,174,698</u> | <u>28,567,644</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows - pension | 2,242,784 | 1,541,068 | 3,783,852 |
| Deferred outflows - OPEB | <u>1,136,538</u> | <u>618,822</u> | <u>1,755,360</u> |
| Total deferred outflows of resources | <u>3,379,322</u> | <u>2,159,890</u> | <u>5,539,212</u> |
| Total assets and deferred outflows of resources | <u>\$ 19,772,268</u> | <u>\$ 14,334,588</u> | <u>\$ 34,106,856</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | \$ 323,952 | \$ 698,354 | \$ 1,022,306 |
| Accrued liabilities | 226,926 | 178,619 | 405,545 |
| Accrued interest payable | - | 5,460 | 5,460 |
| Customer deposits | - | 250,950 | 250,950 |
| Current portion of long-term obligations | <u>227,893</u> | <u>496,580</u> | <u>724,473</u> |
| Total current liabilities | <u>778,771</u> | <u>1,629,963</u> | <u>2,408,734</u> |
| Noncurrent liabilities | | | |
| Compensated absences | 368,472 | 128,889 | 497,361 |
| Noncurrent portion of long-term obligations | 1,294,777 | 2,017,055 | 3,311,832 |
| Net pension liability | 10,455,943 | 6,997,909 | 17,453,852 |
| Net OPEB liability | <u>2,869,317</u> | <u>1,465,872</u> | <u>4,335,189</u> |
| Total noncurrent liabilities | <u>14,988,509</u> | <u>10,609,725</u> | <u>25,598,234</u> |
| Total liabilities | <u>15,767,280</u> | <u>12,239,688</u> | <u>28,006,968</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows - pension | 716,630 | 173,770 | 890,400 |
| Deferred inflows - OPEB | <u>1,056,648</u> | <u>542,531</u> | <u>1,599,179</u> |
| Total deferred inflows of resources | <u>1,773,278</u> | <u>716,301</u> | <u>2,489,579</u> |
| NET POSITION | | | |
| Net investment in capital assets | 6,388,630 | 5,960,218 | 12,348,848 |
| Restricted for: | | | |
| Debt service | - | 280,554 | 280,554 |
| Other purposes | 83,089 | 752,168 | 835,257 |
| Unrestricted | <u>(4,240,009)</u> | <u>(5,614,341)</u> | <u>(9,854,350)</u> |
| Total net position | <u>2,231,710</u> | <u>1,378,599</u> | <u>3,610,309</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 19,772,268</u> | <u>\$ 14,334,588</u> | <u>\$ 34,106,856</u> |

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

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

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|----------------------|-------------------------|--|--|--|-----------------------------|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-type Activities | Total |
| Primary government | | | | | | | |
| Governmental activities | | | | | | | |
| City commission | \$ 239,003 | \$ - | \$ - | \$ - | \$ (239,003) | \$ - | \$ (239,003) |
| General administration | 1,541,236 | 85,047 | 295,628 | - | (1,160,561) | - | (1,160,561) |
| Community partners | 1,194,566 | - | 107,325 | - | (1,087,241) | - | (1,087,241) |
| Public safety-police | 2,709,411 | 217,076 | 476,217 | - | (2,016,118) | - | (2,016,118) |
| Public safety-fire | 2,099,195 | - | 415,835 | - | (1,683,360) | - | (1,683,360) |
| Public works | 967,391 | - | 4,561 | 306,645 | (656,185) | - | (656,185) |
| Interest on long-term debt | 17,432 | - | - | - | (17,432) | - | (17,432) |
| Total governmental activities | <u>8,768,234</u> | <u>302,123</u> | <u>1,299,566</u> | <u>306,645</u> | <u>(6,859,900)</u> | <u>-</u> | <u>(6,859,900)</u> |
| Business-type activities | | | | | | | |
| Electric | 5,253,472 | 6,181,439 | - | - | - | 927,967 | 927,967 |
| Sanitation | 768,656 | 80,010 | - | - | - | (688,646) | (688,646) |
| Water | 2,269,757 | 1,598,298 | - | - | - | (671,459) | (671,459) |
| Sewer | 2,037,815 | 1,682,957 | - | - | - | (354,858) | (354,858) |
| Total business-type activities | <u>10,329,700</u> | <u>9,542,704</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(786,996)</u> | <u>(786,996)</u> |
| Total primary government | <u>\$ 19,097,934</u> | <u>\$ 9,844,827</u> | <u>\$ 1,299,566</u> | <u>\$ 306,645</u> | <u>(6,859,900)</u> | <u>(786,996)</u> | <u>(7,646,896)</u> |
| General revenues | | | | | | | |
| Taxes | | | | | | | |
| Property taxes, levied for general purposes | | | | | 844,908 | - | 844,908 |
| License fees: | | | | | | | |
| Franchise | | | | | 312,982 | - | 312,982 |
| Payroll | | | | | 3,175,526 | - | 3,175,526 |
| Insurance premiums | | | | | 2,567,811 | - | 2,567,811 |
| Net profit | | | | | 712,518 | - | 712,518 |
| Other licenses and permits | | | | | 22,869 | - | 22,869 |
| Fines and forfeits | | | | | 1,355 | - | 1,355 |
| Investment earnings | | | | | 77,413 | 24,389 | 101,802 |
| Miscellaneous | | | | | 16,214 | 258,065 | 274,279 |
| Total general revenues | | | | | <u>7,731,596</u> | <u>282,454</u> | <u>8,014,050</u> |
| Gain (loss) on disposal of assets | | | | | <u>58,828</u> | <u>(5,831)</u> | <u>52,997</u> |
| Change in net position | | | | | <u>930,524</u> | <u>(510,373)</u> | <u>420,151</u> |
| Net position-beginning | | | | | <u>1,301,186</u> | <u>1,888,972</u> | <u>3,190,158</u> |
| NET POSITION-ENDING | | | | | <u>\$ 2,231,710</u> | <u>\$ 1,378,599</u> | <u>\$ 3,610,309</u> |

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

CITY OF PARIS, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

| | General | Other Governmental Funds | Total Governmental Funds |
|-------------------------------------|---------------------|---|---|
| ASSETS | | | |
| Cash and cash equivalents | \$ 5,541,790 | \$ 79,735 | \$ 5,621,525 |
| Receivables, net | 2,462,419 | 156,926 | 2,619,345 |
| Due from other funds | 421,034 | - | 421,034 |
| Total assets | <u>\$ 8,425,243</u> | <u>\$ 236,661</u> | <u>\$ 8,661,904</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 323,952 | \$ - | \$ 323,952 |
| Accrued liabilities | 226,926 | - | 226,926 |
| Due to other funds | - | 212,921 | 212,921 |
| Total liabilities | <u>550,878</u> | <u>212,921</u> | <u>763,799</u> |
| FUND BALANCES | | | |
| Restricted | 59,349 | 23,740 | 83,089 |
| Unassigned | 7,815,016 | - | 7,815,016 |
| Total fund balances | <u>7,874,365</u> | <u>23,740</u> | <u>7,898,105</u> |
| Total liabilities and fund balances | <u>\$ 8,425,243</u> | <u>\$ 236,661</u> | <u>\$ 8,661,904</u> |

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

| | |
|---|---------------------|
| Fund balances per above | \$ 7,898,105 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 7,943,963 |
| Long-term liabilities and related pension/OPEB deferred inflows/outflows are not due and payable in the current period and therefore are not reported in the funds. | <u>(13,610,358)</u> |
| Net position of governmental activities | <u>\$ 2,231,710</u> |

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

CITY OF PARIS, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
for the year ended June 30, 2020

| | General | Other Governmental Funds | Total Governmental Funds |
|---|----------------|---|---|
| REVENUES | | | |
| Taxes | \$ 844,908 | \$ - | \$ 844,908 |
| Licenses and permits | 6,791,706 | - | 6,791,706 |
| Fees and fines | 1,355 | - | 1,355 |
| Intergovernmental | 1,516,642 | 306,645 | 1,823,287 |
| Charges for services | 85,047 | - | 85,047 |
| Other revenues | 92,428 | 1,199 | 93,627 |
| Total revenues | 9,332,086 | 307,844 | 9,639,930 |
| EXPENDITURES | | | |
| Current | | | |
| City commission | 239,003 | - | 239,003 |
| General administration | 757,905 | - | 757,905 |
| Community partners | 1,194,566 | - | 1,194,566 |
| Public safety-police | 2,253,282 | - | 2,253,282 |
| Public safety-fire | 1,682,763 | - | 1,682,763 |
| Public works | 708,532 | - | 708,532 |
| Capital outlay | 1,902,685 | 349,326 | 2,252,011 |
| Debt service | - | 214,308 | 214,308 |
| Total expenditures | 8,738,736 | 563,634 | 9,302,370 |
| Excess (deficiency) of revenues over expenditures | 593,350 | (255,790) | 337,560 |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from sale of assets | 86,873 | - | 86,873 |
| Proceeds from debt issuance | 1,483,947 | - | 1,483,947 |
| Transfers in (out) | (214,308) | 214,308 | - |
| Total other financing sources (uses) | 1,356,512 | 214,308 | 1,570,820 |
| Net change in fund balances | 1,949,862 | (41,482) | 1,908,380 |
| Fund balances-beginning | 5,924,503 | 65,222 | 5,989,725 |
| Fund balances-ending | \$ 7,874,365 | \$ 23,740 | \$ 7,898,105 |
| Reconciliation to government-wide change in net position: | | | |
| Net change in fund balances | | | \$ 1,908,380 |
| Add: capital outlay expenditures | | | 2,252,011 |
| Add: debt service expenditures | | | 214,308 |
| Add: gain on disposal of assets | | | 58,828 |
| Less: change in compensated absences | | | (71,233) |
| Less: proceeds from sale of assets | | | (86,873) |
| Less: proceeds from debt issuance | | | (1,483,947) |
| Less: depreciation on governmental activities assets | | | (640,304) |
| Less: change in net pension liability | | | (1,108,141) |
| Less: change in net OPEB liability | | | (95,073) |
| Less: interest on long-term debt | | | (17,432) |
| Change in net position governmental activities | | | \$ 930,524 |

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

CITY OF PARIS, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

| | Business-Type Activities Utility Fund |
|--|--|
| ASSETS | |
| Current assets | |
| Cash and cash equivalents | \$ 412,409 |
| Receivables, net | 941,087 |
| Inventory | 494,320 |
| Total current assets | 1,847,816 |
| Noncurrent assets | |
| Restricted cash and cash equivalents | 1,032,722 |
| Land and improvements | 422,052 |
| Construction in progress | 606,368 |
| Depreciable buildings, property, and equipment | 39,435,945 |
| Less: accumulated depreciation | (30,962,092) |
| Total noncurrent assets | 10,534,995 |
| Total assets | 12,382,811 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows - pension | 1,541,068 |
| Deferred outflows - OPEB | 618,822 |
| Total deferred outflows of resources | 2,159,890 |
| Total assets and deferred outflows of resources | \$ 14,542,701 |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable | \$ 698,354 |
| Accrued liabilities | 178,619 |
| Accrued interest payable | 5,460 |
| Customer deposits | 250,950 |
| Due to other funds | 208,113 |
| Current portion of long-term debt | 496,580 |
| Total current liabilities | 1,838,076 |
| Noncurrent liabilities | |
| Compensated absences | 128,889 |
| Bonds, notes and loans payable | 2,017,055 |
| Net pension liability | 6,997,909 |
| Net OPEB liability | 1,465,872 |
| Total noncurrent liabilities | 10,609,725 |
| Total liabilities | 12,447,801 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows - pension | 173,770 |
| Deferred inflows - OPEB | 542,531 |
| Total deferred inflows of resources | 716,301 |
| NET POSITION | |
| Net investment in capital assets | 5,960,218 |
| Restricted for: | |
| Debt service | 280,554 |
| Other purposes | 752,168 |
| Unrestricted | (5,614,341) |
| Total net position | 1,378,599 |
| Total liabilities, deferred inflows of resources, and net position | \$ 14,542,701 |

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

CITY OF PARIS, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
for the year ended June 30, 2020

| | Business-type Activities Utility Fund |
|---|--|
| Operating revenues | |
| Charges for services | \$ 9,640,958 |
| Rental income | 31,295 |
| Other revenues | <u>128,516</u> |
| Total operating revenues | <u>9,800,769</u> |
| Operating expenses | |
| Utility administration | 1,286,351 |
| Electric department | 4,709,557 |
| Water distribution | 1,717,968 |
| Sewer treatment | 1,264,607 |
| Sanitation | 385,229 |
| Depreciation | <u>870,206</u> |
| Total operating expenses | <u>10,233,918</u> |
| Operating income (loss) | <u>(433,149)</u> |
| Nonoperating revenues (expenses) | |
| Interest and investment income | 24,389 |
| Interest expense | (95,782) |
| Gain (loss) on sale of assets | <u>(5,831)</u> |
| Total nonoperating revenue (expenses) | <u>(77,224)</u> |
| Change in net position | (510,373) |
| Total net position-beginning | <u>1,888,972</u> |
| TOTAL NET POSITION-ENDING | <u>\$ 1,378,599</u> |

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

CITY OF PARIS, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the year ended June 30, 2020

| | <u>Business-Type Activities Utility Fund</u> |
|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers | \$ 9,647,398 |
| Payments to suppliers | (6,056,895) |
| Payments for employee services and benefits | (2,198,237) |
| Payments for interfund services used | (288,000) |
| Other receipts | <u>159,811</u> |
| Net cash provided by operating activities | <u>1,264,077</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Purchases of capital assets | (870,522) |
| Proceeds on disposal of capital assets | 9,145 |
| Proceeds from debt issuance | 300,000 |
| Principal payments on bonds, notes, and loans payable | (600,520) |
| Interest paid on capital debt | <u>(95,782)</u> |
| Net cash (used in) capital and related financing activities | <u>(1,257,679)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Receipts on interfund loans | <u>(9,267)</u> |
| Net cash (used in) noncapital financing activities | <u>(9,267)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest and investment income | <u>24,389</u> |
| Net cash provided by investing activities | <u>24,389</u> |
| Net increase in cash and cash equivalents | 21,520 |
| Cash and cash equivalents-beginning of the year | <u>1,423,611</u> |
| CASH AND CASH EQUIVALENTS-END OF THE YEAR | <u>\$ 1,445,131</u> |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income (loss) | \$ (433,149) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation expense | 870,206 |
| Change in assets and liabilities: | |
| Net pension liability | 697,912 |
| Net OPEB liability | 22,289 |
| Receivables, net | (8,610) |
| Prepaid expense | 5,155 |
| Inventory | (95,384) |
| Customer deposits | 15,050 |
| Accounts and other payables | 154,356 |
| Accrued expenses | <u>36,252</u> |
| Net cash provided by operating activities | <u>\$ 1,264,077</u> |
| Reconciliation of total cash and cash equivalents: | |
| Current assets - cash and cash equivalents | \$ 412,409 |
| Restricted cash and cash equivalents | <u>1,032,722</u> |
| | <u>\$ 1,445,131</u> |
| Supplemental disclosure of cash flow information: | |
| Noncash capital and related financing activities: | |
| Accounts payable for capital items, net | <u>\$ 120,088</u> |

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

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The financial statements of the City of Paris, Kentucky include the funds, account groups and entities over which the Mayor and Commission exercise significant oversight responsibility. Oversight responsibility, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, was determined on the basis of the City's ability to significantly influence operations, select the governing body, participate in fiscal management and the scope of public service. The only entity included in the financial statements is the Paris, Kentucky Public Properties Corporation.

The following entities have been excluded from the financial statements because they do not meet the criteria described above:

1. Paris-Bourbon County Community Development Agency
2. Paris-Bourbon County Emergency Medical Services
3. Paris Independent Schools
4. Paris-Bourbon County E-911
5. Paris-Bourbon County Tourism Commission
6. Paris-Bourbon County Economic Development Authority

B. Basis of Presentation

Government-wide Financial Statements

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

Fund Financial Statements

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

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

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

The following funds are used by the City of Paris:

Governmental Funds

General Fund - The general operating fund of the City is used to account for all financial resources except those required to be accounted for in another fund. Most of the essential governmental services such as police and fire protection, community services and general administration are reported in this fund.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are restricted by law to be expended for specific purposes. The following special revenue funds are maintained by the City:

Municipal Road Aid Fund - A special revenue fund used to account for state municipal road aid.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Proprietary Funds

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

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

Utility Fund - The Utility Fund accounts for the electric, water, sewer, and garbage disposal and incinerator services provided to residents of the City and surrounding areas, the operations of which are financed by user charges.

C. Basis of Accounting

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

Government-wide Financial Statements

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

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Fund Financial Statements

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

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

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and expenses are recognized when they are incurred. Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

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

D. Fund Balance

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

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

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

Committed – amounts constrained for a specific purpose by the City using its highest level of decision making authority. The City Commission is the highest level of decision making authority for the City of Paris.

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

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

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Balance (Continued)

For resources considered to be committed, the City issues an ordinance that can be changed with another corresponding ordinance.

For resources considered to be assigned, the City has designated the City Manager to carry the intent of the City commission.

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

E. Budgeting

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

The City estimates the expenses the General Fund paid or incurred on behalf of the Utility Fund. Total estimated expenses reimbursed to the General Fund from the Utilities Fund amounted to \$288,000 for the year ended June 30, 2020. In the fund financial statements, these reimbursements are recorded as "Intergovernmental" revenue in the General Fund and "Utility administration" expense in the Utility Fund.

F. Cash and Cash Equivalents

The City considers all cash, and certificates of deposit maturing in 90 days or less when purchased, both restricted and unrestricted, as cash and cash equivalents for purposes of the Statement of Cash Flows.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure (i.e., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets acquired are recorded at cost or estimated cost. Depreciation of capital assets is provided over the estimated useful lives of the respective assets using the straight-line basis. The estimated useful lives are as follows:

| | |
|-----------------------------------|-------------|
| Infrastructure | 30-50 years |
| Buildings | 20-50 years |
| Improvements | 10-40 years |
| Vehicles, furniture and equipment | 3-20 years |

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments, including refunds of employee contributions are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

I. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

J. Compensated Absences

Full-time employees of the City may accumulate sick leave at the rate of eight hours per month. Fire department employees assigned to 24-hour shifts may accumulate twelve hours per month. Sick days are allowed to be accumulated and carried over to a maximum of 520 work hours at the beginning of the calendar year. Fire department employees can carry a maximum of 720 work hours at the beginning of the calendar year. The City has a policy that employees must complete a minimum of five years of service to be eligible for a payout. Employees must have an accrual balance higher than 420 total hours to be eligible for a payout. At the end of the calendar year, employees with a balance higher than 420 hours may cash out up to a maximum of 80 hours at a 4 to 1 ratio of their current hourly rate. Upon resignation in good standing or retirement from the City, an employee may cash out all the remaining accrued sick hours at a 3 to 1 ratio of their current hourly rate.

New employees of the City may accumulate vacation leave on the first day of the month following six months of employment. There is no maximum accrual for vacation leave. Employees who resign in good standing or retire are eligible to receive payment for unused vacation days.

The City accrues compensated absences for employees who meet the minimum years of service and hourly accrual balance requirements for sick leave. The City also accrues compensated absences for employees who have met the probationary period for vacation leave.

K. Interfund balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due from/to other funds". These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Other Accounting Policies

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

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

M. Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through February 1, 2021, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2020, have not been evaluated by the City.

2. CASH AND INVESTMENTS

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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City does not have a policy regarding interest rate risk.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk beyond that specified in KRS 66.480. The City's deposits and investments at June 30, 2020 were fully covered by federal depository insurance or by collateral held by the custodial banks in the City's name. The book balances of the City's deposits were \$7,066,656 and the bank balances were \$7,174,567. Bank balances of \$660,042 were covered by FDIC insurance, and \$6,514,525 by collateral held by the custodial banks.

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

3. ACCOUNTS RECEIVABLE

Receivables at year end of the City's major individual funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectable accounts, are as follows:

| <u>Governmental activities</u> | General Fund | Nonmajor Funds | Total |
|----------------------------------|---------------------|-----------------------|---------------------|
| Licenses and permits | \$ 1,495,246 | \$ - | \$ 1,495,246 |
| Intergovernmental | 927,348 | 156,926 | 1,084,274 |
| Other | <u>39,825</u> | <u>-</u> | <u>39,825</u> |
| Total receivables | <u>\$ 2,462,419</u> | <u>\$ 156,926</u> | <u>\$ 2,619,345</u> |
| | | | |
| <u>Business-type activities</u> | Utility Fund | | |
| Charges for service, net | \$ 992,903 | | |
| Other | <u>3,184</u> | | |
| Gross receivable | 996,087 | | |
| Less allowance for uncollectible | <u>(55,000)</u> | | |
| Total receivables, net | <u>\$ 941,087</u> | | |

4. CAPITAL ASSETS

A summary of capital asset activity during the year ended June 30, 2020 is as follows:

| <u>Governmental activities</u> | Balance July 1, 2019 | Additions | Deletions | Balance June 30, 2020 |
|---|---------------------------------|---------------------|--------------------|----------------------------------|
| Capital assets not being depreciated: | | | | |
| Land and improvements | \$ 1,555,025 | \$ 173,892 | \$ - | \$ 1,728,917 |
| Construction in progress | <u>17,215</u> | <u>32,663</u> | <u>(17,215)</u> | <u>32,663</u> |
| Total | <u>1,572,240</u> | <u>206,555</u> | <u>(17,215)</u> | <u>1,761,580</u> |
| Capital assets being depreciated: | | | | |
| Building and improvements | 3,514,277 | 109,762 | - | 3,624,039 |
| Vehicles | 3,720,124 | 1,603,585 | (105,325) | 5,218,384 |
| Equipment | <u>1,050,763</u> | <u>-</u> | <u>-</u> | <u>1,050,763</u> |
| Total | <u>8,285,164</u> | <u>1,713,347</u> | <u>(105,325)</u> | <u>9,893,186</u> |
| Total non-infrastructure assets | <u>9,857,404</u> | <u>1,919,902</u> | <u>(122,540)</u> | <u>11,654,766</u> |
| Infrastructure assets | <u>3,901,038</u> | <u>349,325</u> | <u>-</u> | <u>4,250,363</u> |
| Total capital assets | <u>13,758,442</u> | <u>2,269,227</u> | <u>(122,540)</u> | <u>15,905,129</u> |
| Accumulated depreciation: | | | | |
| Buildings and improvements | 2,163,609 | 103,305 | - | 2,266,914 |
| Vehicles | 3,091,058 | 303,289 | (77,279) | 3,317,068 |
| Equipment | 855,278 | 37,339 | - | 892,617 |
| Infrastructure assets | <u>1,288,196</u> | <u>196,371</u> | <u>-</u> | <u>1,484,567</u> |
| Total | <u>7,398,141</u> | <u>640,304</u> | <u>(77,279)</u> | <u>7,961,166</u> |
| Governmental activities capital assets, net | <u>\$ 6,360,301</u> | <u>\$ 1,628,923</u> | <u>\$ (45,261)</u> | <u>\$ 7,943,963</u> |

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

4. CAPITAL ASSETS (CONTINUED)

| <u>Business-type activities</u> | Balance | | | Balance |
|---|---------------------|------------------|--------------------|----------------------|
| | July 1, 2019 | Additions | Deletions | June 30, 2020 |
| Capital assets not being depreciated: | | | | |
| Land and improvements | \$ 422,052 | \$ - | \$ - | \$ 422,052 |
| Construction in progress | <u>363,509</u> | <u>279,564</u> | <u>(36,705)</u> | <u>606,368</u> |
| Total | <u>785,561</u> | <u>279,564</u> | <u>(36,705)</u> | <u>1,028,420</u> |
| Capital assets being depreciated: | | | | |
| Equipment and vehicles | 3,270,478 | 623,298 | - | 3,893,776 |
| Electric lines, poles, and plant | 9,500,468 | - | (24,000) | 9,476,468 |
| Water treatment plant and water system improvements | 8,071,422 | 36,705 | (69,250) | 8,038,877 |
| Sewer treatment plant and improvements | <u>18,026,824</u> | <u>-</u> | <u>-</u> | <u>18,026,824</u> |
| Total | <u>38,869,192</u> | <u>660,003</u> | <u>(93,250)</u> | <u>39,435,945</u> |
| Total capital assets | <u>39,654,753</u> | <u>939,567</u> | <u>(129,955)</u> | <u>40,464,365</u> |
| Accumulated depreciation | <u>30,170,161</u> | <u>870,206</u> | <u>(78,275)</u> | <u>30,962,092</u> |
| Business-type activities capital assets, net | <u>\$ 9,484,592</u> | <u>\$ 69,361</u> | <u>\$ (51,680)</u> | <u>\$ 9,502,273</u> |

Depreciation expense was charged to the following functions or departments as follows:

Governmental activities:

| | |
|----------------------------|-------------------|
| General government | \$ 205,478 |
| Police | 156,694 |
| Fire | 169,311 |
| Public works | <u>108,821</u> |
| Total depreciation expense | <u>\$ 640,304</u> |

Business-type activities:

| | |
|----------------------------|-------------------|
| Electric department | \$ 198,380 |
| Water department | 206,256 |
| Sewer department | 427,676 |
| Sanitation | <u>37,894</u> |
| Total depreciation expense | <u>\$ 870,206</u> |

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

5. LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2020:

Governmental activities

| | Balance July 1, 2019 | Additions | Retirements | Balance June 30, 2020 |
|---|---------------------------------|---------------------|---------------------|----------------------------------|
| Kentucky Bank note payable with interest at 1.58%, secured by vehicles | \$ 235,599 | \$ 26,173 | \$ (89,996) | \$ 171,776 |
| Kentucky Bank note payable with interest at 1.28%, secured by fire trucks | - | 1,457,774 | (106,880) | 1,350,894 |
| Compensated absences | 297,239 | 71,233 | - | 368,472 |
| Net pension liability | 9,069,089 | 1,386,854 | - | 10,455,943 |
| Net OPEB liability | <u>2,923,657</u> | <u>-</u> | <u>(54,340)</u> | <u>2,869,317</u> |
| Total governmental activities | <u>\$ 12,525,584</u> | <u>\$ 2,942,034</u> | <u>\$ (251,216)</u> | <u>\$ 15,216,402</u> |

The annual debt service requirements to maturity for all governmental activity notes payable is as follows:

| Year ended | Principal | Interest | Total |
|-------------------|---------------------|------------------|---------------------|
| 2021 | \$ 227,893 | \$ 18,843 | \$ 246,736 |
| 2022 | 231,012 | 15,717 | 246,729 |
| 2023 | 146,382 | 13,135 | 159,517 |
| 2024 | 148,263 | 11,254 | 159,517 |
| 2025 | 150,229 | 9,288 | 159,517 |
| 2026-2030 | <u>618,891</u> | <u>17,305</u> | <u>636,196</u> |
| | <u>\$ 1,522,670</u> | <u>\$ 85,542</u> | <u>\$ 1,608,212</u> |

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

5. LONG-TERM DEBT (CONTINUED)

Business-type activities

| | Balance July 1, 2019 | Additions | Retirements | Balance June 30, 2020 | Due within one year |
|---|---------------------------------|---------------------|---------------------|----------------------------------|--------------------------------|
| KIA note payable with interest at 1.80% maturing in fiscal year 2021 | \$ 561,168 | \$ - | \$ (372,434) | \$ 188,734 | \$ 188,734 |
| KBC note payable with interest at 3.29% maturing in fiscal year 2032 | 1,687,078 | - | (117,083) | 1,569,995 | 120,000 |
| Series 2014 Revenue Bonds with interest at 2.75% maturing in fiscal year 2054 | 286,000 | - | (5,000) | 281,000 | 5,000 |
| Traditional Bank note payable with interest at 3.30% maturing in fiscal year 2027 | 279,909 | - | (31,793) | 248,116 | 32,993 |
| Traditional Bank note payable with interest at 1.74% maturing in fiscal year 2022 | <u>-</u> | <u>300,000</u> | <u>(74,210)</u> | <u>225,790</u> | <u>149,853</u> |
| Total bonds and notes payable | <u>2,814,155</u> | <u>300,000</u> | <u>(600,520)</u> | <u>2,513,635</u> | <u>496,580</u> |
| Compensated absences | 128,087 | 802 | - | 128,889 | - |
| Net pension liability | 5,978,677 | 1,019,232 | - | 6,997,909 | - |
| Net OPEB liability | <u>1,480,378</u> | <u>-</u> | <u>(14,506)</u> | <u>1,465,872</u> | <u>-</u> |
| Total business-type activities | <u>\$ 10,401,297</u> | <u>\$ 1,320,034</u> | <u>\$ (615,026)</u> | <u>\$ 11,106,305</u> | <u>\$ 496,580</u> |

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

5. LONG-TERM DEBT (CONTINUED)

The annual debt service requirements to maturity for all business-type activity bonds and notes payable are as follows:

| Year ended | Principal | Interest | Total |
|------------|---------------------|-------------------|---------------------|
| 2021 | \$ 496,580 | \$ 76,664 | \$ 573,244 |
| 2022 | 237,120 | 55,310 | 292,430 |
| 2023 | 167,824 | 62,500 | 230,324 |
| 2024 | 174,002 | 57,046 | 231,048 |
| 2025 | 180,224 | 51,379 | 231,603 |
| 2026-2030 | 853,140 | 167,469 | 1,020,609 |
| 2031-2035 | 216,245 | 39,779 | 256,024 |
| 2036-2040 | 40,500 | 24,135 | 64,635 |
| 2041-2045 | 46,500 | 18,260 | 64,760 |
| 2046-2050 | 53,000 | 11,519 | 64,519 |
| 2051-2054 | <u>48,500</u> | <u>3,704</u> | <u>52,204</u> |
| | <u>\$ 2,513,635</u> | <u>\$ 567,765</u> | <u>\$ 3,081,400</u> |

6. CONDUIT DEBT

The City is the issuer of certain industrial revenue bonds issued in order to promote the local construction of production facilities. The facilities, which are constructed from the bond proceeds, are leased to the industrial companies for an amount required to annually service the debt. The lessee assumes ownership of the facilities at the completion of all lease payments required to fully service the debt. The lease payments are remitted directly to the trustee (bank) with whom the facilities are mortgaged. These bonds constitute a limited obligation of the City payable solely from the revenues and receipts derived from the lease agreement. Accordingly, the assets and liabilities relating to these bonds are not recorded on the books of the City. The amount of bonds outstanding at June 30, 2020 is not readily available.

7. RETIREMENT PLAN

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

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

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

7. RETIREMENT PLAN (CONTINUED)

Contributions – For the year ended June 30, 2020, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2020, participating employers contributed 24.06% of each employee's wages for non-hazardous job classifications and 39.58% of each employee's wages for hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 8. Plan members contributed 19.33% to the pension trust for non-hazardous job classifications and 30.06% to the pension trust for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

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

For the year ended June 30, 2020, the City contributed \$1,059,193, or 100% of the required contribution for non-hazardous job classifications, which was allocated \$849,644 to the CERS pension fund and \$209,549 to the CERS insurance fund. The City contributed \$395,767, or 100% of the required contribution for hazardous job classifications, which was allocated \$300,575 to the CERS pension fund and \$95,192 to the CERS insurance fund.

Benefits – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service.

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

7. RETIREMENT PLAN (CONTINUED)

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2020, the City reported a liability for its proportionate share of the net pension liability as follows:

| | | | |
|--------------------------|----------------------|---------------------|--|
| Total Net | | | |
| Pension Liability | Non-hazardous | Hazardous | |
| <u>\$ 17,453,852</u> | <u>\$ 11,803,770</u> | <u>\$ 5,650,082</u> | |

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2019 was as follows:

| | |
|----------------------|------------------|
| Non-hazardous | Hazardous |
| .1678% | .2045% |

The proportionate share at June 30, 2019 increased .0072% for non-hazardous and decreased .0133% for hazardous compared to the proportionate share as of June 30, 2018.

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

7. RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2020, the City recognized pension expense of \$2,939,623. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual results | \$ 541,445 | \$ 49,874 |
| Changes of assumptions | 1,743,124 | - |
| Net difference between projected and actual earnings on Plan investments | - | 270,245 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 349,065 | 570,281 |
| City contributions subsequent to the measurement date | <u>1,150,218</u> | <u>-</u> |
| Total | <u>\$ 3,783,852</u> | <u>\$ 890,400</u> |

The \$1,150,218 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,

| | |
|------|--------------|
| 2021 | \$ 1,113,601 |
| 2022 | \$ 415,350 |
| 2023 | \$ 195,690 |
| 2024 | \$ 18,593 |

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

Non-hazardous

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

Hazardous

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The total pension liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019.

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

7. RETIREMENT PLAN (CONTINUED)

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

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

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

Discount Rate – The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

| | Non-hazardous | | Hazardous | |
|-----------------------|----------------------|--|----------------------|--|
| | Discount rate | City's proportionate share of net pension liability | Discount rate | City's proportionate share of net pension liability |
| 1% decrease | 5.25% | \$ 14,763,168 | 5.25% | \$ 7,063,870 |
| Current discount rate | 6.25% | \$ 11,803,770 | 6.25% | \$ 5,650,082 |
| 1% increase | 7.25% | \$ 9,337,140 | 7.25% | \$ 4,490,979 |

Payable to the Pension Plan – At June 30, 2020, the City reported a payable of \$143,612 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020. The payable includes both the pension and insurance contribution allocation.

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 7, the City of Paris, Kentucky participates in the County Employees’ Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions – As more fully described in Note 7, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2020, the employer’s contribution was 4.76% to the insurance trust for non-hazardous job classifications and 9.52% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the year ended June 30, 2020, the City contributed \$209,549, or 100% of the required contribution for non-hazardous job classifications, and \$95,192, or 100% of the required contribution for hazardous job classifications.

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

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

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

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2020, the City reported a liability for its proportionate share of the net OPEB liability as follows:

| Total Net OPEB Liability | Non-hazardous | Hazardous |
|-------------------------------------|----------------------|---------------------|
| <u>\$ 4,335,189</u> | <u>\$ 2,822,154</u> | <u>\$ 1,513,035</u> |

The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2019 was as follows:

| Non-hazardous | Hazardous |
|----------------------|------------------|
| .1678% | .2045% |

The proportionate share at June 30, 2019 increased .0072% for non-hazardous and decreased .0133% for hazardous compared to the proportionate share as of June 30, 2018.

For the year ended June 30, 2020, the City recognized OPEB expense of \$483,614. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual results | \$ - | \$ 1,132,983 |
| Changes of assumptions | 1,292,335 | 8,449 |
| Net difference between projected and actual earnings on Plan investments | - | 212,338 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 96,604 | 245,409 |
| City contributions subsequent to the measurement date | <u>366,421</u> | <u>-</u> |
| Total | <u>\$ 1,755,360</u> | <u>\$ 1,599,179</u> |

The \$366,421 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. This includes adjustments of \$60,596 for the nonhazardous implicit subsidy and \$1,084 for the hazardous implicit subsidy, which are required to be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

Year ending June 30,

| | |
|------|-------------|
| 2021 | \$ 14,581 |
| 2022 | \$ (65,880) |
| 2023 | \$ (53,470) |
| 2024 | \$ (59,076) |
| 2025 | \$ (41,558) |
| 2026 | \$ (4,837) |

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

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

Non-hazardous and Hazardous

| | |
|---------------------------|---|
| Inflation | 2.30% |
| Salary increases | 3.30 to 10.30%, varies by service, including inflation |
| Investment rate of return | 6.25%, net of Plan investment expense, including inflation |
| Healthcare trend | |
| | Pre – 65: Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. |
| | Post – 65: Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years. |

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

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

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

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

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

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

Discount Rate – The discount rate used to measure the total net OPEB liability was 5.68% and 5.69% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index” as of June 30, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

| | Non-hazardous | | Hazardous | |
|-----------------------|---|--------------|---|--------------|
| | City’s proportionate share of net OPEB liability | | City’s proportionate share of net OPEB liability | |
| | Discount rate | | Discount rate | |
| 1% decrease | 4.68% | \$ 3,780,523 | 4.69% | \$ 2,110,989 |
| Current discount rate | 5.68% | \$ 2,822,154 | 5.69% | \$ 1,513,035 |
| 1% increase | 6.68% | \$ 2,032,518 | 6.69% | \$ 1,027,671 |

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

| | Non-hazardous | | Hazardous | |
|--------------------|---|--------------|---|--------------|
| | City’s proportionate share of net OPEB liability | | City’s proportionate share of net OPEB liability | |
| 1% decrease | | \$ 2,098,849 | | \$ 1,052,793 |
| Current trend rate | | \$ 2,822,154 | | \$ 1,513,035 |
| 1% increase | | \$ 3,699,243 | | \$ 2,074,506 |

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

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

9. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2020 were levied on the assessed valuation of property located in Bourbon County as of January 1, 2019 lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

| Description | Per K.R.S. 134.020 |
|---|---------------------------|
| 1. Due date for payment of taxes | Upon receipt |
| 2. Face value amount payment date | December 31 |
| 3. Delinquent date, 10% penalty, 12% interest | January 1 |

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

10. RISK MANAGEMENT

The City of Paris is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the City also carries commercial insurance for all other risks of loss such as worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years. The City is also exposed to a certain amount of risk related to agencies jointly supported by the City and County. In the event of an economic crisis, jointly supported agencies could require additional contributions to continue operations.

11. COVID-19 PANDEMIC

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

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF PARIS, KENTUCKY
REQUIRED SUPPLEMENTARY
BUDGETARY INFORMATION
GENERAL FUND
for the year ended June 30, 2020**

| | Enacted Budget | Amended Budget | Actual | Over (Under) Budget |
|---|---------------------------|---------------------------|---------------------|------------------------------------|
| REVENUES | | | | |
| Taxes | \$ 768,000 | \$ 768,000 | \$ 844,908 | \$ 76,908 |
| Licenses and permits | 5,772,500 | 5,772,500 | 6,791,706 | 1,019,206 |
| Fines and forfeits | 2,500 | 2,500 | 1,355 | (1,145) |
| Intergovernmental | 1,028,000 | 1,028,000 | 1,516,642 | 488,642 |
| Charges for services | 130,000 | 130,000 | 85,047 | (44,953) |
| Other revenues | 73,750 | 73,750 | 92,428 | 18,678 |
| | <u>7,774,750</u> | <u>7,774,750</u> | <u>9,332,086</u> | <u>1,557,336</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| City commission | 382,000 | 307,040 | 239,003 | (68,037) |
| General administration | 841,775 | 765,129 | 757,905 | (7,224) |
| Community partners | 1,089,875 | 1,089,875 | 1,194,566 | 104,691 |
| Public safety-police | 2,530,275 | 2,287,500 | 2,253,282 | (34,218) |
| Public safety-fire | 1,587,575 | 1,865,000 | 1,682,763 | (182,237) |
| Public works | 748,600 | 672,500 | 708,532 | 36,032 |
| Capital outlay | 485,000 | 1,433,000 | 1,902,685 | 469,685 |
| | <u>7,665,100</u> | <u>8,420,044</u> | <u>8,738,736</u> | <u>318,692</u> |
| Excess (deficiency) of revenues over expenditures | <u>109,650</u> | <u>(645,294)</u> | <u>593,350</u> | <u>1,238,644</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of assets | - | - | 86,873 | 86,873 |
| Proceeds from debt issuance | - | 902,934 | 1,483,947 | 581,013 |
| Transfers (out) | (359,900) | (257,640) | (214,308) | 43,332 |
| | <u>(359,900)</u> | <u>645,294</u> | <u>1,356,512</u> | <u>711,218</u> |
| Net change in fund balances | <u>\$ (250,250)</u> | <u>\$ -</u> | <u>\$ 1,949,862</u> | <u>\$ 1,949,862</u> |

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

| Reporting Fiscal Year (Measurement Date) | 2014 (2013) | 2015 (2014) | 2016 (2015) | 2017 (2016) | 2018 (2017) | 2019 (2018) | 2020 (2019) |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| City's proportion of the net pension liability | 0.1513% | 0.1513% | 0.1548% | 0.1565% | 0.1648% | 0.1606% | 0.1678% |
| City's proportionate share of the net pension liability (asset) | \$ 5,540,969 | \$ 4,908,008 | \$ 6,655,841 | \$ 7,707,594 | \$ 9,649,119 | \$ 9,779,811 | \$ 11,803,770 |
| City's covered employee payroll | \$ 3,249,210 | \$ 3,464,140 | \$ 3,578,212 | \$ 3,731,788 | \$ 4,022,672 | \$ 4,068,530 | \$ 4,218,674 |
| City's share of the net pension liability (asset) as a percentage of its covered employee payroll | 170.53% | 141.68% | 186.01% | 206.54% | 239.87% | 240.38% | 279.80% |
| Plan fiduciary net position as a percentage of the total pension liability | 61.22% | 66.80% | 59.97% | 55.50% | 53.32% | 53.54% | 50.54% |

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

**CITY OF PARIS, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - HAZARDOUS
Last Seven Fiscal Years**

| Reporting Fiscal Year (Measurement Date) | 2014 (2013) | 2015 (2014) | 2016 (2015) | 2017 (2016) | 2018 (2017) | 2019 (2018) | 2020 (2019) |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| City's proportion of the net pension liability | 0.3229% | 0.3229% | 0.3189% | 0.2849% | 0.2510% | 0.2178% | 0.2045% |
| City's proportionate share of the net pension liability (asset) | \$ 4,318,002 | \$ 3,880,937 | \$ 4,895,682 | \$ 4,888,873 | \$ 5,614,562 | \$ 5,267,955 | \$ 5,650,082 |
| City's covered employee payroll | \$ 1,765,881 | \$ 1,634,497 | \$ 1,631,230 | \$ 1,486,407 | \$ 1,394,492 | \$ 1,206,352 | \$ 1,175,929 |
| City's share of the net pension liability (asset) as a percentage of its covered employee payroll | 244.52% | 237.44% | 300.12% | 328.91% | 402.62% | 436.68% | 480.48% |
| Plan fiduciary net position as a percentage of the total pension liability | 57.74% | 63.46% | 57.52% | 53.95% | 49.78% | 49.26% | 46.63% |

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

**CITY OF PARIS, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF PENSION CONTRIBUTIONS - NONHAZARDOUS
Last Eight Fiscal Years**

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required employer contribution | \$ 410,050 | \$ 475,973 | \$ 457,406 | \$ 464,886 | \$ 561,163 | \$ 589,123 | \$ 700,576 | \$ 849,644 |
| Contributions relative to contractually required employer contribution | <u>410,050</u> | <u>475,973</u> | <u>457,406</u> | <u>464,886</u> | <u>561,163</u> | <u>589,123</u> | <u>700,576</u> | <u>849,644</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| City's covered employee payroll | \$ 3,249,210 | \$ 3,464,140 | \$ 3,578,212 | \$ 3,731,788 | \$ 4,022,672 | \$ 4,068,530 | \$ 4,218,674 | \$ 4,299,261 |
| Employer contributions as a percentage of covered-employee payroll | 12.62% | 13.74% | 12.78% | 12.46% | 13.95% | 14.48% | 16.61% | 19.76% |

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

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

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required employer contribution | \$ 354,942 | \$ 374,768 | \$ 342,713 | \$ 306,301 | \$ 311,400 | \$ 267,810 | \$ 292,453 | \$ 300,575 |
| Contributions relative to contractually required employer contribution | <u>354,942</u> | <u>374,768</u> | <u>342,713</u> | <u>306,301</u> | <u>311,400</u> | <u>267,810</u> | <u>292,453</u> | <u>300,575</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| City's covered employee payroll | \$ 1,765,881 | \$ 1,634,497 | \$ 1,631,230 | \$ 1,486,407 | \$ 1,394,492 | \$ 1,206,352 | \$ 1,175,929 | \$ 999,915 |
| Employer contributions as a percentage of covered-employee payroll | 20.10% | 22.93% | 21.01% | 20.61% | 22.33% | 22.20% | 24.87% | 30.06% |

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

**CITY OF PARIS, KENTUCKY
 REQUIRED SUPPLEMENTARY SCHEDULE OF
 PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - NONHAZARDOUS
 Last Four Fiscal Years**

| Reporting Fiscal Year (Measurement Date) | 2017 (2016) | 2018 (2017) | 2019 (2018) | 2020 (2019) |
|--|------------------------|------------------------|------------------------|------------------------|
| City's proportion of the net OPEB liability | 0.1648% | 0.1648% | 0.1606% | 0.1678% |
| City's proportionate share of the net OPEB liability (asset) | \$ 2,599,425 | \$ 3,314,029 | \$ 2,850,960 | \$ 2,822,154 |
| City's covered employee payroll | \$ 3,731,788 | \$ 4,022,672 | \$ 4,068,530 | \$ 4,218,674 |
| City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll | 69.66% | 82.38% | 70.07% | 66.90% |
| Plan fiduciary net position as a percentage of the total OPEB liability | unavailable | 52.39% | 57.62% | 60.44% |

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

**CITY OF PARIS, KENTUCKY
 REQUIRED SUPPLEMENTARY SCHEDULE OF
 PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HAZARDOUS
 Last Four Fiscal Years**

| Reporting Fiscal Year (Measurement Date) | 2017 (2016) | 2018 (2017) | 2019 (2018) | 2020 (2019) |
|--|------------------------|------------------------|------------------------|------------------------|
| City's proportion of the net OPEB liability | 0.2510% | 0.2510% | 0.2178% | 0.2045% |
| City's proportionate share of the net OPEB liability (asset) | \$ 1,239,634 | \$ 2,074,574 | \$ 1,553,075 | \$ 1,513,035 |
| City's covered employee payroll | \$ 1,486,407 | \$ 1,394,492 | \$ 1,206,352 | \$ 1,175,929 |
| City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll | 83.40% | 148.77% | 128.74% | 128.67% |
| Plan fiduciary net position as a percentage of the total OPEB liability | unavailable | 58.99% | 64.24% | 64.44% |

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

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

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required employer contribution | \$ 225,170 | \$ 178,403 | \$ 176,239 | \$ 173,575 | \$ 190,272 | \$ 191,221 | \$ 227,191 | \$ 209,549 |
| Contributions relative to contractually required employer contribution | <u>225,170</u> | <u>178,403</u> | <u>176,239</u> | <u>173,575</u> | <u>190,272</u> | <u>191,221</u> | <u>227,191</u> | <u>209,549</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| City's covered employee payroll | \$ 3,249,210 | \$ 3,464,140 | \$ 3,578,212 | \$ 3,731,788 | \$ 4,022,672 | \$ 4,068,530 | \$ 4,218,674 | \$ 4,299,261 |
| Employer contributions as a percentage of covered-employee payroll | 6.93% | 5.15% | 4.93% | 4.65% | 4.73% | 4.70% | 5.39% | 4.87% |

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

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

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|
| Contractually required employer contribution | \$ 309,029 | \$ 239,803 | \$ 224,508 | \$ 192,068 | \$ 134,113 | \$ 112,794 | \$ 123,155 | \$ 95,192 |
| Contributions relative to contractually required employer contribution | <u>309,029</u> | <u>239,803</u> | <u>224,508</u> | <u>192,068</u> | <u>134,113</u> | <u>112,794</u> | <u>123,155</u> | <u>95,192</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| City's covered employee payroll | \$ 1,765,881 | \$ 1,634,497 | \$ 1,631,230 | \$ 1,486,407 | \$ 1,394,492 | \$ 1,206,352 | \$ 1,175,929 | \$ 999,915 |
| Employer contributions as a percentage of covered-employee payroll | 17.50% | 14.67% | 13.76% | 12.92% | 9.62% | 9.35% | 10.47% | 9.52% |

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

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

1. GENERAL INFORMATION

Contributions

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

Payroll

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

2. CHANGES OF ASSUMPTIONS

June 30, 2019 – Pension and OPEB Hazardous and Nonhazardous

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

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average for non-hazardous and 3.05% to 3.55% to 19.05% on average for hazardous.

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

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

June 30, 2017 – Pension – Hazardous and Nonhazardous

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

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

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

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

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

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2015 – Pension – Hazardous and Nonhazardous

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

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

June 30, 2014 – Pension – Hazardous and Nonhazardous

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

June 30, 2013 – Pension – Hazardous and Nonhazardous

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

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

SUPPLEMENTARY INFORMATION

**CITY OF PARIS, KENTUCKY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2020**

| | Municipal Road Aid Fund | Debt Service | Total |
|-------------------------------------|--|-------------------------|--------------|
| ASSETS | | | |
| Cash | \$ 79,735 | \$ - | \$ 79,735 |
| Accounts receivable | 156,926 | - | 156,926 |
| Total assets | \$ 236,661 | \$ - | \$ 236,661 |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ - | \$ - |
| Due to other funds | 212,921 | - | 212,921 |
| Total liabilities | 212,921 | - | 212,921 |
| FUND BALANCES | | | |
| Restricted | 23,740 | - | 23,740 |
| Total liabilities and fund balances | \$ 236,661 | \$ - | \$ 236,661 |

CITY OF PARIS, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2020

| | Municipal Road Aid Fund | Debt Service | Total |
|---|--|-------------------------|------------------|
| REVENUES | | | |
| Intergovernmental revenue | \$ 306,645 | \$ - | \$ 306,645 |
| Other revenues | 1,199 | - | 1,199 |
| Total revenues | 307,844 | - | 307,844 |
| EXPENDITURES | | | |
| Capital outlay | 349,326 | - | 349,326 |
| Debt service | - | 214,308 | 214,308 |
| Total expenditures | 349,326 | 214,308 | 563,634 |
| Excess (deficiency) of revenues over expenditures | (41,482) | (214,308) | (255,790) |
| OTHER FINANCING SOURCES | | | |
| Transfers in | - | 214,308 | 214,308 |
| Total other financing sources | - | 214,308 | 214,308 |
| Net change in fund balances | (41,482) | - | (41,482) |
| Fund balances-beginning | 65,222 | - | 65,222 |
| Fund balances-ending | \$ 23,740 | \$ - | \$ 23,740 |

CITY OF PARIS, KENTUCKY
SCHEDULE OF OPERATING EXPENSES
UTILITY FUND
for the year ended June 30, 2020

UTILITY ADMINISTRATION

| | |
|------------------------------|------------------|
| Personnel services | \$ 596,651 |
| Contractual services | 227,956 |
| Materials and supplies | 50,128 |
| Other expenses | 123,616 |
| Payment in lieu of taxes | <u>288,000</u> |
| Total utility administration | <u>1,286,351</u> |

ELECTRIC DEPARTMENT

| | |
|---------------------------|------------------|
| Personnel services | 731,407 |
| Electric purchases | 3,585,628 |
| Contractual services | 304,953 |
| Materials and supplies | <u>87,569</u> |
| Total electric department | <u>4,709,557</u> |

WATER DISTRIBUTION

| | |
|--------------------------|------------------|
| Personnel services | 1,114,870 |
| Contractual services | 231,355 |
| Materials and supplies | 365,484 |
| Other expenses | <u>6,259</u> |
| Total water distribution | <u>1,717,968</u> |

SEWER TREATMENT

| | |
|------------------------|------------------|
| Personnel services | 672,634 |
| Contractual services | 394,709 |
| Materials and supplies | <u>197,264</u> |
| Total sewer treatment | <u>1,264,607</u> |

SANITATION

| | |
|------------------------|----------------|
| Personnel services | 127,128 |
| Contractual services | 136,667 |
| Materials and supplies | 8,426 |
| Recycling center | <u>113,008</u> |
| Total sanitation | <u>385,229</u> |

DEPRECIATION

| | |
|--------------------------|----------------------|
| | <u>870,206</u> |
| Total operating expenses | <u>\$ 10,233,918</u> |



**INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Mayor and Commissioners
City of Paris, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Paris, Kentucky, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Paris, Kentucky's basic financial statements and have issued our report thereon dated February 1, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Paris, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Paris, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Paris, Kentucky'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses, that we consider to be a material weakness (2020-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Paris, Kentucky's financial statements are free from 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 tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses (2020-002).

City of Paris, Kentucky's Response to Findings

City of Paris, Kentucky's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. City of Paris, Kentucky's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RFH

RFH, PLLC
Lexington, Kentucky
February 1, 2021

**CITY OF PARIS, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2020**

2020-001 – Material Weakness – Balance Sheet Account Reconciliations

Criteria:

The City maintains its financial information on the accrual basis of accounting. Accounts payable and accrued liabilities should be reconciled monthly to the financial records.

Condition:

Accounts payable and accrued liabilities were not reconciled throughout the year.

Cause:

The City did not have adequate internal controls in place over the monthly reconciliation process and did not reconcile year end balances until audit had commenced.

Effect:

Accounts payable and accrued liability balances were adjusted after year end upon further analysis by management.

Recommendation:

We recommend that accounts payable and accrued liabilities be reconciled each month to the financial database. An individual other than the preparer of these reconciliations should review all reconciliations to ensure these are completed within 30 days after month end. Upon completion, the reviewer should initial and date the reconciliation.

Response:

The City agrees with the auditor's comments. The City intends to continue to enhance its internal controls related to making monthly reconciliations for accounts payables and accrued liabilities timely and consistent. These efforts will be accomplished with reviewing procedures with City's external accounting firm, additional staff training and potential accounting software enhancements.

2020-002 – Compliance Finding – Budget Overrun

Criteria:

Per KRS 91A.030 each city shall adopt an annual budget ordinance. No city shall expend any monies from any fund, except in accordance with a budget ordinance.

Condition:

The City did not monitor capital asset additions and payables at year-end, which would assist in properly amending the adopted budget.

Cause:

The internal control process used by the City to track capital assets purchased by financing did not operate as designed. One of two vehicles purchased for the fire department was not tracked properly as a capital addition when the original financing was issued, and the existing note payable was amended. In addition, subsequent to June 30, 2020, the City received CARES funding related to fiscal year 2020 expenditures. A portion of this funding was passed through to the Paris Bourbon County EMS and treated as a payable and expenditure as of June 30, 2020 causing the City to exceed its amended budget for community partners.

Effect:

The City expended more on in the General Fund than was budgeted.

Recommendation:

The City should only spend monies in compliance with their budget and should amend the budget as deemed necessary.

Response:

The City agrees with the auditor's comments. The City is working to strengthen its budget process and expenditure reporting via Cleargov's Financial Transparency Center versus using Excel spreadsheets as a method to prepare and amend its annual budget as well as track capital expenditures. These efforts will help ensure the City's annual budget process is in compliance with KRS 91A.030