CITY OF PARIS
Paris, Kentucky

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2025

CITY OF PARIS, KENTUCKY

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For the Fiscal Year Ended June 30, 2025

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Commissioners
City of Paris, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited 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, (the City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying combining nonmajor fund financial statements, the schedule of operating expenses – utility fund, and the Schedule of Expenditures of Federal Awards as require by Title 2 U.S. Code of Federal Regulations (CFR) part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, the schedule of operating expenses – utility fund, and Schedule of Expenditures of Federal Awards 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 May 30, 2026, on our consideration of the City's internal control over financial reporting and 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'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's internal control over financial reporting and compliance.

BHM CPA Group

BHM CPA Group, Inc.
Portsmouth, OH
May 30, 2026

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, 2025. 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

- Total assets plus deferred outflows of resources of the Primary Government exceeded total liabilities and deferred inflows of resources by approximately $16.67 million at the close of fiscal year 2025. This amount includes a net investment in capital assets of $4.35 million and an overall deficit in unrestricted net position of approximately $2.8 million.

- Governmental Activities' net position was $10.8 million at the end of fiscal year 2025. This amount includes a net investment in capital assets of $6.11 million and a positive unrestricted net position of approximately $4.73 million. The net investment in capital assets comprises 56% of total net position.

- Business-Type Activities' net position was $5.82 million at the end of fiscal year 2025. This amount includes a net investment in capital assets of $8.24 million and an overall deficit in unrestricted net position of approximately $7.51 million. The net investment in capital assets comprises 141% of total net position.

Fund Highlights

- As of June 30, 2025, the City's governmental funds reported combined ending fund balances of $14.7 million, an increase of $.9 million compared to the previous fiscal year.

- The General Fund, the primary operating fund of the City, held unassigned fund balances of $14.89 million or 101.15% of general fund expenditures.

The General Fund's cash and cash equivalents balance increased approximately $1.2 million 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
- 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 like 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 consider 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, 2025. 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, increases 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 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 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: 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 fund. 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 serves 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 $16.7 million as of June 30, 2025, an increase of $5.8 million from the previous year.

The largest proportion of the City's net position, $14.35 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		
	2025	2024	Change
ASSETS			
Current and other assets	$ 18,220	$ 14,656	$ 3,564
Restricted cash	4,234	2,543	1,691
Capital and other noncurrent assets	26,748	19,759	6,989
Total assets	49,202	36,958	12,244
DEFERRED OUTFLOWS OF RESOURCES	9,646	5,033	4,613
LIABILITIES			
Current and other liabilities	2,712	5,053	(2,341)
Long-term liabilities	30,566	26,243	4,323
Total liabilities	33,278	31,296	1,982
DEFERRED INFLOWS OF RESOURCES	8,895	2,420	6,475
NET POSITION			
Net investment in capital assets	14,355	12,563	1,792
Restricted for:			
Debt service	4,100	3,102	998
Other purposes	998	1,361	(363)
Unrestricted	(2,779)	(6,106)	3,327
Total net position	$ 16,674	$ 10,920	$ 5,754

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

Table 2 indicates that the net position of Governmental Activities totaled approximately $10.8 million, or 56.39% of total assets, an increase of $2.25 million over the previous year. Of this total, $6.18 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 current liabilities by approximately $14.62 million at the end of fiscal year 2025.

	Total Governmental Activities		
	2025	2024	Change
ASSETS			
Current and other assets	$ 15,677	$ 13,576	$ 2,101
Restricted cash	134	134	-
Capital and other noncurrent assets	9,638	8,873	765
Total assets	25,449	22,583	2,866
DEFERRED OUTFLOWS OF RESOURCES	5,807	4,384	1,423
LIABILITIES			
Current and other liabilities	1,048	841	207
Long-term liabilities	13,936	11,441	2,495
Total liabilities	14,984	12,282	2,702
DEFERRED INFLOWS OF RESOURCES	5,425	6,095	(670)
NET POSITION			
Net investment in capital assets	6,118	7,476	(1,358)
Restricted for:			
Debt service	-	-	-
Other purposes	-	-	-
Unrestricted	4,730	1,114	3,616
Total net position	$ 10,848	$ 8,590	$ 2,258

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

Table 3 indicates that the net position of Business-Type Activities totaled approximately $5.82 million or 24.53% of total assets, an increase of $3.5 million over the previous year. Of this total, $8.24 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.

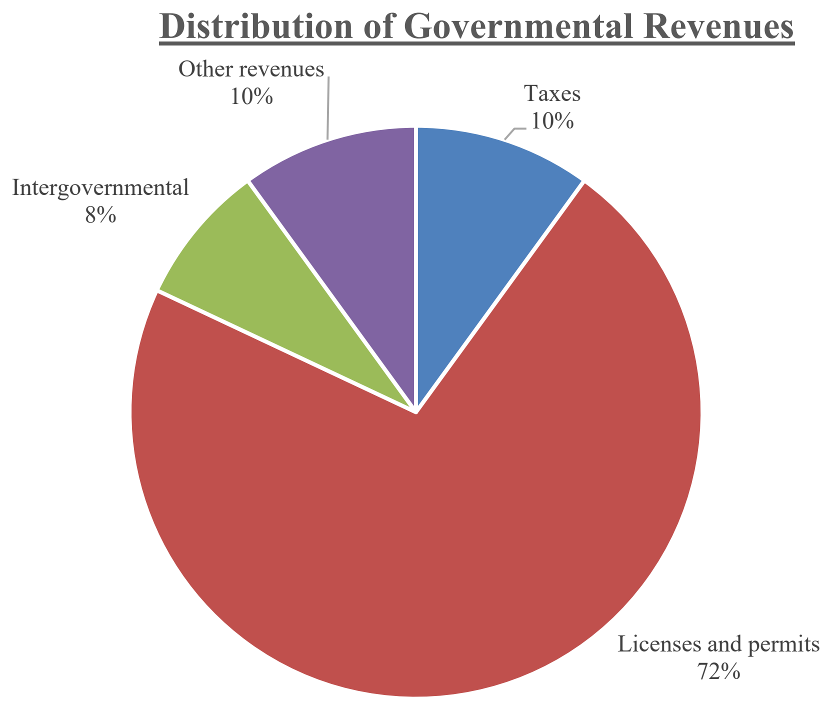
Current assets exceed current liabilities by approximately $879 thousand at the end of the fiscal year. Compared to the prior fiscal year when current liabilities exceed current assets by approximately $726 thousand. An overall increase of approximately $153 thousand compared to fiscal year ending June 30, 2024.

	Total Business-Type Activities		
	2025	2024	Change
ASSETS			
Current and other assets	$ 2,543	$ 2,838	$ (295)
Restricted cash	4,100	4,463	(363)
Capital and other noncurrent assets	17,110	12,386	4,724
Total assets	23,753	19,687	4,066
DEFERRED OUTFLOWS OF RESOURCES	3,839	2,847	992
LIABILITIES			
Current and other liabilities	1,664	2,112	(448)
Long-term liabilities	16,630	14,238	2,392
Total liabilities	18,294	16,350	1,944
DEFERRED INFLOWS OF RESOURCES	3,471	3,854	(383)
NET POSITION			
Net investment in capital assets	8,238	5,087	3,151
Restricted for:			
Debt service	4,100	3,102	998
Other purposes	998	1,361	(363)
Unrestricted	(7,509)	(7,219)	(290)
Total net position	$ 5,827	$ 2,331	$ 3,496

Governmental Activities

As indicated in Chart 1, the City funds its Governmental activities from revenue received from four significant categories. A clear majority, 68.67%, 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 9.2% of governmental revenues. Federal and State grant funding represents 7.2% 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 33.3% and 22.6%, respectively, of total expenditures of the City's Governmental Activities.

Expenditures for Police totaled approximately $3.55 million (Table 4) for fiscal year 2025, an decrease of $32 thousand compared to the previous fiscal year. Expenditures for Fire totaled approximately $2.56 million (Table 4) for fiscal year 2025, a decrease of $45 thousand compared to the previous fiscal year.

Salary and wage costs, including benefits for Police totaled $3.12 million for fiscal year 2025 or approximately 81% of total Police expenditures for 2025.

Salary and wage costs, including benefits for Fire totaled $2.13 million for fiscal year 2025 or approximately 75% of the total Fire expenditures for 2025.

Chart 2

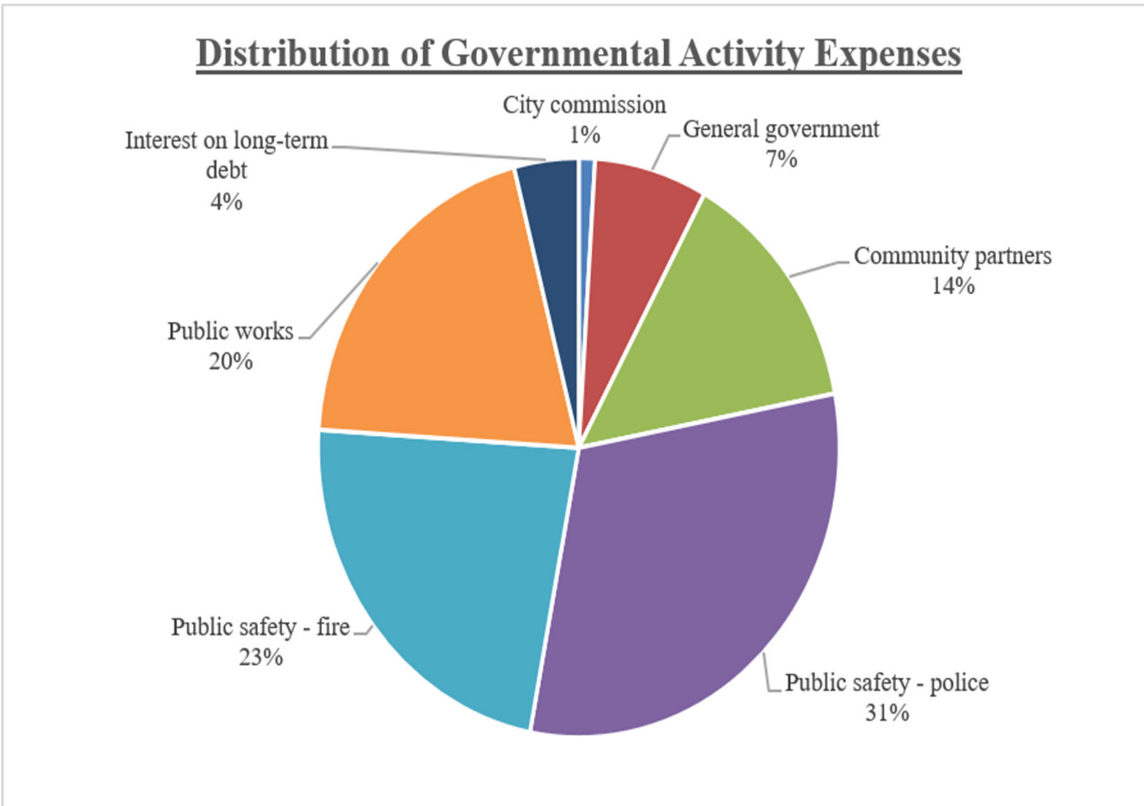


Table 4
City of Paris, Kentucky
Summary of Statement of Activities
For Years as Stated
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Program Revenue:						
Charge for services	$ 705	$ 443	$ 12,684	$ 10,274	$ 13,389	$ 10,716
General revenues:						
Tax	1,242	1,073			1,242	1,073
Licenses	9,222	8,647			9,222	8,647
Intergovernmental	967	906	3,083	645	4,050	1,551
Fines and forfeitures	1	2			1	2
Other revenues	1,292	408	555	373	1,847	781
Total revenues	13,429	11,479	16,322	11,292	29,751	22,770
Program Expenses:						
City commission	141	197			141	197
General government	828	679			828	679
Community partners	1,544	1,259			1,544	1,259
Public safety - police	3,550	3,866			3,550	3,866
Public safety - fire	2,567	2,111			2,567	2,111
Public works	2,222	1,090			2,222	1,090
Intrest on long-term debt	476	158			476	158
Conveyance of property						
Electric			7,164	5,267	7,164	5,267
Sanitation			534	774	534	774
Water			2,989	2,866	2,989	2,866
Sewer			2,137	1,857	2,137	1,857
Total program expenses	11,328	9,360	12,824	10,764	24,152	20,124
Net change in net position	$ 2,101	$ 2,119	$ 3,498	$ 528	$ 5,599	$ 2,646

As indicated by Table 4, revenues from Governmental Activities totaled $13.43 million, which was a increase of $1.96 million or 17%, from the previous year. Licenses and permits totaled $9.22 million, representing 68.7% 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 $601 thousand from the previous year. Property taxes increased by $17 thousand.

As noted on Table 4, total expense of Governmental Activities was $9.36 million, a decrease of $958 thousand from the previous fiscal year.

Business-Type Activities

Also indicated by Table 4, revenues from Business-Type Activities increased $736 thousand from the previous fiscal year. Fees for utility services decreased by $73 thousand from the previous year. Continued stabilization in overall electric costs as well as implementing new rates for water and sewer is a key factor in this increase from 2024 compared to 2023.

Consistent with an incrase in overall revenues, total expenses for Business-Type Activities increased $1.01 million compared to the previous fiscal year.

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 to reflect the actual results and revised expectations of future revenue and expenditures.

For fiscal year 2024, General Fund revenues totaled $11.85 million, a decrease of 1.2% from the previous fiscal year. Total revenues were $822 thousand 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.

General Fund expenditures of the City totaled $11.03 million, an increase of $980 thousand over the previous fiscal year. Expenditures were $736 thousand below the final budgeted amount.

The City's financial commitment to support Emergency Medical Services within the City of Paris and Bourbon County increased 3.61% to $430 thousand compared to the previous fiscal year. In addition, the City's financial commitment to support Paris-Bourbon County E-911 services remained the same as compared to the previous fiscal year for a total of $228 thousand. The City's continued financial commitment to Community Partners equals approximately 13% of the City's overall budget including EMS and E911.

CAPITAL ASSETS

The City's capital assets totaled $20.93 million as of June 30, 2025. This investment includes land, buildings, equipment, park facilities, roads, bridges, and water and sewer systems. For Governmental Activities, capital assets totaled $9.64 million. For Business-Type Activities, capital assets totaled $17.11 million.

This year's major changes in capital assets included:

- Governmental Activities capital assets increased by $944 thousand from the prior fiscal year. Depreciation and amortization expense for Governmental Activities totaled $792 thousand for the fiscal year ended 2025.

- Business-Type Activities capital assets increased by $4.88 million from the prior fiscal year. Depreciation expense for Business-Type Activities totaled $1.09 million for the fiscal year ended 2025.

Table 5
City of Paris, Kentucky
Summary of Capital Assets
For the Years as Stated
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Land and improvements	$ 1,729	$ 1,729	$ 573	$ 573	$ 2,302	$ 2,302
Building and improvements	4,583	4,532				4,532
Equipment and vehicles	7,873	7,405	8,415	3,442	16,288	10,847
Electric lines, poles, and plant			10,512	10,512	10,512	10,512
Water treatment plant and water system improvements			11,728	9,432	11,728	9,432
Sewer treatment plant and improvements			17,982	17,982	17,982	17,982
Infrastructure assets	5,372	5,156				5,156
Construction in progress	1,346	345	2,599	3,895	3,945	4,240
	20,903	19,167	51,809	45,836	62,757	65,003
Less accumulated depreciation	11,254	10,462	34,699	33,607	45,953	44,069
Capital assets, net	$ 9,649	$ 8,705	$ 17,110	$ 12,229	$ 16,804	$ 20,934

Construction in progress at June 30, 2025 includes costs of $3.90 million for water meter replacements; and $860 thousand for a new waste transfer and reconciling building for engineering fees for water and waste water improvements.

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 2025, the City had $9.044 million in bonds and outstanding notes; Governmental Activities' debt increased by $1.212; Business-Type Activities' debt decreased by $.52 million.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
General obligation bonds, notes and leases	$ 2,278	$ 1,066	$ 6,766	$ 6,775	$ 9,044	$ 7,841
Revenue bonds			254	260	254	260
Mortgage notes			70	107	70	107
Capital assets, net	$ 2,278	$ 1,066	$ 7,090	$ 7,142	$ 9,368	$ 8,208

NEXT YEAR'S BUDGET

The City's fiscal year 2026 budget, for all funds combined, net of interfund transfers, is $42.68 million. In fiscal year 2026, the City took the stance that tax rates and service fees should remain virtually the same from previous fiscal years. The City continues to seek cost savings by ensuring major expenditures are vetted through competitive bid process, and ensuring employees understand management's philosophy responsible for fiscal management as well providing competitive and cost-effective health benefits for all participants,

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, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	$ 11,174,866	$ 1,025,642	$ 12,200,508
Receivables, net	3,640,317	1,094,311	4,734,628
Lease receivable, current	-	116,990	116,990
Prepaid expense	24,623	22,871	47,494
Inventory	-	784,738	784,738
Internal Balances	662,499	(662,499)	-
Total current assets	15,502,305	2,382,053	17,884,358
Noncurrent assets:			
Restricted cash and cash equivalents	134,234	4,100,087	4,234,321
Noncurrent portion of lease receivable	-	64,099	64,099
Net OPEB Asset	174,792	96,735	271,527
Capital assets:			
Land and improvements	1,728,917	572,552	2,301,469
Construction in progress	1,345,842	2,599,258	3,945,100
Depreciable infrastructure, net	2,628,921	-	2,628,921
Depreciable buildings, property, and equipment, ne	3,929,437	13,938,417	17,867,854
Amortizable SBITA assets, net	4,724	-	4,724
Total noncurrent assets	9,946,867	21,371,148	31,318,015
Total assets	25,449,172	23,753,201	49,202,373
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows - pension	4,390,431	3,054,563	7,444,994
Deferred outflows - OPEB	1,416,845	784,123	2,200,968
Total deferred outflows of resources	5,807,276	3,838,686	9,645,962
Total assets and deferred outflows of resources	$ 31,256,448	$ 27,591,887	$ 58,848,335

See accompanying notes to the basic financial statements.

CITY OF PARIS, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES:			
Current Liabilities:			
Accounts payable	$ 250,645	$ 686,620	$ 937,265
Accrued liabilities	488,461	237,426	725,887
Accrued interest payable	-	25,935	25,935
Customer deposits	-	298,557	298,557
Unearned revenue	-	268,116	268,116
Current portion of SBITA liabilities	5,058	-	5,058
Current portion of Long-Term liabilities	398,632	147,673	546,305
Total current liabilities	1,142,796	1,664,327	2,807,123
Noncurrent liabilities:			
Compensated absences	453,659	150,444	604,103
Noncurrent portion of long-term liabilities	1,744,181	8,724,694	10,468,875
Net pension liability	10,926,001	7,601,566	18,527,567
Net OPEB liability	277,810	153,748	431,558
Total noncurrent liabilities	13,401,651	16,630,452	30,032,103
Total liabilities	14,544,447	18,294,779	32,839,226
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows - pension	2,020,017	1,405,390	3,425,407
Deferred inflows - OPEB	3,404,684	1,884,250	5,288,934
Deferred inflows - lease	-	181,089	181,089
Total deferred inflows of resources	5,424,701	3,470,729	8,895,430
NET POSITION:			
Net investment in capital assets	6,557,010	8,237,860	14,794,870
Restricted for:			
Debt service	-	4,100,087	4,100,087
Other purposes	-	997,794	997,794
Unrestricted	4,730,290	(7,509,362)	(2,779,072)
Total net position	11,287,300	5,826,379	17,113,679
Total liabilities, deferred inflows of resources and net potition	$ 31,256,448	$ 27,591,887	$ 58,848,335

See accompanying notes to the basic financial statements.

CITY OF PARIS, KENTUCKY
STATEMENT OF ACTIVITIES
for the year ended June 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Primary government:							
Governmental activities							
City Commission	$ 140,797	$ -	$ -	$ -	$ (140,797)	$ -	$ (140,797)
General administration	1,041,028	280,963	324,000	-	(436,065)	-	(436,065)
Community partners	1,543,731	424,400	-	-	(1,119,331)	-	(1,119,331)
Public safety-police	3,789,096	-	182,841	-	(3,606,255)	-	(3,606,255)
Public safety-fire	2,813,854	-	251,882	-	(2,561,972)	-	(2,561,972)
Public works	1,523,113	-	-	208,335	(1,314,778)	-	(1,314,778)
Interest on long-term debt	36,905	-	-	-	(36,905)	-	(36,905)
Total Governmental activities	$ 10,888,524	$ 705,363	$ 758,723	$ 208,335	$ (9,216,103)	$ -	$ (9,216,103)
Business-type activities							
Electric	7,164,476	7,308,218	-	-	-	143,742	143,742
Sanitation	534,282	167,751	-	3,082,760	-	2,716,229	2,716,229
Water	2,989,467	2,699,865	-	-	-	(289,602)	(289,602)
Sewer	2,137,453	2,508,055	-	-	-	370,602	370,602
Total Business-type activities	$ 12,825,678	$ 12,683,889	$ -	$ 3,082,760	-	2,940,971	2,940,971
Total primary government	$ 23,714,202	$ 13,389,252	$ 758,723	$ 3,291,095	$ (9,216,103)	$ 2,940,971	$ (6,275,132)
			General revenues:				
			Taxes				
			Property taxes, levied for general purposes		1,242,042	-	1,242,042
			License fees:				
			Franchise		483,618	-	483,618
			Payroll		4,587,125	-	4,587,125
			Insurance premiums		2,869,158	-	2,869,158
			Net profit		1,087,437	-	1,087,437
			Other licenses and permits		194,636	-	194,636
			Fines and forfeits		482	-	482
			Investment earnings		406,140	235,187	641,327
			Miscellaneous		89,981	319,687	409,668
			Total General Revenues		10,960,619	554,874	11,515,493
			Gain (loss) on disposal of assets		795,670	-	795,670
			Change in net position		2,540,186	3,495,845	6,036,031
			Net position-beginning, as restated		8,747,114	2,330,534	846,672
			NET POSITION-ENDING		$ 11,287,300	$ 5,826,379	$ 6,882,703

See accompanying notes to the basic financial statements.

CITY OF PARIS, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

	General	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	$ 11,307,821	$ 1,279	$ 11,309,100
Receivables, net	3,625,843	14,474	3,640,317
Prepaid expenses	24,623	-	24,623
Due from other funds	790,436	-	790,436
Total assets	$ 15,748,723	$ 15,753	$ 15,764,476
LIABILITIES:			
Accounts payable	$ 250,645	$ -	$ 250,645
Accrued liabilities	488,461	-	488,461
Due to other funds	-	127,937	127,937
Unearned Revenue	-	-	-
Total liabilities	739,106	127,937	867,043
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	169,994	-	169,994
Total deferred inflows of resources	169,994	-	169,994
FUND BALANCES:			
Nonspendable	24,623	-	24,623
Restricted	-	-	-
Unassigned	14,815,000	(112,184)	14,702,816
Total fund balances	14,839,623	(112,184)	14,727,439
Total liabilities, defered inflows of resources, and fund balances	$ 15,748,723	$ 15,753	$ 15,764,476

See accompanying notes to the basic financial statements

CITY OF PARIS, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2025

Amounts reported for governmental activites in the statement of net potision are different because:		
Fund balances	$	14,727,439
Capital and SBITA assets used in government activities are not financial resources and therefore are not reported in the funds		9,637,841
Revenue recognized in governmental activities that does not represent current financial resources and therefore is not recognized in the funds.		169,994
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.		(13,247,974)
Net position of governmental activities	$	11,287,300

The notes to the financial statements are an integral part of this statement.

CITY OF PARIS , KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
for the year ended June 30, 2025

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	$ 1,242,042	$ -	$ 1,242,042
Licenses and permits	9,221,974	-	$ 9,221,974
Fees and fines	482	-	482
Intergovernmental	775,780	208,335	984,115
Charges for services	705,363	-	705,363
Other revenues	495,495	626	496,121
Total revenues	12,441,136	208,961	12,650,097
Expenditures:			
Current:			
City commission	140,797	-	140,797
General administration	849,022	-	849,022
Community partners	1,543,731	-	1,543,731
Public safety-police	3,965,296	-	3,965,296
Public safety-fire	3,034,928	-	3,034,928
Public works	1,099,906	-	1,099,906
Capital outlay	1,999,163	215,959	2,215,122
Debt service	-	476,382	476,382
Total expenditures	12,632,843	692,341	13,325,184
Excess (deficiency) of revenues over expenditures	(191,707)	(483,380)	(675,087)
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of assets	895,469	-	895,469
Debt Proceeds	1,516,004	-	1,516,004
Transfers in	-	476,382	476,382
Transfers (out)	(476,382)	-	(476,382)
Total Other Financing Sources (Uses)	1,935,091	476,382	2,411,473
Net change in fund balances	1,743,384	(6,998)	1,736,386
Fund balances-beginning	13,096,239	(105,186)	12,991,053
Fund balances-ending	$ 14,839,623	$ (112,184)	$ 14,727,439

See accompanying notes to the basic financial statements

CITY OF PARIS, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
for the year ended June 30, 2025

Reconciliation to government-wide change in net positior

Net change in fund balances	$	1,736,386
Add: capital outlay expenditures		1,923,138
Add: debt service expenditures		439,477
Less: Loss on disposal of assets		(99,799)
Less: unavailable revenue		(17,057)
Less: proceeds from SBITAs		(1,516,004)
Less: depreciation/amortization on governmental activities assets		(890,379)
Less: change in net pension liability		503,518
Less: change in net OPEB liability		460,906
Change in net position governmental activities	$	2,540,186

The notes to the financial statements are an integral part of this statement

CITY OF PARIS, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
for the year ended June 30, 2025

		Business-Type Activities Utility Fund
ASSETS:		
Current assets		
Cash and cash equivalents	$	1,025,642
Receivables, net		1,094,311
Lease receivable, current		116,990
Prepaid expenses		22,871
Inventory		784,738
Total current assets		3,044,552
Noncurrent assets		
Restricted cash and cash equivalents	$	4,100,087
Noncurrent portion of lease receivable		64,099
Net OPEB Asset		96,735
Land and improvements		572,552
Construction in progress		2,599,258
Depreciable buildings, property, and equipment		48,636,930
Less: accumulated depreciation		(34,698,513)
Total noncurrent assets		21,371,148
Total assets	$	24,415,700
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows - pension		3,054,563
Deferred outflows - OPEB		784,123
Total deferred outflows of resources		3,838,686
Total assets and deferred outflows of resources	$	28,254,386
LIABILITIES:		
Current liabilities		
Accounts payable	$	686,620
Accrued liabilities		237,426
Accrued interest payable		25,935
Customer deposits		298,557
Unearned revenue		268,116
Due to other funds		662,499
Current portion of long-term debt		147,673
Total current liabilities		2,326,826
Noncurrent liabilities		
Compensated absences		150,444
Bonds, notes and loans payable		8,724,694
Net pension liability		7,601,566
Net OPEB liability		153,748
Total noncurrent liabilities		16,630,452
Total Liabilities	$	18,957,278
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows - pension		1,405,390
Deferred inflows - OPEB		1,884,250
Deferred inflows - lease		181,089
Total deferred inflows of resources		3,470,729
NET POSITION:		
Net investment in capital assets	$	8,237,860
Restricted for:		
Debt service		3,102,293
Other purposes		997,794
Unrestricted		(6,511,568)
Total net position		5,826,379
Total liabilities, deferred inflows of resources, and net position	$	28,254,386

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

CITY OF PARIS, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
June 30, 2025

	Business-type Activities Utility Fund
Operating revenues:	
Charges for services	$ 12,683,889
Lease/rental income	37,086
Grant income	3,082,760
Other revenues	282,601
Total operating revenues	$ 16,086,336
Operating expenses:	
Utility administration	1,645,380
Electric department	6,119,148
Water distribution	2,223,287
Sewer treatment	1,105,535
Sanitation	361,398
Depreciation	1,091,604
Total operating expenses	12,546,352
Operating income	3,539,984
Nonoperating revenues (expenses)	
Interest and investment income	235,187
Interest expense	(279,326)
Total nonoperating (expenses)	(44,139)
Change in net position	3,495,845
Total net position-beginning	2,330,534
TOTAL NET POSITION-ENDING	$ 5,826,379

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

CITY OF PARIS, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the year ended June 30, 2025

	Business-type Activities Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 13,060,077
Grant receipts	3,082,760
Payments to suppliers	(8,093,382)
Payments for employee services and benefits	(4,189,972)
Payments for interfund services used	(324,000)
Other receipts	319,687
Net cash provided by operating activities	$ 3,855,170
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(5,972,723)
Gain on Sale of Capital Assets	-
Issuance of Long-Term Debt	1,730,167
Principal payments on bonds, notes, and loans payable	-
Interest paid on capital debt	(287,973)
Net cash (used) in capital and related financing activities	(4,530,529)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers (to) other funds	-
Payments on interfund loans	231,340
Net cash provided by noncapital financing activities	231,340
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and investment income	235,187
Net cash provided by investing activities	235,187
Net increase in cash and cash equivalents	(208,832)
Cash and cash equivalents-beginning of the year	5,334,561
CASH AND CASH EQUIVALENTS-END OF THE YEAR	$ 5,125,729

CITY OF PARIS, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the year ended June 30, 2025

Operating income	$	3,539,984
Adjustments to reconcile operating to net cash		
provided by operating activities:		
Depreciation expense		1,091,604
Change in assets and liabilities		
Net pension liability		704,246
Net OPEB liability		64,850
Deferred Outflows Pension and OPEB		(991,254)
Dererred Inflows Pension and OPEB		(383,234)
Receivables, net		375,256
Prepaid expense		11,413
Inventory		(7,694)
Customer deposits		932
Accounts and other payables		(535,827)
Accrued Expenses		(15,106)
Net cash provided by operating activities	$	3,855,170
Reconciliation of total cash and cash equivalents:		
Current assets - cash and cash equivalents	$	1,025,642
Restricted cash and cash equivalents		4,100,087
The accompanying notes are an integral part of these financial statements.	$	5,125,729

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.

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 (enterprise 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.

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 nonspendable and spendable components into the following components:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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.

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 Utility Fund amounted to $324,000 for the year ended June 30, 2025. 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

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.

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. Leases

The City follows Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information on the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

N. Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through May 17, 2026, 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, 2025, 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.

2. CASH AND INVESTMENTS (CONTINUED)

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, 2025 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 $12,200,508 and the bank balances were $13,490,007. Bank balances of $315,866 were covered by FDIC insurance, and $13,174,141 by collateral held by the custodial banks.

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 uncollectible accounts, are as follows:

Governmental activities	General Fund	Nonmajor Funds	Total
Licenses and permits	$ 2,004,617	$ -	$ 2,004,617
Intergovernmental	1,451,232	14,474	1,465,706
Other	169,994	-	169,994
Total receivables	$ 3,625,843	$ 14,474	$ 3,640,317

Business-type activities	Utility Fund
Charges for service, net	$ 1,177,011
Other	-
Gross receivable	1,177,011
Less allowance for uncollectible	(82,700)
Total receivables, net	$ 1,094,311

4. LEASE RECEIVABLE AND DEFERRED INFLOW OF RESOURCES

The deferred inflow of resources will be recognized over the term of the lease agreement as lease revenue. During 2025, the City recognized $10,883 of interest revenue and $181,089 of lease revenue from the lease agreement.

Business-type activities

On September 1, 2020, the City entered into a five-year lease agreement with New Cingular Wireless PCS, LLC to lease out space on the City's water tower for the company to mount antennas and other equipment and related devices. Upon adoption of GASB 87, the City recognized both a lease receivable and a deferred inflow of resources related to the lease agreement totaling $118,627 in the Utility Fund. The City calculated the present value of future lease payments based on a discount rate of 3.25%. The balance of both the lease receivable and the deferred inflow of resources as of June 30, 2025, totaled $118,627.

4. LEASE RECEIVABLE AND DEFERRED INFLOW OF RESOURCES (CONTINUED)

On March 9, 2021, the City entered into a five-year lease agreement with T-Mobile Central, LLC to lease out space on the City's water tower for the company to mount antennas and other equipment and related devices. Upon adoption of GASB 87, the City recognized both a lease receivable and a deferred inflow of resources related to the lease agreement totaling $118,628 in the Utility Fund. The City calculated the present value of future lease payments based on a discount rate of 3.25%. The balance of both the lease receivable and the deferred inflow of resources as of June 30, 2025, totaled $62,462.

The present value of expected future minimum lease payments is as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 64,099	$ 2,083	$ 66,182
Total	$ 64,099	$ 2,083	$ 66,182

The deferred inflows of resources will be recognized over the term of the lease agreements as lease revenue. During 2025, the City recognized $2,967 of interest revenue and $28,839 of lease revenue from the lease agreements.

5. CAPITAL ASSETS

A summary of capital asset activity during the year ended June 30, 2025 is as follows:

Governmental activities	Balance July 1, 2024	Additions	Deletions	Balance June 30 2025
Capital assets not being depreciated:				
Land and improvements	$ 1,728,917	$ -	$ -	$ 1,728,917
Construction in progress	345,391	1,060,451	(60,000)	1,345,842
Total	2,074,308	1,060,451	(60,000)	3,074,759
Capital assets being depreciated/amortized:				
Buildings and Improvements	4,532,471	50,186	-	4,582,657
Vehicles	5,825,553	471,480	(77,165)	6,219,868
Equipment	1,564,640	140,000	(51,799)	1,652,841
SBITA	14,172	-	-	14,172
Total	11,936,836	661,666	(128,964)	12,469,538
Total non-infrastructure assets	14,011,144	1,722,117	(188,964)	15,544,297
Infrastructure assets	5,156,046	201,021	-	5,357,067
Total capital assets	19,167,190	1,923,138	(188,964)	20,901,364
Accumulated depreciation:				
Buildings and improvements	2,701,796	141,712	-	2,843,508
Vehicles	4,231,414	73,751	(12,000)	4,293,165
Equipment	1,144,759	244,497	-	1,389,256
Infrastructure assets	2,374,892	430,419	(77,165)	2,728,146
Total	10,452,861	890,379	(89,165)	11,254,075
Accumulated amortization:	9,448	-	-	9,448
Governmental activities capital assets, net	$ 8,704,881	$ 1,032,759	$ (99,799)	$ 9,637,841

5. CAPITAL ASSETS (CONTINUED)

Business-type activities	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Capital assets not being depreciated:				
Land and improvements	$ 572,552	$ -	$ -	$ 572,552
Construction in progress	3,895,116	2,058,383	(3,354,241)	2,599,258
Total	4,467,668	2,058,383	(3,354,241)	3,171,810
Capital assets being depreciated/amortized:				
Equipment and Vehicles	3,442,129	4,973,357	-	8,415,486
Electric Lines, poles, and plant	10,511,943	-	-	10,511,943
Waters treatment plant and water system improvements	9,432,626	2,295,224	-	11,727,850
Sewer Treatment plant and improvements	17,981,651	-	-	17,981,651
Total	41,368,349	7,268,581	-	48,636,930
Total capital assets	45,836,017	9,326,964	(3,354,241	51,808,740
Accumulated Depreciation:	33,606,909	1,091,604	-	34,698,513
Business-type activities capital assets, net	$ 12,229,108	$ 8,235,360	$(3,354,241)	$ 17,110,227

Depreciation and amortization expense was charged to functions or departments as follows:

Governmental activities:	Depreciation	Amortization
General administration	$ 213,047	$ 4,724
Public safety-police	238,975	-
Public safety-fire	247,193	-
Public works	191,164	-
Total depreciation expense	$ 890,379	$ 4,724

5. CAPITAL ASSETS (CONTINUED)

Business-type activities	Depreciation
Electric	$ 230,034
Water	315,135
Sewer	521,593
Sanitation	24,842
Total depreciation expense	$ 1,091,604

6. LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2025:

Governmental activities:	Balance July 1, 2024	Additions	Retirements	Balance June 30, 2025	Due within one year
Direct Palacements					
Kentucky Bank Note payable with interest at 1.28% secured by fire truck	$ 784,283	$ -	$ (150,228)	$ 634,055	$ 152,190
Kentucky Bank note payable with interest at 1.35% secured by a street sweeper	82,598		(76,201)	6,397	6,397
Police Car Loan	215,350	-	(215,350)	-	-
Stock Yards Bank & Trust Company note Payable with interest at 4.62% secured by fire	-	1,251,125	-	1,251,125	155,160
Stock Yards Bank & Trust Company note Payable with interest at 4.70% secured by Police Cars	-	265,000	(13,764)	251,236	84,885
Compensated absences	424,192	29,467	-	453,659	-
Net pension liability	9,913,764	1,012,237	-	10,926,001	-
Net OPEB liability	3,243,202		(2,965,392)	277,810	-
SBITA liability	9,774		(4,716)	5,058	-
Total governmental activities	$ 14,673,163	$ 2,557,829	$ (3,425,651)	$ 13,805,341	$ 398,632

6. LONG-TERM DEBT (CONTINUED)

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

Year Ended	Principal	Interest	Total
2026	$ 398,632	$ 81,179	$ 479,811
2027	405,566	64,064	469,630
2028	403,608	48,764	452,372
2029	336,132	37,149	373,281
2030	199,612	18,716	218,328
Thereafter	399,263	9,565	408,828
Total	$ 2,142,813	$ 259,437	$ 2,402,250

Business-type activities:	Balance July 1, 2024	Additions	Retirements	Balance June 30, 2025	Due within one year
Traditional Bank note payable with interest at 3.30% maturing in fiscal year 2027	$ 107,200	$ -	$ (37,185)	$ 70,015	$ 37,904
Series 2014 Revenue Bonds publically issued with interest at 2.75% maturing in fiscal year 2054	260,000	-	(5,500)	254,500	6,000
Series 2024 Revenue Bonds publicly issued with interest at 4.00% maturing in fiscal year 2054	6,775,000	-	(8,571)	6,766,429	11,250
KIA Loan - Water Plant	-	1,781,423	-	1,781,423	92,519
Total bonds and notes payable	7,142,200	1,781,423	(51,256)	8,872,367	147,673
Compensated absences	150,444	-	-	150,444	-
Net pension liability	6,897,320	704,246	-	7,601,566	-
Net OPEB liability	1,794,881		(1,641,133)	153,748	-
Total business-type activities	$ 15,984,845	$ 1,781,423	$ (51,256)	$ 17,817,524	$ 147,673

6. 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
2026	$ 58,904	$ 271,975	$ 330,879
2027	53,086	270,672	323,758
2028	168,200	272,716	440,916
2029	56,500	267,600	324,100
2030	61,500	265,600	327,100
2031-2035	520,000	1,285,600	1,805,600
2036-2040	1,010,500	1,150,000	2,160,500
2041-2045	1,511,500	916,800	2,428,300
2046-2050	1,913,000	590,800	2,503,800
2051-2054	1,853,500	184,200	2,037,700
Total	$7,206,690	$5,475,963	$12,682,653

7. 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, 2025 is not readily available.

8. SBITA LIABILITIES

Governmental activities

Effective April 1, 2022, the City entered into a SBITA for budgeting software. The agreement calls for annual payments of $5,425 over a period of 3 years. Upon adoption of GASB 96, the City recognized a subscription liability and a subscription asset related to the agreement totaling $14,172. The City calculated the present value of future payments based on an incremental borrowing rate of 7.25%. The balance of the SBITA liability as of June 30, 2025 totaled $5,058.

9. 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 Public Pensions Authority administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Public Pensions Authority 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.

9. RETIREMENT PLAN (CONTINUED)

The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions – For the year ended June 30, 2024, 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, 2025, participating employers contributed 19.71% of each employee’s wages for non-hazardous job classifications and 38.61% 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 10. Plan members contributed 19.71% to the pension trust for non-hazardous job classifications and 36.49% 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 Public Pensions Authority 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, 2025, the City contributed $713,617, or 100% of the required contribution for non-hazardous job classifications, which was allocated $713,617 to the CERS pension fund and $0 to the CERS insurance fund. The City contributed $1,726,684, or 100% of the required contribution for hazardous job classifications, which was allocated $1,631,879 to the CERS pension fund and $94,805 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.

9. 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 and 4 years service
	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, 2025, the City reported a liability for its proportionate share of the net pension liability as follows:

Total Net Pension Liability	Non Hazardous	Hazardous
$ 18,527,567	$ 9,379,457	$ 9,148,110

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023, 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, 2024, was as follows:

Non-hazardous	Hazardous
0.156836%	0.35568%

The proportionate share at June 30, 2024, decreased 0.031865% for non-hazardous and increased 0.181231% for hazardous compared to the proportionate hazardous compared to the proportionate share as of June 30,2023.

9. RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2025, the City recognized pension expense of $1,870,170. At June 30, 2025, 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
Difference between exppected and actual results	$ 1,048,403	$ -
Changes in Assumptions	-	940,070
Net difference between projected and actual earnings on plan investments	-	1,091,306
Changes in proportion and differences between City Contributions and proportiioinate share of contributions	4,051,095	1,394,031
City contributions subsequent to measurement date	2,345,496	-
	$ 7,444,994	$ 3,425,407

The $2,345,496 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, 2026. 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	
2026	$ (12,258)
2027	$ 920,666
2028	$ 889,554
2029	$ (123,871)

Actuarial Assumptions – The total pension liabilities in the June 30, 2024, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.50%
Salary increases	3.30% to 10.30%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation

Hazardous

Inflation	2.50%
Salary increases	3.55 to 19.05%, varies by service, including inflation
Investment rate of return	6.50%, 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 2013-2022, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2023. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with rates multiplied by 150% for both male and female rates projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

9. RETIREMENT PLAN (CONTINUED)

The actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2023) to the plan's fiscal year ending June 30, 2024.

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 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
Equity	**60.00%**	
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income	**20.00%**	
Core Bonds	10.00%	2.85%
Specialty Credit/High Yield	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected	**20.00%**	
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Total	**100.00%**	**4.69%**
Long term inflation assumption		**2.50%**
Expected nominal return for portfolio		**7.19%**

Discount Rate – The discount rate used to measure the total pension liability was 6.50%. 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 closed 30-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.

9. RETIREMENT PLAN (CONTINUED)

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 6.5%, 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 (5.50%) or 1-percentage-point higher (7.50%) 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	5.50%	$ 12,091,653	5.50%	$ 11,777,236
Current discount rate	6.50%	$ 9,379,457	6.50%	$ 9,148,110
1% increase	7.50%	$ 7,129,050	7.50%	$ 7,001,572

Payable to the Pension Plan – At June 30, 2025, the City reported a payable of $201,656 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2025. The payable includes both the pension and insurance contribution allocation.

10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 9, the City of Paris 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 9, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2024, the employer's contribution was 0% to the insurance trust for non-hazardous job classifications and 2.12% 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 Public Pensions Authority are financed through employer contributions and investment earnings.

For the year ended June 30, 2025, the City contributed $0, or 100% of the required contribution for non-hazardous job classifications, and $84,805, or 100% of the required contribution for hazardous job classifications.

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

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

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2025, the City reported a liability for its proportionate share of the net OPEB liability (asset) as follows:

Total Net OPEB Liability	Non Hazardous	Hazardous
$ 431,558	$ -	$ 431,558

Total Net OPEB (Asset)	Non Hazardous	Hazardous
$ (271,527)	$ (271,527)	$ -

The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023, 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, 2024, was as follows:

Non-hazardous	Hazardous
0.188694%	0.174332%

The proportionate share at June 30, 2024, decreased 0.031724% for non-hazardous and increased 0.181438% for hazardous compared to the proportionate share as of June 30,2024.

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

For the year ended June 30, 2025, the City recognized OPEB gain of $823,435. At June 30, 2025, 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
Difference between exppected and actual results	$ 267,503	$ 3,715,983
Changes in Assumptions	538,758	571,390
Net difference between projected and actual earnings on plan investments	-	518,970
Changes in proportion and differences between City Contributions and proportiioinate share of contributions	1,299,902	482,591
City contributions subsequent to measurement date	94,805	-
	$ 2,200,968	$ 5,288,934

The $94,805 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, 2026. This includes adjustments of $50,642 for the nonhazardous implicit subsidy and $1,253 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		
2026	$	(1,230,333)
2027	$	(914,116)
2028	$	(1,007,318)
2029	$	(224,982)
2030	$	193,978

Actuarial Assumptions – The total OPEB liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.50%
Salary increases	3.30 to 10.30%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation
Healthcare trend	
Pre – 65:	Initial trend starting at 7.10% at January 1, 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.
Post – 65:	Initial trend starting at 8.00% at January 1, 2026, then gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.

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

Hazardous

Inflation	2.50%
Salary increases	3.55 to 19.05%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation
Healthcare trend	
Pre – 65:	Initial trend starting at 7.10% at January 1, 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.
Post – 65:	Initial trend starting at 8.00% at January 1, 2025, then gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2020 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 2013-2022, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2020. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year 2010.

The actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018.

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
Equity	**60.00%**	
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income	**20.00%**	
Core Bonds	10.00%	2.85%
Specialty Credit/High Yield	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected	**20.00%**	
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Total	**100.00%**	**4.69%**
Long term inflation assumption		**2.50%**
Expected nominal return for portfolio		**7.19%**

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

Discount Rate – The discount rate used to measure the total OPEB liability was 5.99% and 6.02% 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 6.50%, and a municipal bond rate of 3.97%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index." 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		
	Discount rate		City's proportionate share of net OPEB liability	Discount rate		City's proportionate share of net OPEB liability
1% decrease	4.99%	$	367,135	5.02%	$	1,192,625
Current discount rate	5.99%	$	(271,527)	6.02%	$	431,558
1% increase	6.99%	$	(888,077)	7.02%	$	(204,461)

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	$	(653,261)	$	(66,900)
Current trend rate	$	(271,527)	$	431,558
1% increase	$	173,166	$	1,014,148

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

11. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2025 were levied on the assessed valuation of property located in Bourbon County as of January 1, 2024 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.

12. 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.

CITY OF PARIS, KENTUCKY
REQUIRED SUMMPLEMENTARY
BUDGETARY INFORMATION
General Fund
for the year ended June 30, 2025

	Enacted Budget	Amended Budget	Actual	Over (Under) Budget
REVENUES				
Taxes	$ 1,179,600	$ 1,195,501	$ 1,242,042	$ 46,541
Licenses and permits	7,778,000	7,778,000	9,221,974	1,443,974
Fines and forfeits	1,500	1,500	482	(1,018)
Intergovernmental	871,500	859,500	775,780	(83,720)
Charges for services	355,000	495,000	705,363	210,363
Other Revenues	326,125	1,526,603	495,495	(1,031,108)
Total revenues	10,511,725	11,856,104	12,441,136	585,032
EXPENDITURES				
Current:				
City commission	237,200	237,200	140,797	(96,403)
General administration	829,180	849,429	849,022	(407)
Community partners	1,575,881	1,575,881	1,543,731	(32,150)
Public safety-police	4,509,494	4,682,100	3,965,296	(716,804)
Public safety-fire	3,380,312	4,682,337	3,034,928	(1,647,409)
Public works	1,512,452	1,512,452	1,099,906	(412,546)
Capital outlay	286,409	297,830	1,999,163	1,701,333
Total expenditures	12,330,928	13,837,229	12,632,843	(1,204,386)
Excess (deficiency of revenues over expenditures)	(1,819,203)	(1,981,125)	(191,707)	1,789,418
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	-	-	895,469	895,469
Proceeds from Debt	730,000	1,981,125	1,516,004	(465,121)
Transfers (out)	-	-	(476,382)	(476,382)
Total other financing sources (uses)	730,000	1,981,125	1,935,091	(46,034)
Net change in fund balances	(1,089,203)	-	1,743,384	1,743,384
Fund Balance, July 1, 2024	10,181,452	9,239,593	13,096,239	3,856,646
Fund Balance, June 30, 2025	$ 9,092,249	$ 9,239,593	$ 14,839,623	$ 5,600,030

See accompanying notes to the basic financial statements

CITY OF PARIS, KENTUCKY

Required Supplementary Schedule of
Proportionate Share of the Net Pension Liability - Nonhazardous
Last Ten Years

Reporting Fiscal Year (Measurement Date)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)	2025 (2024)
City's proportion of the net pension liability	0.1548%	0.1565%	0.1648%	0.1606%	0.1678%	0.1671%	0.1771%	0.1798%	0.188701%	0.156836%
City's proportionate share of the net pension liability (assets)	$ 6,655,841	$ 7,707,594	$ 9,649,119	$ 9,779,811	$ 11,803,770	$ 12,814,284	$ 11,292,343	$ 13,000,007	$ 12,108,016	$ 9,379,457
City's covered employee payroll	$ 3,578,212	$ 3,731,788	$ 4,022,672	$ 4,068,530	$ 4,218,674	$ 4,299,261	$ 4,481,156	$ 4,911,362	$ 5,401,697	$ 6,943,196
City's proportionate share of the net pension liability as a percentage of its covered payroll	186.01%	206.54%	239.87%	240.38%	279.80%	298.06%	252.00%	264.69%	224.15%	135.09%
Plan fiduciary net position as a percentage of the total pension liability	55.97%	55.50%	53.32%	53.54%	50.54%	47.81%	57.33%	52.42%	57.48%	61.61%

See accompanying notes to the required supplementary information.

CITY OF PARIS, KENTUCKY
Required Supplementary Schedule of
Proportionate Share of the Net Pension Liability - Hazardous
Last Ten Years

Reporting Fiscal Year (Measurement Date)	**2016 (2015)**	**2017 (2016)**	**2018 (2017)**	**2019 (2018)**	**2020 (2019)**	**2021 (2020)**	**2022 (2021)**	**2023 (2022)**	**2024 (2023)**
City's proportion of the net pension liability	0.3189%	0.2849%	0.2510%	0.2178%	0.2045%	0.1726%	0.1683%	0.1750%	0.174449%
City's proportionate share of the net pension liability (assets)	$ 4,895,682	$ 4,888,873	$ 5,614,562	$ 5,267,955	$ 5,650,082	$ 5,204,150	$ 4,479,802	$ 5,338,830	$ 4,703,068
City's covered employee payroll	$ 1,631,230	$ 1,486,407	$ 1,206,352	$ 1,206,352	$ 1,175,929	$ 999,915	$ 1,062,150	$ 1,200,398	$ 1,200,398
City's proportionate share of the net pension liability as a percentage of its covered payroll	300.12%	328.91%	465.42%	436.68%	480.48%	520.46%	421.77%	444.75%	391.79%
Plan fiduciary net position as a percentage of the total pension liability	57.52%	53.95%	49.78%	4643.00%	46.63%	44.11%	52.26%	47.11%	52.96%

See accompanying notes to the required supplementary information.

CITY OF PARIS, KENTUCKY

Required Supplementary Schedule
of Pension Contributions- Nonhazardous
Last Ten Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required contribution	$ 464,886	$ 561,163	$ 589,123	$ 700,576	$ 849,644	$ 882,445	$ 1,147,090	$ 1,279,997	$ 1,620,542	$ 713,617
Contributions in relation to the contractually required contribution	(464,886)	(561,163)	(589,123)	(700,576)	(849,644)	(882,445)	(1,147,090)	(1,279,997)	(1,620,542)	(713,617)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered employee payroll	$ 3,731,788	$ 4,022,672	$ 4,068,530	$ 4,218,674	$ 4,299,261	$ 4,481,156	$ 4,911,362	$ 5,401,697	$ 6,943,196	$ 3,620,583
Contributions as a percentage of covered payroll	12.46%	13.95%	14.48%	16.61%	19.76%	19.69%	23.36%	23.70%	23.34%	19.71%

See accompanying notes to the required supplementary information.

CITY OF PARIS, KENTUCKY

Required Supplementary

Schedule of Pension Contributions - Hazardous

Last Ten Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required contribution	$ 306,301	$ 311,400	$ 267,810	$ 292,453	$ 300,575	$ 319,282	$ 427,341	$ 528,522	$ 818,385	$ 1,631,879
Contributions in relation to the contractually required contribution	(306,301)	(311,400)	(267,810)	(292,453)	(300,575)	(319,282)	(427,341)	(528,522)	(818,385)	(1,631,879)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District covered payroll	$ 1,486,407	$ 1,394,492	$ 1,206,352	$ 1,175,929	$ 999,915	$ 1,062,150	$ 1,200,398	$ 1,200,398	$ 1,990,720	$ 4,472,127
Contributions as a percentage of covered payroll	20.61%	22.33%	22.20%	24.87%	30.06%	30.06%	35.60%	42.81%	41.11%	36.49%

See accompanying notes to the required supplementary information.

CITY OF PARIS, KENTUCKY
Required Supplementary Schedule of
Proportionate Share of the Net OPEB Liability - Nonhazardous
Last Nine Years

Reporting Fiscal Year (Measurement Date)	**2017 (2016)**	**2018 (2017)**	**2019 (2018)**	**2020 (2019)**	**2021 (2020)**	**2022 (2021)**	**2023 (2022)**	**2024 (2023)**
City's proportion of the net OPEB liability	0.1648%	0.1648%	0.1606%	0.1678%	0.1670%	0.1771%	0.1798%	0.1887%
City's proportionate share of the net OPEB liability	$ 2,599,425	$ 3,314,029	$ 2,850,960	$ 2,822,154	$ 4,033,098	$ 3,389,936	$ 3,548,437	$ (260,524)
City's covered payroll	$ 3,731,788	$ 4,022,672	$ 4,068,530	$ 4,218,674	$ 4,299,261	$ 4,481,156	$ 4,911,362	$ 5,401,697
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	69.66%	82.38%	70.07%	66.90%	93.81%	75.65%	72.25%	-4.82%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%	51.67%	62.91%	60.95%	104.23%

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

See accompanying notes to the required supplementary information.

CITY OF PARIS, KENTUCKY
Required Supplementary Schedule of
Proportionate Share of the Net OPEB Liability - Hazardous
Last Nine Years

Reporting Fiscal Year (Measurement Date)	**2017 (2016)**	**2018 (2017)**	**2019 (2018)**	**2020 (2019)**	**2021 (2020)**	**2022 (2021)**	**2023 (2022)**	**2024 (2023)**
City's proportion of the net OPEB liability (asset)	0.2510%	0.2510%	0.2178%	0.2045%	0.1726%	0.1683%	0.1749%	0.1743%
City's proportionate share of the net OPEB liability (asset)	$ 1,239,634	$ 2,074,574	$ 1,553,075	$ 1,513,035	$ 1,594,572	$ 1,360,611	$ 1,489,646	$ 238,526
City's covered payroll	$ 1,486,407	$ 1,394,492	$ 1,206,352	$ 1,175,929	$ 999,915	$ 1,062,150	$ 1,200,398	$ 1,234,575
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	83.40%	148.77%	128.74%	128.67%	159.47%	128.10%	124.10%	19.32%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	58.99%	64.24%	64.44%	58.84%	66.81%	64.13%	92.27%

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

See accompanying notes to the required supplementary information.

CITY OF PARIS, KENTUCKY

Required Supplementary

Schedule of OPEB Contributions - Nonhazardous

Last Ten Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required contribution	$ 173,575	$ 190,272	$ 191,221	$ 227,191	$ 209,549	$ 217,639	$ 209,981	$ 185,435	$ 168,469	$ -
Contributions in relation to the contractually required contribution	(173,575)	(190,272)	(191,221)	(227,191)	(209,549)	(217,639)	(209,981)	(185,435)	(168,469)	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered payroll	$ 3,731,788	$ 4,022,672	$ 4,068,530	$ 4,218,674	$ 4,299,261	$ 4,481,156	$ 4,911,362	$ 5,401,697	$ 6,943,196	$ 3,620,583
Contributions as a percentage of covered payroll	4.65%	4.73%	4.70%	5.39%	4.87%	4.86%	4.28%	3.43%	2.43%	0.00%

See accompanying notes to the required supplementary information.

CITY OF PARIS, KENTUCKY
Required Supplementary Information
Schedule of OPEB Contributions - Hazardous
Last Ten Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required contribution	$ 192,068	$ 134,113	$ 112,794	$ 123,155	$ 95,192	$ 101,117	$ 104,795	$ 83,704	$ 173,909	$ 94,805
Contributions in relation to the contractually required contribution	(192,068)	(134,113)	(112,794)	(123,155)	(95,192)	(101,117)	(104,795)	(83,704)	(173,909)	(94,805)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 1,486,407	$ 1,394,492	$ 1,206,352	$ 1,175,929	$ 999,915	$ 1,062,150	$ 1,200,398	$ 1,234,575	$ 1,990,720	$ 4,472,127
Contributions as a percentage of covered payroll	12.90%	9.60%	9.40%	10.50%	9.50%	9.50%	8.70%	6.80%	8.70%	2.10%

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 OPE 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 Pensions and OPEB.

2. CHANGES OF ASSUMPTIONS

June 30, 2024 – 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, 2024, for OPEB;

- The discount rate used to calculate the total OPEB liability increased from 5.93% to 5.99% for the nonhazardous plan and from 5.97% to 6.02% for the hazardous plan.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2024, for pension.

June 30, 2023 – 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, 2023, for OPEB;

- The annual rates of retirement, disability, withdrawal, and mortality were updated based on the 2022 Experience Study
- The Inflation assumption increased 0.2% to 2.50%
- The Investment return assumption increased to 6.50%, up 0.25%.

June 30, 2022 – Pension and OPEB – Hazardous and Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 20, 2022, for OPEB;

- The initial healthcare trend rate for pre-65 was changed from 6.30% to 6.40%.

2. CHANGES OF ASSUMPTIONS (Continued)

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for pension.

June 30, 2021 – Pension and OPEB – Hazardous and Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.40% to 6.30%. The initial healthcare trend rate for post-65 was changed from 2.90% to 6.30%.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for Pension.

June 30, 2020 – Pension and OPEB – Hazardous and Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected int eh valuation performed as of June 30, 2020, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.4%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. The initial healthcare trend rate for post-65 was changed form 5% to 2.9%, which increases to 6.30% in 2023 and the gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the Valuation performed as of June 30, 2020, for pension.

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.

2. CHANGES OF ASSUMPTIONS (Continued)

June 30, 2017 – 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 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.

June 30, 2015 – 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, 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 health retired members and beneficiaries, the mortality table used int eh 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 Tabel 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 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, 2014.

2. CHANGES OF ASSUMPTIONS (Continued)

June 30, 2013 – PENSION AND OPEB – Hazardous and Nonhazardous

- 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 members.

CITY OF PARIS, KENTUCKY
COMBINING BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

	Municipal Road Aid Fund	Debt Service	Total
ASSETS:			
Cash and cash equivalents	$ 1,279	$ -	$ 1,279
Accounts receivable	14,474	-	14,474
Total assets	$ 15,753	$ -	$ 15,753
LIABILITIES:			
Due to other funds	127,937	-	127,937
Total liabilities	127,937	-	127,937
FUND BALANCES:			
Nonspendable	-	-	-
Restricted	-	-	-
Unassigned	(112,184)	-	(112,184)
Total fund balances	(112,184)	-	(112,184)
Total liabilities, defered inflows of resources, and fund balances	$ 15,753	$ -	$ 15,753

See accompanying notes to the basic financial statements

CITY OF PARIS, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
for the year ended June 30, 2025

	Municipal Road Aid Fund	Debt Service	Total
Revenues:			
Intergovernmental	$ 208,335	$ -	$ 208,335
Other revenues	626	-	626
Total revenues	208,961	-	208,961
Expenditures:			
Current:			
Capital outlay	215,959	-	215,959
Debt service	-	476,382	476,382
Total expenditures	215,959	476,382	692,341
Excess (deficiency) of revenues over expenditures	(6,998)	(476,382)	(483,380)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	476,382	476,382
Total Other Financing Sources (Uses)	-	476,382	476,382
Net change in fund balances	(6,998)	-	(6,998)
Fund balances-beginning	(105,186)	-	(105,186)
Fund balances-ending	$ (112,184)	$ -	$ (112,184)

See accompanying notes to the basic financial statements

CITY OF PARIS, KENTUCKY
SCHEDULE OF OPERTING EXPENSES
UTILITY FUND
for the year ended June 30, 2025

	Total
UTILITY ADMINISTRATION	
Personnel services	$ 695,951
Contractual services	232,373
Materials and supplies	382,443
Other expenses	10,613
Payment in lieu of taxes	324,000
Total utility administration	1,645,380
ELECTRIC DEPARTMENT	
Personnel services	$ 1,064,767
Electric purchases	4,555,257
Contractual services	146,039
Materials and supplies	353,085
Total utility administration	6,119,148
WATER DISTRIBUTION	
Personnel services	$ 1,384,186
Contractual services	66,679
Materials and supplies	766,545
Other expenses	5,877
Total utility administration	2,223,287
SEWER TREATMENT	
Personnel services	$ 427,232
Contractual services	166,030
Materials and supplies	512,273
Total utility administration	1,105,535
Sanitation	
Personnel services	$ 101,735
Contractual services	239,075
Materials and supplies	20,588
Total utility administration	361,398
DEPRECIATION	$ 1,091,604
Total operating expenses	$ 12,546,352

CITY OF PARIS, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Federal Grantor Pass-Through Grantor Program Title	Pass-Through Entity's Number	Federal AL Number	Disbursements
United States Department of Housing and Urban Development			
Direct Award			
Community Development Program	N/A	14.228	1,340,214
Total United States Department of Housing and Urban Development			**1,340,214**
United States Department of Transportation			
Direct Award			
Highway Planning and Construction	N/A	20.205	252,546
Total United States Department of Transportation			**252,546**
Total Federal Awards Expenditures			**$ 1,592,760**

N/A - pass-through entity number not available.

See the accompanying notes to the schedule of federal awards expenditures.

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Paris, Kentucky (the City) under programs of the federal government for the year ended June 30, 2025. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

Note 3 – Indirect Cost Rate

The City has elected not to use the 10% de minimums indirect cost rate allowed under the Uniform Guidance.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

To the Mayor and Commissioners
City of Paris, Kentucky

We have audited, 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, 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, (the City) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 30, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 financial statements.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BHM CPA Group

BHM CPA Group, Inc
Portsmouth, Ohio
May 30, 2026

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Mayor and Commissioners
City of Pais, Kentucky

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited City of Paris', Kentucky (the City) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City's major federal program for the year ended June 30, 2025. The City's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, the City of Paris, Kentucky complied, in all material respects with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2025.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City's and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The City's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal* control over exists when the design or operation of a control over compliance does not allow management or employees, in normal course of performing their assigned function, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charge with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BHM CPA Group

BHM CPA Group, Inc
Portsmouth, Ohio
May 30, 2026

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR §200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Highway Planning and Construction AL# 20.205
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee 2 CFR §200.520?	No

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None noted

3. FINDINGS FOR FEDERAL AWARDS

None noted