

CITY OF PARIS
Paris, Kentucky

FINANCIAL STATEMENTS
June 30, 2009

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City of Paris, Kentucky

Management's Discussion and Analysis

Our discussion and analysis of the City of Paris's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2009. Please read the following.....in conjunction with the auditors' report on page 9.....and the City's financial statements, which begin to appear on page 10.

OVERVIEW OF THIS ANNUAL REPORT

This annual report consists of the management's discussion and analysis report, the independent auditors' report, the basic financial statements of the City, and the independent auditor's report on compliance. The financial statements also include notes that explain in more detail some of the information in the financial statements.

In the past, the primary focus of local government financial statements has been summarized by fund type information on a current financial resource basis. This approach has been modified; the City's financial statements **now present two kinds of statements**, each with a different snapshot of the City's finances.

The new focus is both the City as a **whole (government-wide)**, and the **fund financial statements**.

The government-wide financial statements provide both long-term and short-term information about the City's overall financial status.

The fund financial statements, which have been provided in the past, **focus on the individual funds of the City**, reporting the City's operations in more detail than the government-wide statements.

Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government), and enhance the City's accountability.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies.

One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of this year's activities?" The **Statement of Net Assets** and the **Statement of Activities** report information about the City's activities in a way that will help answer this question.

These statements include all assets and liabilities using the accrual basis of accounting, *which is similar to the accounting used by most private-sector companies*. **All of the current year's revenues and expenditures are taken into account regardless of when cash is received or paid.**

These two statements report the **net assets** of the City **and changes** in them. One can think of the City's net assets—the difference between assets and liabilities—as one way to measure financial health or financial position.

Over time, increases or decreases in the City's net assets are an indicator of whether its financial health or position is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, changes in property tax rates or valuation, infrastructure asset condition, and new or changed government legislation.

In the **Statement of Net Assets** and the **Statement of Activities**, we divide the City into two kinds of activities:

Governmental activities—Most of the **City's basic services** are reported here, including general government administration, police, dispatch and streets. Property taxes, licenses and permits, and grants finance most of these activities.

Business-type activities—The **City collects fees from customers** to cover the costs of the services, which includes electric, water, sewer and sanitation services.

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now **on the City's funds**.

The fund financial statements provide **more information about the City's funds** and not the City as a whole.

The City has two kinds of funds:

Governmental Fund—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets.....that can readily be converted to cash.....flow in and out, and (2), the balances left at year-end that are available for spending.

Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom the governmental funds statement that explains the relationship (or differences) between them.

Proprietary Fund—Services for which the City charges customers a fee are generally reported in proprietary funds.

NET ASSETS

Our analysis begins with a summary of the **City's Statement of Net Assets**, which is presented on Table A-1 followed by an explanation of the results.

Changes in net assets are presented in Table A-2, which is also followed by an explanation of the results.

Table A-1

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Current and Other Assets	\$ 1,665,306	\$ 2,404,503	\$ 4,069,809
Capital Assets	<u>4,744,721</u>	<u>12,588,067</u>	<u>17,332,788</u>
Total Assets	6,410,027	14,992,570	21,402,597
Long-Term Debt Outstanding	217,405	4,754,574	4,971,979
Current Liabilities	<u>484,865</u>	<u>1,272,927</u>	<u>1,757,792</u>
Total Liabilities	702,270	6,027,501	6,729,771
Net Assets			
Invested in Capital Assets net of debt	4,483,723	7,432,309	11,916,032
Restricted	174,796	366,627	541,423
Unrestricted	<u>1,049,238</u>	<u>1,166,133</u>	<u>2,215,371</u>
Total Net Assets	<u>\$ 5,707,757</u>	<u>\$ 8,965,069</u>	<u>\$ 14,672,826</u>

The capital assets of the City's **governmental activities** increased from \$4,512,143 in 2008 to \$4,744,721 in 2009. This **increase was due to capital additions** for the year.

The City elected to record infrastructure assets going forward from July 1, 2003 as allowed by GASB 34.

The capital assets of the **business-type activities** decreased from \$13,565,442 in 2008 to \$12,588,067 in 2009. This **decrease was due to depreciation** outpacing capital additions for the year.

Net assets from one activity generally cannot be used to make up for any deficits in the other activities.

Table A-2

Condensed Statement of Activities

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Revenues			
<u>Program Revenue</u>			
Charges for Service	\$ -0-	\$ 7,977,515	\$ 7,977,515
<u>General Revenue</u>			
Tax	756,424		756,424
Licenses	4,471,837		4,471,837
Intergovernmental	1,130,407	23,610	1,154,017
Fines & Forfeits	1,378		1,378
Other Revenue	189,355	115,513	304,868
Total Revenue	<u>6,549,401</u>	<u>8,116,638</u>	<u>14,666,039</u>
<u>Program Expenses</u>			
City Commission	518,663		518,663
General Government	1,472,040		1,472,040
Public safety-Police	1,572,173		1,572,173
Public safety-Fire	1,330,308		1,330,308
Public works-Streets	579,054		579,054
Public properties-building	195,218		195,218
Inspection and engineering	110,651		110,651
Parks and recreation	82,292		82,292
Interest on long-term debt	25,700		25,700
Electric		4,050,594	4,050,594
Water		1,128,853	1,128,853
Sanitation		1,376,227	1,376,227
Sewer		1,755,660	1,755,660
Total Program Expense	<u>5,886,099</u>	<u>8,311,334</u>	<u>14,197,433</u>
Net Change in Net Assets	<u>\$ 663,302</u>	<u>\$ (194,696)</u>	<u>\$ 468,606</u>

The City's **change in Net Assets above** appears to be analogous to the long-standing concept of net revenues, but under the full accrual basis utilized by the Governmental Activities these numbers **include "paper" depreciation expenses** that are not cash expenditures of the City.

Therefore, these "paper" bookkeeping entries are never considered as part of the City's budget process. Additionally, the **principal portions of debt obligations** are excluded from the above but **are reflected as debt service expenditures along with capital outlay expenditures** in the City's budget for governmental activities.

The business-type activities have always been on the full accrual basis.

GOVERNMENTAL ACTIVITIES

Table A-3 details a condensed statement of the fiscal year's governmental activities.

Table A-3

Condensed Governmental Activities – Revenues & Expenditures

Taxes	\$ 756,424
Licenses and permits	4,471,837
Intergovernmental	1,130,407
Fines & forfeits	1,378
Other revenues	<u>189,355</u>
Total Revenues	<u>6,549,401</u>
City Commission	518,663
General administration	1,395,186
Public safety-Police	1,466,876
Public safety-Fire	1,233,480
Public works-Streets	507,520
Public properties building	195,218
Inspection and engineering	110,651
Parks and recreation	78,904
Industrial development	13,389
Capital outlay	573,090
Debt service	<u>356,729</u>
Total Expenditures	<u>6,449,706</u>
Excess Expenditures over Revenues before other Financing sources	<u>\$ 99,696</u>

The bottom number of Table A-3 above, **should not be confused** with the end-of-year "Fund Balance" figure shown in the City's General Fund Budget, *because the above does not reflect the General Fund's beginning-of-year balance and any debt proceeds received during the fiscal year.*

BUDGET HIGHLIGHTS

Over the course of the fiscal year, the City amended both the General Fund and Utility Fund Budgets. These amendments were made shortly after the beginning of the calendar year **to reflect the actual beginning balances** shortly after the beginning of said calendar year **or due to unusual events** that may potentially occur.

The budget contains proposed expenditures and expected revenues. A **comparison of the final** amended budget **to actual** amounts for governmental activities is presented in the table below (Tables A-4 & 5).

Table A-4

Condensed Governmental Activities- Revenues

	<u>Budget</u>	<u>Actual</u>	<u>Change</u>
Taxes	\$ 735,000	\$ 756,424	\$ 21,424
Licenses and permits	4,986,600	4,471,837	(514,763)
Intergovernmental	790,000	897,274	107,274
Fines & Forfeits	-0-	1,378	1,378
Other Revenues	<u>130,000</u>	<u>388,008</u>	<u>258,008</u>
Total Revenues	<u>\$6,641,600</u>	<u>\$ 6,514,921</u>	<u>\$(126,679)</u>

Table A-5

Condensed Governmental Activities- Expenditures

	<u>Budget</u>	<u>Actual</u>	<u>Change</u>
City Commission	\$ 573,200	\$ 518,663	\$ (54,537)
General Administration	1,561,000	1,395,186	(165,814)
Public Safety- Police	1,578,500	1,466,876	(111,624)
Public Safety- Fire	1,320,000	1,233,480	(86,520)
Public Works- Streets	544,000	482,520	(61,480)
Public properties buildings	229,900	195,218	(34,682)
Inspection and engineering	123,000	110,651	(12,349)
Parks and Recreation	98,500	78,904	(19,596)
Capital Outlay	591,000	500,000	(91,000)
Debt Service	<u>88,500</u>	<u>356,729</u>	<u>268,229</u>
Total Expenditures	<u>\$6,707,600</u>	<u>\$6,338,227</u>	<u>\$ (369,373)</u>

The City budgeted for a total of \$6,641,600 in revenues for 2009, but ended up having revenues of \$6,514,921. In other words, the City received 1.9 percent less revenue than budgeted.

A total of about \$6,707,600 was budgeted for expenses, but expenditures totaled \$6,338,227 at the end of 2009. **The City was under budget on the expenses by 5.5 percent.**

CAPITAL ASSETS

Table A-1 showed summary totals for a broad range of capital assets, including police and fire **equipment and vehicles**, buildings, **land, roads, bridges, storm sewers**, and all of the **equipment and materials** involved in the operation of an electric, water and sanitary sewer utility.

Table A-5 shows the breakdown of non-depreciated capital assets for both governmental and business-type activities.

Table A-6

Capital Assets at Year End Without Depreciation

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Land	\$ 966,979	\$ -	\$ 966,979
Construction in process		63,135	63,135
Infrastructure	785,832		785,832
Buildings	3,243,700		3,243,700
Vehicles	2,495,342		2,495,342
Equipment	510,895	2,720,831	3,231,726
Electric System		6,942,255	6,942,255
Water System		6,621,545	6,621,545
Sewer System	-	16,641,609	16,641,609
Total Capital Assets	<u>\$ 8,002,748</u>	<u>\$ 32,989,375</u>	<u>\$ 40,992,123</u>

DEBT

Table A-7 provides a summary of all of the City's outstanding indebtedness.

Table A-7

<u>Debt Outstanding at Year End</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Leases	\$ 14,008	\$ 53,193	\$ 67,201
Notes Payable	246,990	3,940,430	4,187,420
Bond Payable	-	<u>1,099,000</u>	<u>1,099,000</u>
Total Debt Outstanding	<u>\$ 260,998</u>	<u>\$ 5,092,623</u>	<u>\$ 5,353,621</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected officials consider many factors when setting the fiscal year 2010 budget. Some of the factors are the local economy, expected grant money, and anticipated tax revenue. They remain sensitive to unfunded mandates from the State and Federal governments, while trying to best meet the needs of the community within the framework of fiscal responsibility.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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.

If you have questions about this report or need additional financial information, contact the City Manager at 525 High Street, Paris, Kentucky.

rfh Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

Mayor and the City Council
City of Paris
Paris, Kentucky

Dennis H. England, CPA
Michael D. Foley, CPA
Lyman Hager, Jr., CPA
Jerry W. Hensley, CPA

J. Carroll Luby, CPA

We have audited the accompanying financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of the City of Paris, Kentucky, as of June 30, 2009, and for the year then ended, which collectively comprise the City of Paris, Kentucky's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Paris, Kentucky's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and the aggregate remaining fund information of the City of Paris, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 1 through 8 and 28 through 30 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 12, 2010, on our consideration of the City of Paris, Kentucky's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Paris, Kentucky's, basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements of the City of Paris, Kentucky. The supplemental schedules on pages 31 through 34 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
January 12, 2010

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CITY OF PARIS, KENTUCKY
STATEMENT OF NET ASSETS
June 30, 2009

	Primary Government			2008 Totals
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 438,029	\$ 636,066	\$ 1,074,095	\$ 339,199
Receivables (net)	1,162,614	551,411	1,714,025	1,845,528
Internal balances	28,378	-	28,378	21,170
Total current assets	1,629,021	1,187,477	2,816,498	2,205,897
Noncurrent assets				
Restricted cash and cash equivalents	-	720,648	720,648	1,085,038
Capital assets (Note 3)				
Construction in progress	-	63,135	63,135	-
Land and improvements	966,979	-	966,979	966,979
Depreciable infrastructure	663,441	-	663,441	622,976
Depreciable buildings, property, and equipment, net	3,114,301	12,524,932	15,639,233	16,487,630
Other assets	36,285	496,378	532,663	473,964
Total noncurrent assets	4,781,006	13,805,093	18,586,099	19,636,587
Total assets	\$ 6,410,027	\$ 14,992,570	\$ 21,402,597	\$ 21,842,484
LIABILITIES				
Current liabilities				
Accounts payable	\$ 133,791	\$ 537,336	\$ 671,127	\$ 833,835
Accounts leave payable	263,446	123,283	386,729	371,935
Accrued liabilities	-	28,578	28,578	33,482
Other liabilities	-	217,303	217,303	211,149
Internal balances	-	28,378	28,378	21,170
Deferred revenue	44,035	-	44,035	-
Current portion of long-term obligations (Notes 4 & 5)	43,593	338,049	381,642	860,888
Total current liabilities	484,865	1,272,927	1,757,792	2,332,459
Noncurrent liabilities				
Noncurrent portion of long-term obligations (Notes 4 & 5)	217,405	4,754,574	4,971,979	5,305,805
Total liabilities	702,270	6,027,501	6,729,771	7,638,264
NET ASSETS				
Invested in capital assets, net of related debt	4,483,723	7,432,309	11,916,032	11,910,892
Restricted for:				
Debt service	-	366,627	366,627	770,816
Other purposes	174,796	-	174,796	51,795
Unrestricted	1,049,238	1,166,133	2,215,371	1,470,717
Total net assets	5,707,757	8,965,069	14,672,826	14,204,220
Total liabilities and net assets	\$ 6,410,027	\$ 14,992,570	\$ 21,402,597	\$ 21,842,484

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

CITY OF PARIS, KENTUCKY
STATEMENT OF ACTIVITIES
for the year ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			2008 Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
City commission	\$ 518,663	\$ -	\$ -	\$ -	\$ (518,663)	\$ -	\$ (518,663)	\$ (574,718)
General government	1,472,040	-	103,320	119,241	(1,249,479)	-	(1,249,479)	(1,567,406)
Public safety-Police	1,572,173	-	33,651	8,770	(1,529,752)	-	(1,529,752)	(1,635,019)
Public safety-Fire	1,330,308	-	157,292	475,000	(698,016)	-	(698,016)	(1,492,364)
Public works-Streets	579,054	-	233,133	-	(345,921)	-	(345,921)	(425,135)
Public properties bldg	195,218	-	-	-	(195,218)	-	(195,218)	(189,197)
Inspection and engineer	110,651	-	-	-	(110,651)	-	(110,651)	(159,837)
Parks & recreation	82,292	-	-	-	(82,292)	-	(82,292)	(53,278)
Interest on long-term debt	25,700	-	-	-	(25,700)	-	(25,700)	(40,925)
Total governmental activities	5,886,099	-	527,396	603,011	(4,755,692)	-	(4,755,692)	(6,137,879)
Business-type activities								
Electric	4,050,594	4,032,046	-	-	-	(18,547)	(18,547)	191,717
Sanitation	1,128,853	942,941	-	-	-	(185,912)	(185,912)	(273,499)
Water	1,376,227	1,327,421	-	23,610	-	(25,196)	(25,196)	308,811
Sewer	1,755,660	1,675,107	-	-	-	(80,553)	(80,553)	(124,011)
Total business-type activities	8,311,334	7,977,515	-	23,610	-	(310,209)	(310,209)	103,018
Total primary government	\$ 14,197,433	\$ 7,977,515	\$ 527,396	\$ 626,621	(4,755,692)	(310,209)	(5,065,901)	(6,034,861)
General revenues								
Taxes								
Property taxes, levied for general purposes								
					756,424	-	756,424	632,910
License fees:								
Franchise								
					150,731	-	150,731	141,376
Payroll								
					2,425,125	-	2,425,125	2,490,867
Insurance premiums								
					1,521,209	-	1,521,209	1,717,164
Net profit								
					353,593	-	353,593	345,250
Other licenses and permits								
					21,179	-	21,179	23,873
Fines and forfeits								
					1,378	-	1,378	687
Grants and contributions not restricted to specific programs								
					-	-	-	3,170
Investment earnings								
					4,118	10,462	14,580	41,043
Rents								
					93,934	49,191	143,125	168,544
Miscellaneous								
					91,303	55,860	147,163	19,175
Total general revenues								
					5,418,994	115,513	5,534,507	5,584,059
Change in Net Assets								
					663,302	(194,696)	468,606	(450,802)
Net assets-beginning								
					5,044,455	9,159,765	14,204,220	14,655,022
NET ASSETS-ENDING								
					\$ 5,707,757	\$ 8,965,069	\$ 14,672,826	\$ 14,204,220

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

**CITY OF PARIS, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009**

	General	Other Governmental Funds	Total Governmental Funds	2008 Totals
ASSETS				
Cash and cash equivalents	\$ 263,233	\$ 174,796	\$ 438,029	\$ 97,071
Receivables, net	1,162,614	-	1,162,614	1,206,944
Due from other funds	28,378	-	28,378	21,170
Other assets	36,285	-	36,285	50,148
Total assets	\$ 1,490,510	\$ 174,796	\$ 1,665,306	\$ 1,375,333
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 133,791	\$ -	\$ 133,791	\$ 187,295
Accrued leave payable	263,446	-	263,446	263,699
Deferred revenue	44,035	-	44,035	-
Total liabilities	441,272	-	441,272	450,994
Fund balances				
Unreserved, reported in				
General fund	1,049,238	-	1,049,238	872,544
Special revenue funds	-	174,796	174,796	51,795
Debt service funds	-	-	-	-
Total fund balances	1,049,238	174,796	1,224,034	924,339
Total liabilities and fund balances:	\$ 1,490,510	\$ 174,796	\$ 1,665,306	\$ 1,375,333

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

Fund balances per above	\$ 1,224,034	\$ 924,339
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,744,721	4,512,143
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are reported in the funds.	(260,998)	(392,027)
Net assets of governmental activities:	\$ 5,707,757	\$ 5,044,455

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

CITY OF PARIS, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
for the year ended June 30, 2009

	General	Other Governmental Funds	Total Governmental Funds	2008 Totals
REVENUES				
Taxes	\$ 756,424	\$ -	\$ 756,424	\$ 632,910
Licenses and permits	4,471,837	-	4,471,837	4,718,530
Fees and fines	1,378	-	1,378	687
Intergovernmental	897,274	233,133	1,130,407	448,803
Other revenues	188,008	1,347	189,355	213,607
Total revenues:	<u>6,314,921</u>	<u>234,480</u>	<u>6,549,401</u>	<u>6,014,537</u>
EXPENDITURES				
Current				
City commission	518,663	-	518,663	574,770
General administration	1,395,186	-	1,395,186	1,572,400
Public safety-Police	1,466,876	-	1,466,876	1,638,819
Public safety-Fire	1,233,480	-	1,233,480	1,553,118
Public works	482,520	25,000	507,520	521,294
Public properties bldg	195,218	-	195,218	189,197
Inspection and engineer	110,651	-	110,651	159,837
Parks & recreation	78,904	-	78,904	51,584
Industrial development	-	13,389	13,389	-
Capital outlay	500,000	73,090	573,090	252,983
Debt service	-	356,729	356,729	349,497
Total expenditures:	<u>5,981,498</u>	<u>468,208</u>	<u>6,449,706</u>	<u>6,863,499</u>
Excess (deficiency) of revenue: over expenditures	<u>333,423</u>	<u>(233,728)</u>	<u>99,695</u>	<u>(848,962)</u>
OTHER FINANCING SOURCES (USES)				
Debt proceeds	200,000	-	200,000	41,952
Transfers in (out)	(356,729)	356,729	-	-
Total other financing sources (uses)	<u>(156,729)</u>	<u>356,729</u>	<u>200,000</u>	<u>41,952</u>
Net change in fund balances	176,694	123,001	299,695	(807,010)
Fund balances-beginning	872,544	51,795	924,339	1,731,349
Fund balances-ending	<u>\$ 1,049,238</u>	<u>\$ 174,796</u>	<u>\$ 1,224,034</u>	<u>\$ 924,339</u>
Reconciliation to government-wide change in net assets				
Net change in fund balances			\$ 299,695	\$ (807,010)
add: capital outlay expenditures			573,090	252,983
add: debt service expenditures			356,729	349,497
less: debt proceeds			(200,000)	(41,952)
less: depreciation on governmental activities assets			(340,512)	(299,036)
less: interest on long-term deb			(25,700)	(40,925)
Change in net assets Governmental Activitie			<u>\$ 663,302</u>	<u>\$ (586,443)</u>

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

**CITY OF PARIS, KENTUCKY
BALANCE SHEET
PROPRIETARY FUNDS
June 30, 2009**

	Business-Type Activities Utility Fund	2008 Totals
ASSETS		
Current assets		
Cash and cash equivalents	\$ 636,066	\$ 242,128
Receivables (net)	<u>551,411</u>	<u>638,584</u>
Total current assets	<u>1,187,477</u>	<u>880,712</u>
Noncurrent assets		
Restricted cash and cash equivalents	720,648	1,085,038
Other assets	496,378	423,816
Capital assets		
Construction in progress	63,135	-
Utility systems	32,926,240	32,884,854
Less accumulated depreciation	<u>(20,401,308)</u>	<u>(19,319,412)</u>
Total non current assets	<u>13,805,093</u>	<u>15,074,296</u>
Total assets	<u>\$ 14,992,570</u>	<u>\$ 15,955,008</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 537,336	\$ 646,540
Meter deposits	217,303	211,149
Accrued leave payable	123,283	108,236
Accrued interest payable	28,578	33,482
Other payables	28,378	21,170
Current portion of long-term debt	<u>338,049</u>	<u>729,860</u>
Total current liabilities	<u>1,272,927</u>	<u>1,750,437</u>
Noncurrent liabilities		
Bonds, notes, and loans payable		
Total noncurrent liabilities	<u>4,754,574</u>	<u>5,044,806</u>
Total liabilities	<u>6,027,501</u>	<u>6,795,243</u>
NET ASSETS		
Invested in capital assets, net of related debt	7,432,309	7,790,776
Restricted for debt service	366,627	770,816
Unrestricted	<u>1,166,133</u>	<u>598,173</u>
Total net assets	<u>8,965,069</u>	<u>9,159,765</u>
Total liabilities and net assets	<u>\$ 14,992,570</u>	<u>\$ 15,955,008</u>

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

CITY OF PARIS, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
for the year ended June 30, 2009

	Business-type Activities Utility Fund	2008 Totals
	<u> </u>	<u> </u>
Operating revenues		
Charges for services	\$ 8,082,566	\$ 8,052,924
Total operating revenues	<u>8,082,566</u>	<u>8,052,924</u>
Operating expenses		
Utility administration	889,199	734,298
Electric department	3,550,118	3,516,114
Water distribution	962,043	975,502
Sewer treatment	822,803	900,953
Sanitation	831,512	929,050
Depreciation	<u>1,081,896</u>	<u>1,075,254</u>
Total operating expenses	<u>8,137,571</u>	<u>8,131,171</u>
Operating income (loss)	<u>(55,005)</u>	<u>(78,247)</u>
Nonoperating revenues (expenses)		
Donated assets	23,610	364,816
Interest and investment revenue	10,462	32,623
Interest expense	<u>(173,763)</u>	<u>(183,551)</u>
Total nonoperating revenue (expenses)	<u>(139,691)</u>	<u>213,888</u>
Change in net assets	(194,696)	135,641
Total net assets-beginning	<u>9,159,765</u>	<u>9,024,124</u>
TOTAL NET ASSETS-ENDING	<u>\$ 8,965,069</u>	<u>\$ 9,159,765</u>

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

**CITY OF PARIS, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the year ended June 30, 2009**

	Business-Type Activities Utility Fund	2008 Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 8,169,739	\$ 8,320,828
Payments to suppliers	(4,906,070)	(4,752,959)
Payments for employee services and benefits	(2,316,324)	(2,287,836)
Customer deposits	6,154	19,190
Net cash provided by operating activities	953,499	1,299,223
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from long-term debt	-	68,633
Purchases of capital assets	(90,721)	(889,622)
Principal paid on capital debt	(682,042)	(725,374)
Advances to GF	7,208	(112,841)
Grant proceeds	-	(23,952)
Interest paid on capital debt	(168,858)	(139,183)
Net cash (used) by capital and related financing activities	(934,413)	(1,822,339)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	10,462	32,623
Net cash provided by investing activities	10,462	32,623
Net increase (decrease) in cash and cash equivalents	29,548	(490,493)
Balances-beginning of the year	1,327,166	1,817,659
BALANCES-END OF THE YEAR	\$ 1,356,714	\$ 1,327,166
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (55,005)	\$ (78,247)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	1,081,896	1,075,254
Change in assets and liabilities:		
Receivables, net	87,173	267,904
Inventory	(73,349)	(78,499)
Other assets	787	(6,361)
Customer deposits	6,154	19,190
Accounts and other payables	(109,204)	92,440
Accrued expenses	15,047	7,542
Net cash provided by operating activities	\$ 953,499	\$ 1,299,223

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

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Paris, Kentucky 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 operation, 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

B. Basis of Presentation

The City's financial statements are presented in conformity with the provisions of Governmental Accounting Standards Board Statement No 34, "**Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments**" and consist of the following:

- Management's discussion and analysis (required supplementary information)
- Basic Financial Statements
 - Government-wide financial statements
 - Fund financial statements
- Notes to the financial statements

Government-wide Financial Statements

The government-wide financial statements include a statement of net assets 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 recipient 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.

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (continued)

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 equity, 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.

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:

Industrial Development Fund - A special revenue fund used to account for industrial development activities. Such activities include loans for economic development to Central Manufacturing and a revolving loan fund to channel contributions from Kentucky Bank.

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

GO Bond and Debt Service Funds - The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (continued)

Proprietary Funds

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

Enterprise Funds are established to account for the acquisition, operations and maintenance of the City's facilities and services which are entirely or predominantly self-supported by user charges or where the City has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The accounts are maintained on the accrual basis of accounting. The City applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails. The City's enterprise operations include the following

Combined Utilities Fund – The Combined Utilities 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 Assets 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.

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 financials resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (continued)

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.

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. 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.

E. Other Accounting Policies

Accounts receivable from customers are stated less an allowance for doubtful accounts of \$30,000 in the proprietary fund.

Investments are reported at fair value. Investments of the city consist of certificates of deposits and U.S. government obligations. These funds are invested for periods that comply with cash flow requirements of bond ordinances and general government services.

Cash and cash equivalents – Cash equivalents are defined as short-term, highly liquid investments with original maturities of 90 days or less. The City of Paris considers all cash, both restricted and unrestricted, as cash for purposes of the Statement of Cash Flows.

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Other Accounting Policies (continued)

Inventories are valued at the lower of cost (first-in, first-out) or market. The cost is recorded as an expenditure at the time individual inventory items are purchased. Inventory of the Combined Utility Fund consists of materials, supplies and fuel.

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets.

Bond discounts and issue costs are being amortized over the life of the bonds using the straight-line method

Deferred revenues represent grant revenues received but unearned. Revenues are recognized when eligible expenditures are incurred

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 of Paris.

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.

2. CASH AND INVESTMENTS

Under Kentucky Revised Statute 66.480 the City is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest bearing deposits of insured national or state banks.

The City of Paris' deposits and investments at June 30, 2009 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 \$1,754,074 and the bank balances were \$1,712,761.

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

3. CAPITAL ASSETS

A summary of capital asset activity during the fiscal year follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Government Type Activities				
Capital assets not depreciated:				
Land and Improvements	\$ 966,979	\$ -	\$ -	\$ 966,979
Capital assets that are depreciated:				
Building and Improvements	3,243,700	-	-	3,243,700
Vehicles	1,995,342	500,000	-	2,495,342
Equipment	510,895	-	-	510,895
Totals	<u>5,749,937</u>	<u>500,000</u>	<u>-</u>	<u>6,249,937</u>
Total Non-Infrastructure Assets	<u>6,716,916</u>	<u>500,000</u>	<u>-</u>	<u>7,216,916</u>
Recording infrastructure Assets:				
Infrastructure Assets	712,742	73,090	-	785,832
Total Capital Assets	<u>7,429,658</u>	<u>573,090</u>	<u>-</u>	<u>8,002,748</u>
Less Accumulated Depreciation:				
Building and Improvements	1,408,351	77,304	-	1,485,655
Vehicles	1,160,454	173,224	-	1,333,678
Equipment	258,944	57,359	-	316,303
Infrastructure Assets	89,766	32,625	-	122,391
Totals	<u>2,917,515</u>	<u>340,512</u>	<u>-</u>	<u>3,258,027</u>
Depreciable capital assets, net	<u>\$ 4,512,143</u>	<u>\$ 232,578</u>	<u>\$ -</u>	<u>\$ 4,744,721</u>
Business-Type Activities				
Equipment & Vehicles	\$ 2,720,831	\$ -	\$ -	\$ 2,720,831
Electric Lines, Poles, and Plant	6,942,255	-	-	6,942,255
Water Treatment Plant, Land and Water System Improvements	6,603,769	17,776	-	6,621,545
Sewer Treatment Plant, Land and Improvements	16,617,999	23,610	-	16,641,609
Construction in Progress	-	63,135	-	63,135
Total	<u>32,884,854</u>	<u>104,521</u>	<u>-</u>	<u>32,989,375</u>
Less Accumulated Depreciation	<u>19,319,412</u>	<u>1,081,896</u>	<u>-</u>	<u>20,401,308</u>
Capital Assets, Net	<u>\$ 13,565,442</u>	<u>\$ (977,375)</u>	<u>\$ -</u>	<u>\$ 12,588,067</u>

Depreciation Expense was charged to the Governmental functions as follows:

General government	\$ 76,854
Police	105,297
Fire	96,828
Parks & Recreation	3,388
Public works	58,145
Total Depreciation Expense	<u>\$ 340,512</u>

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

3. CAPITAL ASSETS (Continued)

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

4. BUSINESS-TYPE ACTIVITIES - LONG-TERM DEBT

Kentucky Infrastructure Loan

The City of Paris entered into a long-term financing assistance agreement with the Kentucky Infrastructure Authority in December 1999 to provide financing for utility system improvements. The note totaled \$6,345,954. The note accrues interest at 1.8% and is amortized over twenty years. The annual debt service is approximately \$390,000. The following summarizes the changes in the note payable during the fiscal year:

Note balance at July 1, 2008	\$ 4,246,234
Note principal payments	<u>(305,804)</u>
Note balance at June 30, 2009	<u>\$ 3,940,430</u>

Following is a summary of principal and interest requirements for the utility fund obligation:

	Principal	Interest	Service Fee	Total
2010	\$ 311,334	\$ 72,310	\$ 7,725	\$ 391,369
2011	316,962	66,731	7,100	390,793
2012	322,694	61,051	6,464	390,209
2013	328,528	55,269	5,815	389,612
2014	334,469	49,381	5,155	389,005
Thereafter	<u>2,326,443</u>	<u>169,943</u>	<u>16,576</u>	<u>2,512,962</u>
Total	<u>\$ 3,940,430</u>	<u>\$ 474,685</u>	<u>\$ 48,835</u>	<u>\$ 4,463,950</u>

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

4. BUSINESS-TYPE ACTIVITIES - LONG-TERM DEBT (Continued)

Lease Payable

The City of Paris entered into a long-term financing agreement with CNH Capital for a backhoe during fiscal year ended June 30, 2008. The cost of the backhoe was \$68,633 with 58 payments of \$1,290 beginning in August of 2008. The lease matures on May 1, 2013 and carries an interest rate of approximately 3.5%.

Following is a summary of principal and interest requirements for the utility fund obligation:

	Principal	Interest	Total
2010	\$ 13,715	\$ 1,769	\$ 15,484
2011	14,204	1,280	15,484
2012	14,711	773	15,484
2013	<u>10,563</u>	<u>246</u>	<u>10,809</u>
Total	<u>\$ 53,193</u>	<u>\$ 4,068</u>	<u>\$ 57,261</u>

PROPRIETARY FUND CHANGES IN BONDS PAYABLE

	Issued	Rate	Balance Outstanding 6/30/08	Issued (Retired) During Year	Balance Outstanding 6/30/09
2003A Series	\$1,480,000	2.00-2.10%	\$ 400,000	\$ (400,000)	\$ -
2005 Series	\$1,111,000	4.125%	\$ 1,111,000	(12,000)	<u>1,099,000</u>
					<u>\$ 1,099,000</u>

The City of Paris entered into a long term financing assistance agreement with the Rural Development Authority in 2006 to provide financing for utility system improvements. The note totaled \$1,111,000. The note accrues interest at 4.125% and is amortized over forty years.

Following is a summary of principal and interest requirements for the 2005 Series obligation:

	Principal	Interest	Total
2010	\$ 13,000	\$ 45,066	\$ 58,066
2011	13,000	44,530	57,530
2012	14,000	43,395	57,395
2013	14,000	43,973	57,973
2014	15,000	42,797	57,797
Thereafter	<u>1,030,000</u>	<u>825,495</u>	<u>1,855,495</u>
Total	<u>\$ 1,099,000</u>	<u>\$ 1,045,256</u>	<u>\$ 2,144,256</u>

The total business-type long-term debt is summarized as follows:

Current portion	\$ 338,049
Long-term portion	<u>4,754,574</u>
Total	<u>\$ 5,092,623</u>

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

5. GOVERNMENT ACTIVITIES - LONG-TERM DEBT

A summary of changes in governmental long-term debt follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Lease One Corp.	\$ 54,779	\$ -	\$ 54,779	\$ -
Lease One Corp.	27,222	-	13,214	14,008
Traditional Bank Loan	35,472	-	35,472	-
Traditional Bank Loan 2	-	200,000	200,000	-
Farmers Bank Loan	<u>274,554</u>	<u>-</u>	<u>27,564</u>	<u>246,990</u>
	<u>\$ 392,027</u>	<u>\$ 200,000</u>	<u>\$ 331,029</u>	<u>\$ 260,998</u>

LEASE OBLIGATIONS

In 2007, the City acquired 8 police cruisers through a capital lease with Lease One Corp. The lease agreement provided for 3 annual payments in the amount of \$56,810 beginning in fiscal year 2007 through 2009. This lease was paid off during fiscal year 2009.

In fiscal year 2008, the City acquired 3 vehicles through another capital lease with Lease One Corp. The lease agreement provides for 3 annual payments in the amount of \$14,848 beginning in fiscal year 2008 through 2010.

The future debt service requirements are as follows:

	Principal	Interest	Total
2010	<u>\$ 14,008</u>	<u>\$ 840</u>	<u>\$ 14,848</u>

TRADITIONAL BANK LOAN

The City obtained a loan in the amount of \$134,260 for capital improvements in 2007. The loan matures on March 20, 2009 and carries an interest rate of 5%. The remaining balance of \$35,472 was paid off during the year ended June 30, 2009.

FARMERS BANK LOAN

The City obtained a loan in the amount of \$330,106 for capital improvements in 2007. The loan matures on March 15, 2016 and carries an interest rate of 7%. \$27,564 was paid in principal during 2009.

The future debt service requirements are as follows:

	Principal	Interest	Total
2010	\$ 29,585	\$ 16,582	\$ 46,167
2011	31,754	14,413	46,167
2012	34,050	12,117	46,167
2013	36,579	9,588	46,167
2014	39,262	6,905	46,167
Thereafter	<u>75,760</u>	<u>5,032</u>	<u>80,792</u>
	<u>\$ 246,990</u>	<u>\$ 64,637</u>	<u>\$ 311,627</u>

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

5. GOVERNMENT ACTIVITIES - LONG-TERM DEBT (Continued)

The total government activities long-term debt is summarized as follows:

Current portion of Farmers note	\$ 29,585
Current portion of Lease One Corp 2	<u>14,008</u>
	43,593
Long-term portion	<u>217,405</u>
Total	<u>\$ 260,998</u>

6. INDUSTRIAL REVENUE BONDS

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.

7. RETIREMENT PLAN

The City of Paris is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

The plan issues separate financial statements which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

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

Contributions – For the year ended June 30, 2009, plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), 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 contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2009, participating employers contributed 13.5% of each employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

7. RETIREMENT PLAN (Continued)

The required contribution (employee and employer) and the actual percentage contributed for the City for the current and previous two years are as follows:

Year	Required Contribution	Percentage Contributed
2009	\$1,202,445	100%
2008	\$ 1,237,698	100%
2007	\$ 935,439	100%
2006	\$ 786,839	100%

8. PROPERTY TAX CALENDER

Property taxes for fiscal year 2009 were levied on the assessed valuation of property located in Bourbon County as of January 1, 2008 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.

9. 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.

10. RECLASSIFICATION

Some amounts have been reclassified from the prior year to better conform to the current year presentation. These reclassifications have no affect on net assets.

12. SUBSEQUENT EVENTS

The City has evaluated and considered the need to recognize or disclose subsequent events through January 12, 2010, 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, 2009, have not been evaluated by the City.

SUPPLEMENTAL INFORMATION

CITY OF PARIS, KENTUCKY
REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2009

	Enacted Budget	Amended Budget	Actual	Over (Under) Budget
Taxes				
Property taxes	\$ 590,000	\$ 590,000	\$ 614,228	\$ 24,228
Delinquent taxes	7,000	7,000	6,099	(901)
Payment in lieu of taxes	130,000	130,000	130,000	-
Penalties and interest	<u>8,000</u>	<u>8,000</u>	<u>6,097</u>	<u>(1,903)</u>
	<u>735,000</u>	<u>735,000</u>	<u>756,424</u>	<u>21,424</u>
Licenses and permits				
Occupational license	2,579,000	2,579,000	2,425,125	(153,875)
Insurance license	1,837,600	1,837,600	1,521,209	(316,391)
Net profits license fee	400,000	400,000	353,593	(46,407)
Franchise fees	140,000	140,000	150,731	10,731
Building inspection fees	15,000	15,000	7,779	(7,221)
Alcohol beverage fees	<u>15,000</u>	<u>15,000</u>	<u>13,400</u>	<u>(1,600)</u>
	<u>4,986,600</u>	<u>4,986,600</u>	<u>4,471,837</u>	<u>(514,763)</u>
Fines and forfeits				
Parking fines	<u>-</u>	<u>-</u>	<u>1,378</u>	<u>1,378</u>
	<u>-</u>	<u>-</u>	<u>1,378</u>	<u>1,378</u>
Intergovernmental revenues				
Police incentive pay	85,000	85,000	103,320	18,320
Fire incentive pay	110,000	110,000	94,452	(15,548)
Highway safety and other grants	-	-	8,770	8,770
FEMA Revenue	-	-	69,241	69,241
Recreational trail grant	-	-	50,000	50,000
Fire department grants	550,000	550,000	537,840	(12,160)
District court	<u>45,000</u>	<u>45,000</u>	<u>33,651</u>	<u>(11,349)</u>
	<u>790,000</u>	<u>790,000</u>	<u>897,274</u>	<u>107,274</u>
Other revenues				
Rent	100,000	100,000	93,934	(6,066)
Interest income	15,000	15,000	2,771	(12,229)
Other	<u>15,000</u>	<u>15,000</u>	<u>91,303</u>	<u>76,303</u>
	<u>130,000</u>	<u>130,000</u>	<u>188,008</u>	<u>58,008</u>
Note proceeds				
Note Traditional Bank, Inc	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>200,000</u>
Total	<u>\$ 6,641,600</u>	<u>\$ 6,641,600</u>	<u>\$ 6,514,921</u>	<u>\$ (126,679)</u>

CITY OF PARIS, KENTUCKY
REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON
for the year ended June 30, 2009

	Enacted Budget	Amended Budget	Actual	Over (Under) Budget
CITY COMMISSION				
Personnel services	\$ 87,200	\$ 87,200	\$ 83,634	\$ (3,566)
Contractual services	37,000	37,000	41,437	4,437
Material and supplies	2,000	2,000	826	(1,174)
Other expenses	<u>447,000</u>	<u>447,000</u>	<u>392,766</u>	<u>(54,234)</u>
	<u>573,200</u>	<u>573,200</u>	<u>518,663</u>	<u>(54,537)</u>
GENERAL ADMINISTRATION				
Personnel services	1,387,000	1,387,000	1,248,850	(138,150)
Contractual services	125,000	125,000	136,912	11,912
Materials and supplies	26,000	26,000	7,603	(18,397)
Other expenses	<u>23,000</u>	<u>23,000</u>	<u>1,821</u>	<u>(21,179)</u>
	<u>1,561,000</u>	<u>1,561,000</u>	<u>1,395,186</u>	<u>(165,814)</u>
POLICE DEPARTMENT				
Personnel services	1,209,500	1,209,500	1,152,846	(56,654)
Contractual services	125,500	125,500	194,799	69,299
Materials and supplies	225,000	225,000	118,856	(106,144)
Other expenses	<u>18,500</u>	<u>18,500</u>	<u>375</u>	<u>(18,125)</u>
	<u>1,578,500</u>	<u>1,578,500</u>	<u>1,466,876</u>	<u>(111,624)</u>
FIRE DEPARTMENT				
Personnel services	1,057,000	1,057,000	998,179	(58,821)
Contractual services	100,000	100,000	144,072	44,072
Materials and supplies	137,500	137,500	47,223	(90,277)
Other expenses	<u>25,500</u>	<u>25,500</u>	<u>44,006</u>	<u>18,506</u>
	<u>1,320,000</u>	<u>1,320,000</u>	<u>1,233,480</u>	<u>(86,520)</u>

CITY OF PARIS, KENTUCKY
REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2009

	Enacted Budget	Amended Budget	Actual	Over (Under) Budget
STREET DEPARTMENT				
Personnel services	\$ 280,000	\$ 280,000	\$ 256,368	\$ (23,632)
Contractual services	157,500	157,500	157,920	420
Materials and supplies	<u>106,500</u>	<u>106,500</u>	<u>68,232</u>	<u>(38,268)</u>
	<u>544,000</u>	<u>544,000</u>	<u>482,520</u>	<u>(61,480)</u>
PUBLIC PROPERTIES BUILDING				
Personnel services	39,000	39,000	34,847	(4,153)
Contractual services	182,500	182,500	151,574	(30,926)
Material and supplies	<u>8,400</u>	<u>8,400</u>	<u>8,797</u>	<u>397</u>
	<u>229,900</u>	<u>229,900</u>	<u>195,218</u>	<u>(34,682)</u>
INSPECTION AND ENGINEERING				
Personnel services	105,500	105,500	103,652	(1,848)
Contractual services	15,000	15,000	6,682	(8,318)
Materials and supplies	<u>2,500</u>	<u>2,500</u>	<u>317</u>	<u>(2,183)</u>
	<u>123,000</u>	<u>123,000</u>	<u>110,651</u>	<u>(12,349)</u>
PARKS & RECREATION				
Contractual services	78,000	78,000	76,974	(1,026)
Materials and supplies	<u>20,500</u>	<u>20,500</u>	<u>1,930</u>	<u>(18,570)</u>
	<u>98,500</u>	<u>98,500</u>	<u>78,904</u>	<u>(19,596)</u>
CAPITAL OUTLAY	<u>591,000</u>	<u>591,000</u>	<u>500,000</u>	<u>(91,000)</u>
EXPENSES BEFORE TRANSFERS	6,619,100	6,619,100	5,981,498	(637,602)
TRANSFERS	<u>88,500</u>	<u>88,500</u>	<u>356,729</u>	<u>268,229</u>
Total	<u>\$ 6,707,600</u>	<u>\$ 6,707,600</u>	<u>\$ 6,338,227</u>	<u>\$ (369,373)</u>

CITY OF PARIS, KENTUCKY
 COMBINING BALANCE SHEET
 ALL NONMAJOR FUNDS
 June 30, 2009

	Municipal Road Aid Fund	Industrial Development Fund	Debt Service	Total
ASSETS				
Cash	\$ 174,796	\$ -	\$ -	\$ 174,796
Total assets	<u>\$ 174,796</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 174,796</u>
 LIABILITIES & FUND EQUITY				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Fund equity				
Fund balance	<u>174,796</u>	<u>-</u>	<u>-</u>	<u>174,796</u>
Total fund equity	<u>\$ 174,796</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 174,796</u>

CITY OF PARIS, KENTUCKY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL NONMAJOR FUNDS
 for the year ended June 30, 2009

	Municipal Road Aid Fund	Industrial Development Fund	Debt Service	Total
REVENUES				
Intergovernmental revenue	\$ 233,133	\$ -	\$ -	\$ 233,133
Other revenues	1,347	-	-	1,347
	<u>234,480</u>	<u>-</u>	<u>-</u>	<u>234,480</u>
Total revenues				
EXPENDITURES				
Street department	25,000	-	-	25,000
Industrial development	-	13,389	-	13,389
Capital outlay	73,090	-	-	73,090
Debt service	-	-	356,729	356,729
	<u>98,090</u>	<u>13,389</u>	<u>356,729</u>	<u>468,208</u>
Total expenditures				
Excess revenues over (under) expenditures before other financing sources (uses)	136,390	(13,389)	(356,729)	(233,728)
Other financing sources (uses)				
Operating transfer, net	-	-	356,729	356,729
Fund balances - July 1, 2008	<u>38,406</u>	<u>13,389</u>	<u>-</u>	<u>51,795</u>
FUND BALANCES - JUNE 30, 2009	<u>\$ 174,796</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 174,796</u>

**CITY OF PARIS UTILITY FUND
SCHEDULE OF OPERATING EXPENSES
COMBINED UTILITY FUND
for the year ended June 30, 2009**

UTILITY ADMINISTRATION

Personnel services	\$ 589,750
Contractual services	261,138
Materials and supplies	15,954
Other expenses	<u>22,357</u>

889,199

ELECTRIC

Personnel services	365,707
Electric purchases	2,671,771
Contractual services	123,922
Materials and supplies	<u>388,718</u>

3,550,118

WATER SYSTEM

Personnel services	583,533
Contractual services	166,433
Materials and supplies	206,228
Other expenses	<u>5,849</u>

962,043

SEWER SYSTEM

Personnel services	450,170
Contractual services	292,583
Materials and supplies	<u>80,050</u>

822,803

TRASH PICK-UP

Personnel services	342,211
Contractual services	434,634
Materials and supplies	<u>54,667</u>

831,512

DEPRECIATION

1,081,896

Total Operating Expenses	<u>\$ 8,137,571</u>
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CITY OF PARIS, KENTUCKY
 COMBINED UTILITY FUND
 SCHEDULE OF REVENUE BOND REQUIREMENTS
 June 30, 2009

<u>FISCAL YEAR ENDING JUNE 30</u>	<u>2005 ISSUE</u>		<u>TOTAL DEBT SERVICE</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2010	\$ 13,000	\$ 45,066	\$ 58,066
2011	13,000	44,530	57,530
2012	14,000	43,395	57,395
2013	14,000	43,973	57,973
2014	15,000	42,797	57,797
Thereafter	<u>1,030,000</u>	<u>825,495</u>	<u>1,855,495</u>
 TOTAL	 <u>\$ 1,099,000</u>	 <u>\$ 1,045,256</u>	 <u>\$ 2,144,256</u>

**CITY OF PARIS, KENTUCKY
REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENT AUDIT
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Mayor and the City Council
City of Paris, Kentucky

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, as of and for the year ended June 30, 2009, which collectively comprise the City of Paris, Kentucky's basic financial statements and have issued our report thereon dated January 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Paris, Kentucky's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Paris, Kentucky's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Paris, Kentucky's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Paris, Kentucky's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Paris, Kentucky's financial statements that is more than inconsequential will not be prevented or detected by the City of Paris, Kentucky's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items #2009-1 and #2009-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Paris, Kentucky's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item #2009-2 to be a material weakness.

**CITY OF PARIS, KENTUCKY
INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Mayor and the City Council
City of Paris
Paris, Kentucky

Compliance

We have audited the compliance of the City of Paris, Kentucky, with the types of compliance requirements described in the **U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement** that are applicable to each of its major federal programs for the year ended June 30, 2009. The City of Paris, Kentucky's major federal programs are identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Paris, Kentucky's management. Our responsibility is to express an opinion on City of Paris, Kentucky's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States; and OMB Circular A-133, **Audits of States, Local Governments, and Non-Profit Organizations**. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Paris, Kentucky's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Paris, Kentucky's compliance with those requirements.

As described in item #2009-3 in the accompanying schedule of findings and questioned costs, City of Paris, Kentucky, did not comply with requirements regarding reporting that are applicable to its 2007 Assistance to Firefighters Grant. Compliance with such requirements is necessary, in our opinion, for City of Paris, Kentucky to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, City of Paris, Kentucky, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City of Paris, Kentucky, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Paris, Kentucky's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Paris, Kentucky's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

**CITY OF PARIS, KENTUCKY
INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONTINUED)**

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items #2009-1 and #2009-2 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider item #2009-2 to be material weaknesses.

City of Paris, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Paris, Kentucky's response and, accordingly, we express no opinion on it.

Ray, Foley, Hensley & Company
Ray, Foley, Hensley & Company, PLLC
January 12, 2010

CITY OF PARIS, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2009

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grant Number</u>	<u>Expenditures</u>
U.S. Department of Homeland Security			
Assistance to Firefighters Grant	97.044		\$ 475,000 *
Staffing for Adequate Fire and Emergency Response	97.083		62,840
U.S. Department of the Interior			
Land and Water Conservation Fund Act	15.916		<u>50,000</u>
Total Expenditures of Federal Financial awards			<u>\$ 587,840</u>

* denotes major program

Notes:

Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Paris and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**CITY OF PARIS, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2009**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified X Yes __No

Significant deficiencies identified that are not considered to be material weaknesses X Yes __No

Non-compliance material to financial statements noted X Yes __No

Federal Awards:

Internal control over major programs:

Material weaknesses identified X Yes __No

Significant deficiencies identified that are not considered to be material weaknesses X Yes __None reported

Type of auditors' report issued on compliance for major programs:

Qualified for the major programs

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X Yes __No

Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
97.044	Assistance to Firefighters Grant

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as a low-risk auditee? X No __Yes

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

#2009-1

Condition:

Bank reconciliations are not being performed timely or reviewed by the appropriate level of management.

Criteria:

Internal controls should be in place that provide reasonable assurance that bank reconciliations are prepared in a timely manner and reviewed by the appropriate level of management.

Cause:

There are no policies and procedures to require timely preparation and review of bank reconciliations.

CITY OF PARIS, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
for the year ended June 30, 2009

II. **FINDINGS RELATED TO FINANCIAL STATEMENTS, Continued**
#2009-1, Continued

Effect:

Errors and irregularities may not be identified on a timely basis.

Recommendation:

Bank reconciliations should be prepared monthly and reviewed by the appropriate level of management.

Response:

The City is currently considering reallocating and / or adding resources to more effectively monitor and oversee the financial reporting process.

#2009-2

Condition:

The City lacks experience in applying generally accepted accounting principles to transactions recorded throughout the year and determining appropriate financial statement disclosures.

Criteria:

Appropriate experience should be sought to more effectively apply generally accepted accounting principles throughout the year and aid in selecting appropriate financial statement disclosures.

Cause:

The City's growth necessitates additional expertise in this area.

Effect:

This results in a number of year end adjustments to bring records in-line with generally accepted accounting principles. Also, additional assistance is required to produce financial statements in accordance with generally accepted accounting principles.

Recommendation:

We recommend management consider the feasibility of the addition of a financial officer with the required background or the retaining of additional consultants to aid with year end adjusting entries. The consultant could also either prepare the financial statements or review the financial statements as prepared by the auditor for compliance with generally accepted accounting principles.

Response:

The City is currently considering reallocating and / or adding resources to more effectively monitor and oversee the financial reporting process. This should also serve to strengthen year end closing procedures.

III. **FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**
#2009-3 Assistance to Firefighters Grant – CFDA #97.044

Condition:

The City did not file required reports timely for the Assistance to Firefighters Grant.

CITY OF PARIS, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
for the year ended June 30, 2009

III. **FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS, Continued**
#2009-3, Continued

Criteria:

Internal controls should be put in place to assure timely filing of required reports.

Cause:

No procedures were in place to monitor compliance with reporting requirements.

Effect:

Grantor may delay further funding or request reimbursement.

Recommendation:

We recommend management design control policies and procedures which aid monitoring all aspects of grants with emphasis on compliance and reporting requirements.

Response:

The City was in a period of transition. During this transition, reporting requirements were not met due to employee turnover. At present, responsibility for monitoring grants has been consolidated under the Assistant City Manager. Ongoing assessment is being conducted by the office of the City Manager.

IV. **PRIOR AUDIT FINDINGS**
NONE