

**CITY OF PARIS**  
**Paris, Kentucky**

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**FINANCIAL STATEMENTS**  
**June 30, 2010**

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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, 2010. 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.

The focus of local government financial statements 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 **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	\$ 2,202,162	\$ 2,493,502	\$ 4,695,664
Capital Assets	<u>4,600,827</u>	<u>11,771,341</u>	<u>16,372,168</u>
Total Assets	6,802,989	14,264,843	21,067,832
Long-Term Debt Outstanding	185,651	4,429,459	4,615,110
Current Liabilities	<u>560,885</u>	<u>1,556,080</u>	<u>2,116,965</u>
Total Liabilities	746,536	5,985,539	6,732,075
<b>Net Assets</b>			
Invested in Capital Assets			
net of debt	4,383,422	6,991,716	11,375,138
Restricted	153,531	366,627	520,158
Unrestricted	<u>1,519,500</u>	<u>920,961</u>	<u>2,440,461</u>
Total Net Assets	<u>\$ 6,056,453</u>	<u>\$ 8,279,304</u>	<u>\$ 14,335,757</u>

The capital assets of the City's **governmental activities** decreased from \$4,744,721 in 2009 to \$4,600,827 in 2010. This **decrease was due to depreciation** 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 \$12,588,067 in 2009 to \$11,771,341 in 2010. 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>
<b>Revenues</b>			
<u>Program Revenue</u>			
Charges for Service	\$ -	\$ 7,819,405	\$ 7,819,405
<u>General Revenue</u>			
Tax	764,673		764,673
Licenses	4,568,384		4,568,384
Intergovernmental	464,249	58,650	522,899
Fines & Forfeits	490		490
Other Revenue	<u>158,612</u>	<u>125,236</u>	<u>283,848</u>
Total Revenue	<u>5,956,408</u>	<u>8,003,291</u>	<u>13,959,699</u>
<b><u>Program Expenses</u></b>			
City Commission	208,797		208,797
General Government	1,489,043		1,489,043
Public safety-Police	1,899,749		1,899,749
Public safety-Fire	1,673,298		1,673,298
Public works-Streets	578,559		578,559
Inspection, engineering, parks	305,028		305,028
Interest on long-term debt	17,199		17,199
Electric		3,932,546	3,932,546
Water		1,342,734	1,342,734
Sanitation		993,260	993,260
Sewer		<u>1,856,555</u>	<u>1,856,555</u>
Total Program Expense	<u>6,171,673</u>	<u>8,125,095</u>	<u>14,296,768</u>
Transfers	<u>563,961</u>	<u>(563,961)</u>	<u>-</u>
Net Change in Net Assets	<u>\$ 348,696</u>	<u>\$ (685,765)</u>	<u>\$ (337,069)</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	\$ 764,673
Licenses and permits	4,568,384
Intergovernmental	464,249
Fines & forfeits	490
Other revenues	<u>158,612</u>
Total Revenues	<u>5,956,408</u>
City Commission	208,797
General administration	1,414,776
Public safety-Police	1,808,808
Pubic safety-Fire	1,564,812
Public works-Streets	518,709
Inspection, engineering, & parks	300,934
Capital outlay	193,744
Debt service	<u>60,792</u>
Total Expenditures	<u>6,071,372</u>
Excess Expenditures over Revenues before other Financing sources	<u>\$ (114,964)</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**

	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Change</u></b>
Taxes	\$ 830,270	\$ 764,673	\$ (65,597)
Licenses and permits	4,643,580	4,568,384	(75,196)
Intergovernmental	465,416	289,873	(175,543)
Fines & Forfeits	1,102	490	(612)
Other Revenues	<u>145,765</u>	<u>156,679</u>	<u>10,914</u>
Total Revenues	<u>\$6,086,133</u>	<u>\$ 5,780,099</u>	<u>\$(306,034)</u>

**Table A-5**

### **Condensed Governmental Activities- Expenditures**

	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Change</u></b>
General Government & Capital			
Budgeting	\$1,602,279	\$1,945,677	\$343,398
Public Safety- Police	2,072,700	1,808,808	(263,892)
Public Safety- Fire	1,721,288	1,564,812	(156,476)
Public Works- Streets	689,866	493,709	(196,157)
Debt Service	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>\$6,086,133</u>	<u>\$5,813,006</u>	<u>\$(273,127)</u>

**The City budgeted for a total of \$6,086,133 in revenues for 2010, but ended up having revenues of \$5,780,099. In other words, the City received 5 percent less revenue than budgeted.**

A total of \$6,086,133 was budgeted for expenses, but expenditures totaled \$5,813,006 at the end of 2010. **The City was under budget on the expenses by 4.5 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
Infrastructure	958,406		958,406
Buildings	3,243,700		3,243,700
Vehicles	2,495,342		2,495,342
Equipment	532,065	2,760,941	3,293,006
Electric System		7,096,896	7,096,896
Water System		6,651,145	6,651,145
Sewer System	<u>-</u>	<u>16,747,924</u>	<u>16,747,924</u>
Total Capital Assets	<u>\$ 8,196,492</u>	<u>\$ 33,256,906</u>	<u>\$ 41,453,398</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	\$ -	\$ 64,529	\$ 64,529
Notes Payable	217,405	3,629,096	3,846,501
Bond Payable	-	1,086,000	1,086,000
Total Debt Outstanding	<u>\$ 217,405</u>	<u>\$ 4,779,625</u>	<u>\$ 4,997,030</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

Stephen R. Allen, CPA/PFS  
Dennis H. England, CPA  
Michael D. Foley, CPA  
Lyman Hager, Jr., CPA  
Jerry W. Hensley, CPA

Mayor and Commissioners  
City of Paris  
Paris, Kentucky

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, 2010, 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, 2010, 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 October 14, 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 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  
October 14, 2010

230 Lexington Green Circle, Suite 600 • Lexington, Kentucky 40503-3326  
Phone: 859-231-1800 • Fax: 859-422-1800 • Toll-Free: 1-800-342-7299  
www.rfhco.com

**CITY OF PARIS, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
**June 30, 2010**

	Primary Government			2009 Totals
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 985,129	\$ 593,670	\$ 1,578,799	\$ 1,074,095
Receivables (net)	1,088,920	713,371	1,802,291	1,714,025
Internal balances	74,069	-	74,069	28,378
<b>Total current assets</b>	<b>2,148,118</b>	<b>1,307,041</b>	<b>3,455,159</b>	<b>2,816,498</b>
Noncurrent assets				
Restricted cash and cash equivalents	-	750,304	750,304	720,648
Capital assets (Note 3)				
Construction in progress	-	-	-	63,135
Land and improvements	966,979	-	966,979	966,979
Depreciable infrastructure	799,654	-	799,654	663,441
Depreciable buildings, property and equipment, net	2,834,194	11,771,341	14,605,535	15,639,233
Other assets	54,044	436,157	490,201	532,663
<b>Total noncurrent assets</b>	<b>4,654,871</b>	<b>12,957,802</b>	<b>17,612,673</b>	<b>18,586,099</b>
<b>Total assets</b>	<b>\$ 6,802,989</b>	<b>\$ 14,264,843</b>	<b>\$ 21,067,832</b>	<b>\$ 21,402,597</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 148,896	\$ 697,895	\$ 846,791	\$ 671,127
Accrued leave payable	315,195	172,883	488,078	386,729
Accrued liabilities	-	33,404	33,404	28,578
Other liabilities	-	227,663	227,663	217,303
Internal balances	-	74,069	74,069	28,378
Deferred revenue	65,040	-	65,040	44,035
Current portion of long-term obligations (Notes 4 & 5)	31,754	350,166	381,920	381,642
<b>Total current liabilities</b>	<b>560,885</b>	<b>1,556,080</b>	<b>2,116,965</b>	<b>1,757,792</b>
Noncurrent liabilities				
Noncurrent portion of long-term obligations (Notes 4 & 5)	185,651	4,429,459	4,615,110	4,971,979
<b>Total liabilities</b>	<b>746,536</b>	<b>5,985,539</b>	<b>6,732,075</b>	<b>6,729,771</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	4,383,422	6,991,716	11,375,138	11,916,032
Restricted for:				
Debt service	-	366,627	366,627	366,627
Other purposes	153,531	-	153,531	174,796
Unrestricted	1,519,500	920,961	2,440,461	2,215,371
<b>Total net assets</b>	<b>6,056,453</b>	<b>8,279,304</b>	<b>14,335,757</b>	<b>14,672,826</b>
<b>Total liabilities and net assets</b>	<b>\$ 6,802,989</b>	<b>\$ 14,264,843</b>	<b>\$ 21,067,832</b>	<b>\$ 21,402,597</b>

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

**CITY OF PARIS, KENTUCKY  
STATEMENT OF ACTIVITIES  
for the year ended June 30, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			2009 Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary government</b>								
<b>Governmental activities</b>								
City commission	\$ 208,797	\$ -	\$ -	\$ -	\$ (208,797)	\$ -	\$ (208,797)	\$ (518,663)
General government	1,489,043	-	4,825	62,058	(1,422,360)	-	(1,422,360)	(1,444,697)
Public safety-Police	1,899,749	-	125,568	5,859	(1,768,322)	-	(1,768,322)	(1,529,752)
Public safety-Fire	1,673,298	-	91,763	-	(1,581,535)	-	(1,581,535)	(698,016)
Public works-Streets	578,559	-	174,376	-	(404,183)	-	(404,183)	(345,921)
Inspection, engineering, parks & rec	305,028	-	-	-	(305,028)	-	(305,028)	(192,943)
Interest on long-term debt	17,199	-	-	-	(17,199)	-	(17,199)	(25,700)
Total governmental activities	6,171,673	-	396,332	67,917	(5,707,424)	-	(5,707,424)	(4,755,692)
<b>Business-type activities</b>								
Electric	3,932,546	3,843,468	-	-	-	(89,078)	(89,078)	(18,547)
Sanitation	993,260	953,257	-	-	-	(40,003)	(40,003)	(185,912)
Water	1,342,734	1,297,250	-	58,650	-	13,166	13,166	(25,197)
Sewer	1,856,555	1,725,430	-	-	-	(131,125)	(131,125)	(80,553)
Total business-type activities	8,125,095	7,819,405	-	58,650	-	(247,040)	(247,040)	(310,209)
<b>Total primary government</b>	<b>\$ 14,296,768</b>	<b>\$ 7,819,405</b>	<b>\$ 396,332</b>	<b>\$ 126,567</b>	<b>(5,707,424)</b>	<b>(247,040)</b>	<b>(5,954,464)</b>	<b>(5,065,901)</b>
<b>General revenues</b>								
Taxes								
Property taxes, levied for general purposes					764,673	-	764,673	756,424
License fees:								
Franchise					148,111	-	148,111	150,731
Payroll					2,421,500	-	2,421,500	2,425,125
Insurance premiums					1,702,770	-	1,702,770	1,521,209
Net profit					266,286	-	266,286	353,593
Other licenses and permits					29,717	-	29,717	21,179
Fines and forfeits					490	-	490	1,378
Investment earnings					7,188	10,330	17,518	14,580
Rents					97,806	48,198	146,004	143,125
Miscellaneous					53,618	66,708	120,326	147,163
Total general revenues					5,492,159	125,236	5,617,395	5,534,507
Transfers					563,961	(563,961)	-	-
<b>Change in Net Assets</b>					348,696	(685,765)	(337,069)	468,606
Net assets-beginning					5,707,757	8,965,069	14,672,826	14,204,220
<b>NET ASSETS-ENDING</b>					<b>\$ 6,056,453</b>	<b>\$ 8,279,304</b>	<b>\$ 14,335,757</b>	<b>\$ 14,672,826</b>

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

**CITY OF PARIS, KENTUCKY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010**

	General	Other Governmental Funds	Total Governmental Funds	2009 Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ 831,598	\$ 153,531	\$ 985,129	\$ 438,029
Receivables, net	1,088,920	-	1,088,920	1,162,614
Due from other funds	74,069	-	74,069	28,378
Other assets	54,044	-	54,044	36,285
<b>Total assets</b>	<b>\$ 2,048,631</b>	<b>\$ 153,531</b>	<b>\$ 2,202,162</b>	<b>\$ 1,665,306</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 148,896	\$ -	\$ 148,896	\$ 133,791
Accrued leave payable	315,195	-	315,195	263,446
Deferred revenue	65,040	-	65,040	44,035
<b>Total liabilities</b>	<b>529,131</b>	<b>-</b>	<b>529,131</b>	<b>441,272</b>
<b>Fund balances</b>				
Unreserved, reported in				
General fund	1,519,500	-	1,519,500	1,049,238
Special revenue funds	-	153,531	153,531	174,796
<b>Total fund balances</b>	<b>1,519,500</b>	<b>153,531</b>	<b>1,673,031</b>	<b>1,224,034</b>
<b>Total liabilities and fund balance</b>	<b>\$ 2,048,631</b>	<b>\$ 153,531</b>	<b>\$ 2,202,162</b>	<b>\$ 1,665,306</b>

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

Fund balances per above	\$ 1,673,031	\$ 1,224,034
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,600,827	4,744,721
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are reported in the funds.	(217,405)	(260,998)
<b>Net assets of governmental activities:</b>	<b>\$ 6,056,453</b>	<b>\$ 5,707,757</b>

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, 2010**

	General	Other Governmental Funds	Total Governmental Funds	2009 Totals
<b>REVENUES</b>				
Taxes	\$ 764,673	\$ -	\$ 764,673	\$ 756,424
Licenses and permits	4,568,384	-	4,568,384	4,471,837
Fees and fines	490	-	490	1,378
Intergovernmental	289,873	174,376	464,249	1,130,407
Other revenues	156,679	1,933	158,612	189,355
<b>Total revenues</b>	<u>5,780,099</u>	<u>176,309</u>	<u>5,956,408</u>	<u>6,549,401</u>
<b>EXPENDITURES</b>				
Current				
City commission	208,797	-	208,797	518,663
General administration	1,414,776	-	1,414,776	1,590,404
Public safety-Police	1,808,808	-	1,808,808	1,466,876
Public safety-Fire	1,564,812	-	1,564,812	1,233,480
Public works	493,709	25,000	518,709	507,520
Inspection, engineering, parks & recreation	300,934	-	300,934	189,555
Industrial development	-	-	-	13,389
Capital outlay	21,170	172,574	193,744	573,090
Debt service	-	60,792	60,792	356,729
<b>Total expenditures</b>	<u>5,813,006</u>	<u>258,366</u>	<u>6,071,372</u>	<u>6,449,706</u>
Excess (deficiency) of revenues over expenditures	<u>(32,907)</u>	<u>(82,057)</u>	<u>(114,964)</u>	<u>99,695</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt proceeds	-	-	-	200,000
Transfers	503,169	60,792	563,961	-
<b>Total other financing sources (uses)</b>	<u>503,169</u>	<u>60,792</u>	<u>563,961</u>	<u>200,000</u>
<b>Net change in fund balances</b>	470,262	(21,265)	448,997	299,695
Fund balances-beginning	1,049,238	174,796	1,224,034	924,339
<b>Fund balances-ending</b>	<u>\$ 1,519,500</u>	<u>\$ 153,531</u>	<u>\$ 1,673,031</u>	<u>\$ 1,224,034</u>
Reconciliation to government-wide change in net assets				
Net change in fund balances			\$ 448,997	\$ 299,695
add: capital outlay expenditures			193,744	573,090
add: debt service expenditures			60,792	356,729
less: debt proceeds			-	(200,000)
less: depreciation on governmental activities assets			(337,638)	(340,512)
less: interest on long-term deb			(17,199)	(25,700)
<b>Change in net assets Governmental Activitie</b>			<u>\$ 348,696</u>	<u>\$ 663,302</u>

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

**CITY OF PARIS, KENTUCKY  
BALANCE SHEET  
PROPRIETARY FUNDS  
June 30, 2010**

	<b>Business-Type Activities Utility Fund</b>	<b>2009 Totals</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 593,670	\$ 636,066
Receivables (net)	<u>713,371</u>	<u>551,411</u>
Total current assets	<u>1,307,041</u>	<u>1,187,477</u>
Noncurrent assets		
Restricted cash and cash equivalents	750,304	720,648
Other assets	436,157	496,378
Capital assets		
Construction in progress	-	63,135
Utility systems	33,256,906	32,926,240
Less accumulated depreciation	<u>(21,485,565)</u>	<u>(20,401,308)</u>
Total non current assets	<u>12,957,802</u>	<u>13,805,093</u>
Total assets	<u>\$ 14,264,843</u>	<u>\$ 14,992,570</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 697,895	\$ 537,336
Meter deposits	227,663	217,303
Accrued leave payable	172,883	123,283
Accrued interest payable	33,404	28,578
Other payables	74,069	28,378
Current portion of long-term debt	<u>350,166</u>	<u>338,049</u>
Total current liabilities	<u>1,556,080</u>	<u>1,272,927</u>
Noncurrent liabilities		
Bonds, notes and loans payable		
Total noncurrent liabilities	<u>4,429,459</u>	<u>4,754,574</u>
Total liabilities	<u>5,985,539</u>	<u>6,027,501</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	6,991,716	7,432,309
Restricted for debt service	366,627	366,627
Unrestricted	<u>920,961</u>	<u>1,166,133</u>
Total net assets	<u>8,279,304</u>	<u>8,965,069</u>
Total liabilities and net assets	<u>\$ 14,264,843</u>	<u>\$ 14,992,570</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, 2010

	<b>Business-type Activities Utility Fund</b>	<b>2009 Totals</b>
<b>Operating revenues</b>		
Charges for services	\$ 7,934,311	\$ 8,082,566
Total operating revenues	<u>7,934,311</u>	<u>8,082,566</u>
<b>Operating expenses</b>		
Utility administration	795,061	889,199
Electric department	3,472,215	3,550,118
Water distribution	962,190	962,043
Sewer treatment	925,166	822,803
Sanitation	763,924	831,512
Depreciation	<u>1,084,257</u>	<u>1,081,896</u>
Total operating expenses	<u>8,002,813</u>	<u>8,137,571</u>
Operating income (loss)	<u>(68,502)</u>	<u>(55,005)</u>
<b>Nonoperating revenues (expenses)</b>		
Donated assets	58,650	23,610
Interest and investment revenue	10,330	10,462
Interest expense	<u>(122,282)</u>	<u>(173,763)</u>
Total nonoperating revenue (expenses)	<u>(53,302)</u>	<u>(139,691)</u>
Transfers	<u>(563,961)</u>	<u>-</u>
<b>Change in net assets</b>	(685,765)	(194,696)
Total net assets-beginning	<u>8,965,069</u>	<u>9,159,765</u>
<b>TOTAL NET ASSETS-ENDING</b>	<u>\$ 8,279,304</u>	<u>\$ 8,965,069</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, 2010**

	<b>Business-Type Activities Utility Fund</b>	<b>2009 Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 7,772,351	\$ 8,169,739
Payments to suppliers	(4,430,081)	(4,906,070)
Payments for employee services and benefits	(2,218,095)	(2,316,324)
Customer deposits	10,360	6,154
Net cash provided by operating activities	1,134,535	953,499
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Payment under interfund agreements	45,691	-
Net cash provided by non-capital and related financing activities	45,691	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(178,881)	(90,721)
Principal paid on capital debt	(342,998)	(682,042)
Transfers to GF	(563,961)	7,208
Interest paid on capital debt	(117,456)	(168,858)
Net cash (used) by capital and related financing activities	(1,203,296)	(934,413)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends	10,330	10,462
Net cash provided by investing activities	10,330	10,462
Net increase (decrease) in cash and cash equivalents	(12,740)	29,548
Balances-beginning of the year	1,356,714	1,327,166
<b>BALANCES-END OF THE YEAR</b>	<b>\$ 1,343,974</b>	<b>\$ 1,356,714</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ (68,502)	\$ (55,005)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	1,084,257	1,081,896
Change in assets and liabilities:		
Receivables, net	(161,960)	87,173
Inventory	24,503	(73,349)
Other assets	35,718	787
Customer deposits	10,360	6,154
Accounts and other payables	160,559	(109,204)
Accrued expenses	49,600	15,047
Net cash provided by operating activities	<b>\$ 1,134,535</b>	<b>\$ 953,499</b>

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

**CITY OF PARIS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

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**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, 2010

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**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:

**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, 2010**

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**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, 2010**

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**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.

The City began allocating expenses from the General Fund to the Utilities Fund on a reimbursement basis. These reimbursements are included in "Transfers" in the financial statements. Total expenses reimbursed to the General Fund from the Utilities Fund amounted to \$563,961.

**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, 2010**

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**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, 2010 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 \$2,329,103 and the bank balances were \$2,474,364.

**CITY OF PARIS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**3. CAPITAL ASSETS**

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

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<b>Government Type Activities</b>				
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	2,495,342	-	-	2,495,342
Equipment	<u>510,895</u>	<u>21,170</u>	-	<u>532,065</u>
Totals	<u>6,249,937</u>	<u>21,170</u>	-	<u>6,271,107</u>
<b>Total Non-Infrastructure Assets</b>	<u>7,216,916</u>	<u>21,170</u>	-	<u>7,238,086</u>
<b>Recording infrastructure Assets:</b>				
Infrastructure Assets	<u>785,832</u>	<u>172,574</u>	-	<u>958,406</u>
Total Capital Assets	<u>8,002,748</u>	<u>193,744</u>	-	<u>8,196,492</u>
<b>Less Accumulated Depreciation:</b>				
Building and Improvements	1,485,655	76,417	-	1,562,072
Vehicles	1,333,678	171,368	-	1,505,046
Equipment	316,303	53,492	-	369,795
Infrastructure Assets	<u>122,391</u>	<u>36,361</u>	-	<u>158,752</u>
Totals	<u>3,258,027</u>	<u>337,638</u>	-	<u>3,595,665</u>
Depreciable capital assets, net	<u>\$ 4,744,721</u>	<u>\$ (143,894)</u>	<u>\$ -</u>	<u>\$ 4,600,827</u>
<b>Business-Type Activities</b>				
Equipment & Vehicles	\$ 2,720,831	\$ 40,110	\$ -	\$ 2,760,941
Electric Lines, Poles, and Plant	6,942,255	154,641	-	7,096,896
Water Treatment Plant, Land and Water System Improvements	6,621,545	29,600	-	6,651,145
Sewer Treatment Plant, Land and Improvements	16,641,609	106,315	-	16,747,924
Construction in Progress	<u>63,135</u>	<u>-</u>	<u>(63,135)</u>	<u>-</u>
Total	<u>32,989,375</u>	<u>330,666</u>	<u>(63,135)</u>	<u>33,256,906</u>
Less Accumulated Depreciation	<u>20,401,308</u>	<u>1,084,257</u>	-	<u>21,485,565</u>
Capital Assets, Net	<u>\$ 12,588,067</u>	<u>\$ (753,591)</u>	<u>\$ (63,135)</u>	<u>\$ 11,771,341</u>

Depreciation Expense was charged to the Governmental functions as follows:

General government	\$ 74,267
Police	90,941
Fire	108,486
Parks & Recreation	4,094
Public works	<u>59,850</u>
Total Depreciation Expense	<u>\$ 337,638</u>



**CITY OF PARIS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**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, 2009	\$ 3,940,430
Note principal payments	<u>(311,334)</u>
Note balance at June 30, 2010	<u>\$ 3,629,096</u>

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

	<b>Principal</b>	<b>Interest</b>	<b>Service Fee</b>	<b>Total</b>
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
2015	340,516	43,388	4,483	388,387
Thereafter	<u>1,985,927</u>	<u>126,555</u>	<u>12,093</u>	<u>2,124,575</u>
Total	<u>\$ 3,629,096</u>	<u>\$ 402,375</u>	<u>\$ 41,110</u>	<u>\$ 4,072,581</u>

**CITY OF PARIS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**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:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	14,204	1,280	15,484
2012	14,711	773	15,484
2013	<u>11,614</u>	<u>246</u>	<u>11,860</u>
Total	<u>\$ 40,529</u>	<u>\$ 2,299</u>	<u>\$ 42,828</u>

**Lease Payable**

The City of Paris entered into a long-term financing agreement with Leasing One Corporation for an F-150 truck during fiscal year ended June 30, 2010. The cost of the truck was approximately \$30,000 with 5 payments of \$7,328 beginning in December of 2009. The lease matures in December 2014 and carries an interest rate of approximately 5%.

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 6,000	\$ 1,328	\$ 7,328
2012	6,000	1,328	7,328
2013	6,000	1,328	7,328
2014	<u>6,000</u>	<u>1,328</u>	<u>7,328</u>
Total	<u>\$ 24,000</u>	<u>\$ 5,312</u>	<u>\$ 29,312</u>

**PROPRIETARY FUND CHANGES IN BONDS PAYABLE**

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.

	<b>Issued</b>	<b>Rate</b>	<b>Balance Outstanding 6/30/09</b>	<b>Issued (Retired) During Year</b>	<b>Balance Outstanding 6/30/10</b>
2005 Series	\$1,111,000	4.125%	\$ 1,099,000	\$ (13,000)	\$ 1,086,000

**CITY OF PARIS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2010

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

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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
2015	16,000	42,158	58,158
Thereafter	<u>1,014,000</u>	<u>783,337</u>	<u>1,797,337</u>
<b>Total</b>	<b><u>\$ 1,086,000</u></b>	<b><u>\$ 1,000,190</u></b>	<b><u>\$ 2,086,190</u></b>

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

Current portion	\$ 350,166
Long-term portion	<u>4,429,459</u>
<b>Total</b>	<b><u>\$ 4,779,625</u></b>

**5. GOVERNMENT ACTIVITIES - LONG-TERM DEBT**

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

	<b>Balance July 1, 2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2010</b>
Lease One Corp.	\$ 14,008	\$ -	\$ 14,008	\$ -
Farmers Bank Loan	<u>246,990</u>	<u>-</u>	<u>29,585</u>	<u>217,405</u>
	<b><u>\$ 260,998</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 43,593</u></b>	<b><u>\$ 217,405</u></b>

**LEASE OBLIGATIONS**

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. This lease was paid off during fiscal year 2010.

**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%. \$29,585 was paid in principal during 2010.

The future debt service requirements are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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
2015	42,140	4,027	46,167
Thereafter	<u>33,620</u>	<u>1,005</u>	<u>34,625</u>
	<b><u>\$ 217,405</u></b>	<b><u>\$ 48,055</u></b>	<b><u>\$ 265,460</u></b>

**CITY OF PARIS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

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

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

Current portion of Farmers note	\$ 31,754
Long-term portion	<u>185,651</u>
Total	<u>\$ 217,405</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, 2010, plan members were required to contribute 5.00% of wages for non-hazardous job classifications and 8.00% of wages for 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, 2010, participating employers contributed 16.16% of each employee's wages for non-hazardous classifications and 33.00% for hazardous job classifications, 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, 2010**

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**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
2010	\$ 1,228,757	100%
2009	\$ 1,202,445	100%
2008	\$ 1,237,698	100%

**8. PROPERTY TAX CALENDER**

Property taxes for fiscal year 2010 were levied on the assessed valuation of property located in Bourbon County as of January 1, 2009 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.

**11. SUBSEQUENT EVENTS**

The City has evaluated and considered the need to recognize or disclose subsequent events through October 14, 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, 2010, 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, 2010

	Enacted Budget	Amended Budget	Actual	Over (Under) Budget
<b>Taxes</b>				
Property taxes	\$ 531,325	\$ 531,325	\$ 553,584	\$ 22,259
Vehicle ad valorem tax	76,190	76,190	73,759	(2,431)
Delinquent taxes	7,018	7,018	9,368	2,350
Bank shares	23,058	23,058	21,581	(1,477)
Payment in lieu of taxes	185,463	185,463	100,000	(85,463)
Penalties and interest	<u>7,216</u>	<u>7,216</u>	<u>6,381</u>	<u>(835)</u>
	<u>830,270</u>	<u>830,270</u>	<u>764,673</u>	<u>(65,597)</u>
<b>Licenses and permits</b>				
Occupational license	2,506,250	2,506,250	2,421,500	(84,750)
Insurance license	1,583,950	1,583,950	1,702,770	118,820
Net profits license fee	385,963	385,963	266,286	(119,677)
Franchise fees	145,361	145,361	148,111	2,750
Building inspection fees	15,038	15,038	12,017	(3,021)
Alcohol beverage fees	<u>7,018</u>	<u>7,018</u>	<u>17,700</u>	<u>10,682</u>
	<u>4,643,580</u>	<u>4,643,580</u>	<u>4,568,384</u>	<u>(75,196)</u>
<b>Fines and forfeits</b>				
Parking fines	<u>1,102</u>	<u>1,102</u>	<u>490</u>	<u>(612)</u>
<b>Intergovernmental revenues</b>				
Police incentive pay	102,255	102,255	92,348	(9,907)
Fire incentive pay	89,724	89,724	91,763	2,039
Highway safety and other grants	-	-	5,859	5,859
Litter grant	-	-	4,625	4,625
FEMA revenue	-	58,903	62,058	3,155
Other grants	180,449	180,449	-	(180,449)
District court	<u>34,085</u>	<u>34,085</u>	<u>33,220</u>	<u>(865)</u>
	<u>406,513</u>	<u>465,416</u>	<u>289,873</u>	<u>(175,543)</u>
<b>Other revenues</b>				
Rent	94,235	94,235	97,806	3,571
Interest income	2,406	2,406	5,255	2,849
Other	<u>49,124</u>	<u>49,124</u>	<u>53,618</u>	<u>4,494</u>
	<u>145,765</u>	<u>145,765</u>	<u>156,679</u>	<u>10,914</u>
<b>Total</b>	<b><u>\$ 6,027,230</u></b>	<b><u>\$ 6,086,133</u></b>	<b><u>\$ 5,780,099</u></b>	<b><u>\$ (306,034)</u></b>

**CITY OF PARIS, KENTUCKY**  
**REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON**  
**for the year ended June 30, 2010**

	Enacted Budget	Amended Budget	Actual	Over (Under) Budget
<b>GENERAL GOVERNMENT &amp; CAPITAL BUDGETING</b>				
<b>CITY COMMISSION</b>				
Personnel services	\$ 42,311	\$ 42,311	\$ 91,431	\$ 49,120
Contractual services	13,185	13,185	26,610	13,425
Material and supplies	-	-	840	840
Other expenses	<u>39,938</u>	<u>39,938</u>	<u>89,916</u>	<u>49,979</u>
 Total City Commission	 <u>95,434</u>	 <u>95,434</u>	 <u>208,797</u>	 <u>113,363</u>
 <b>GENERAL ADMINISTRATION</b>				
Personnel services	173,645	173,645	273,093	99,448
Contractual services	223,391	223,391	340,644	117,253
Materials and supplies	69,670	69,670	47,710	(21,960)
Other expenses	<u>31,659</u>	<u>31,659</u>	<u>106</u>	<u>(31,553)</u>
 Total General Administration	 <u>498,365</u>	 <u>498,365</u>	 <u>661,553</u>	 <u>163,188</u>
 <b>INSPECTION AND ENGINEERING</b>				
Personnel services	116,644	116,644	191,187	74,543
Contractual services	48,126	48,126	28,966	(19,160)
Materials and supplies	4,089	4,089	6,863	2,774
Other expenses	<u>21,344</u>	<u>21,344</u>	<u>73,918</u>	<u>52,574</u>
 Total Inspection and Engineering	 <u>190,202</u>	 <u>190,202</u>	 <u>300,934</u>	 <u>110,732</u>
 <b>OTHER ADMINISTRATION</b>				
E911 Dispatch	120,000	120,000	120,000	-
EMS	192,000	192,000	192,000	-
Insurance	325,000	325,000	384,527	59,527
Legal	30,000	30,000	56,696	26,696
Capital budgeting	<u>92,375</u>	<u>151,278</u>	<u>21,170</u>	<u>(130,108)</u>
 Total Other Administration	 <u>759,375</u>	 <u>818,278</u>	 <u>774,393</u>	 <u>(43,885)</u>
 Total General Government & Capital Budgeting	 <u>1,543,376</u>	 <u>1,602,279</u>	 <u>1,945,677</u>	 <u>343,398</u>



CITY OF PARIS, KENTUCKY  
 REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON  
 GENERAL FUND  
 for the year ended June 30, 2010

	Enacted Budget	Amended Budget	Actual	Over (Under) Budget
<b>POLICE DEPARTMENT</b>				
Personnel services	\$ 1,757,200	\$ 1,757,200	\$ 1,606,771	\$ (150,429)
Contractual services	78,750	78,750	78,306	(444)
Materials and supplies	137,250	137,250	121,924	(15,326)
Other expenses	<u>99,500</u>	<u>99,500</u>	<u>1,807</u>	<u>(97,693)</u>
	<u>2,072,700</u>	<u>2,072,700</u>	<u>1,808,808</u>	<u>(263,892)</u>
 <b>FIRE DEPARTMENT</b>				
Personnel services	1,397,450	1,397,450	1,415,012	17,562
Contractual services	138,000	138,000	84,686	(53,314)
Materials and supplies	94,600	94,600	48,097	(46,503)
Other expenses	<u>91,238</u>	<u>91,238</u>	<u>17,017</u>	<u>(74,221)</u>
	<u>1,721,288</u>	<u>1,721,288</u>	<u>1,564,812</u>	<u>(156,476)</u>
 <b>STREET DEPARTMENT</b>				
Personnel services	405,450	405,450	375,551	(29,899)
Contractual services	34,750	34,750	31,173	(3,577)
Materials and supplies	<u>249,666</u>	<u>249,666</u>	<u>86,985</u>	<u>(162,681)</u>
	<u>689,866</u>	<u>689,866</u>	<u>493,709</u>	<u>(196,157)</u>
 <b>EXPENSES BEFORE TRANSFERS</b>	 <u>\$ 6,027,230</u>	 <u>\$ 6,086,133</u>	 <u>\$ 5,813,006</u>	 <u>\$ (273,127)</u>

CITY OF PARIS, KENTUCKY  
 COMBINING BALANCE SHEET  
 ALL NONMAJOR FUNDS  
 June 30, 2010

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	Municipal Road Aid Fund	Debt Service	Total
<b>ASSETS</b>			
Cash	\$ 153,531	\$ -	\$ 153,531
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>153,531</u>	<u>\$ -</u>	<u>\$ 153,531</u>
 <b>LIABILITIES &amp; FUND EQUITY</b>			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Fund equity			
Fund balance	<u>153,531</u>	<u>-</u>	<u>153,531</u>
Total fund equity	<u>\$ 153,531</u>	<u>\$ -</u>	<u>\$ 153,531</u>

**CITY OF PARIS, KENTUCKY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 ALL NONMAJOR FUNDS  
 for the year ended June 30, 2010**

	Municipal Road Aid Fund	Debt Service	Total
<b>REVENUES</b>			
Intergovernmental revenue	\$ 174,376	\$ -	\$ 174,376
Other revenues	<u>1,933</u>	<u>-</u>	<u>1,933</u>
 Total revenues	 <u>176,309</u>	 <u>-</u>	 <u>176,309</u>
<b>EXPENDITURES</b>			
Street department	25,000	-	25,000
Capital outlay	172,574	-	172,574
Debt service	<u>-</u>	<u>60,792</u>	<u>60,792</u>
 Total expenditures	 <u>197,574</u>	 <u>60,792</u>	 <u>258,366</u>
Excess revenues over (under) expenditures before other financing sources (uses)	(21,265)	(60,792)	(82,057)
<b>Other financing sources (uses)</b>			
Operating transfer, net	-	60,792	60,792
 Fund balances - July 1, 2009	 <u>174,796</u>	 <u>-</u>	 <u>174,796</u>
 <b>FUND BALANCES - JUNE 30, 2010</b>	 <b><u>\$ 153,531</u></b>	 <b><u>\$ -</u></b>	 <b><u>\$ 153,531</u></b>

**CITY OF PARIS UTILITY FUND  
SCHEDULE OF OPERATING EXPENSES  
COMBINED UTILITY FUND  
for the year ended June 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>UTILITY ADMINISTRATION &amp; SPECIAL PROJECTS</b>			
Personnel services	\$ 1,238,110	\$ 344,540	\$ (893,570)
Contractual services	53,850	215,650	161,800
Materials and supplies	38,290	8,890	(29,400)
Other expenses	179,646	125,981	(53,665)
Payment-in-lieu-of-taxes	<u>185,463</u>	<u>100,000</u>	<u>(85,463)</u>
	<u>1,695,359</u>	<u>795,061</u>	<u>(900,298)</u>
<b>ELECTRIC</b>			
Personnel services	453,048	377,703	(75,345)
Electric purchases	2,000,000	2,493,260	493,260
Contractual services	86,800	164,762	77,962
Materials and supplies	<u>694,075</u>	<u>436,490</u>	<u>(257,585)</u>
	<u>3,233,923</u>	<u>3,472,215</u>	<u>238,292</u>
<b>WATER SYSTEM</b>			
Personnel services	653,180	632,464	(20,716)
Contractual services	106,840	138,006	31,166
Materials and supplies	279,025	184,291	(94,734)
Other expenses	<u>6,100</u>	<u>7,429</u>	<u>1,329</u>
	<u>1,045,145</u>	<u>962,190</u>	<u>(82,955)</u>
<b>SEWER SYSTEM</b>			
Personnel services	505,450	523,749	18,299
Contractual services	212,320	231,916	19,596
Materials and supplies	<u>586,200</u>	<u>169,501</u>	<u>(416,699)</u>
	<u>1,303,970</u>	<u>925,166</u>	<u>(378,804)</u>
<b>TRASH PICK-UP</b>			
Personnel services	443,840	389,239	(54,601)
Contractual services	497,050	310,221	(186,829)
Materials and supplies	<u>154,940</u>	<u>64,464</u>	<u>(90,476)</u>
	<u>1,095,830</u>	<u>763,924</u>	<u>(331,906)</u>
<b>DEPRECIATION</b>			
	<u>-</u>	<u>1,084,257</u>	<u>1,084,257</u>
Total Operating Expenses	<u>\$ 8,374,227</u>	<u>\$ 8,002,813</u>	<u>\$ (371,414)</u>

**CITY OF PARIS, KENTUCKY**  
**COMBINED UTILITY FUND**  
**SCHEDULE OF REVENUE BOND REQUIREMENTS**  
**June 30, 2010**

<b>FISCAL YEAR ENDING JUNE 30</b>	<b>2005 ISSUE</b>		<b>TOTAL DEBT SERVICE</b>
	<b>PRINCIPAL</b>	<b>INTEREST</b>	
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
2015	16,000	42,158	58,158
Thereafter	<u>1,014,000</u>	<u>783,337</u>	<u>1,797,337</u>
TOTAL	<u>\$ 1,086,000</u>	<u>\$ 1,000,190</u>	<u>\$ 2,086,190</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**

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Mayor and the City Council  
City of Paris Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Paris, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the City of Paris, Kentucky's basic financial statements and have issued our report thereon dated October 14, 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 City 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 City Paris, Kentucky's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City Paris, Kentucky's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, and described in the accompanying schedule of findings and responses (2010-2). We also identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting (2010-1). 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Paris, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

This report is intended solely for the information and use of management, City Council, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

*Ray, Foley, Hensley & Company*

Ray, Foley, Hensley & Company, PLLC

October 14, 2010

**CITY OF PARIS, KENTUCKY  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2010**

**FINDINGS:**

**#2010-1 / 2009-1**

***Condition:***

Bank reconciliations are not being performed timely or reviewed by the appropriate level of management. This is a continuing finding from 2009.

***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.

***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 hired Jim McCarty as a finance director late in the fiscal year ended June 30, 2010. Mr. McCarty will be more involved in the financial reporting system for the fiscal year ended June 30, 2011.

**#2010-2 / 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. This is a continuing finding from 2009.

***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:***

The City should continue to strive to strengthen the financial reporting system. Closing year end entries should be posted prior to the initiation of audit procedures. Management should also be more involved in the drafting of the financial statements.

***Response:***

The City hired Jim McCarty as a finance director late in the fiscal year ended June 30, 2010. Mr. McCarty will be more involved in the financial reporting system for the fiscal year ended June 30, 2011.

**PRIOR FINDINGS:**

As noted above.