

CITY OF PARIS
Paris, Kentucky

FINANCIAL STATEMENTS
June 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Commissioners
City of Paris, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Paris, Kentucky, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Paris, Kentucky's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Paris, Kentucky, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and OPEB schedules, and budgetary comparison information on pages 3–16 and 43–51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining nonmajor fund financial statements and the utility fund schedule of operating expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the utility fund schedule of operating expenses are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2020, on our consideration of the City of Paris, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Paris, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Paris, Kentucky's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
January 21, 2020

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

The Management’s Discussion and Analysis of the City of Paris (the City) presents a discussion and analysis of the City’s financial performance for the fiscal year ended June 30, 2019. It is supplementary information required by the Governmental Accounting Standards Board (GASB) and is intended to provide a readable explanation of the information within the basic financial statements and the financial statements immediately following the analysis.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government - Wide Highlights

- Total assets plus deferred outflows of resources of the Primary Government exceeded total liabilities and deferred inflows of resources by approximately \$3.19 million at the close of fiscal year 2019. This amount includes a net investment in capital assets of \$12.0 million and an overall deficit in unrestricted net position of approximately \$9.95 million.
- Governmental Activities’ net position was \$1.30 million at the end of fiscal year 2019. This amount includes a net investment in capital assets of \$6.11 million and an overall deficit in unrestricted net position of approximately \$4.93 million. The net investment in capital assets comprises 469.38% of total net position.
- Business-Type Activities’ net position was \$1.89 million at the end of fiscal year 2019. This amount includes a net investment in capital assets of \$5.89 million and an overall deficit in unrestricted net position of approximately \$5.02 million. The net investment in capital assets comprises 311.54% of total net position.

Fund Highlights

- As of June 30, 2019, the City’s governmental funds reported combined ending fund balances of \$5.99 million, an increase of \$738 thousand compared to the previous fiscal year. Of this amount, \$123 thousand is restricted for various projects: public works, public safety, and capital projects.
- The General Fund, the primary operating fund of the City, held unassigned fund balances of \$5.87 million or 98% of general fund expenditures.
- The General Fund’s cash and cash equivalents balance increased approximately \$950 thousand compared to the previous fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

Three key elements comprise the basic financial statements, including:

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

A. Government-Wide Financial Statements

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

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

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

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

- Governmental Activities – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants), namely licenses and permits, property taxes, and charges for services. Most services normally associated with local government fall into these categories: including police, fire, streets, public works, parks and general administration. Internal Service Fund balances are reported as part of Governmental Activities.

- Business-Type Activities – These activities normally are intended to recover all or a significant portion of costs through user fees and charges to external services of goods and services provided by the City. The Business-Type Activities of the City include the operations of various Enterprise Funds, including electric, water, sanitary sewer services, landfill and disposal costs.

B. Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

C. Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

Net position may serve as a useful indicator of the City’s financial position. In Table 1 below, the City’s combined net position (Governmental and Business-Type Activities) totaled \$3.19 million as of June 30, 2019, a decrease of \$400 thousand from the previous year.

The largest proportion of the City’s net position, \$11.99 million, is invested in capital assets (e.g. land, infrastructures, buildings and improvements, and machinery and equipment), minus any related debt, which is still outstanding and used to acquire those assets. The City uses these capital assets to provide services to its citizens. As such, these assets are not available for future spending.

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

	Total Net Position		
	<u>2019</u>	<u>2018</u>	<u>Change</u>
ASSETS			
Current and other assets	\$ 7,935	\$ 7,011	\$ 924
Restricted cash and other assets	1,150	793	357
Capital assets	<u>15,845</u>	<u>16,110</u>	<u>(265)</u>
Total assets	<u><u>24,930</u></u>	<u><u>23,914</u></u>	<u><u>1,016</u></u>
DEFERRED OUTFLOWS OF RESOURCES	4,845	6,251	(1,406)
LIABILITIES			
Current and other liabilities	2,051	1,679	372
Long-term liabilities	<u>22,325</u>	<u>23,803</u>	<u>(1,478)</u>
Total liabilities	<u><u>24,376</u></u>	<u><u>25,482</u></u>	<u><u>(1,106)</u></u>
DEFERRED INFLOWS OF RESOURCES	2,209	1,094	1,115
NET POSITON			
Net investment in capital assets	11,992	12,152	(160)
Restricted for:			
Debt service	293	284	9
Other purposes	858	509	349
Unrestricted	<u>(9,953)</u>	<u>(9,356)</u>	<u>(597)</u>
Total net position	<u><u>\$ 3,190</u></u>	<u><u>\$ 3,589</u></u>	<u><u>\$ (399)</u></u>

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

	Total Governmental Activities		
	<u>2019</u>	<u>2018</u>	<u>Change</u>
ASSETS			
Current and other assets	\$ 6,419	\$ 5,467	\$ 952
Restricted cash and other assets	123	146	(23)
Capital assets	<u>6,361</u>	<u>6,195</u>	<u>166</u>
Total assets	<u><u>12,903</u></u>	<u><u>11,808</u></u>	<u><u>1,095</u></u>
DEFERRED OUTFLOWS OF RESOURCES			
	3,147	4,141	(994)
LIABILITIES			
Current and other liabilities	628	362	266
Long-term liabilities	<u>12,450</u>	<u>13,247</u>	<u>(797)</u>
Total liabilities	<u><u>13,078</u></u>	<u><u>13,609</u></u>	<u><u>(531)</u></u>
DEFERRED INFLOWS OF RESOURCES			
	1,670	876	794
NET POSITON			
Net investment in capital assets	6,107	6,195	(88)
Restricted for:			
Debt service			-
Other purposes	123	147	(24)
Unrestricted	<u>(4,929)</u>	<u>(4,878)</u>	<u>(51)</u>
Total net position	<u><u>\$ 1,301</u></u>	<u><u>\$ 1,464</u></u>	<u><u>\$ (163)</u></u>

Table 2 indicates that the net position of Governmental Activities totaled approximately \$1.30 million, or 10.1% of total assets, a decrease of \$163 thousand over the previous year. Of this total, \$6.11 million is invested in capital assets (e.g. land, infrastructures, buildings and improvements, and machinery and equipment), minus any related debt, which is still outstanding and used to acquire those assets.

Current assets exceeded currently liabilities by approximately \$5.79 million at the end of fiscal year 2019.

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

	Total Business-Type Activities		
	<u>2019</u>	<u>2018</u>	<u>Change</u>
ASSETS			
Current and other assets	\$ 1,516	\$ 1,544	\$ (28)
Restricted cash and other assets	1,027	645	382
Capital assets	9,484	9,916	(432)
Total assets	<u>12,027</u>	<u>12,105</u>	<u>(78)</u>
DEFERRED OUTFLOWS OF RESOURCES			
	1,698	2,110	(412)
LIABILITIES			
Current and other liabilities	1,423	1,318	105
Long-term liabilities	9,875	10,556	(681)
Total liabilities	<u>11,298</u>	<u>11,874</u>	<u>(576)</u>
DEFERRED INFLOWS OF RESOURCES			
	539	218	321
NET POSITON			
Net investment in capital assets	5,885	5,957	(72)
Restricted for:			
Debt service	292	284	8
Other purposes	735	361	374
Unrestricted	<u>(5,023)</u>	<u>(4,479)</u>	<u>(544)</u>
Total net position	<u>\$ 1,889</u>	<u>\$ 2,123</u>	<u>\$ (234)</u>

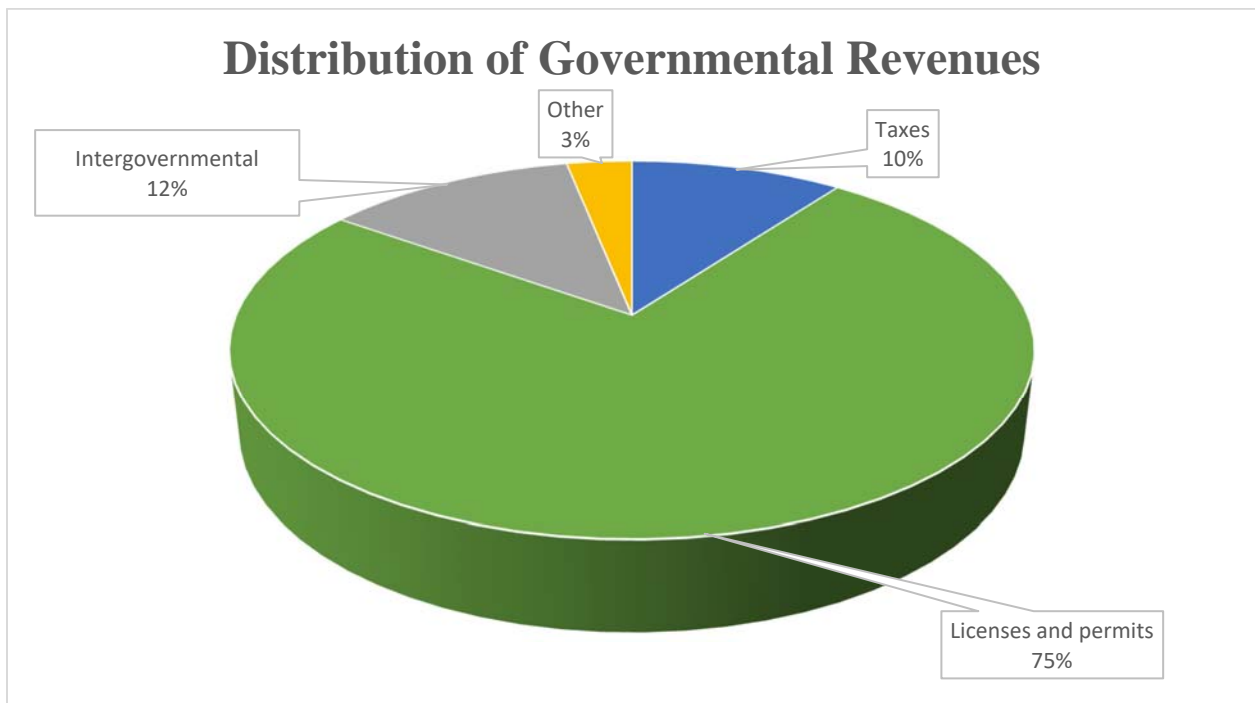
Table 3 indicates that the net position of Business-Type Activities totaled approximately \$1.89 million or 15.7% of total assets, a decrease of \$234 thousand over the previous year. Of this total, \$5.88 million is invested in capital assets, minus related debt which is still outstanding and used to acquire those assets. The City uses these capital assets in the same way as the capital assets held by Governmental Activities.

Current assets exceeded currently liabilities by approximately \$93 thousand at the end of the fiscal year.

Governmental Activities

As indicated in Chart 1, the City funds its Governmental activities from revenue received from two significant categories. A clear majority, 75%, of the City's revenue is provided through licenses and permits. This category includes fees placed on employee withholdings, business returns, insurance premiums, and franchise fees. Property taxes comprise 10% of governmental revenues. Federal and State grant funding represents 12% of governmental revenue. The remaining Other category represents miscellaneous revenues collected by the City.

Chart 1



As indicated in Chart 2, expenditures related to public safety for police and fire represent 31% and 21%, respectively, of total expenditures of the City's Governmental Activities.

Expenditures for police totaled approximately \$2.72 million (Table 4) for fiscal year 2019. An increase of \$158 thousand compared to the previous fiscal year. Expenditures for fire totaled approximately \$1.84 million (Table 4) for fiscal year 2019. A decrease of \$153 thousand compared to the previous fiscal year.

Salary and wage costs, including benefits for police totaled \$2.12 million for fiscal year 2019 or approximately 88% of total police expenditures for 2019. An increase of approximately \$175 thousand compared to the previous fiscal year.

Salary and wage costs, including benefits for fire totaled \$1.45 million for fiscal year 2019 or approximately 87% of the total fire expenditures for 2019. A decrease of approximately \$24 thousand compared to the previous fiscal year.

Chart 2

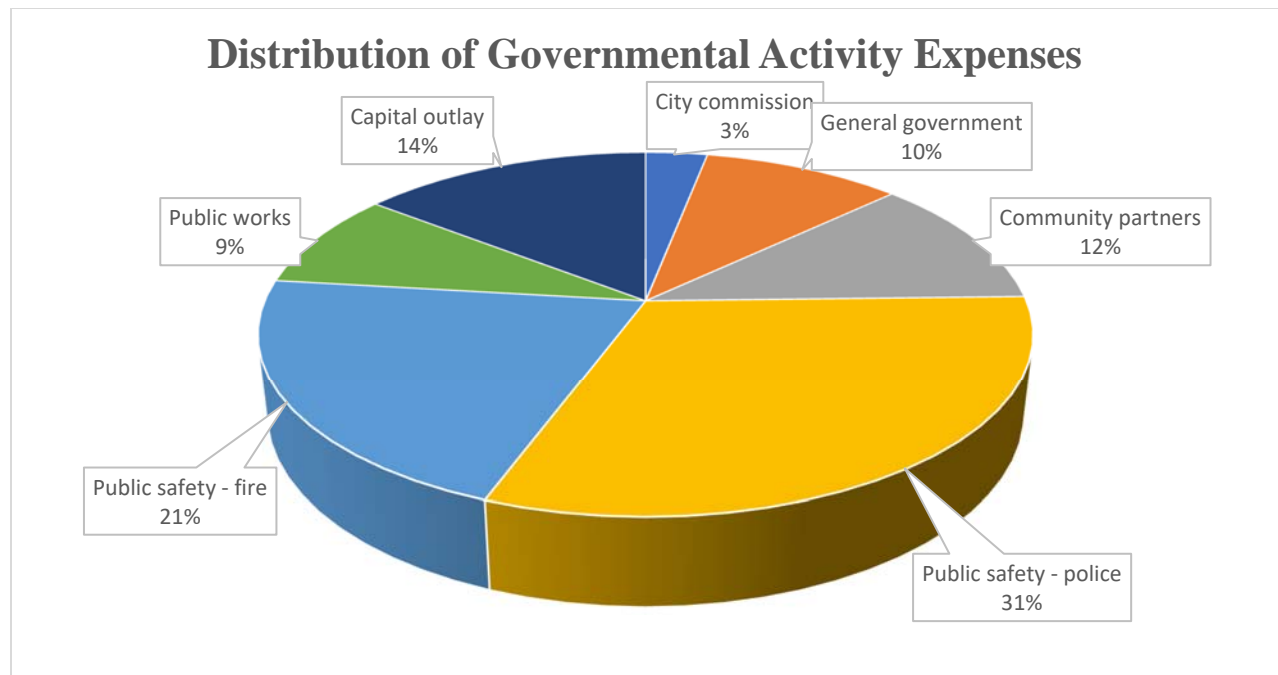


Table 4
City of Paris, Kentucky
Summary of Statement of Activities
For Years as Stated
(in thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Program Revenue:						
Charge for services	\$ 147	\$ 120	\$ 9,506	\$ 10,270	\$ 9,653	\$ 10,390
General revenues:						
Tax	826	764			826	764
Licenses	6,072	5,658			6,072	5,658
Intergovernmental	939	1,201			939	1,201
Fines and forfeitures	2	4			2	4
Other revenues	<u>409</u>	<u>253</u>	<u>176</u>	<u>51</u>	<u>585</u>	<u>304</u>
Total revenues	<u>8,395</u>	<u>8,000</u>	<u>9,682</u>	<u>10,321</u>	<u>18,077</u>	<u>18,321</u>
Program Expenses:						
City commission	236	247			236	247
General government	1,383	1,476			1,383	1,476
Community partners	892	830			892	830
Public safety - police	2,723	2,565			2,723	2,565
Public safety - fire	1,841	1,994			1,841	1,994
Public works	833	839			833	839
Interest on long-term debt		2			0	2
Conveyance of property	650				650	0
Electric			4,790	4,806	4,790	4,806
Sanitation			1,100	1,522	1,100	1,522
Water			2,125	2,249	2,125	2,249
Sewer			<u>1,901</u>	<u>1,903</u>	<u>1,901</u>	<u>1,903</u>
Total program expenses	<u>8,558</u>	<u>7,953</u>	<u>9,916</u>	<u>10,480</u>	<u>18,474</u>	<u>18,433</u>
Net change in net position	<u>\$ (163)</u>	<u>\$ 47</u>	<u>\$ (234)</u>	<u>\$ (159)</u>	<u>\$ (397)</u>	<u>\$ (112)</u>

As indicated by Table 4, revenues from Governmental Activities totaled \$8.4 million, which was an increase of \$417 thousand or 5.28%, from the previous year. Licenses and permits totaled \$6.07 million, representing 73% of total revenues. As stated earlier, this category includes employee withholdings in the form of an occupational license fee (OLF). This fee is comprised of an assessment of 1.50% on the total wages received by individuals employed in the City of Paris and

an assessment of 1.50% on the net profits of businesses operating in the City of Paris. Licenses and permits increased by \$6 thousand from the previous year. Property taxes increased by \$41 thousand.

As noted on Table 4, total expense of Governmental Activities was \$7.91 million, a decrease of \$45 thousand for the previous fiscal year.

Business-Type Activities

Also indicated by Table 4, revenues from Business-Type Activities decreased \$639 thousand from the previous fiscal year. Overall lower electric costs were a key factor in the decrease from 2019 compared to 2018.

Total expenses for Business-Type Activities decreased when compared to fiscal year 2018, by \$564 thousand. Overall lower electric costs were a key factor in the decrease from 2019 compared to 2018.

BUDGETARY HIGHLIGHTS

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

For fiscal year 2019, General Fund revenues totaled \$8.13 million, a decrease of 5.37% from the previous fiscal year. Total revenues were \$432 thousand above the budgeted amount. This slight increase in actual revenue is the result of continued growth in the local and U.S. economies, which affected both business returns and franchise fees. Total ad valorem taxes were \$77 thousand above the final budgeted amount. Intergovernmental revenues were \$385 thousand above the final budgeted amount.

General fund expenditures of the City totaled \$7.69 million, an increase of \$980 thousand over the previous fiscal year. Expenditures were \$541 thousand below the final budgeted amount.

During 2019, funding for Community Partners increased by approximately \$62 thousand. The City's financial commitment to support Emergency Management Services within the City of Paris and Bourbon County increased by \$12 thousand compared to the previous fiscal year to a total of \$397 thousand for 2019. In addition, the City's financial commitment to support Paris-Bourbon County E-11 services remained the same compared to the previous fiscal year for a total of \$210 thousand for 2018.

Table 5
City of Paris, Kentucky
General Fund Budgetary Highlights
For the Year Ended June 30, 2019
(in thousands)

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
REVENUES			
Taxes	\$ 749,000	\$ 826,379	\$ 77,379
Licenses and permits	5,521,500	6,072,309	550,809
Fines and forfeitures	3,000	1,919	(1,081)
Intergovernmental	594,000	979,306	385,306
Charges for services	130,000	146,621	16,621
Other revenues	<u>703,000</u>	<u>105,799</u>	<u>(597,201)</u>
Total revenues	<u>7,700,500</u>	<u>8,132,333</u>	<u>431,833</u>
EXPENDITURES			
Current			
City commission	235,500	236,433	933
General government	748,000	762,699	14,699
Community partners	973,000	892,078	(80,922)
Public safety - police	2,303,000	2,387,524	84,524
Public safety - fire	1,581,000	1,630,601	49,601
Public works	640,000	662,288	22,288
Capital outlay	1,748,000	1,115,238	(632,762)
Debt service			-
Total expenditures	<u>8,228,500</u>	<u>7,686,861</u>	<u>(541,639)</u>
Excess (deficiency) of revenues over expenditures	(528,000)	445,472	973,472
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of assets		83,135	83,135
Proceeds from debt issuance		249,124	249,124
Transfers (out)		<u>(14,186)</u>	<u>(14,186)</u>
Total other financing sources (uses)	<u>-</u>	<u>318,073</u>	<u>318,073</u>
Net change in net position	<u>\$ (528,000)</u>	<u>\$ 763,545</u>	<u>\$ 1,291,545</u>

CAPITAL ASSETS

The City's capital assets totaled \$15.85 million as of June 30, 2019. This investment includes land, buildings, equipment, park facilities, roads, bridges, and water and sewer systems. For Governmental Activities, the net investment in capital assets totaled \$6.36 million. For Business-Type Activities, the net investment in capital assets totaled \$9.48 million.

This year's major changes in capital assets included:

- Governmental Activities net investment in capital assets increased by \$165 thousand from the prior fiscal year. During 2019, the City's additions to capital assets included new police vehicles in the amount \$416 thousand. Depreciation expense for Governmental Activities totaled \$506 thousand for the fiscal year ended 2019.
- Business-Type Activities net investment in capital assets decreased by \$431 thousand from the prior fiscal year. Depreciation expense for Business-Type Activities totaled \$891 thousand for the fiscal year ended 2019.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land and improvements	\$ 1,555	\$ 1,555	\$ 422	\$ 422	\$ 1,977	\$ 1,977
Building and improvements	3,514	3,505			3,514	3,505
Equipment and vehicles	4,771	4,587	3,270	3,171	8,041	7,758
Electric lines, poles and plant			9,501	9,501	9,501	9,501
Water treatment plant and water system improvements			8,071	8,035	8,071	8,035
Sewer treatment plant and improvements			18,027	17,856	18,027	17,856
Infrastructure assets	3,901	3,695			3,901	3,695
Construction in progress	17		364	209	381	209
	<u>13,758</u>	<u>13,342</u>	<u>39,655</u>	<u>39,194</u>	<u>53,413</u>	<u>52,536</u>
Less accumulated depreciation	<u>7,397</u>	<u>7,147</u>	<u>30,170</u>	<u>29,279</u>	<u>37,567</u>	<u>36,426</u>
Capital assets, net	<u>\$ 6,361</u>	<u>\$ 6,195</u>	<u>\$ 9,485</u>	<u>\$ 9,915</u>	<u>\$ 15,846</u>	<u>\$ 16,110</u>

Construction in progress at June 30, 2019 includes costs of \$65 thousand for the Electric Department's SCADA system and \$363 thousand for construction of a metal frame building on one of the City's properties.

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

DEBT ADMINISTRATION

As of the end of fiscal year 2019, the City had \$3.05 million in bonds and notes outstanding; Governmental Activities' debt increased by \$236 thousand, Business-Type Activities debt decreased by \$514 thousand.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
General obligation bonds, notes and leases	\$ 236	\$ -	\$ 2,248	\$ 2,729	\$ 2,484	\$ 2,729
Revenue bonds			286	291	286	291
Mortgage notes			280	308	280	308
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital assets, net	<u>\$ 236</u>	<u>\$ -</u>	<u>\$ 2,814</u>	<u>\$ 3,328</u>	<u>\$ 3,050</u>	<u>\$ 3,328</u>

NEXT YEAR'S BUDGET

The City's fiscal year 2020 budget, for all funds combined, net of interfund transfers, is \$17.80 million. In fiscal year 2019, the City took the stance that tax rates and service fees should remain virtually level from previous fiscal years. Cost savings have been realized though not filling some employee vacancies, revised health benefit plan that provided level agency funding for all participants, ensuring that major expenditures are vetted through competitive bid process, and ensuring employees understand management's philosophy or responsible fiscal management.

REQUEST FOR INFORMATION

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

CITY OF PARIS, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2019

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets			
Cash and cash equivalents	\$ 4,667,077	\$ 396,370	\$ 5,063,447
Receivables, net	1,534,887	932,477	2,467,364
Prepaid expense	-	5,155	5,155
Inventory	-	398,936	398,936
Internal balances	217,380	(217,380)	-
Total current assets	<u>6,419,344</u>	<u>1,515,558</u>	<u>7,934,902</u>
Noncurrent assets			
Restricted cash and cash equivalents	123,218	1,027,241	1,150,459
Capital assets			
Land and improvements	1,555,025	422,052	1,977,077
Construction in progress	17,215	363,509	380,724
Depreciable infrastructure, net	2,612,842	-	2,612,842
Depreciable buildings, property, and equipment, net	2,175,219	8,699,032	10,874,251
Total noncurrent assets	<u>6,483,519</u>	<u>10,511,834</u>	<u>16,995,353</u>
Total assets	<u>12,902,863</u>	<u>12,027,392</u>	<u>24,930,255</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	2,148,922	1,259,836	3,408,758
Deferred outflows - OPEB	998,238	437,890	1,436,128
Total deferred outflows of resources	<u>3,147,160</u>	<u>1,697,726</u>	<u>4,844,886</u>
Total assets and deferred outflows of resources	<u>\$ 16,050,023</u>	<u>\$ 13,725,118</u>	<u>\$ 29,775,141</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 356,283	\$ 511,658	\$ 867,941
Accrued liabilities	196,554	143,169	339,723
Accrued interest payable	-	5,460	5,460
Customer deposits	-	235,900	235,900
Current portion of long-term obligations	75,116	526,437	601,553
Total current liabilities	<u>627,953</u>	<u>1,422,624</u>	<u>2,050,577</u>
Noncurrent liabilities			
Compensated absences	297,239	128,087	425,326
Noncurrent portion of long-term obligations	160,483	2,287,718	2,448,201
Net pension liability	9,069,089	5,978,677	15,047,766
Net OPEB liability	2,923,657	1,480,378	4,404,035
Total noncurrent liabilities	<u>12,450,468</u>	<u>9,874,860</u>	<u>22,325,328</u>
Total liabilities	<u>13,078,421</u>	<u>11,297,484</u>	<u>24,375,905</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	901,480	213,858	1,115,338
Deferred inflows - OPEB	768,936	324,804	1,093,740
Total deferred inflows of resources	<u>1,670,416</u>	<u>538,662</u>	<u>2,209,078</u>
NET POSITION			
Net investment in capital assets	6,107,487	5,884,877	11,992,364
Restricted for:			
Debt service	-	292,459	292,459
Other purposes	123,218	734,782	858,000
Unrestricted	(4,929,519)	(5,023,146)	(9,952,665)
Total net position	<u>1,301,186</u>	<u>1,888,972</u>	<u>3,190,158</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 16,050,023</u>	<u>\$ 13,725,118</u>	<u>\$ 29,775,141</u>

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

CITY OF PARIS, KENTUCKY
STATEMENT OF ACTIVITIES
for the year ended June 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary government							
Governmental activities							
City commission	\$ 236,433	\$ -	\$ -	\$ -	\$ (236,433)	\$ -	\$ (236,433)
General administration	1,382,856	146,621	450,000	-	(786,235)	-	(786,235)
Community partners	892,078	-	-	-	(892,078)	-	(892,078)
Public safety-police	2,723,018	218,385	187,126	-	(2,317,507)	-	(2,317,507)
Public safety-fire	1,841,441	-	123,795	-	(1,717,646)	-	(1,717,646)
Public works	832,814	-	-	178,290	(654,524)	-	(654,524)
Interest on long-term debt	661	-	-	-	(661)	-	(661)
Total governmental activities	<u>7,909,301</u>	<u>365,006</u>	<u>760,921</u>	<u>178,290</u>	<u>(6,605,084)</u>	<u>-</u>	<u>(6,605,084)</u>
Business-type activities							
Electric	4,790,083	5,788,274	-	-	-	998,191	998,191
Sanitation	1,100,065	444,849	-	-	-	(655,216)	(655,216)
Water	2,125,158	1,618,105	-	-	-	(507,053)	(507,053)
Sewer	<u>1,900,938</u>	<u>1,654,939</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(245,999)</u>	<u>(245,999)</u>
Total business-type activities	<u>9,916,244</u>	<u>9,506,167</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(410,077)</u>	<u>(410,077)</u>
Total primary government	\$ 17,825,545	\$ 9,871,173	\$ 760,921	\$ 178,290	(6,605,084)	(410,077)	(7,015,161)
General revenues							
Taxes							
Property taxes, levied for general purposes					826,379	-	826,379
License fees:							
Franchise					259,888	-	259,888
Payroll					3,197,611	-	3,197,611
Insurance premiums					1,837,363	-	1,837,363
Net profit					734,301	-	734,301
Other licenses and permits					43,146	-	43,146
Fines and forfeits					1,919	-	1,919
Investment earnings					47,421	22,118	69,539
Miscellaneous					<u>60,682</u>	<u>153,712</u>	<u>214,394</u>
Total general revenues					<u>7,008,710</u>	<u>175,830</u>	<u>7,184,540</u>
Conveyance of property					(650,000)	-	(650,000)
Gain on disposal of assets					<u>83,135</u>	<u>-</u>	<u>83,135</u>
Change in net position					(163,239)	(234,247)	(397,486)
Net position-beginning					<u>1,464,425</u>	<u>2,123,219</u>	<u>3,587,644</u>
NET POSITION-ENDING					\$ 1,301,186	\$ 1,888,972	\$ 3,190,158

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

**CITY OF PARIS, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019**

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 4,541,699	\$ 248,596	\$ 4,790,295
Receivables, net	1,512,158	22,729	1,534,887
Due from other funds	217,380	-	217,380
Total assets	\$ 6,271,237	\$ 271,325	\$ 6,542,562
LIABILITIES			
Accounts payable	\$ 150,180	\$ 206,103	\$ 356,283
Accrued liabilities	196,554	-	196,554
Total liabilities	346,734	206,103	552,837
FUND BALANCES			
Restricted	57,996	65,222	123,218
Unassigned	5,866,507	-	5,866,507
Total fund balances	5,924,503	65,222	5,989,725
Total liabilities and fund balances	\$ 6,271,237	\$ 271,325	\$ 6,542,562

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

Fund balances per above	\$ 5,989,725
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,360,301
Long-term liabilities and related pension/OPEB deferred inflows/outflows are not due and payable in the current period and therefore are not reported in the funds.	<u>(11,048,840)</u>
Net position of governmental activities	<u>\$ 1,301,186</u>

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

CITY OF PARIS, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
for the year ended June 30, 2019

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 826,379	\$ -	\$ 826,379
Licenses and permits	6,072,309	-	6,072,309
Fees and fines	1,919	-	1,919
Intergovernmental	979,306	178,290	1,157,596
Charges for services	146,621	-	146,621
Other revenues	105,799	2,304	108,103
	<u>8,132,333</u>	<u>180,594</u>	<u>8,312,927</u>
Total revenues			
EXPENDITURES			
Current			
City commission	236,433	-	236,433
General administration	762,699	-	762,699
Community partners	892,078	-	892,078
Public safety-police	2,387,524	-	2,387,524
Public safety-fire	1,630,601	-	1,630,601
Public works	662,288	-	662,288
Capital outlay	1,115,238	206,102	1,321,340
Debt service	-	14,186	14,186
	<u>7,686,861</u>	<u>220,288</u>	<u>7,907,149</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>445,472</u>	<u>(39,694)</u>	<u>405,778</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of assets	83,135	-	83,135
Proceeds from debt issuance	249,124	-	249,124
Transfers in (out)	(14,186)	14,186	-
	<u>318,073</u>	<u>14,186</u>	<u>332,259</u>
Total other financing sources (uses)			
Net change in fund balances	763,545	(25,508)	738,037
Fund balances-beginning	<u>5,160,958</u>	<u>90,730</u>	<u>5,251,688</u>
Fund balances-ending	<u>\$ 5,924,503</u>	<u>\$ 65,222</u>	<u>\$ 5,989,725</u>
Reconciliation to government-wide change in net position:			
Net change in fund balances			\$ 738,037
Add: capital outlay expenditures			1,321,340
Add: debt service expenditures			14,186
Add: gain on disposal of assets			83,135
Less: change in compensated absences			(65,986)
Less: conveyance of property			(650,000)
Less: proceeds from sale of assets			(83,135)
Less: proceeds from debt issuance			(249,124)
Less: depreciation on governmental activities assets			(505,950)
Less: change in net pension liability			(625,296)
Less: change in net OPEB liability			(139,785)
Less: interest on long-term debt			(661)
			<u>(163,239)</u>
Change in net position governmental activities			<u>\$ (163,239)</u>

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

**CITY OF PARIS, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019**

	Business-Type Activities Utility Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 396,370
Receivables, net	932,477
Prepaid expenses	5,155
Inventory	<u>398,936</u>
Total current assets	<u>1,732,938</u>
Noncurrent assets	
Restricted cash and cash equivalents	1,027,241
Land and improvements	422,052
Construction in progress	363,509
Depreciable buildings, property, and equipment	38,869,192
Less: accumulated depreciation	<u>(30,170,160)</u>
Total noncurrent assets	<u>10,511,834</u>
Total assets	<u>12,244,772</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	1,259,836
Deferred outflows - OPEB	<u>437,890</u>
Total deferred outflows of resources	<u>1,697,726</u>
Total assets and deferred outflows of resources	<u>\$ 13,942,498</u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 511,658
Accrued liabilities	143,169
Accrued interest payable	5,460
Customer deposits	235,900
Due to other funds	217,380
Current portion of long-term debt	<u>526,437</u>
Total current liabilities	<u>1,640,004</u>
Noncurrent liabilities	
Compensated absences	128,087
Bonds, notes and loans payable	2,287,718
Net pension liability	5,978,677
Net OPEB liability	<u>1,480,378</u>
Total noncurrent liabilities	<u>9,874,860</u>
Total liabilities	<u>11,514,864</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	213,858
Deferred inflows - OPEB	<u>324,804</u>
Total deferred inflows of resources	<u>538,662</u>
NET POSITION	
Net investment in capital assets	5,884,877
Restricted for:	
Debt service	292,459
Other purposes	734,782
Unrestricted	<u>(5,023,146)</u>
Total net position	<u>1,888,972</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 13,942,498</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 POSITION
PROPRIETARY FUNDS
for the year ended June 30, 2019

	Business-type Activities Utility Fund
Operating revenues	
Charges for services	\$ 9,464,406
Rental income	47,923
Other revenues	<u>147,550</u>
Total operating revenues	<u>9,659,879</u>
Operating expenses	
Utility administration	1,325,189
Electric department	4,220,463
Water distribution	1,564,420
Sewer treatment	1,111,022
Sanitation	706,776
Depreciation	<u>890,711</u>
Total operating expenses	<u>9,818,581</u>
Operating income (loss)	<u>(158,702)</u>
Nonoperating revenues (expenses)	
Interest and investment income	22,118
Interest expense	<u>(97,663)</u>
Total nonoperating revenue (expenses)	<u>(75,545)</u>
Change in net position	(234,247)
Total net position-beginning	<u>2,123,219</u>
TOTAL NET POSITION-ENDING	<u>\$ 1,888,972</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, 2019

	<u>Business-Type Activities Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 9,526,392
Payments to suppliers	(5,804,027)
Payments for employee services and benefits	(2,077,450)
Payments for interfund services used	(450,000)
Other receipts	<u>195,473</u>
Net cash provided by operating activities	<u>1,390,388</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(371,855)
Principal payments on bonds, notes, and loans payable	(514,049)
Interest paid on capital debt	<u>(98,403)</u>
Net cash (used in) capital and related financing activities	<u>(984,307)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Receipts on interfund loans	<u>(128,267)</u>
Net cash (used in) noncapital financing activities	<u>(128,267)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and investment income	<u>22,118</u>
Net cash provided by investing activities	<u>22,118</u>
Net increase in cash and cash equivalents	299,932
Cash and cash equivalents-beginning of the year	<u>1,123,679</u>
CASH AND CASH EQUIVALENTS-END OF THE YEAR	<u>\$ 1,423,611</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ (158,702)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	890,711
Change in assets and liabilities:	
Net pension liability	511,155
Net OPEB liability	43,751
Receivables, net	50,287
Prepaid expense	7,733
Inventory	16,915
Customer deposits	11,700
Accounts and other payables	22,737
Accrued expenses	<u>(5,898)</u>
Net cash provided by operating activities	<u>\$ 1,390,389</u>
Reconciliation of total cash and cash equivalents:	
Current assets - cash and cash equivalents	\$ 396,370
Restricted cash and cash equivalents	<u>1,027,241</u>
	<u>\$ 1,423,611</u>
Supplemental disclosure of cash flow information:	
Noncash capital and related financing activities:	
Accounts payable for capital items, net	<u>\$ 87,747</u>

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

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

Government-wide Financial Statements

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

Fund Financial Statements

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

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

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

The following funds are used by the City of Paris:

Governmental Funds

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

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

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

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

Proprietary Funds

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

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

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

C. Basis of Accounting

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

Government-wide Financial Statements

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

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Fund Financial Statements

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

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

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

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

D. Fund Balance

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

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

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

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

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

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

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Balance (Continued)

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

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

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

E. Budgeting

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

The City estimates the expenses the General Fund paid or incurred on behalf of the Utility Fund. Total estimated expenses reimbursed to the General Fund from the Utilities Fund amounted to \$450,000 for the year ended June 30, 2019. In the fund financial statements, these reimbursements are recorded as "Intergovernmental" revenue in the General Fund and "Utility administration" expense in the Utility Fund.

F. Capital Assets

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

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

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

G. Pensions

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

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Postemployment Benefits Other Than Pensions (OPEB)

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

I. Compensated Absences

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

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

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

J. Interfund balances

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

K. Other Accounting Policies

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

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

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through January 21, 2020, 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, 2019, have not been evaluated by the City.

2. CASH AND INVESTMENTS

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

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

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk beyond that specified in KRS 66.480. The City's deposits and investments at June 30, 2019 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 \$6,213,906 and the bank balances were \$6,683,110. Bank balances of \$658,181 were covered by FDIC insurance, and \$6,024,929 by collateral held by the custodial banks.

3. ACCOUNTS RECEIVABLE

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

<u>Governmental activities</u>	General Fund	Nonmajor Funds	Total
Licenses and permits	\$ 1,325,510	\$ -	\$ 1,325,510
Intergovernmental	173,508	22,729	196,237
Other	<u>13,140</u>	<u>-</u>	<u>13,140</u>
Total receivables	<u>\$ 1,512,158</u>	<u>\$ 22,729</u>	<u>\$ 1,534,887</u>
<u>Business-type activities</u>	Utility Fund		
Charges for service	\$ 929,293		
Other	<u>3,184</u>		
Total receivables, net	<u>\$ 932,477</u>		

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

4. CAPITAL ASSETS

A summary of capital asset activity during the year ended June 30, 2019 is as follows:

<u>Governmental activities</u>	Balance			Balance
	July 1, 2018	Additions	Deletions	June 30, 2019
Capital assets not being depreciated:				
Land and improvements	\$ 1,555,025	\$ 650,000	\$ (650,000)	\$ 1,555,025
Construction in progress	<u>-</u>	<u>17,215</u>	<u>-</u>	<u>17,215</u>
Total	<u>1,555,025</u>	<u>17,215</u>	<u>-</u>	<u>1,572,240</u>
Capital assets being depreciated:				
Building and improvements	3,504,977	9,300	-	3,514,277
Vehicles	3,559,558	415,840	(255,274)	3,720,124
Equipment	<u>1,027,880</u>	<u>22,883</u>	<u>-</u>	<u>1,050,763</u>
Total	<u>8,092,415</u>	<u>448,023</u>	<u>(255,274)</u>	<u>8,285,164</u>
Total non-infrastructure assets	<u>9,647,440</u>	<u>1,115,238</u>	<u>(905,274)</u>	<u>9,857,404</u>
Infrastructure assets	<u>3,694,935</u>	<u>206,103</u>	<u>-</u>	<u>3,901,038</u>
Total capital assets	<u>13,342,375</u>	<u>1,321,341</u>	<u>(905,274)</u>	<u>13,758,442</u>
Accumulated depreciation:				
Buildings and improvements	2,064,711	98,898	-	2,163,609
Vehicles	3,161,670	184,662	(255,274)	3,091,058
Equipment	811,712	43,566	-	855,278
Infrastructure assets	<u>1,109,372</u>	<u>178,824</u>	<u>-</u>	<u>1,288,196</u>
Total	<u>7,147,465</u>	<u>505,950</u>	<u>(255,274)</u>	<u>7,398,141</u>
Governmental activities capital assets, net	<u>\$ 6,194,910</u>	<u>\$ 815,391</u>	<u>\$ (650,000)</u>	<u>\$ 6,360,301</u>
	Balance			Balance
	July 1, 2018	Additions	Deletions	June 30, 2019
<u>Business-type activities</u>				
Capital assets not being depreciated:				
Land and improvements	\$ 422,052	\$ -	\$ -	\$ 422,052
Construction in progress	<u>208,805</u>	<u>154,704</u>	<u>-</u>	<u>363,509</u>
Total	<u>630,857</u>	<u>154,704</u>	<u>-</u>	<u>785,561</u>
Capital assets being depreciated:				
Equipment and vehicles	3,170,555	99,923	-	3,270,478
Electric lines, poles, and plant	9,500,468	-	-	9,500,468
Water treatment plant and water system improvements	8,035,025	36,397	-	8,071,422
Sewer treatment plant and improvements	<u>17,858,246</u>	<u>168,578</u>	<u>-</u>	<u>18,026,824</u>
Total	<u>38,564,294</u>	<u>304,898</u>	<u>-</u>	<u>38,869,192</u>
Total capital assets	<u>39,195,151</u>	<u>459,602</u>	<u>-</u>	<u>39,654,753</u>
Accumulated depreciation	<u>29,279,449</u>	<u>890,711</u>	<u>-</u>	<u>30,170,160</u>
Business-type activities capital assets, net	<u>\$ 9,915,702</u>	<u>\$ (431,109)</u>	<u>\$ -</u>	<u>\$ 9,484,593</u>

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

4. CAPITAL ASSETS (CONTINUED)

Governmental activity includes the purchase of property totaling \$650,000. The land was subsequently conveyed to LADC Kentucky, LLC for economic development purposes.

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

<u>Governmental activities:</u>	
General government	\$ 207,317
Police	130,860
Fire	75,892
Public works	<u>91,881</u>
Total depreciation expense	<u>\$ 505,950</u>
 <u>Business-type activities:</u>	
Electric department	\$ 213,906
Water department	205,025
Sewer department	434,203
Sanitation	<u>37,577</u>
Total depreciation expense	<u>\$ 890,711</u>

5. LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2019:

Governmental activities

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019
Kentucky Bank note payable with interest at 1.58%	\$ -	\$ 249,124	\$ (13,525)	\$ 235,599
Compensated absences	231,253	65,986	-	297,239
Net pension liability	9,354,759	-	(285,670)	9,069,089
Net OPEB liability	<u>3,661,069</u>	<u>-</u>	<u>(737,412)</u>	<u>2,923,657</u>
Total governmental activities	<u>\$ 13,247,081</u>	<u>\$ 315,110</u>	<u>\$ (1,036,607)</u>	<u>\$ 12,525,584</u>

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

Year ended	Principal	Interest	Total
2020	\$ 75,116	\$ 2,907	\$ 78,023
2021	83,179	1,937	85,116
2022	<u>77,304</u>	<u>719</u>	<u>78,023</u>
	<u>\$ 235,599</u>	<u>\$ 5,563</u>	<u>\$ 241,162</u>

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

5. LONG-TERM DEBT (CONTINUED)

Business-type activities

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Due within one year
KIA note payable with interest at 1.80% maturing in fiscal year 2021	\$ 926,988	\$ -	\$ (365,820)	\$ 561,168	\$ 372,433
KBC note payable with interest at 3.29% maturing in fiscal year 2032	1,802,078	-	(115,000)	1,687,078	117,081
Series 2014 Revenue Bonds with interest at 2.75% maturing in fiscal year 2054	291,000	-	(5,000)	286,000	5,000
Traditional Bank note payable with interest at 3.30% maturing in fiscal year 2027	<u>308,138</u>	<u>-</u>	<u>(28,229)</u>	<u>279,909</u>	<u>31,923</u>
Total bonds and notes payable	<u>3,328,204</u>	<u>-</u>	<u>(514,049)</u>	<u>2,814,155</u>	<u>526,437</u>
Compensated absences	108,393	19,694	-	128,087	-
Net pension liability	5,908,922	69,755	-	5,978,677	-
Net OPEB liability	<u>1,727,534</u>	<u>-</u>	<u>(247,156)</u>	<u>1,480,378</u>	<u>-</u>
Total business-type activities	<u>\$ 11,073,053</u>	<u>\$ 89,449</u>	<u>\$ (761,205)</u>	<u>\$ 10,401,297</u>	<u>\$ 526,437</u>

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

Year ended	Principal	Interest	Total
2020	\$ 526,437	\$ 85,147	\$ 611,584
2021	346,728	73,661	420,389
2022	161,183	54,803	215,986
2023	167,824	62,500	230,324
2024	174,002	57,046	231,048
2025-2029	864,657	197,415	1,062,072
2030-2034	377,324	63,050	440,374
2035-2039	39,500	25,216	64,716
2040-2044	45,000	19,501	64,501
2045-2049	52,000	12,944	64,944
2050-2054	<u>59,500</u>	<u>5,421</u>	<u>64,921</u>
	<u>\$ 2,814,155</u>	<u>\$ 656,704</u>	<u>\$ 3,470,859</u>

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

6. CONDUIT DEBT

The City is the issuer of certain industrial revenue bonds issued in order to promote the local construction of production facilities. The facilities, which are constructed from the bond proceeds, are leased to the industrial companies for an amount required to annually service the debt. The lessee assumes ownership of the facilities at the completion of all lease payments required to fully service the debt. The lease payments are remitted directly to the trustee (bank) with whom the facilities are mortgaged. These bonds constitute a limited obligation of the City payable solely from the revenues and receipts derived from the lease agreement. Accordingly, the assets and liabilities relating to these bonds are not recorded on the books of the City. The amount of bonds outstanding at June 30, 2019 is not readily available.

7. RETIREMENT PLAN

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

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

Contributions – For the year ended June 30, 2019, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2019, participating employers contributed 21.48% of each employee's wages for non-hazardous job classifications and 35.34% of each employee's wages for hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 8. Plan members contributed 16.22% to the pension trust for non-hazardous job classifications and 24.87% to the pension trust for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

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

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

7. RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2019, the City contributed \$700,576, or 100% of the required contribution for non-hazardous job classifications, and the City contributed \$292,453, or 100% of the required contribution for hazardous job classifications.

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

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

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

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

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2019, the City reported a liability for its proportionate share of the net pension liability as follows:

Total Net		
Pension Liability	Non-hazardous	Hazardous
<u>\$ 15,047,766</u>	<u>\$ 9,779,811</u>	<u>\$ 5,267,955</u>

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

Non-hazardous	Hazardous
.1606%	.2178%

The proportionate share at June 30, 2018 decreased .0042% for non-hazardous and decreased .0332% for hazardous compared to the proportionate share as of June 30, 2017.

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

7. RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2019, the City recognized pension expense of \$2,131,520. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 738,230	\$ 143,156
Changes of assumptions	1,516,528	-
Net difference between projected and actual earnings on Plan investments	-	176,686
Changes in proportion and differences between City contributions and proportionate share of contributions	160,970	795,496
City contributions subsequent to the measurement date	<u>993,030</u>	<u>-</u>
Total	<u>\$ 3,408,758</u>	<u>\$ 1,115,338</u>

The \$993,030 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,

2020	\$ 1,146,047
2021	\$ 463,148
2022	\$ (232,525)
2023	\$ (76,280)

Actuarial Assumptions – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Hazardous

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP- 2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The total pension liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018.

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

7. RETIREMENT PLAN (CONTINUED)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	6.09%

Discount Rate – The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

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

	Non-hazardous		Hazardous	
	Discount rate	City's proportionate share of net pension liability	Discount rate	City's proportionate share of net pension liability
1% decrease	5.25%	\$ 12,311,770	5.25%	\$ 6,600,403
Current discount rate	6.25%	\$ 9,779,811	6.25%	\$ 5,267,955
1% increase	7.25%	\$ 7,658,474	7.25%	\$ 4,166,438

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

7. RETIREMENT PLAN (CONTINUED)

Payable to the Pension Plan – At June 30, 2019, the City reported a payable of \$135,903 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019. The payable includes both the pension and insurance contribution allocation.

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

Contributions – As more fully described in Note 7, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2019, the employer’s contribution was 5.26% to the insurance trust for non-hazardous job classifications and 10.47% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the year ended June 30, 2019, the City contributed \$227,191, or 100% of the required contribution for non-hazardous job classifications, and \$123,155, or 100% of the required contribution for hazardous job classifications.

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

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

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

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2019, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Total Net OPEB Liability	Non-hazardous	Hazardous
<u>\$ 4,404,035</u>	<u>\$ 2,850,960</u>	<u>\$ 1,553,075</u>

The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2018 was .1606% for non-hazardous and .2178% for hazardous, which was a decrease of .0042% and a decrease of .0032%, respectively, compared to the proportionate share as of June 30, 2017.

For the year ended June 30, 2019, the City recognized OPEB expense of \$565,588. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ -	\$ 505,802
Changes of assumptions	1,045,975	10,835
Net difference between projected and actual earnings on Plan investments	-	344,023
Changes in proportion and differences between City contributions and proportionate share of contributions	-	233,080
City contributions subsequent to the measurement date	<u>390,153</u>	<u>-</u>
Total	<u>\$ 1,436,128</u>	<u>\$ 1,093,740</u>

The \$390,153 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. This includes adjustments of \$45,992 for the nonhazardous implicit subsidy and (\$6,184) for the hazardous implicit subsidy, which are required to be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

Year ending June 30,		
2020	\$	44,614
2021	\$	44,614
2022	\$	(41,099)
2023	\$	(33,479)
2024	\$	(39,620)
2025	\$	(22,795)

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

Actuarial Assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Non-hazardous and
Hazardous**

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	

Pre – 65: Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.

Post – 65: Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2018, was based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018.

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	6.09%

Discount Rate – The discount rate used to measure the total net OPEB liability was 5.85% and 5.97% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index” as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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

	Non-hazardous		Hazardous	
	Discount rate	City's proportionate share of net OPEB liability	Discount rate	City's proportionate share of net OPEB liability
1% decrease	4.85%	\$ 3,702,939	4.97%	\$ 2,158,851
Current discount rate	5.85%	\$ 2,850,960	5.97%	\$ 1,553,075
1% increase	6.85%	\$ 2,125,228	6.97%	\$ 1,068,136

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

	Non-hazardous		Hazardous	
	Discount rate	City's proportionate share of net OPEB liability	Discount rate	City's proportionate share of net OPEB liability
1% decrease		\$ 2,122,568		\$ 1,057,719
Current trend rate		\$ 2,850,960		\$ 1,553,075
1% increase		\$ 3,709,524		\$ 2,166,594

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

9. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2019 were levied on the assessed valuation of property located in Bourbon County as of January 1, 2018 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.

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

10. RISK MANAGEMENT

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

The measurement date of the net pension liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the City's corresponding measurement date of the net pension liability and differs from the City's fiscal year payroll, reported on the schedule of contributions.

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

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

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

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

The measurement date of the net pension liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the City's corresponding measurement date of the net pension liability and differs from the City's fiscal year payroll, reported on the schedule of contributions.

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

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

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

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the schedule of proportionate share of the net pension liability.

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

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

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

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability.

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

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

	2019	2018	2017
City's proportion of the net OPEB liability	0.1606%	0.1648%	0.1648%
City's proportionate share of the net OPEB liability (asset)	\$ 2,850,960	\$ 3,314,029	\$ 2,599,425
City's covered employee payroll	\$ 4,068,530	\$ 4,022,672	\$ 3,731,788
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	70.07%	82.38%	69.66%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	52.39%	unavailable

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of the CERS. The above contributions only include those contributions allocated directly to the CERS insurance fund.

The measurement date of the net OPEB liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the corresponding measurement date of the net OPEB liability and differs from the City's fiscal year payroll, reported on the schedule of contributions.

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

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

	2019	2018	2017
City's proportion of the net OPEB liability	0.2178%	0.2510%	0.2510%
City's proportionate share of the net OPEB liability (asset)	\$ 1,553,075	\$ 2,074,574	\$ 1,239,634
City's covered employee payroll	\$ 1,206,352	\$ 1,394,492	\$ 1,486,407
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	128.74%	148.77%	83.40%
Plan fiduciary net position as a percentage of the total OPEB liability	64.24%	58.99%	unavailable

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of the CERS. The above contributions only include those contributions allocated directly to the CERS insurance fund.

The measurement date of the net OPEB liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the corresponding measurement date of the net OPEB liability and differs from the City's fiscal year payroll, reported on the schedule of contributions.

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

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

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

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of the CERS. The above contributions only include those contributions allocated directly to the CERS insurance fund.

The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the schedule of proportionate share of the net OPEB liability.

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

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

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

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of the CERS. The above contributions only include those contributions allocated directly to the CERS insurance fund.

The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the schedule of proportionate share of the net OPEB liability.

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

**CITY OF PARIS, KENTUCKY
REQUIRED SUPPLEMENTARY
BUDGETARY INFORMATION
GENERAL FUND
for the year ended June 30, 2019**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES				
Taxes	\$ 749,000	\$ 749,000	\$ 826,379	\$ 77,379
Licenses and permits	5,521,500	5,521,500	6,072,309	550,809
Fines and forfeits	3,000	3,000	1,919	(1,081)
Intergovernmental	450,000	594,000	979,306	385,306
Charges for services	130,000	130,000	146,621	16,621
Other revenues	<u>597,000</u>	<u>703,000</u>	<u>105,799</u>	<u>(597,201)</u>
 Total revenues	 <u>7,450,500</u>	 <u>7,700,500</u>	 <u>8,132,333</u>	 <u>431,833</u>
EXPENDITURES				
Current				
City commission	316,750	235,500	236,433	933
General administration	802,800	748,000	762,699	14,699
Community partners	891,875	973,000	892,078	(80,922)
Public safety-police	2,594,375	2,303,000	2,387,524	84,524
Public safety-fire	1,678,000	1,581,000	1,630,601	49,601
Public works	1,013,700	640,000	662,288	22,288
Capital outlay	78,000	1,200,000	1,115,238	(84,762)
Debt service	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total expenditures	 <u>7,450,500</u>	 <u>7,680,500</u>	 <u>7,686,861</u>	 <u>6,361</u>
 Excess (deficiency) of revenues over expenditures	 <u>-</u>	 <u>20,000</u>	 <u>445,472</u>	 <u>425,472</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-	83,135	83,135
Proceeds from debt issuance	-	-	249,124	249,124
Transfers (out)	<u>-</u>	<u>-</u>	<u>(14,186)</u>	<u>(14,186)</u>
 Total other financing sources (uses)	 <u>-</u>	 <u>-</u>	 <u>318,073</u>	 <u>318,073</u>
 Net change in fund balances	 <u>\$ -</u>	 <u>\$ 20,000</u>	 <u>\$ 763,545</u>	 <u>\$ 743,545</u>

SUPPLEMENTARY INFORMATION

**CITY OF PARIS, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019**

	Municipal Road Aid Fund	Debt Service	Total
ASSETS			
Cash	\$ 248,596	\$ -	\$ 248,596
Accounts receivable	22,729	-	22,729
Total assets	\$ 271,325	\$ -	\$ 271,325
LIABILITIES			
Accounts payable	\$ 206,103	\$ -	\$ 206,103
FUND BALANCES			
Restricted	65,222	-	65,222
Total liabilities and fund balances	\$ 271,325	\$ -	\$ 271,325

CITY OF PARIS, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

	Municipal Road Aid Fund	Debt Service	Total
REVENUES			
Intergovernmental revenue	\$ 178,290	\$ -	\$ 178,290
Other revenues	2,304	-	2,304
Total revenues	180,594	-	180,594
EXPENDITURES			
Capital outlay	206,102	-	206,102
Debt service	-	14,186	14,186
Total expenditures	206,102	14,186	220,288
Excess (deficiency) of revenues over expenditures	(25,508)	(14,186)	(39,694)
OTHER FINANCING SOURCES			
Transfers in	-	14,186	14,186
Total other financing sources	-	14,186	14,186
Net change in fund balances	(25,508)	-	(25,508)
Fund balances-beginning	90,730	-	90,730
Fund balances-ending	\$ 65,222	\$ -	\$ 65,222

CITY OF PARIS, KENTUCKY
SCHEDULE OF OPERATING EXPENSES
UTILITY FUND
for the year ended June 30, 2019

UTILITY ADMINISTRATION	
Personnel services	\$ 543,975
Contractual services	212,524
Materials and supplies	48,854
Other expenses	69,836
Payment in lieu of taxes	<u>450,000</u>
Total utility administration	<u>1,325,189</u>
ELECTRIC DEPARTMENT	
Personnel services	635,468
Electric purchases	3,201,096
Contractual services	209,250
Materials and supplies	<u>174,649</u>
Total electric department	<u>4,220,463</u>
WATER DISTRIBUTION	
Personnel services	1,038,412
Contractual services	188,539
Materials and supplies	334,875
Other expenses	<u>2,594</u>
Total water distribution	<u>1,564,420</u>
SEWER TREATMENT	
Personnel services	628,192
Contractual services	348,880
Materials and supplies	<u>133,950</u>
Total sewer treatment	<u>1,111,022</u>
SANITATION	
Personnel services	230,411
Contractual services	317,842
Materials and supplies	12,986
Recycling center	<u>145,537</u>
Total sanitation	<u>706,776</u>
DEPRECIATION	
	<u>890,711</u>
Total operating expenses	<u>\$ 9,818,581</u>



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

To the Mayor and Commissioners
City of Paris, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Paris, Kentucky, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Paris, Kentucky's basic financial statements, and have issued our report thereon dated January 21, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Paris, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Paris, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Paris, Kentucky's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

RFH

RFH, PLLC
Lexington, Kentucky
January 21, 2020