

CITY OF PARIS
Paris, Kentucky

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**
June 30, 2021

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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, 2021, 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, 2021, 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 45-55 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 March 16, 2022, 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
March 16, 2022

**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, 2021. It is supplementary information required by the Governmental Accounting Standards Board (GASB) and is intended to provide a readable explanation of the information within the basic financial statements. It should be read in conjunction with the financial statements immediately following the analysis.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government - Wide Highlights

- Total assets plus deferred outflows of resources of the Primary Government exceeded total liabilities and deferred inflows of resources by approximately \$2.78 million at the close of fiscal year 2021. This amount includes a net investment in capital assets of \$13.44 million and an overall deficit in unrestricted net position of approximately \$12.00 million.
- Governmental Activities’ net position was \$2.13 million at the end of fiscal year 2021. This amount includes a net investment in capital assets of \$6.40 million and an overall deficit in unrestricted net position of approximately \$4.32 million. The net investment in capital assets comprises 299.70% of total net position.
- Business-Type Activities’ net position was \$647 thousand at the end of fiscal year 2021. This amount includes a net investment in capital assets of \$7.04 million and an overall deficit in unrestricted net position of approximately \$7.67 million. The net investment in capital assets comprises 1,088.26% of total net position.

Fund Highlights

- As of June 30, 2021, the City’s governmental funds reported combined ending fund balances of \$8.75 million, an increase of \$854 thousand compared to the previous fiscal year. Of this amount, \$60 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 \$8.68 million or 119.84% of general fund expenditures.

The General Fund’s cash and cash equivalents balance increased approximately \$1.67 million compared to the previous fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

Three key elements comprise the basic financial statements, including:

- Government-Wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

A. Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the City's finances in a manner 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, 2021. Accordingly, the City's net position, the difference between assets (what the citizens own) plus deferred outflows of resources and liabilities (what the citizens owe) plus deferred inflows of resources, is one way to determine the financial condition of the City. Over time, increases or decreases in net position are one indicator of whether the financial health of the City is improving or deteriorating. However, additional factors such as changes in the City's revenue structure, its tax base, and its level of assets held, should be considered 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: police, fire, streets, public works, parks, and general administration. Internal Service Fund balances are reported as part of Governmental Activities.

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

B. Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

C. Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

Net position 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 \$2.78 million as of June 30, 2021, a decrease of \$830 thousand from the previous year.

The largest proportion of the City's net position, \$13.44 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>2021</u>	<u>2020</u>	<u>Change</u>
ASSETS			
Current and other assets	\$ 10,548	\$ 10,006	\$ 542
Restricted cash and other assets	3,370	1,116	2,254
Capital assets	<u>17,131</u>	<u>17,446</u>	<u>(315)</u>
Total assets	<u>31,049</u>	<u>28,568</u>	<u>2,481</u>
DEFERRED OUTFLOWS OF RESOURCES	5,391	5,539	(148)
LIABILITIES			
Current and other liabilities	2,101	2,409	(308)
Long-term liabilities	<u>29,541</u>	<u>25,598</u>	<u>3,943</u>
Total liabilities	<u>31,642</u>	<u>28,007</u>	<u>3,635</u>
DEFERRED INFLOWS OF RESOURCES	2,016	2,490	(474)
NET POSITON			
Net investment in capital assets	13,440	12,349	1,091
Restricted for:			
Debt service	283	281	2
Other purposes	1,053	835	218
Unrestricted	<u>(11,995)</u>	<u>(9,854)</u>	<u>(2,141)</u>
Total net position	<u>\$ 2,781</u>	<u>\$ 3,611</u>	<u>\$ (830)</u>

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

Table 2 indicates that the net position of Governmental Activities totaled approximately \$2.13 million, or 12.7% of total assets, a decrease of \$98 thousand over the previous year. Of this total, \$6.40 million is invested in capital assets (e.g. land, infrastructures, buildings and improvements, and machinery and equipment), minus any related debt, which is still outstanding and used to acquire those assets.

Current assets exceeded current liabilities by approximately \$8.55 million at the end of fiscal year 2021.

	Total Governmental Activities		
	<u>2021</u>	<u>2020</u>	<u>Change</u>
ASSETS			
Current and other assets	\$ 9,159	\$ 8,366	\$ 793
Restricted cash and other assets	60	83	(23)
Capital assets	<u>7,604</u>	<u>7,944</u>	<u>(340)</u>
Total assets	<u><u>16,823</u></u>	<u><u>16,393</u></u>	<u><u>430</u></u>
DEFERRED OUTFLOWS OF RESOURCES	3,137	3,379	(242)
LIABILITIES			
Current and other liabilities	612	778	(166)
Long-term liabilities	<u>15,646</u>	<u>14,988</u>	<u>658</u>
Total liabilities	<u><u>16,258</u></u>	<u><u>15,766</u></u>	<u><u>492</u></u>
DEFERRED INFLOWS OF RESOURCES	1,568	1,773	(205)
NET POSITON			
Net investment in capital assets	6,396	6,389	7
Restricted for:			
Debt service			-
Other purposes	60	83	(23)
Unrestricted	<u>(4,322)</u>	<u>(4,240)</u>	<u>(82)</u>
Total net position	<u><u>\$ 2,134</u></u>	<u><u>\$ 2,232</u></u>	<u><u>\$ (98)</u></u>

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

	Total Business-Type Activities		
	<u>2021</u>	<u>2020</u>	<u>Change</u>
ASSETS			
Current and other assets	\$ 1,389	\$ 1,640	\$ (251)
Restricted cash and other assets	3,310	1,033	2,277
Capital assets	<u>9,527</u>	<u>9,502</u>	<u>25</u>
Total assets	<u><u>14,226</u></u>	<u><u>12,175</u></u>	<u><u>2,051</u></u>
DEFERRED OUTFLOWS OF RESOURCES	2,254	2,160	94
LIABILITIES			
Current and other liabilities	1,490	1,630	(140)
Long-term liabilities	<u>13,894</u>	<u>10,610</u>	<u>3,284</u>
Total liabilities	<u><u>15,384</u></u>	<u><u>12,240</u></u>	<u><u>3,144</u></u>
DEFERRED INFLOWS OF RESOURCES	448	716	(268)
NET POSITON			
Net investment in capital assets	7,044	5,960	1,084
Restricted for:			
Debt service	283	281	2
Other purposes	993	752	241
Unrestricted	<u>(7,673)</u>	<u>(5,614)</u>	<u>(2,059)</u>
Total net position	<u><u>\$ 647</u></u>	<u><u>\$ 1,379</u></u>	<u><u>\$ (732)</u></u>

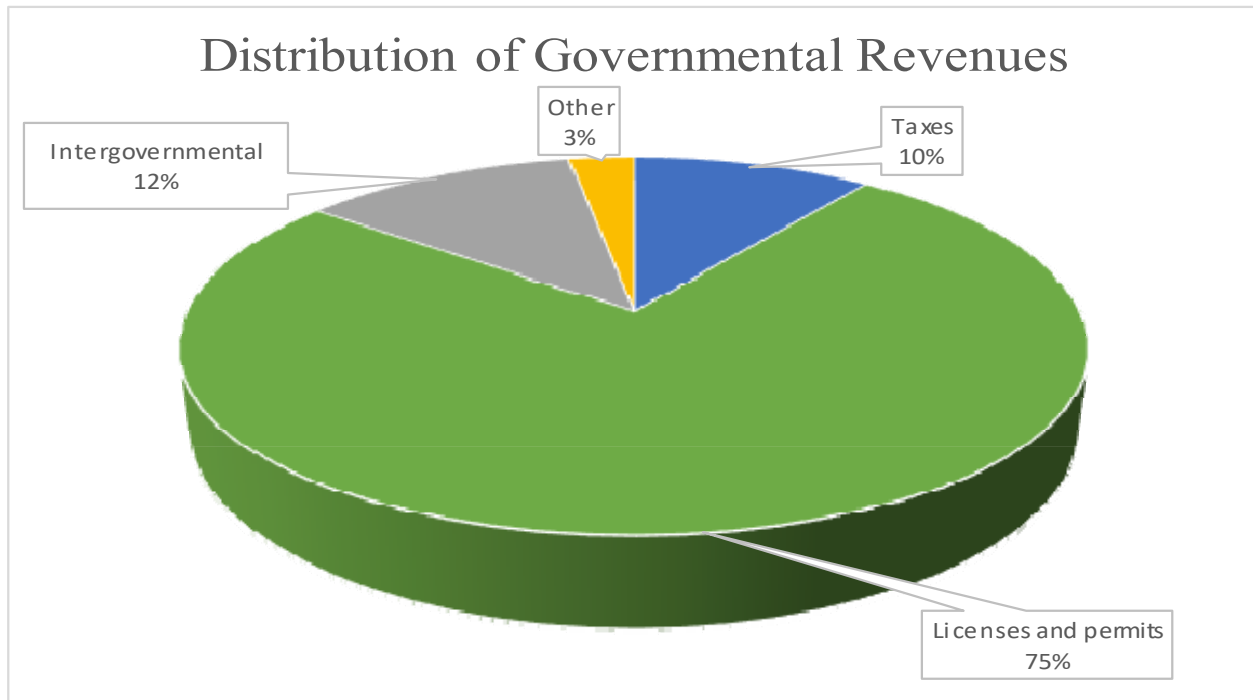
Table 3 indicates that the net position of Business-Type Activities totaled approximately \$647 thousand or 4.5% of total assets, a decrease of \$731 thousand over the previous year. Of this total, \$7.04 million is invested in capital assets, minus related debt which is still outstanding and used to acquire those assets. The City uses these capital assets in the same way as the capital assets held by Governmental Activities.

Current liabilities exceed current assets by approximately \$101 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 four 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 32% and 22%, respectively, of total expenditures of the City’s Governmental Activities.

Expenditures for police totaled approximately \$2.68 million (Table 4) for fiscal year 2021, a decrease of \$27 thousand compared to the previous fiscal year. Expenditures for fire totaled approximately \$2.01 million (Table 4) for fiscal year 2021, a decrease of \$87 thousand compared to the previous fiscal year.

Salary and wage costs, including benefits for police totaled \$2.14 million for fiscal year 2021 or approximately 86% of total police expenditures for 2021.

Salary and wage costs, including benefits for fire totaled \$1.49 million for fiscal year 2021 or approximately 88% of the total fire expenditures for 2021.

Chart 2

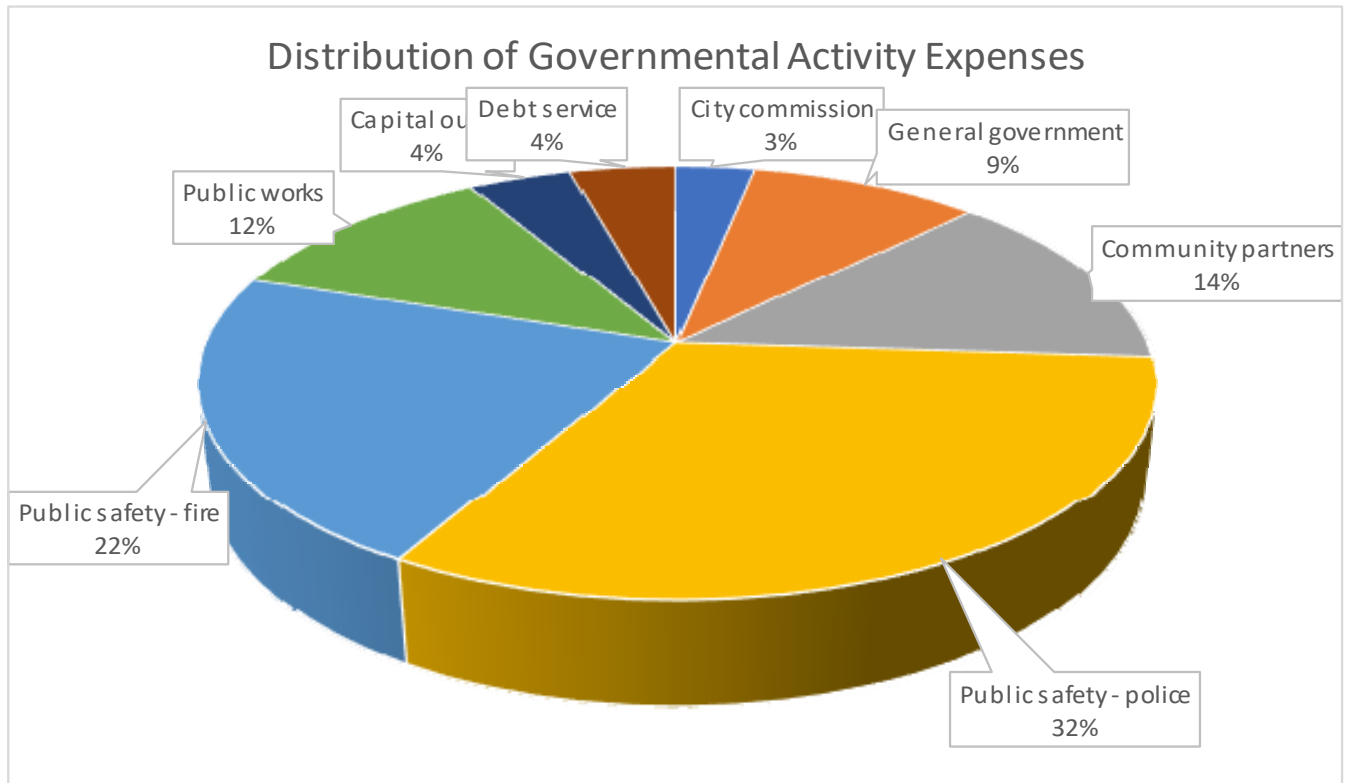


Table 4
City of Paris, Kentucky
Summary of Statement of Activities
For Years as Stated
(in thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Program Revenue:						
Charge for services	\$ 66	\$ 85	\$ 9,201	\$ 9,543	\$ 9,267	\$ 9,628
General revenues:						
Tax	885	845			885	845
Licenses	6,173	6,792			6,173	6,792
Intergovernmental	1,134	1,607			1,134	1,607
Fines and forfeitures	1	1			1	1
Other revenues	371	369	186	278	557	647
Total revenues	<u>8,630</u>	<u>9,699</u>	<u>9,387</u>	<u>9,821</u>	<u>18,017</u>	<u>19,520</u>
Program Expenses:						
City commission	247	239			247	239
General government	1,560	1,541			1,560	1,541
Community partners	1,058	1,195			1,058	1,195
Public safety - police	2,683	2,710			2,683	2,710
Public safety - fire	2,012	2,099			2,012	2,099
Public works	1,149	967			1,149	967
Interest on long-term debt	18	17			18	17
Conveyance of property					-	0
Electric			5,314	5,254	5,314	5,254
Sanitation			660	769	660	769
Water			2,174	2,270	2,174	2,270
Sewer			1,970	2,038	1,970	2,038
Total program expenses	<u>8,727</u>	<u>8,768</u>	<u>10,118</u>	<u>10,331</u>	<u>18,845</u>	<u>19,099</u>
Net change in net position	\$ <u>(97)</u>	\$ <u>931</u>	\$ <u>(731)</u>	\$ <u>(510)</u>	\$ <u>(828)</u>	\$ <u>421</u>

As indicated by Table 4, revenues from Governmental Activities totaled \$8.6 million, which was an decrease of \$1.1 million or 11%, from the previous year. Licenses and permits totaled \$6.17 million, representing 71.5% 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 decreased by \$619 thousand from the previous year. Property taxes increased by \$40 thousand.

As noted on Table 4, total expense of Governmental Activities was \$8.73 million, a decrease of \$41 thousand from the previous fiscal year.

Business-Type Activities

Also indicated by Table 4, revenues from Business-Type Activities decreased \$434 thousand from the previous fiscal year. Overall, a stabilization in overall electric costs was a key factor in the decrease from 2021 compared to 2020.

Total expenses for Business-Type Activities decreased when compared to fiscal year 2020, by \$213 thousand. Overall lower electric maintenance costs were a key factor in the related increase from 2021 compared to 2020.

BUDGETARY HIGHLIGHTS

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

For fiscal year 2021, General Fund revenues totaled \$8.46 million, a decrease of 9.29% from the previous fiscal year. Total revenues were \$352 thousand above the budgeted amount. The increase in actual revenue is the result of continued growth in the local and U.S. economies, which affected both business returns and franchise fees. Total ad valorem taxes were \$29 thousand above the final budgeted amount.

General fund expenditures of the City totaled \$7.24 million, a decrease of \$1.50 million over the previous fiscal year. Expenditures were \$1.44 million below the final budgeted amount.

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

Table 5
City of Paris, Kentucky
General Fund Budgetary Highlights
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
REVENUES			
Taxes	\$ 856,250	\$ 884,910	\$ 28,660
Licenses and permits	6,146,070	6,486,977	340,907
Fines and forfeitures	2,500	989	(1,511)
Intergovernmental	868,000	854,618	(13,382)
Charges for services		114,878	114,878
Other revenues	<u>240,000</u>	<u>122,608</u>	<u>(117,392)</u>
Total revenues	<u>8,112,820</u>	<u>8,464,980</u>	<u>352,160</u>
EXPENDITURES			
Current			
City commission	285,000	247,337	(37,663)
General government	810,000	722,452	(87,548)
Community partners	1,036,000	1,058,017	22,017
Public safety - police	3,300,000	2,501,241	(798,759)
Public safety - fire	1,876,725	1,698,061	(178,664)
Public works	1,375,000	891,861	(483,139)
Capital outlay		<u>123,591</u>	<u>123,591</u>
Total expenditures	<u>8,682,725</u>	<u>7,242,560</u>	<u>(1,440,165)</u>
Excess (deficiency) of revenues over expenditures	(569,905)	1,222,420	1,792,325
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of assets			-
Proceeds from debt issuance	400,000		(400,000)
Transfers (out)		<u>(333,078)</u>	<u>(333,078)</u>
Total other financing sources (uses)	<u>400,000</u>	<u>(333,078)</u>	<u>(733,078)</u>
Net change in net position	<u>\$ (169,905)</u>	<u>\$ 889,342</u>	<u>\$ 1,059,247</u>

CAPITAL ASSETS

The City's capital assets totaled \$17.13 million as of June 30, 2021. This investment includes land, buildings, equipment, park facilities, roads, bridges, and water and sewer systems. For Governmental Activities, capital assets totaled \$7.60 million. For Business-Type Activities, capital assets totaled \$9.53 million.

This year's major changes in capital assets included:

- Governmental Activities capital assets decreased by \$340 thousand from the prior fiscal year. Depreciation expense for Governmental Activities totaled \$663 thousand for the fiscal year ended 2021.
- Business-Type Activities capital assets increased by \$25 thousand from the prior fiscal year. Depreciation expense for Business-Type Activities totaled \$879 thousand for the fiscal year ended 2021.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Land and improvements	\$ 1,729	\$ 1,729	\$ 422	\$ 422	\$ 2,151	\$ 2,151
Building and improvements	3,686	3,624			3,686	3,624
Equipment and vehicles	6,341	6,269	3,986	3,894	10,327	10,163
Electric lines, poles and plant			10,083	9,476	10,083	9,476
Water treatment plant and water system improvements			8,124	8,039	8,124	8,039
Sewer treatment plant and improvements			18,027	18,027	18,027	18,027
Infrastructure assets	4,451	4,250			4,451	4,250
Construction in progress	22	33	726	606	748	639
	<u>16,229</u>	<u>15,905</u>	<u>41,368</u>	<u>40,464</u>	<u>57,597</u>	<u>56,369</u>
Less accumulated depreciation	<u>8,625</u>	<u>7,961</u>	<u>31,841</u>	<u>30,962</u>	<u>40,466</u>	<u>38,923</u>
Capital assets, net	<u>\$ 7,604</u>	<u>\$ 7,944</u>	<u>\$ 9,527</u>	<u>\$ 9,502</u>	<u>\$ 17,131</u>	<u>\$ 17,446</u>

Construction in progress at June 30, 2021 includes costs of \$466 thousand for water meter replacements and \$260 thousand for engineering fees for water and waste water improvements.

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

DEBT ADMINISTRATION

As of the end of fiscal year 2021, the City had \$5.7 million in bonds and notes outstanding; Governmental Activities’ debt decreased by \$315 thousand; Business-Type Activities’ debt increased by \$2.00 million.

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>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
General obligation bonds, notes and leases	\$ 1,208	\$ 1,523	\$ 4,026	\$ 1,985	\$ 5,234	\$ 3,508
Revenue bonds			276	281	276	281
Mortgage notes			215	248	215	248
Total debt	<u>\$ 1,208</u>	<u>\$ 1,523</u>	<u>\$ 4,517</u>	<u>\$ 2,514</u>	<u>\$ 5,725</u>	<u>\$ 4,037</u>

NEXT YEAR’S BUDGET

The City’s fiscal year 2022 budget, for all funds combined, net of interfund transfers, is \$19.02 million. In fiscal year 2021, the City took the stance that tax rates and service fees should remain virtually level from previous fiscal years. Cost savings have been realized through 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 on 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, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 7,191,472	\$ 246,544	\$ 7,438,016
Receivables, net	1,605,159	997,381	2,602,540
Prepaid expense	24,653	19,857	44,510
Inventory	-	462,844	462,844
Internal balances	<u>337,863</u>	<u>(337,863)</u>	<u>-</u>
Total current assets	<u>9,159,147</u>	<u>1,388,763</u>	<u>10,547,910</u>
Noncurrent assets			
Restricted cash and cash equivalents	59,913	3,310,027	3,369,940
Capital assets			
Land and improvements	1,728,917	422,052	2,150,969
Construction in progress	22,000	725,952	747,952
Depreciable infrastructure, net	2,758,655	-	2,758,655
Depreciable buildings, property, and equipment, net	<u>3,094,785</u>	<u>8,378,790</u>	<u>11,473,575</u>
Total noncurrent assets	<u>7,664,270</u>	<u>12,836,821</u>	<u>20,501,091</u>
Total assets	<u>16,823,417</u>	<u>14,225,584</u>	<u>31,049,001</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	1,679,081	1,313,104	2,992,185
Deferred outflows - OPEB	<u>1,458,097</u>	<u>940,460</u>	<u>2,398,557</u>
Total deferred outflows of resources	<u>3,137,178</u>	<u>2,253,564</u>	<u>5,390,742</u>
Total assets and deferred outflows of resources	<u>\$ 19,960,595</u>	<u>\$ 16,479,148</u>	<u>\$ 36,439,743</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 213,573	\$ 523,139	\$ 736,712
Accrued liabilities	253,701	202,530	456,231
Accrued interest payable	-	10,072	10,072
Customer deposits	-	263,225	263,225
Deferred revenue	-	253,678	253,678
Current portion of long-term obligations	<u>144,495</u>	<u>237,120</u>	<u>381,615</u>
Total current liabilities	<u>611,769</u>	<u>1,489,764</u>	<u>2,101,533</u>
Noncurrent liabilities			
Compensated absences	417,686	134,066	551,752
Noncurrent portion of long-term obligations	1,063,563	4,279,445	5,343,008
Net pension liability	10,557,838	7,460,596	18,018,434
Net OPEB liability	<u>3,607,339</u>	<u>2,020,331</u>	<u>5,627,670</u>
Total noncurrent liabilities	<u>15,646,426</u>	<u>13,894,438</u>	<u>29,540,864</u>
Total liabilities	<u>16,258,195</u>	<u>15,384,202</u>	<u>31,642,397</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	759,219	41,683	800,902
Deferred inflows - OPEB	<u>808,969</u>	<u>406,026</u>	<u>1,214,995</u>
Total deferred inflows of resources	<u>1,568,188</u>	<u>447,709</u>	<u>2,015,897</u>
NET POSITION			
Net investment in capital assets	6,396,299	7,043,652	13,439,951
Restricted for:			
Debt service	-	283,268	283,268
Other purposes	59,913	993,336	1,053,249
Unrestricted	<u>(4,322,000)</u>	<u>(7,673,019)</u>	<u>(11,995,019)</u>
Total net position	<u>2,134,212</u>	<u>647,237</u>	<u>2,781,449</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 19,960,595</u>	<u>\$ 16,479,148</u>	<u>\$ 36,439,743</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, 2021**

<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	\$ 247,337	\$ -	\$ -	\$ -	\$ (247,337)	\$ -	\$ (247,337)
General administration	1,559,981	114,878	106,806	-	(1,338,297)	-	(1,338,297)
Community partners	1,058,017	-	-	-	(1,058,017)	-	(1,058,017)
Public safety-police	2,682,640	219,788	274,019	-	(2,188,833)	-	(2,188,833)
Public safety-fire	2,011,878	-	249,520	-	(1,762,358)	-	(1,762,358)
Public works	1,148,636	-	4,485	163,746	(980,405)	-	(980,405)
Interest on long-term debt	18,466	-	-	-	(18,466)	-	(18,466)
Total governmental activities	<u>8,726,955</u>	<u>334,666</u>	<u>634,830</u>	<u>163,746</u>	<u>(7,593,713)</u>	<u>-</u>	<u>(7,593,713)</u>
Business-type activities							
Electric	5,314,409	5,706,893	-	-	-	392,484	392,484
Sanitation	659,975	130,467	-	-	-	(529,508)	(529,508)
Water	2,174,032	1,621,431	88,911	-	-	(463,690)	(463,690)
Sewer	1,969,645	1,741,929	-	-	-	(227,716)	(227,716)
Total business-type activities	<u>10,118,061</u>	<u>9,200,720</u>	<u>88,911</u>	<u>-</u>	<u>-</u>	<u>(828,430)</u>	<u>(828,430)</u>
Total primary government	\$ 18,845,016	\$ 9,535,386	\$ 723,741	\$ 163,746	(7,593,713)	(828,430)	(8,422,143)
General revenues							
Taxes							
Property taxes, levied for general purposes							
					884,910	-	884,910
License fees:							
Franchise							
					314,296	-	314,296
Payroll							
					3,587,609	-	3,587,609
Insurance premiums							
					1,740,270	-	1,740,270
Net profit							
					815,302	-	815,302
Other licenses and permits							
					29,500	-	29,500
Fines and forfeits							
					989	-	989
Investment earnings							
					57,435	12,996	70,431
Miscellaneous							
					65,904	84,072	149,976
Total general revenues					<u>7,496,215</u>	<u>97,068</u>	<u>7,593,283</u>
Change in net position					(97,498)	(731,362)	(828,860)
Net position-beginning					<u>2,231,710</u>	<u>1,378,599</u>	<u>3,610,309</u>
NET POSITION-ENDING					\$ 2,134,212	\$ 647,237	\$ 2,781,449

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

**CITY OF PARIS, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021**

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 7,213,447	\$ 37,938	\$ 7,251,385
Receivables, net	1,586,364	18,795	1,605,159
Prepaid expenses	24,653	-	24,653
Due from other funds	406,517	-	406,517
Total assets	<u>\$ 9,230,981</u>	<u>\$ 56,733</u>	<u>\$ 9,287,714</u>
LIABILITIES			
Accounts payable	\$ 213,573	\$ -	\$ 213,573
Accrued liabilities	253,701	-	253,701
Due to other funds	-	68,654	68,654
Total liabilities	<u>467,274</u>	<u>68,654</u>	<u>535,928</u>
FUND BALANCES			
Nonspendable	24,653	-	24,653
Restricted	59,913	-	59,913
Unassigned	8,679,141	(11,921)	8,667,220
Total fund balances	<u>8,763,707</u>	<u>(11,921)</u>	<u>8,751,786</u>
Total liabilities and fund balances	<u>\$ 9,230,981</u>	<u>\$ 56,733</u>	<u>\$ 9,287,714</u>

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

Fund balances per above	\$ 8,751,786
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	7,604,357
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>(14,221,931)</u>
Net position of governmental activities	<u>\$ 2,134,212</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, 2021

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 884,910	\$ -	\$ 884,910
Licenses and permits	6,486,977	-	6,486,977
Fees and fines	989	-	989
Intergovernmental	854,618	163,746	1,018,364
Charges for services	114,878	-	114,878
Other revenues	<u>122,608</u>	<u>731</u>	<u>123,339</u>
Total revenues	<u>8,464,980</u>	<u>164,477</u>	<u>8,629,457</u>
EXPENDITURES			
Current			
City commission	247,337	-	247,337
General administration	722,452	-	722,452
Community partners	1,058,017	-	1,058,017
Public safety-police	2,501,241	-	2,501,241
Public safety-fire	1,698,061	-	1,698,061
Public works	891,861	-	891,861
Capital outlay	123,591	200,138	323,729
Debt service	<u>-</u>	<u>333,078</u>	<u>333,078</u>
Total expenditures	<u>7,242,560</u>	<u>533,216</u>	<u>7,775,776</u>
Excess (deficiency) of revenues over expenditures	<u>1,222,420</u>	<u>(368,739)</u>	<u>853,681</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>(333,078)</u>	<u>333,078</u>	<u>-</u>
Total other financing sources (uses)	<u>(333,078)</u>	<u>333,078</u>	<u>-</u>
Net change in fund balances	889,342	(35,661)	853,681
Fund balances-beginning	<u>7,874,365</u>	<u>23,740</u>	<u>7,898,105</u>
Fund balances-ending	<u>\$ 8,763,707</u>	<u>\$ (11,921)</u>	<u>\$ 8,751,786</u>
Reconciliation to government-wide change in net position:			
Net change in fund balances			\$ 853,681
Add: capital outlay expenditures			323,729
Add: debt service expenditures			333,078
Less: change in compensated absences			(49,213)
Less: depreciation on governmental activities assets			(663,335)
Less: change in net pension liability			(708,188)
Less: change in net OPEB liability			(168,784)
Less: interest on long-term debt			<u>(18,466)</u>
Change in net position governmental activities			<u>\$ (97,498)</u>

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

CITY OF PARIS, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2021

	Business-Type Activities Utility Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 246,544
Receivables, net	997,381
Prepaid expenses	19,857
Inventory	<u>462,844</u>
Total current assets	<u>1,726,626</u>
Noncurrent assets	
Restricted cash and cash equivalents	3,310,027
Land and improvements	422,052
Construction in progress	725,952
Depreciable buildings, property, and equipment	40,219,398
Less: accumulated depreciation	<u>(31,840,608)</u>
Total noncurrent assets	<u>12,836,821</u>
Total assets	<u>14,563,447</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	1,313,104
Deferred outflows - OPEB	<u>940,460</u>
Total deferred outflows of resources	<u>2,253,564</u>
Total assets and deferred outflows of resources	<u>\$ 16,817,011</u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 523,139
Accrued liabilities	202,530
Accrued interest payable	10,072
Customer deposits	263,225
Deferred revenue	253,678
Due to other funds	337,863
Current portion of long-term debt	<u>237,120</u>
Total current liabilities	<u>1,827,627</u>
Noncurrent liabilities	
Compensated absences	134,066
Bonds, notes and loans payable	4,279,445
Net pension liability	7,460,596
Net OPEB liability	<u>2,020,331</u>
Total noncurrent liabilities	<u>13,894,438</u>
Total liabilities	<u>15,722,065</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	41,683
Deferred inflows - OPEB	<u>406,026</u>
Total deferred inflows of resources	<u>447,709</u>
NET POSITION	
Net investment in capital assets	7,043,652
Restricted for:	
Debt service	283,268
Other purposes	993,336
Unrestricted	<u>(7,673,019)</u>
Total net position	<u>647,237</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 16,817,011</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, 2021

	Business-type Activities Utility Fund
Operating revenues	
Charges for services	\$ 9,171,122
Rental income	51,878
Grant income	88,911
Other revenues	<u>61,793</u>
Total operating revenues	<u>9,373,704</u>
Operating expenses	
Utility administration	985,172
Electric department	4,855,017
Water distribution	1,705,502
Sewer treatment	1,268,092
Sanitation	346,120
Depreciation	<u>878,515</u>
Total operating expenses	<u>10,038,418</u>
Operating (loss)	<u>(664,714)</u>
Nonoperating revenues (expenses)	
Interest and investment income	12,996
Interest expense	<u>(79,644)</u>
Total nonoperating (expenses)	<u>(66,648)</u>
Change in net position	(731,362)
Total net position-beginning	<u>1,378,599</u>
TOTAL NET POSITION-ENDING	<u>\$ 647,237</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, 2021

	<u>Business-Type Activities Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 9,380,781
Grant receipts	88,911
Payments to suppliers	(5,898,629)
Payments for employee services and benefits	(2,576,555)
Payments for interfund services used	(95,891)
Other receipts	<u>113,671</u>
Net cash provided by operating activities	<u>1,012,288</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(971,492)
Proceeds from debt issuance	2,500,000
Principal payments on bonds, notes, and loans payable	(497,070)
Interest paid on capital debt	<u>(75,032)</u>
Net cash provided by capital and related financing activities	<u>956,406</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Receipts on interfund loans	<u>129,750</u>
Net cash provided by noncapital financing activities	<u>129,750</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and investment income	<u>12,996</u>
Net cash provided by investing activities	<u>12,996</u>
Net increase in cash and cash equivalents	2,111,440
Cash and cash equivalents-beginning of the year	<u>1,445,131</u>
CASH AND CASH EQUIVALENTS-END OF THE YEAR	\$ 3,556,571
Reconciliation of operating income to net cash provided by operating activities:	
Operating (loss)	\$ (664,714)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	878,515
Change in assets and liabilities:	
Net pension liability	558,564
Net OPEB liability	96,316
Receivables, net	(56,294)
Prepaid expense	(19,857)
Inventory	(2,406)
Customer deposits	12,275
Deferred revenue	253,678
Accounts and other payables	(72,877)
Accrued expenses	<u>29,088</u>
Net cash provided by operating activities	<u>\$ 1,012,288</u>
Reconciliation of total cash and cash equivalents:	
Current assets - cash and cash equivalents	\$ 246,544
Restricted cash and cash equivalents	<u>3,310,027</u>
	<u>\$ 3,556,571</u>
Supplemental disclosure of cash flow information:	
Noncash capital and related financing activities:	
Accounts payable for capital items, net	<u>\$ 17,750</u>

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

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, 2021

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, 2021

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, 2021

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 \$95,891 for the year ended June 30, 2021. In the fund financial statements, these reimbursements are recorded as "Intergovernmental" revenue in the General Fund and "Utility administration" expense in the Utility Fund.

F. Cash and Cash Equivalents

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

G. Capital Assets

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

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

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

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Pensions

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

I. Postemployment Benefits Other Than Pensions (OPEB)

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

J. Compensated Absences

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

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

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

K. Interfund balances

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

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Other Accounting Policies

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

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

M. Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through March 16, 2022, 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, 2021, 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, 2021 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 \$10,807,956 and the bank balances were \$10,989,412. Bank balances of \$660,297 were covered by FDIC insurance, and \$10,329,115 by collateral held by the custodial banks.

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

3. ACCOUNTS RECEIVABLE

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

<u>Governmental activities</u>	General Fund	Nonmajor Funds	Total
Licenses and permits	\$ 1,418,394	\$ -	\$ 1,418,394
Intergovernmental	160,165	18,795	178,960
Other	<u>7,805</u>	<u>-</u>	<u>7,805</u>
Total receivables	<u>\$ 1,586,364</u>	<u>\$ 18,795</u>	<u>\$ 1,605,159</u>
<u>Business-type activities</u>	Utility Fund		
Charges for service, net	\$ 1,041,509		
Other	<u>13,572</u>		
Gross receivable	1,055,081		
Less allowance for uncollectible	<u>(57,700)</u>		
Total receivables, net	<u>\$ 997,381</u>		

4. CAPITAL ASSETS

A summary of capital asset activity during the year ended June 30, 2021 is as follows:

<u>Governmental activities</u>	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets not being depreciated:				
Land and improvements	\$ 1,728,917	\$ -	\$ -	\$ 1,728,917
Construction in progress	<u>32,663</u>	<u>-</u>	<u>(10,663)</u>	<u>22,000</u>
Total	<u>1,761,580</u>	<u>-</u>	<u>(10,663)</u>	<u>1,750,917</u>
Capital assets being depreciated:				
Building and improvements	3,624,039	61,926	-	3,685,965
Vehicles	5,218,384	72,328	-	5,290,712
Equipment	<u>1,050,763</u>	<u>-</u>	<u>-</u>	<u>1,050,763</u>
Total	<u>9,893,186</u>	<u>134,254</u>	<u>-</u>	<u>10,027,440</u>
Total non-infrastructure assets	<u>11,654,766</u>	<u>134,254</u>	<u>(10,663)</u>	<u>11,778,357</u>
Infrastructure assets	<u>4,250,363</u>	<u>200,138</u>	<u>-</u>	<u>4,450,501</u>
Total capital assets	<u>15,905,129</u>	<u>334,392</u>	<u>(10,663)</u>	<u>16,228,858</u>
Accumulated depreciation:				
Buildings and improvements	2,266,914	106,225	-	2,373,139
Vehicles	3,317,068	313,401	-	3,630,469
Equipment	892,617	36,430	-	929,047
Infrastructure assets	<u>1,484,567</u>	<u>207,279</u>	<u>-</u>	<u>1,691,846</u>
Total	<u>7,961,166</u>	<u>663,335</u>	<u>-</u>	<u>8,624,501</u>
Governmental activities capital assets, net	<u>\$ 7,943,963</u>	<u>\$ (328,943)</u>	<u>\$ (10,663)</u>	<u>\$ 7,604,357</u>

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

4. CAPITAL ASSETS (CONTINUED)

<u>Business-type activities</u>	Balance			Balance
	July 1, 2020	Additions	Deletions	June 30, 2021
Capital assets not being depreciated:				
Land and improvements	\$ 422,052	\$ -	\$ -	\$ 422,052
Construction in progress	<u>606,368</u>	<u>759,969</u>	<u>(640,385)</u>	<u>725,952</u>
Total	<u>1,028,420</u>	<u>759,969</u>	<u>(640,385)</u>	<u>1,148,004</u>
Capital assets being depreciated:				
Equipment and vehicles	3,893,776	92,169	-	3,985,945
Electric lines, poles, and plant	9,476,468	605,746	-	10,082,214
Water treatment plant and water system improvements	8,038,877	85,538	-	8,124,415
Sewer treatment plant and improvements	<u>18,026,824</u>	<u>-</u>	<u>-</u>	<u>18,026,824</u>
Total	<u>39,435,945</u>	<u>783,453</u>	<u>-</u>	<u>40,219,398</u>
Total capital assets	<u>40,464,365</u>	<u>1,543,422</u>	<u>(640,385)</u>	<u>41,367,402</u>
Accumulated depreciation	<u>30,962,093</u>	<u>878,515</u>	<u>-</u>	<u>31,840,608</u>
Business-type activities capital assets, net	<u>\$ 9,502,272</u>	<u>\$ 664,907</u>	<u>\$ (640,385)</u>	<u>\$ 9,526,794</u>

Depreciation expense was charged to functions or departments as follows:

Governmental activities:

General government	\$ 202,294
Police	122,268
Fire	213,064
Public works	<u>125,709</u>
Total depreciation expense	<u>\$ 663,335</u>

Business-type activities:

Electric department	\$ 193,188
Water department	202,326
Sewer department	435,350
Sanitation	<u>47,651</u>
Total depreciation expense	<u>\$ 878,515</u>

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

5. LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2021:

Governmental activities

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021
Kentucky Bank note payable with interest at 1.58%, secured by vehicles	\$ 171,776	\$ -	\$ (171,776)	\$ -
Kentucky Bank note payable with interest at 1.28%, secured by fire trucks	1,350,894	-	(142,836)	1,208,058
Compensated absences	368,472	49,214	-	417,686
Net pension liability	10,455,943	101,895	-	10,557,838
Net OPEB liability	<u>2,869,317</u>	<u>738,022</u>	<u>-</u>	<u>3,607,339</u>
 Total governmental activities	 <u>\$ 15,216,402</u>	 <u>\$ 889,131</u>	 <u>\$ (314,612)</u>	 <u>\$ 15,790,921</u>

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

Year ended	Principal	Interest	Total
2022	\$ 144,495	\$ 15,022	\$ 159,517
2023	146,382	13,135	159,517
2024	148,263	11,254	159,517
2025	150,229	9,288	159,517
2026	152,190	7,327	159,517
2027-2030	<u>466,499</u>	<u>9,978</u>	<u>476,477</u>
	<u>\$ 1,208,058</u>	<u>\$ 66,004</u>	<u>\$ 1,274,062</u>

In March 2021, the City entered into a loan agreement with Traditional Bank allowing the City to draw up to \$400,000 to finance the purchase of police vehicles. The notes bears interest at a rate of 1.45% and matures in June 2024. The City had not yet taken any draws on this loan as of June 30, 2021.

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

5. LONG-TERM DEBT (CONTINUED)

Business-type activities

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Due within one year
KIA note payable with interest at 1.80% maturing in fiscal year 2021	\$ 188,734	\$ -	\$ (188,734)	\$ -	\$ -
KBC note payable with interest at 3.29% maturing in fiscal year 2032	1,569,995	-	(120,000)	1,449,995	122,085
Series 2014 Revenue Bonds publicly issued with interest at 2.75% maturing in fiscal year 2054	281,000	-	(5,000)	276,000	5,000
Traditional Bank note payable with interest at 3.30% maturing in fiscal year 2027	248,116	-	(33,483)	214,633	34,098
Traditional Bank note payable with interest at 1.74% maturing in fiscal year 2022	225,790	-	(149,853)	75,937	75,937
US Bank bond anticipation note payable with interest at 0.79% maturing in fiscal year 2024	<u>-</u>	<u>2,500,000</u>	<u>-</u>	<u>2,500,000</u>	<u>-</u>
Total bonds and notes payable	<u>2,513,635</u>	<u>2,500,000</u>	<u>(497,070)</u>	<u>4,516,565</u>	<u>237,120</u>
Compensated absences	128,889	5,177	-	134,066	-
Net pension liability	6,997,909	462,687	-	7,460,596	-
Net OPEB liability	<u>1,465,872</u>	<u>554,459</u>	<u>-</u>	<u>2,020,331</u>	<u>-</u>
Total business-type activities	<u>\$ 11,106,305</u>	<u>\$ 3,522,323</u>	<u>\$ (497,070)</u>	<u>\$ 14,131,558</u>	<u>\$ 237,120</u>

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

5. LONG-TERM DEBT (CONTINUED)

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

Year ended	Principal	Interest	Total
2022	\$ 237,120	\$ 71,768	\$ 308,888
2023	167,824	82,250	250,074
2024	2,674,002	76,796	2,750,798
2025	180,224	51,379	231,603
2026	184,910	45,448	230,358
2027-2031	805,915	136,402	942,317
2032-2036	85,570	30,657	116,227
2037-2041	42,000	23,024	65,024
2042-2046	47,500	16,985	64,485
2047-2051	54,500	10,057	64,557
2052-2054	<u>37,000</u>	<u>2,293</u>	<u>39,293</u>
	<u>\$ 4,516,565</u>	<u>\$ 547,059</u>	<u>\$ 5,063,624</u>

6. CONDUIT DEBT

The City is the issuer of certain industrial revenue bonds issued in order to promote the local construction of production facilities. The facilities, which are constructed from the bond proceeds, are leased to the industrial companies for an amount required to annually service the debt. The lessee assumes ownership of the facilities at the completion of all lease payments required to fully service the debt. The lease payments are remitted directly to the trustee (bank) with whom the facilities are mortgaged. These bonds constitute a limited obligation of the City payable solely from the revenues and receipts derived from the lease agreement. Accordingly, the assets and liabilities relating to these bonds are not recorded on the books of the City. The amount of bonds outstanding at June 30, 2021 is not readily available.

7. RETIREMENT PLAN

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

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

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

7. RETIREMENT PLAN (CONTINUED)

Contributions – For the year ended June 30, 2021, 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, 2021, participating employers contributed 24.06% of each employee's wages for non-hazardous job classifications and 39.58% of each employee's wages for hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 8. Plan members contributed 19.30% to the pension trust for non-hazardous job classifications and 30.06% to the pension trust for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement Systems are financed through employer contributions and investment earnings.

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

For the year ended June 30, 2021, the City contributed \$1,100,084, or 100% of the required contribution for non-hazardous job classifications, which was allocated \$882,445 to the CERS pension fund and \$217,639 to the CERS insurance fund. The City contributed \$420,399, or 100% of the required contribution for hazardous job classifications, which was allocated \$319,282 to the CERS pension fund and \$101,117 to the CERS insurance fund.

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

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

7. RETIREMENT PLAN (CONTINUED)

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old and 4 years service
	Reduced retirement	At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ with sum of service years plus age equal to 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ with sum of service years plus age equal to 87+
	Reduced retirement	Not available

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

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2021, the City reported a liability for its proportionate share of the net pension liability as follows:

Total Net		
Pension Liability	Non-hazardous	Hazardous
<u>\$ 18,018,434</u>	<u>\$ 12,814,284</u>	<u>\$ 5,204,150</u>

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2020 was as follows:

Non-hazardous	Hazardous
.1671%	.1726%

The proportionate share at June 30, 2020 decreased .0008% for non-hazardous and decreased .0319% for hazardous compared to the proportionate share as of June 30, 2019.

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

7. RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2021, the City recognized pension expense of \$2,447,347. At June 30, 2021, 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	\$ 480,949	\$ -
Changes of assumptions	697,747	-
Net difference between projected and actual earnings on Plan Investments	437,898	-
Changes in proportion and differences between City contributions and proportionate share of contributions	173,863	800,902
City contributions subsequent to the measurement date	<u>1,201,728</u>	<u>-</u>
Total	<u>\$ 2,992,185</u>	<u>\$ 800,902</u>

The \$1,201,728 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, 2022. 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,

2022	\$	505,920
2023	\$	304,137
2024	\$	60,808
2025	\$	118,690

Actuarial Assumptions – The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

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

Hazardous

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

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2020. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2010.

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

7. RETIREMENT PLAN (CONTINUED)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	62.50%	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Total	100.00%	3.96%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		6.25%

Discount Rate – The discount rate used to measure the total pension liability was 6.25%. 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 23-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.

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

7. RETIREMENT PLAN(CONTINUED)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25%, 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%) or 1-percentage-point higher (7.25%) 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	Discount rate	City's proportionate share of net pension liability
1% decrease	5.25%	\$ 15,802,801	5.25%	\$ 6,431,588		
Current discount rate	6.25%	\$ 12,814,284	6.25%	\$ 5,204,150		
1% increase	7.25%	\$ 10,339,679	7.25%	\$ 4,202,236		

Payable to the Pension Plan – At June 30, 2021, the City reported a payable of \$148,782 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021. The payable includes both the pension and insurance contribution allocation.

8. POST EMPLOYMENT 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, 2021, the employer's contribution was 4.76% to the insurance trust for non-hazardous job classifications and 9.52% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement Systems are financed through employer contributions and investment earnings.

For the year ended June 30, 2021, the City contributed \$217,639, or 100% of the required contribution for non-hazardous job classifications, and \$101,117, or 100% of the required contribution for hazardous job classifications.

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

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

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

Tier 1	Participation date 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

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2021, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Total Net		
OPEB Liability	Non-hazardous	Hazardous
<u>\$ 5,627,670</u>	<u>\$ 4,033,098</u>	<u>\$ 1,594,572</u>

The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2020 was as follows:

Non-hazardous	Hazardous
.1670%	.1726%

The proportionate share at June 30, 2020 decreased .0008% for non-hazardous and decreased .0319% for hazardous compared to the proportionate share as of June 30, 2019.

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$710,599. At June 30, 2021, 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	\$ 728,565	\$ 833,607
Changes of assumptions	961,656	5,735
Net difference between projected and actual earnings on Plan investments	204,833	-
Changes in proportion and differences between City contributions and proportionate share of contributions	78,273	375,653
City contributions subsequent to the measurement date	<u>425,230</u>	<u>-</u>
Total	<u>\$ 2,398,557</u>	<u>\$ 1,214,995</u>

The \$425,230 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, 2022. This includes adjustments of \$98,981 for the nonhazardous implicit subsidy and \$7,493 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,

2022	\$	182,929
2023	\$	202,532
2024	\$	191,432
2025	\$	198,675
2026	\$	(17,236)

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

Non-hazardous

Inflation	2.30%	
Salary increases	3.30 to 10.30%, varies by service, including inflation	
Investment rate of return	6.25%, net of Plan investment expense, including inflation	
Healthcare trend		
	Pre – 65: Initial trend starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.	
	Post – 65: Initial trend starting at 2.90% at January 1, 2022, and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.	

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

Hazardous

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

Pre – 65: Initial trend starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

Post – 65: Initial trend starting at 2.90% at January 1, 2022, and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	62.50%	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Total	100.00%	3.96%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		6.25%

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

Discount Rate – The discount rate used to measure the total OPEB liability was 5.34% and 5.30% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index.” However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

	Non-hazardous		Hazardous	
	Discount rate	City’s proportionate share of net OPEB liability	Discount rate	City’s proportionate share of net OPEB liability
1% decrease	4.34%	\$ 5,181,346	4.30%	\$ 2,164,590
Current discount rate	5.34%	\$ 4,033,098	5.30%	\$ 1,594,572
1% increase	6.34%	\$ 3,090,003	6.30%	\$ 1,135,253

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		\$ 3,122,626		\$ 1,139,528
Current trend rate		\$ 4,033,098		\$ 1,594,572
1% increase		\$ 5,137,977		\$ 2,154,009

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

CITY OF PARIS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

9. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2021 were levied on the assessed valuation of property located in Bourbon County as of January 1, 2020 lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

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

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

10. RISK MANAGEMENT

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

11. COVID-19 PANDEMIC

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

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF PARIS, KENTUCKY
REQUIRED SUPPLEMENTARY
BUDGETARY INFORMATION
GENERAL FUND
for the year ended June 30, 2021**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES				
Taxes	\$ 854,750	\$ 856,250	\$ 884,910	\$ 28,660
Licenses and permits	5,541,000	6,146,070	6,486,977	340,907
Fines and forfeits	2,500	2,500	989	(1,511)
Intergovernmental	841,750	868,000	854,618	(13,382)
Charges for services	130,000	-	114,878	114,878
Other revenues	<u>110,000</u>	<u>240,000</u>	<u>122,608</u>	<u>(117,392)</u>
 Total revenues	 <u>7,480,000</u>	 <u>8,112,820</u>	 <u>8,464,980</u>	 <u>352,160</u>
 EXPENDITURES				
Current				
City commission	381,950	285,000	247,337	(37,663)
General administration	849,324	810,000	722,452	(87,548)
Community partners	1,031,381	1,036,000	1,058,017	22,017
Public safety-police	2,532,475	3,300,000	2,501,241	(798,759)
Public safety-fire	1,650,725	1,876,725	1,698,061	(178,664)
Public works	764,345	1,375,000	891,861	(483,139)
Capital outlay	<u>749,500</u>	<u>-</u>	<u>123,591</u>	<u>123,591</u>
 Total expenditures	 <u>7,959,700</u>	 <u>8,682,725</u>	 <u>7,242,560</u>	 <u>(1,440,165)</u>
 Excess (deficiency) of revenues over expenditures	 <u>(479,700)</u>	 <u>(569,905)</u>	 <u>1,222,420</u>	 <u>1,792,325</u>
 OTHER FINANCING SOURCES (USES)				
Proceeds from debt issuance	-	400,000	-	(400,000)
Transfers (out)	<u>(20,300)</u>	<u>-</u>	<u>(333,078)</u>	<u>(333,078)</u>
 Total other financing sources (uses)	 <u>(20,300)</u>	 <u>400,000</u>	 <u>(333,078)</u>	 <u>(733,078)</u>
 Net change in fund balances	 <u>\$ (500,000)</u>	 <u>\$ (169,905)</u>	 <u>\$ 889,342</u>	 <u>\$ 1,059,247</u>

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

Reporting Fiscal Year (Measurement Date)	2014 (2013)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)
City's proportion of the net pension liability	0.1513%	0.1513%	0.1548%	0.1565%	0.1648%	0.1606%	0.1678%	0.1671%
City's proportionate share of the net pension liability (asset)	\$ 5,540,969	\$ 4,908,008	\$ 6,655,841	\$ 7,707,594	\$ 9,649,119	\$ 9,779,811	\$ 11,803,770	\$ 12,814,284
City's covered employee payroll	\$ 3,249,210	\$ 3,464,140	\$ 3,578,212	\$ 3,731,788	\$ 4,022,672	\$ 4,068,530	\$ 4,218,674	\$ 4,299,261
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	170.53%	141.68%	186.01%	206.54%	239.87%	240.38%	279.80%	298.06%
Plan fiduciary net position as a percentage of the total pension liability	61.22%	66.80%	59.97%	55.50%	53.32%	53.54%	50.54%	47.81%

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 Eight Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2014 (2013)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)
City's proportion of the net pension liability	0.3229%	0.3229%	0.3189%	0.2849%	0.2510%	0.2178%	0.2045%	0.1726%
City's proportionate share of the net pension liability (asset)	\$ 4,318,002	\$ 3,880,937	\$ 4,895,682	\$ 4,888,873	\$ 5,614,562	\$ 5,267,955	\$ 5,650,082	\$ 5,204,150
City's covered employee payroll	\$ 1,765,881	\$ 1,634,497	\$ 1,631,230	\$ 1,486,407	\$ 1,394,492	\$ 1,206,352	\$ 1,175,929	\$ 999,915
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	244.52%	237.44%	300.12%	328.91%	402.62%	436.68%	480.48%	520.46%
Plan fiduciary net position as a percentage of the total pension liability	57.74%	63.46%	57.52%	53.95%	49.78%	49.26%	46.63%	44.11%

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

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required employer contribution	\$ 410,050	\$ 475,973	\$ 457,406	\$ 464,886	\$ 561,163	\$ 589,123	\$ 700,576	\$ 849,644	\$ 882,445
Contributions relative to contractually required employer contribution	<u>410,050</u>	<u>475,973</u>	<u>457,406</u>	<u>464,886</u>	<u>561,163</u>	<u>589,123</u>	<u>700,576</u>	<u>849,644</u>	<u>882,445</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 3,249,210	\$ 3,464,140	\$ 3,578,212	\$ 3,731,788	\$ 4,022,672	\$ 4,068,530	\$ 4,218,674	\$ 4,299,261	\$ 4,481,156
Employer contributions as a percentage of covered-employee payroll	12.62%	13.74%	12.78%	12.46%	13.95%	14.48%	16.61%	19.76%	19.69%

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

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required employer contribution	\$ 354,942	\$ 374,768	\$ 342,713	\$ 306,301	\$ 311,400	\$ 267,810	\$ 292,453	\$ 300,575	\$ 319,282
Contributions relative to contractually required employer contribution	<u>354,942</u>	<u>374,768</u>	<u>342,713</u>	<u>306,301</u>	<u>311,400</u>	<u>267,810</u>	<u>292,453</u>	<u>300,575</u>	<u>319,282</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 1,765,881	\$ 1,634,497	\$ 1,631,230	\$ 1,486,407	\$ 1,394,492	\$ 1,206,352	\$ 1,175,929	\$ 999,915	\$ 1,062,150
Employer contributions as a percentage of covered-employee payroll	20.10%	22.93%	21.01%	20.61%	22.33%	22.20%	24.87%	30.06%	30.06%

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

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

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)
City's proportion of the net OPEB liability	0.1648%	0.1648%	0.1606%	0.1678%	0.1670%
City's proportionate share of the net OPEB liability (asset)	\$ 2,599,425	\$ 3,314,029	\$ 2,850,960	\$ 2,822,154	\$ 4,033,098
City's covered employee payroll	\$ 3,731,788	\$ 4,022,672	\$ 4,068,530	\$ 4,218,674	\$ 4,299,261
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	69.66%	82.38%	70.07%	66.90%	93.81%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%	51.67%

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 Five Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)
City's proportion of the net OPEB liability	0.2510%	0.2510%	0.2178%	0.2045%	0.1726%
City's proportionate share of the net OPEB liability (asset)	\$ 1,239,634	\$ 2,074,574	\$ 1,553,075	\$ 1,513,035	\$ 1,594,572
City's covered employee payroll	\$ 1,486,407	\$ 1,394,492	\$ 1,206,352	\$ 1,175,929	\$ 999,915
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	83.40%	148.77%	128.74%	128.67%	159.47%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	58.99%	64.24%	64.44%	51.67%

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

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required employer contribution	\$ 225,170	\$ 178,403	\$ 176,239	\$ 173,575	\$ 190,272	\$ 191,221	\$ 227,191	\$ 209,549	\$ 217,639
Contributions relative to contractually required employer contribution	<u>225,170</u>	<u>178,403</u>	<u>176,239</u>	<u>173,575</u>	<u>190,272</u>	<u>191,221</u>	<u>227,191</u>	<u>209,549</u>	<u>217,639</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 3,249,210	\$ 3,464,140	\$ 3,578,212	\$ 3,731,788	\$ 4,022,672	\$ 4,068,530	\$ 4,218,674	\$ 4,299,261	\$ 4,481,156
Employer contributions as a percentage of covered-employee payroll	6.93%	5.15%	4.93%	4.65%	4.73%	4.70%	5.39%	4.87%	4.86%

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

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required employer contribution	\$ 309,029	\$ 239,803	\$ 224,508	\$ 192,068	\$ 134,113	\$ 112,794	\$ 123,155	\$ 95,192	\$ 101,117
Contributions relative to contractually required employer contribution	<u>309,029</u>	<u>239,803</u>	<u>224,508</u>	<u>192,068</u>	<u>134,113</u>	<u>112,794</u>	<u>123,155</u>	<u>95,192</u>	<u>101,117</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 1,765,881	\$ 1,634,497	\$ 1,631,230	\$ 1,486,407	\$ 1,394,492	\$ 1,206,352	\$ 1,175,929	\$ 999,915	\$ 1,062,150
Employer contributions as a percentage of covered-employee payroll	17.50%	14.67%	13.76%	12.92%	9.62%	9.35%	10.47%	9.52%	9.52%

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

CITY OF PARIS, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

1. GENERAL INFORMATION

Contributions

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

Payroll

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

2. CHANGES OF ASSUMPTIONS

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

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

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increases to 6.30% in 2023 and then gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years.

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

June 30, 2019 – Pension and OPEB – Hazardous and Nonhazardous

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

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

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

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

June 30, 2017 – Pension and OPEB – Hazardous and Nonhazardous

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

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

CITY OF PARIS, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

2. CHANGES OF ASSUMPTIONS (CONTINUED)

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

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

June 30, 2015 – Pension – Hazardous and Nonhazardous

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

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

June 30, 2014 – Pension – Hazardous and Nonhazardous

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

June 30, 2013 – Pension – Hazardous and Nonhazardous

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

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

SUPPLEMENTARY INFORMATION

**CITY OF PARIS, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2021**

	Municipal Road Aid Fund	Debt Service	Total
ASSETS			
Cash	\$ 37,938	\$ -	\$ 37,938
Accounts receivable	18,795	-	18,795
Total assets	\$ 56,733	\$ -	\$ 56,733
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	68,654	-	68,654
Total liabilities	68,654	-	68,654
FUND BALANCES			
Unassigned	(11,921)	-	(11,921)
Total liabilities and fund balances	\$ 56,733	\$ -	\$ 56,733

CITY OF PARIS, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2021

	Municipal Road Aid Fund	Debt Service	Total
REVENUES			
Intergovernmental revenue	\$ 163,746	\$ -	\$ 163,746
Other revenues	731	-	731
Total revenues	164,477	-	164,477
EXPENDITURES			
Capital outlay	200,138	-	200,138
Debt service	-	333,078	333,078
Total expenditures	200,138	333,078	533,216
(Deficiency) of revenues over expenditures	(35,661)	(333,078)	(368,739)
OTHER FINANCING SOURCES			
Transfers in	-	333,078	333,078
Total other financing sources	-	333,078	333,078
Net change in fund balances	(35,661)	-	(35,661)
Fund balances-beginning	23,740	-	23,740
Fund balances-ending	\$ (11,921)	\$ -	\$ (11,921)

CITY OF PARIS, KENTUCKY
SCHEDULE OF OPERATING EXPENSES
UTILITY FUND
for the year ended June 30, 2021

UTILITY ADMINISTRATION

Personnel services	\$ 558,294
Contractual services	182,331
Materials and supplies	38,088
Other expenses	110,568
Payment in lieu of taxes	<u>95,891</u>
Total utility administration	<u>985,172</u>

ELECTRIC DEPARTMENT

Personnel services	731,751
Electric purchases	3,787,328
Contractual services	198,992
Materials and supplies	<u>136,946</u>
Total electric department	<u>4,855,017</u>

WATER DISTRIBUTION

Personnel services	1,168,147
Contractual services	162,773
Materials and supplies	368,367
Other expenses	<u>6,215</u>
Total water distribution	<u>1,705,502</u>

SEWER TREATMENT

Personnel services	751,633
Contractual services	391,060
Materials and supplies	<u>125,399</u>
Total sewer treatment	<u>1,268,092</u>

SANITATION

Personnel services	146,589
Contractual services	180,463
Materials and supplies	7,136
Recycling center	<u>11,932</u>
Total sanitation	<u>346,120</u>

DEPRECIATION

	<u>878,515</u>
Total operating expenses	<u>\$ 10,038,418</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, 2021, 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 March 16, 2022.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Paris, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Paris, Kentucky's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be material weaknesses (2021-001 and 2021-002).

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

RFH, PLLC
Lexington, Kentucky
March 16, 2022



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.

Purpose of this Report

The City of Paris, Kentucky's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City of Paris, Kentucky's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

City of Paris, Kentucky's Responses to Findings

CITY OF PARIS, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2021

2021-001 – Material Weakness – Audit Adjustments

Criteria:

Management of the City of Paris (the City) is responsible for establishing and maintaining effective internal controls over the financial reporting process of the City.

Condition:

During the course of our audit, we identified significant misstatements that were not identified by the City's internal controls over financial reporting. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in operation exists when a properly designed control does not operate as designed. In this case, the internal controls over the preparation and review of the City's financial statements did not operate as designed, and we consider this a material weakness.

Cause:

The City did not have properly operating internal controls in place over the monthly reconciliation process for accounts payable and accrued liabilities and did not reconcile year-end balances until the audit had commenced. The City also did not have properly operating internal controls in place over the financial reporting process and did not prepare year-end adjustments related to receivables, inventory, fixed assets, and interfund activity until the audit was already underway.

Effect:

Field work on the audit began on January 4, 2022, and it was evident year-end account balances had not been fully adjusted at that point. The City's CPA was able to provide adjustments throughout the audit to correct account balances, and thus there were only 4 material adjustments that we identified during the audit. However, between the commencement of the audit field work and completion, there were a total of 46 adjustments posted to get to the final figures presented in the audited financials. Management has a listing of these adjustments and has approved all adjustments.

Recommendation:

We recommend that the City continue to work towards strengthening its internal controls over financial reporting throughout the year and prior to the commencement of audit work. We recommend that the City continue to enhance its internal controls over financial reporting with steps such as management review of monthly account reconciliations and listings, improved analysis of the financials compared to prior years, and improved internal communication, particularly as it relates to tracking and recording of payables and the financial closeout process. We recommend specifically that accounts payable and accrued liabilities be reconciled each month to the financial database. An individual other than the preparer of these reconciliations should review all reconciliations to ensure these are completed within 30 days after month end. Upon completion, the reviewer should initial and date the reconciliation.

Response:

The City agrees with the auditor's comments. The City intends to enhance its internal controls related to reconciling balance sheet accounts timely and consistently along with review and approval from management.

**CITY OF PARIS, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2021**

2021-002 – Material Weakness – Electric Utility Overbilling

Criteria:

The City should have effective internal controls, including appropriate segregation of duties with independent checks and secondary reviews, over the utility billing process.

Condition:

Due to an incorrect rate in the system, customers were overcharged on their June 2021 electric bills. The total overbilling exceeded \$250,000.

Cause:

The City did not have effective internal controls in place over the utility billing process to permit this error to be caught prior to the bills being sent to customers.

Effect:

After the error was caught, the City had to adjust customers' bills and issue credits to customers who had already paid. This resulted in the City having to recognize a deferred revenue liability of \$253,678.

Recommendation:

We recommend the City work to strengthen its internal controls over the utility billing process by improving segregation of duties, specifically by implementing a secondary review of utility bills prior to mailing to customers.

Response:

The City conducted various system reviews for implementing new utility rates prior to rolling out and had not experienced any issues until the actual billing was processed. The City had been monitoring the situation as the new bills were mailed out and was made aware of the billing issue. The City acted in a timely manner to work with the affected customers to mitigate the impact on the customers. Any future rate increases will have additional testing procedures added to ensure customer bills are mailed with the correct balances due.