

**CITY OF PADUCAH,  
KENTUCKY**

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2003**

**FINANCE DEPARTMENT  
CITY OF PADUCAH,  
KENTUCKY**



**City of Paducah**  
**Paducah, Kentucky**  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2003**



**Issued by the  
Finance Department**

**CITY OF PADUCAH, KENTUCKY**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2003**

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**CITY OF PADUCAH, KENTUCKY**

**INTRODUCTORY SECTION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2003**



## CITY OF PADUCAH

Finance Department  
P.O. Box 2267  
Paducah, KY 42002-2267  
270-444-8512

October 6, 2003

Honorable Mayor and Commissioners  
City of Paducah  
Paducah, Kentucky

We are pleased to submit Paducah's Comprehensive Annual Financial Report for the year ended June 30, 2003. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

The major objective of this report is to describe the City's financial condition and the financial results of its operation in a format designed to be useful to the general public, elected officials, investors and creditors. We believe the data, as presented, is accurate in all material aspects; that it is reported in a manner designed to present fairly the financial position and results of operations of the various funds. All disclosures necessary to enable the reader to gain maximum understanding of the City's financial activities have been included.

This Comprehensive Annual Financial Report consists of four sections as follows:

**Introductory Section** - Contains a list of principal officials, an organizational chart for Paducah and this transmittal letter from the Finance Director.

**Financial Section** - Includes the Management's Discussion and Analysis (MD&A), basic financial statements, required supplementary information, and combining and individual fund statements and schedules, as well as the independent auditor's report on the basic financial statements. The MD&A is a narrative introduction, overview and analysis to accompany the basic financial statements. This letter of transmittal should be read in conjunction with the MD&A which can be found immediately following the report of the independent auditors.

**Statistical Section** - Includes a number of statistical tables that present various financial, economic, social and demographic data about Paducah for the last ten years.

**Single Audit Section** - Includes required data in accordance with the Single Audit Act Amendments of 1996.

### **THE CITY**

Paducah was established in 1827 by explorer General William Clark and was named after local legendary Chickasaw Indian Chief "Paduke". The City of Paducah is situated on the southern bank of the Ohio River in the north central portion of McCracken County. Paducah is the largest city both in the county and in the Jackson Purchase eight county region. The City has established itself as the cultural, economic, medical and transportation center for not only the Jackson Purchase region but for a large portion of Southern Illinois and portions of Western Tennessee and Southeastern Missouri.

## **Industry**

The Paducah area has moved from the traditional "manufacturing industry" to a "service industry" economy. Multi-state computer services, significant banking corporations, wholesale and retail trade, river-related services, the health care industry and related services are the major employment centers. Traditional manufacturing employment is heavily concentrated in the categories of chemicals, petroleum, coal and rubber, and enriched uranium.

## **Economic Development Activities**

The Greater Paducah Economic Development Council (GPEDC) coordinates the City's efforts in strengthening and building economic development activities. Representatives of financial institutions, utilities, local government, education and the business community serve as the Board of Directors. In existence since 1987, GPEDC assumes and carries out the responsibility of working with existing industry and business as well as identifying and recruiting new companies to the City of Paducah. Additionally, GPEDC is responsible for development of long-term strategy for economic development activities and coordinates local entities in the accomplishment of those strategies.

Several years ago, the City of Paducah, the State of Kentucky and several federal agencies, in conjunction with business, developed a 650-acre 'Information Age' Park. This park is designed to appeal to firms needing advanced telecommunications and computing capabilities. The Info Park's focal point is centered on the Resource Center, which was designed to coordinate resources of government, business and education.

In 1997, the City of Paducah jointly with the County of McCracken acquired the 'Industrial Park West of Paducah and McCracken County'. This park contains 218 acres with immediate access to two major railroad lines, Paducah and Louisville and Paducah and Illinois (formerly Illinois Central). The park is located within the southwest quadrant of the I-24/Cairo Road interchange.

## **Churches And Schools**

A relatively strong religious base is evident in the community, as demonstrated by the many churches in Paducah. Numerous churches representing many of the major denominations are located within the City. Several area churches offer televised activities as a convenience to those who do not attend church.

Elementary and secondary education in Paducah is provided by the Paducah Independent School System, the McCracken County School System, Community Christian Academy, and by the St. Mary's Parochial School System. Higher education is available locally from West Kentucky Community and Technical College (WKCTC), formerly known as Paducah Community College, a two-year institution affiliated with the University of Kentucky's community college system. WKCTC also serves as a site for the University of Kentucky extended campus graduate programs, in addition to a four-year engineering college in conjunction with the University of Kentucky.

## **Medical Facilities**

Paducah serves as the regional medical center for much of the Jackson Purchase Area of Western Kentucky, a large portion of Southern Illinois, and Northwestern Tennessee. Paducah's medical industry has almost every major medical specialty represented in the physician population. The medical industry, represented by Lourdes Hospital and Western Baptist Hospital, provides over 750 beds for medical needs. The two largest hospitals, together, employ approximately 3,200 persons.

## **Recreation And Culture**

Citizens have available a wide range of recreational and cultural activities which cater to diverse tastes. Area residents may choose from fishing on nearby Kentucky and Barkley Lakes to enjoying the performing arts. City parks provide areas for baseball, softball, golf, football, tennis, soccer and picnicking. The Parks Services Department offers a substantial number of activities for people of all ages.

The 'Dogwood Festival', held in April, highlights the coming of spring in Paducah. Residents are encouraged to spotlight their trees to illuminate a driving tour to celebrate an abundance of dogwood trees.

Paducah is the site of the American Quilter Society's National Museum. The museum, dedicated in 1991, is the centerpiece for the quilters' annual convention held in April. The convention attracts an estimated 30,000 visitors to Paducah annually.

The 'After Dinner Downtown Program' began in May 1997 as an experiment to draw people to Paducah's downtown district. From May to September, businesses remain open late on Saturday night while street corner musicians of all types entertain.

The 'Paducah Summer Festival', started in 1967, is an annual celebration held during the last week in July. Some of the Festival's activities include skydiving, hot air balloon races, a variety of music concerts, and usually concludes with a spectacular riverfront fireworks display.

One of Paducah's oldest celebrations is the '8<sup>th</sup> of August Emancipation Celebration' which features African American family reunions, or a homecoming. It is a time for African Americans to pay tribute to their heritage and roots, and a time of reconciliation.

The "Barbecue on the River" event was started in 1995 as a way for local charities to raise funds. It attracts in excess of 20,000 participants to Paducah's riverfront during the last weekend in September. Over time, this annual event has grown to incorporate other events including 'Arts in Action', 'Lowertown Fine Arts Festival', 'Marine Industry Day' and 'Old Market Days'.

The 'Festival of Lights', started in 1992, is another annual event. This festival marks the beginning of the winter holiday season with the official lighting of the trees and buildings in downtown Paducah. The season includes a 'Holiday Parade' and features a 'Candle Light Christmas Trail'.

Paducah has an active symphony and several theater groups. The Paducah Symphony Orchestra stages concerts during the winter season with the Market House Theater presenting several productions during the same time period. The Paducah Live Corporation annually schedules a series of concerts, which brings some of the finest artists to the Paducah stage. In addition, West Kentucky Community and Technical College's "Arts in Focus" series sponsors a variety of professional productions.

The most recent addition to the City's cultural line up is the 'Luther F. Carson Four Rivers Center for the Performing Arts'. The Center is scheduled to open in February 2004, as a regional, multiple-purpose facility with an 1,800-seat main hall designed to accommodate a wide variety of cultural and educational programs.

The McCracken County Public Library offers a large selection of literature, special collections and programs. The West Kentucky Community and Technical College Library supplement this community resource. The combined inventories of the two libraries yield nearly 121,000 titles, not counting numerous periodicals and newspapers.

### **THE GOVERNMENT**

Paducah operates under a City Manager form of government. The Paducah Board of Commissioners is made up of a Mayor and four Commissioners elected at large by the citizens on a non-partisan basis. The Mayor is elected for a four-year term and Commissioners, for a two-year term. The Mayor and Commissioners have equal voting powers.

The Board of Commissioners sets the policies that govern the City. It appoints advisory citizens groups that help in the decision-making process. The City Manager is appointed by the Board and assists it in formulating objectives, policies and programs. The City Manager is responsible for the day-to-day operation of the City's 326 full-time employees as of June 30, 2003. Department managers are responsible for their respective departments and report directly to the City Manager.

## **REPORTING ENTITY AND ITS SERVICES**

For financial statement purposes, as required by generally accepted accounting principles, the City's Comprehensive Annual Financial Report includes all City of Paducah financial statements (primary government) and its component units. Component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City of Paducah.

The following component units have been presented as blended units because the units' governing body is substantially the same as the governing body of the City, or provides services almost entirely to the City of Paducah: the Paducah Public Improvement Corporation, whose sole purpose is to finance long-term debt; and Police and Firefighters' Pension Fund, which was established for the benefit of police and firemen of the City.

The following component units have been presented as discrete units to emphasize that they are legally separate from the City. Paducah Water Works, Paducah Power System, Paducah Junior College, Inc., Paducah Mainstreet, Inc., Transit Authority of the City of Paducah, Forest Hills Village, Inc., and Edwin J. Paxton Park Golf Course were all included in the City's financial statements because of their financial relationship with the City.

The City provides a full range of municipal services, including police and fire protection; maintenance of streets and infrastructure; sanitation services; storm sewer services; cultural events and recreation activities.

### **Accounting System**

The City's accounting system is organized on the basis of separate funds, each of which is considered to be a separate accounting entity. The financial activities of each fund generate a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues, and expenditure/expenses. Municipal resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The City's accounting records for the governmental funds and agency funds are maintained on a modified accrual basis, with revenues being recorded when "measurable and available" and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's proprietary funds and trust funds are maintained on the accrual basis, with revenues recognized when earned and expenses recorded when the liability is incurred or economic asset used.

### **Internal Control**

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal controls. Internal controls were designed for Paducah's accounting system to reasonably safeguard its assets against loss from unauthorized use or disposition, check the accuracy of accounting data, promote operational efficiency and encourage adherence to prescribed managerial policies.

### **Budgetary Control**

Paducah's budget process provides for input from department managers, top management, elected officials and the public to determine what programs and services will be provided for during the upcoming year. Budgetary control is maintained at the departmental level by comparing budgeted expenditures with actual expenditures on a periodic and year to date basis. An expenditure, which would result in an overrun of department appropriation, cannot be made until additional funds are appropriated and a budget amendment is approved. Purchase orders which result in an overrun of department appropriations cannot be honored until additional appropriations are made available. Open encumbrances at fiscal year end, if any, are reported as reservations of fund balance. Unencumbered funds at year-end roll into the fund balance.

## GENERAL GOVERNMENT FUNCTIONS

### General Fund Revenue (Based on Fund Financial Statements)

Revenue for General Government functions (General Fund) totaled \$24,942,107 in fiscal year 2003, an increase of 2.1% over fiscal year 2002. The amount of revenue from various sources, percent of total, and the increase or decrease from last year in dollars and as a percentage are shown in the following tabulation:

Revenue Sources:	FY 2003 Amount	Percent of Total	Increase (Decrease) From FY 2002	
			Dollar Amount	Percent
Taxes	\$ 5,022,069	20.14%	\$ 15,531	0.3 %
Licenses and permits	17,900,739	71.77%	601,339	3.5 %
Charges for services	652,791	2.62%	(5,035)	(0.8)%
Grants	591,652	2.37%	(73,962)	(11.1)%
Interest	170,061	0.68%	(50,127)	(22.8)%
Miscellaneous	604,795	2.42%	18,250	3.1 %
<b>TOTAL REVENUE</b>	<b>\$24,942,107</b>	<b>100.0%</b>	<b>\$ 505,996</b>	<b>2.1 %</b>

The most substantial increase in the revenue categories above in actual dollars is in 'Licenses & Permits', which amounted to \$601,339. Payroll tax increased \$428,029 or about 4.3 percent, while business license collections increased \$155,624 or 4.8 percent over last year. In fiscal year 1993, \$6.5 million was received in payroll tax revenues, while fiscal year 2003 revenue was \$10.3 million, an average growth rate of 4.8 percent. Payroll tax revenue rate of growth was 3.5 percent for a more recent five-year period, fiscal 1998 to fiscal 2003. More recent payroll tax revenue growth rate has been approximately 73 percent of that of the 10-year historical average.

Insurance premium tax collections decreased 1.1 percent or \$39,630 last year. In fiscal year 1992, \$2.28 million was received, and in fiscal year 1999, the revenue hit \$3.36 million, giving an average compounded growth rate of 5.7 percent a year. While insurance premium tax revenue was \$3.36 million in 1999, it subsequently hit a 7-year low in 2000 at \$2.97 million. In fiscal years 2001 and 2002, the insurance premium tax sustained positive growth but declined 1.1 percent in fiscal 2003. The average growth rate for the insurance premium tax over the past 5 years has stayed slightly ahead of inflation at 3.2 percent.

While overall, 'License and Permits' revenue dollars grew the most, the 'Interest' category decreased the most dramatically as a percentage of change, 22.8 percent or \$50,127. The interest revenue decrease was caused primarily by the steady decline in interest rates over the past several years as investments continue to mature.

### General Fund Expenditures (Based on Fund Financial Statements)

Expenditures for General Fund functions totaled \$22,060,238, an increase of 4.1% over fiscal year 2002. Increases and decreases in levels of expenditures by major functions compared to the preceding year are shown in the following tabulation:

Expenditures:	FY 2003 Amount	Percent of Total	Increase (Decrease) From FY 2002	
			Dollar Amount	Percent
General government	\$ 3,943,031	17.9%	\$ 496,623	14.4 %
Public safety	11,277,297	51.1%	201,145	1.8 %
Public service	5,218,896	23.7%	(234,922)	(4.3)%
Recreation	975,361	4.4%	78,301	8.7 %
Other	645,653	2.9%	324,743	101.2 %
<b>TOTAL EXPENDITURES</b>	<b>\$22,060,238</b>	<b>100.0%</b>	<b>\$ 865,890</b>	<b>4.1 %</b>

Expenditures grew 4.1 percent or \$865,890 between fiscal year 2002 and fiscal year 2003, as compared to the increase in spending between fiscal year 2001 and fiscal year 2002, of \$1,567,361 or 8.0 percent. The fiscal year 1995 expenditure per capita was \$595 and changed to \$728 and \$806 in fiscal year 2000 and fiscal year 2002, respectively. Per capita expenditures have increased on average 4.5 percent annually since fiscal year 1995. Fiscal year 2003 General Fund combined expenditures and transfers out increased \$9 per citizen from the fiscal year 2002 amount of \$921.

The fiscal year 2003 budget process played a significant role in identifying spending trends, and that process should be carried over into fiscal year 2004. The fiscal year 2003 expenditures more accurately reflect all costs associated with the departments that benefit from the expenditure. The single largest net change was in 'General Government' for \$496,623. The majority of the change, or nearly 77 percent, was caused by increased economic development-related projects spending (\$177,420), River Heritage Museum funding assistance (\$50,000) and a payment to settle a long-term land acquisition suit near the Kentucky Oaks Mall (\$153,650).

The second most significant change was in the 'Other' category for \$324,743 or 101.2% over fiscal year 2002. Nearly all of the change in this category (\$282,204) was due to a change in the way we present the property taxes collected for the Paducah Junior College (PJC). In past years, PJC property tax revenues and related expenditures were not included in the City's General Fund. Starting in fiscal year 2003, PJC revenues and related expenditures are included in the General Fund because the PJC Board does not have taxing authority so the City is required to set PJC levy.

The next largest expenditure change was for 'Public Service', a \$234,922 or 4.3% decrease over last year. Public Service expenditures are made up of Public Works, Engineering and Floodwall operational costs. The entire Public Service category decrease is attributed to the Public Works Department. Most of the decrease is associated with salary slippage and reduced capital outlays for building improvements in Public Works as compared to the prior year.

### **ECONOMIC CONDITION**

The City continues to be actively involved in promoting economic development since new developmental job growth is necessary to ensure the continued stability of the City's tax base. Economic indicators and trends reflect that the area's economy has slowed in recent years but is expected to continue to grow over the near-term. Area employment was down slightly from the prior 12-month period and was 33,468, a 3.2% decrease. The June 30, 2003, unemployment rate was 5.9% (McCracken County), slightly better than the federal rate. The number of active electric and water meters was nearly the same as the prior year. The number of residential construction permits obtained was 231 units of single and multi-family dwellings, up 15% and valued at \$9.8 million. The value of commercial construction permits was \$35.9 million, down 16.5% from the prior year.

### **CASH MANAGEMENT**

Idle cash in the City's various funds, except for pension funds, is invested for terms ranging from overnight to 23 months to maturity depending upon liquidity needs. Independent money managers handle Police and Firefighters' Pension Funds. City deposits/investments are protected by FDIC insurance and pledged U.S Government securities. The amount of interest earned in fiscal year 2003 in the General Fund was \$170,601, on rates varying from 1.50% to 4.46%.

### **RISK MANAGEMENT**

In recent years, attention has been focused on safety in the workplace. Working with the Kentucky League of Cities (KLC) has produced numerous enhancements in worker safety. The City has selected various insurance coverage to mitigate potential risk, with premiums costing more than \$905,300 and \$799,000 in fiscal year 2003 and fiscal year 2002, respectively, for general liability, public officials liability, auto, law enforcement and workers compensation.

## **PENSION FUND MANAGEMENT**

The City of Paducah employees are covered by one of three retirement systems: (1) Police and Firefighters' Pension Fund (PFPF); (2) County Employees' Retirement System (CERS); and (3) Appointive Employees' Pension Fund (AEPF).

The **PFPF** is a single-employer contributory defined benefit plan established by local ordinance under State Statutes. Members contribute 8% of their gross earnings. The investments of this fund are managed by a six-member board of trustees, which utilizes BB&T as money managers. Monthly reports are received and monthly meetings are held with the money managers to review investment progress and strategy.

In the past year, the PFPF had a net asset decrease of \$921,497 with net assets valued at \$9,460,720 on June 30, 2003. There were 7 active members and 99 retirees and/or beneficiaries in this fund as of June 30, 2003. The most recent actuarial report prepared for the PFPF was as of July 1, 2003.

The **CERS** is a multiple employer cost sharing defined benefit plan administered by Kentucky Retirement System. Effective August 1, 1988, all but 21 active police and firefighters opted to transfer from the present plan to the County Employees Retirement System.

Non-hazardous duty employees contribute 5% while hazardous duty employees contributed 7% until August 1, 1998. Hazardous duty employees contribute 8% effective August 1, 1998, due to a change in state pension law. The City contributed 6.34% for non-hazardous and 16.28% for hazardous duty employees in fiscal year 2003.

The **AEPF** is a single-employer contributory defined benefit plan created by local ordinance under State Statute. While there are no active members in the plan, there are 15 retirees and/or beneficiaries receiving benefits from the fund as of June 30, 2003. Retirees are former non-hazardous duty municipal employees who retired prior to the statewide CERS plan. Funding was formerly provided by a special ad valorem tax, with any shortfall to be covered by a transfer from the City's General Fund. The AEPF had a net asset decrease of \$16,899 in fiscal year 2003, with net assets valued as of June 30, 2003, of \$327,374.

## **SPECIAL REVENUE FUNDS**

Special revenue funds (Nonmajor Governmental Funds) included in this report are the Municipal Aid Program, Emergency Communication Service Fund, Court Awards Fund, and various Federal and State Grants. Revenues accounted for in these funds are restricted to specific purposes.

## **PROPRIETARY FUNDS**

The City maintains eight proprietary funds which are: Solid Waste, Wastewater/Stormwater, Civic Center, Telecommunication Information System Authority (TISA) (Business-type Activities); and Fleet Maintenance, Fleet Lease Trust, Insurance and Health Insurance Funds (Internal Service Funds).

In fiscal year 1990, the Solid Waste Fund and the Wastewater/Stormwater Fund were reclassified from General Government and established as proprietary funds. The City's fleet operation was broken out as a proprietary fund in fiscal year 1992 in order to more accurately reflect the true cost of the City's vehicle and equipment fleet maintenance program. The Civic Center's operation was converted into a proprietary fund in fiscal year 1993. In fiscal year 1999, the City set up two new funds called Fleet Lease Trust and Health Insurance Funds, in order to more accurately monitor the City's fleet lease program and health, dental and flexible benefits programs, respectively. All these changes were made to better account for the cost of operations. The Wastewater/Stormwater Fund will hopefully phase out in fiscal year 2004, as accounts are settled with the Paducah-McCracken County Joint Sewer Authority (JSA). This agency has taken over the planning, financing, operation and maintenance of all county and city sewer systems.

## **DEBT SERVICE FUND**

This fund is used to account for payment of general obligation indebtedness, which includes debt associated with the Paducah Public Improvement Corporation and the Fifth Third Bank lease for fire department

equipment, which will be fully paid in fiscal year 2004. In fiscal year 1992, a \$5.0 general obligations bond was added to the City's debt obligations, but was subsequently paid off entirely in 1997. A few of the more significant projects funded by the proceeds of this bond included the Downtown Riverfront Redevelopment Project (\$1.5 million), Noble Park Pool and recreation facility building renovation (\$1.33 million), Senior Citizen Center renovation (\$416,600) and Annex renovation which houses the Emergency 911 Command Center (\$214,100). Lease/debt payments were fully funded by the General Fund.

In fiscal year 2001, since the Debt Service Fund is funding-dependent upon the General Fund, \$591,900 in excess funds was transferred to the General Fund. In fiscal year 2003, another \$200,000 in funds were transferred from the Debt Service Fund to the General Fund. The total cash outlay requirements for debt service retirement; principal and interest, in fiscal year 2003 were \$807,807.

### **INDEPENDENT AUDIT**

Kentucky Revised Statute 91 A-040 requires an annual audit of each fund of the City by an auditor of public accounts or a certified public accountant. The independent certified public accounting firm of Williams, Williams & Lentz, LLP has conducted this audit and their opinion has been included in this report. The City is also subject to the Single Audit Act Amendments of 1996 reporting requirements. The Single Audit Report is included within this report.

### **CERTIFICATE OF ACHIEVEMENT**

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting for fiscal year ended June 30, 2002. This was the twelfth year for Paducah to receive this prestigious award.

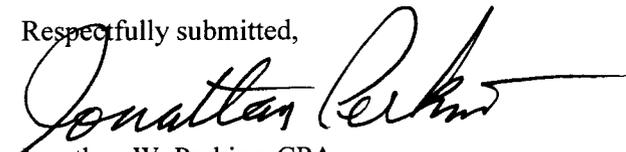
In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, the City published an easily readable and efficiently organized comprehensive annual financial report, the contents of which conform to program standards. The report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

### **ACKNOWLEDGMENTS**

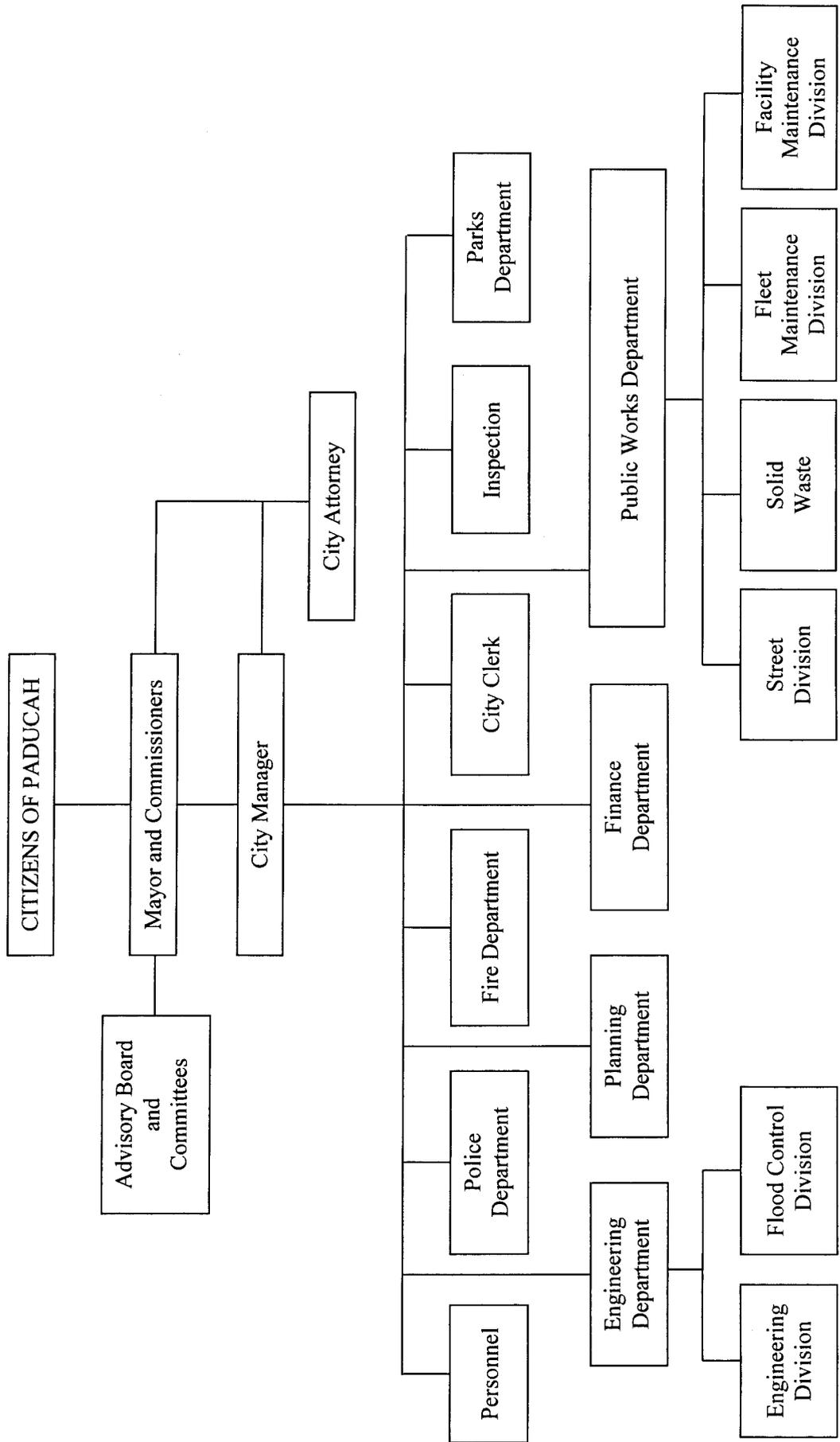
The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We wish to express our appreciation to all members of the Finance Department who assisted and contributed to its preparation, and special thanks to Williams, Williams & Lentz, LLP. We also thank the Mayor and City Commission for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Jonathan W. Perkins, CPA  
Finance Director/Treasurer

**CITY OF PADUCAH, KENTUCKY  
ORGANIZATIONAL CHART**



**CITY OF PADUCAH, KENTUCKY  
PRINCIPAL OFFICIALS**

**BOARD OF COMMISSIONERS**

Mayor

William F. Paxton

Mayor Pro tem

Gerry Montgomery

Commissioner

Buz Smith

Commissioner

Robert Coleman

Commissioner

David Guess

**CITY MANAGER**

James Zumwalt

Personnel

Herschel Dungey

Finance

Jonathan Perkins, C.P.A.

Police Chief

Randy Bratton

Fire Chief

Redell Benton

City Engineer

Richard Murphy

Planning

Thomas Barnett

Parks Services

Mark Thompson

Inspections

Joel Scarbrough

Public Works

Bob Freudenthal

Information Services

Greg Mueller

City Clerk

Tammy Brock

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Paducah,  
Kentucky

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*William Patrick Bate*  
President

*Jeffrey R. Emer*  
Executive Director

**CITY OF PADUCAH, KENTUCKY**

**FINANCIAL SECTION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2003**

WILLIAMS, WILLIAMS & LENTZ, LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
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PADUCAH, KENTUCKY 42002-2500

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MICHAEL F. KARNES  
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ROGER G. HARRIS  
J. DAVID BAILEY, III

G. LEON WILLIAMS  
H. WILLIAM LENTZ

## Independent Auditor's Report

Honorable William F. Paxton, Mayor  
Members of the Board of Commissioners  
City of Paducah  
Paducah, Kentucky

We have audited the accompanying financial statements of the governmental activities, business-type activities, discretely presented component units, major funds, and the aggregate remaining fund information of the City of Paducah, Kentucky (the City), as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Paducah, Kentucky's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the following component units: Paducah Water Works, Forest Hills Village, Inc., Paducah Power System, and Transit Authority of the City of Paducah, which represent 80 percent and 96 percent, respectively, of the assets and revenues of the Component Units column. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for Paducah Water Works, Forest Hills Village, Inc., Paducah Power System, and Transit Authority of the City of Paducah, discretely presented component units, is based on the reports of the other auditors.

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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, discretely presented component units, major funds, and the aggregate remaining fund information of the City of Paducah, Kentucky as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of July 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2003, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, Pension Trust Fund Schedules, and budgetary comparison information on pages 14 through 24 and 71 through 79, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Paducah, Kentucky's basic financial statements. The introductory section, the supplementary information section as listed in the table of contents, including the schedule of expenditures of federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Williams, Williams + Lentz, LLP*

October 6, 2003

**CITY OF PADUCAH, KENTUCKY**

**REQUIRED SUPPLEMENTARY INFORMATION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2003**

**CITY OF PADUCAH, KENTUCKY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2003**

The City of Paducah ("City") offers Management's Discussion and Analysis to provide a narrative overview and analysis of City financial activities for fiscal year ended June 30, 2003. To fully understand the entire scope of the City's financial activities, this information should be read in conjunction with the letter of transmittal (pages 1-8) and the basic financial statements (pages 25-70) provided in this document.

The City implemented Government Accounting Standards Board Statement 34, *Basic Financial Statements— and Management's Discussion and Analysis— for State and Local Governments*, for the first time this year.

**I. Financial Highlights**

- Assets exceeded liabilities by \$36.8 million at the close of the 2002-2003 fiscal year. Of this amount, \$3.1 million (unrestricted net assets) may be used to meet City government's ongoing obligations to citizens and creditors.
- Total net assets increased \$821,602.
- At fiscal year end, City governmental funds reported a combined ending fund balance of \$10.3 million. Approximately 59% of this total amount, \$6.1 million, is unreserved and available for spending at the City's discretion. Of the \$6.1 million, \$1.1 million is in various special funds, which are earmarked for specific purposes.
- At the end of the current fiscal year, unreserved general fund balance was \$4.9 million, nearly 20% of total general fund expenditures and transfers out.

**II. Overview of Financial Statements**

This discussion and analysis serves as an introduction to the City's basic financial statements, which consist of four components: 1) government-wide financial statements, 2) fund financial statements, 3) component unit financial statements, and 4) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**A. Government-Wide Financial Statements**

Government-wide financial statements are designed to provide readers with a broad overview of City finances in a manner similar to private-sector business.

The Statement of Net Assets presents information on all City assets and liabilities, with the difference between assets and liabilities reported as net assets. Monitoring increases and/or decreases in net assets over time may serve as a useful indicator of whether the financial position of the City is improving, stagnating, or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All net asset changes are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows. Revenues and expenses are reported in the Statement of Activities for some items that will only result in cash flows in the future (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish City functions that are primarily supported by taxes and intergovernmental revenues (governmental activities) from other City functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). City governmental activities include general government, public safety, public service, park and recreation, planning and development, and interest on long-term debt. Business-type activities of the City include Solid Waste, Civic Center and Telecommunication System Authority (TISA).

Government-wide financial statements include not only the City (the primary government), but also a legally separate Paducah Water Works, Paducah Power System and other authorities (component units) for which the City is financially accountable. Financial information for the component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 25-28 of this report.

## **B. Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over segregated resources for specific activities or objectives. The City of Paducah, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. City funds can be divided into three categories:

1) Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike government-wide financial statements, however, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a city's near-term financing requirements.

The City maintains thirteen (13) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, General Capital Improvements, and Downtown Capital Improvements Funds, all of which are considered to be major funds. Data from the other ten (10) funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Readers may better understand the long-term impact of the City's near-term financing decisions by comparing the narrow-focus governmental funds financial statements with governmental activities in the government-wide financial statements. Exhibit 4 (page 31) and Exhibit 6 (pages 34-35) provide a reconciliation to ease comparison between the fund financial statements and the government-wide statements.

The basic governmental fund financial statements can be found on pages 25-35 of this report.

2) Proprietary Funds. The City maintains two types of proprietary funds:

- a. **Enterprise Funds**. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements and are used to account for operations:
  - That are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or
  - Where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The City uses four enterprise funds to account for Solid Waste, Civic Center, TISA and Wastewater operations, as well as certain component units that provide electric, water, public transit, and golf course services. TISA and Civic Center receive subsidy from the General Fund.

(Continued)

The City's component unit enterprises include the Paducah Water Works, Paducah Power System, Paducah Transit Authority, Forest Hills, and Edwin J. Paxton Park Golf Course, which provide water, electric, light and power systems, public transportation, City owned housing, and a public golf course. These component units, each of which has their own board of directors, are also enterprise funds.

- b. **Internal Service Funds** are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for fleet services, fleet replacement, risk management (insurance) and employee health programs. Internal Service Funds have been included within governmental activities in the government-wide financial statements because these funds predominantly benefit governmental functions versus business-type functions.

Proprietary funds provide the same kind of information as government-wide financial statements, but in greater detail. Individual data for the nonmajor proprietary funds is presented in the form of combining statements on pages 84-86 of this report. Individual data for the internal service funds is likewise presented in the form of combining statements on pages 87-89 of this report.

- 3) **Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government and are not reflected in government-wide financial statements because those resources are not available to support City programs. Individual data for the City's five (5) fiduciary funds (Appointive Employees' Pension, Police and Firefighters' Retirement, Oak Grove Cemetery Trust, Rinkleff Estate and Agency) are presented in the form of combining statements on pages 90-94 of this report.

### C. Notes to the Financial Statements

The notes provide additional information that is essential to fully understanding data provided in the government-wide and fund financial statements. Notes to the financial statements can be found on pages 46-70 of this report.

### D. Other Information

In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning City funding of its obligation to provide pension benefits to its employees and budgetary comparison schedules for the general and major special revenue funds.

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor proprietary funds, internal service funds and fiduciary funds are presented immediately following the required supplementary information on pensions and budgetary comparisons. Combining fund statements and schedules can be found on pages 80-94 of this report.

## III. Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. City assets exceeded liabilities by \$36.8 million as of June 30, 2003.

The largest portion of the City's net assets (80%) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment and infrastructure) less outstanding related debt used to acquire those assets. The City uses these capital assets to provide service to citizens and as a result, these assets are not available for future spending. The City's capital assets investment is reported net of related debt, but the resources to pay this debt must be provided from other sources since the capital assets cannot be used to liquidate the liabilities.

(Continued)

An additional portion of City net assets (12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$3.1 million) may be used to meet the City's ongoing obligations to citizens and creditors.

As of June 30, 2003, the City reports positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

With the first year of implementation of GASB Statement 34, the City is not presenting comparative columns in the various comparisons and analyses. Comparative analyses will be provided in future years when prior year information is available.

**City of Paducah, Kentucky  
Net Assets  
June 30, 2003**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current assets	\$19,306,855	\$1,970,437	\$21,277,292
Capital assets	<u>32,412,164</u>	<u>1,425,753</u>	<u>33,837,917</u>
 Total assets	 <u>51,719,019</u>	 <u>3,396,190</u>	 <u>55,115,209</u>
Long-term liabilities	9,979,680	18,671	9,998,351
Other liabilities	<u>7,915,025</u>	<u>386,666</u>	<u>8,301,691</u>
 Total liabilities	 <u>17,894,705</u>	 <u>405,337</u>	 <u>18,300,042</u>
Net assets:			
Invested in capital assets, net of related debt	27,955,839	1,425,753	29,381,592
Restricted	4,297,355	-	4,297,355
Unrestricted	<u>1,571,120</u>	<u>1,565,100</u>	<u>3,136,220</u>
 TOTAL NET ASSETS	 <u>\$33,824,314</u>	 <u>\$2,990,853</u>	 <u>\$36,815,167</u>

**A. Analysis of the City's Operations**

The following table provides a summary of the City's operations for the year ended June 30, 2003. The City first implemented GASB Statement 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments* in 2003. Therefore, comparative data is not presented. Governmental activities increased the City's net assets by \$889,621, accounting for all of the increase in net assets. Business-type activities decreased the City's net assets by \$68,019.

The following table provides a summary of the City's operations for the year ended June 30, 2003.

(Continued)

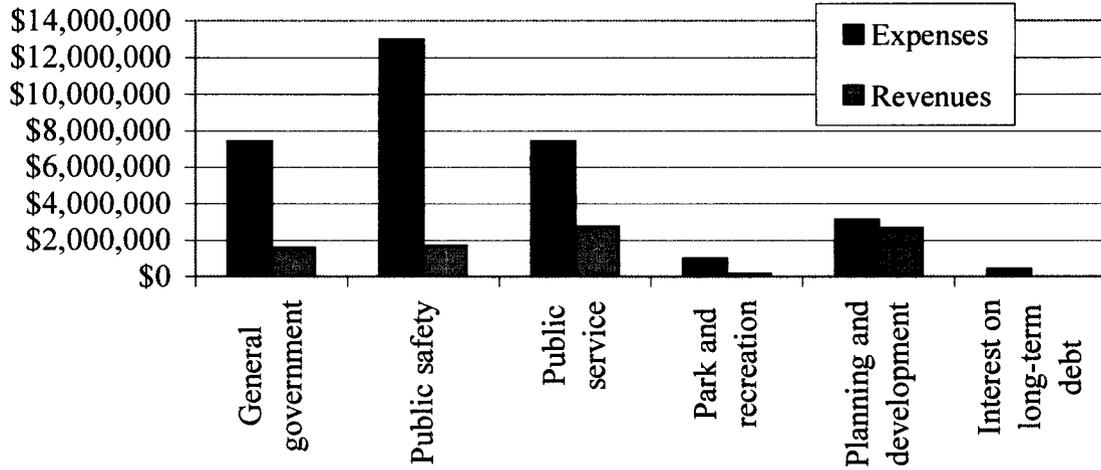
**City of Paducah, Kentucky**  
**Changes in Net Assets**  
**For the Year Ended June 30, 2003**

<b>Revenues:</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Program revenues:			
Charges for services	\$ 2,370,110	\$3,413,172	\$ 5,783,282
Operating grants/contributions	4,176,548	-	4,176,548
Capital grants/contributions	2,213,757	3,666	2,217,423
General revenues:			
Property taxes	3,893,211	-	3,893,211
Franchise tax	298,251	-	298,251
Telecommunications tax (E911)	751,802	-	751,802
Insurance premium tax	3,580,964	-	3,580,964
Vehicle tax	492,077	-	492,077
Bank tax	169,668	-	169,668
Business licenses	3,404,338	-	3,404,338
Employee earnings	10,301,231	-	10,301,231
Other taxes	181,266	-	181,266
Intergovernmental revenues	836,132	-	836,132
Unrestricted investment earnings	325,811	39,530	365,341
Gain on sales of capital assets	125,714	24,238	149,952
<b>Total revenues</b>	<b><u>33,120,880</u></b>	<b><u>3,480,606</u></b>	<b><u>36,601,486</u></b>
<b>Expenses:</b>			
General government	7,397,233	-	7,397,233
Public safety	12,964,120	-	12,964,120
Public service	7,376,791	-	7,376,791
Park and recreation	975,362	-	975,362
Planning and development	3,108,192	-	3,108,192
Interest on long-term debt	428,227	-	428,227
Solid waste	-	3,359,731	3,359,731
Civic Center	-	46,509	46,509
TISA	-	123,719	123,719
<b>Total expenses</b>	<b><u>32,249,925</u></b>	<b><u>3,529,959</u></b>	<b><u>35,779,884</u></b>
Increase (decrease) in net assets before transfers	870,955	(49,353)	821,602
Transfers	<u>18,666</u>	<u>(18,666)</u>	-
Increase (decrease) in net assets	889,621	(68,019)	821,602
Net assets – July 1, 2002	<u>32,934,693</u>	<u>3,058,872</u>	<u>35,993,565</u>
<b>NET ASSETS – JUNE 30, 2003</b>	<b><u>\$33,824,314</u></b>	<b><u>\$2,990,853</u></b>	<b><u>\$36,815,167</u></b>

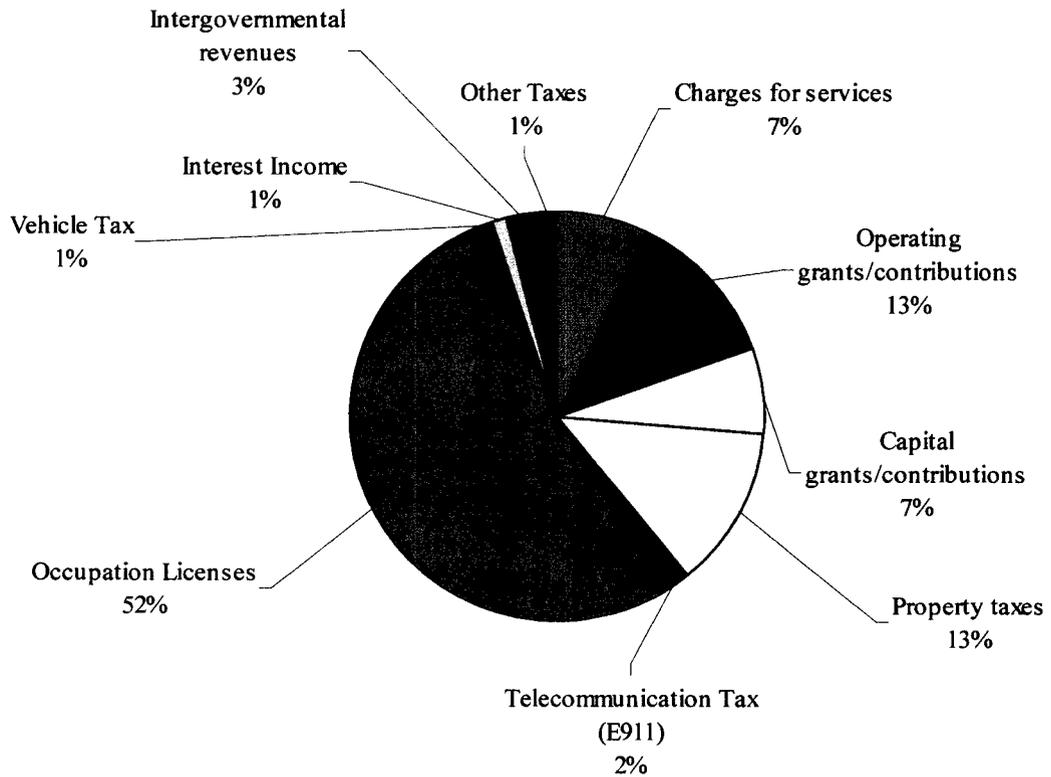
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**B. Governmental Activities**

**Governmental Activities  
Expenses and Program Revenues**



**Governmental Activities  
Revenue by Source**

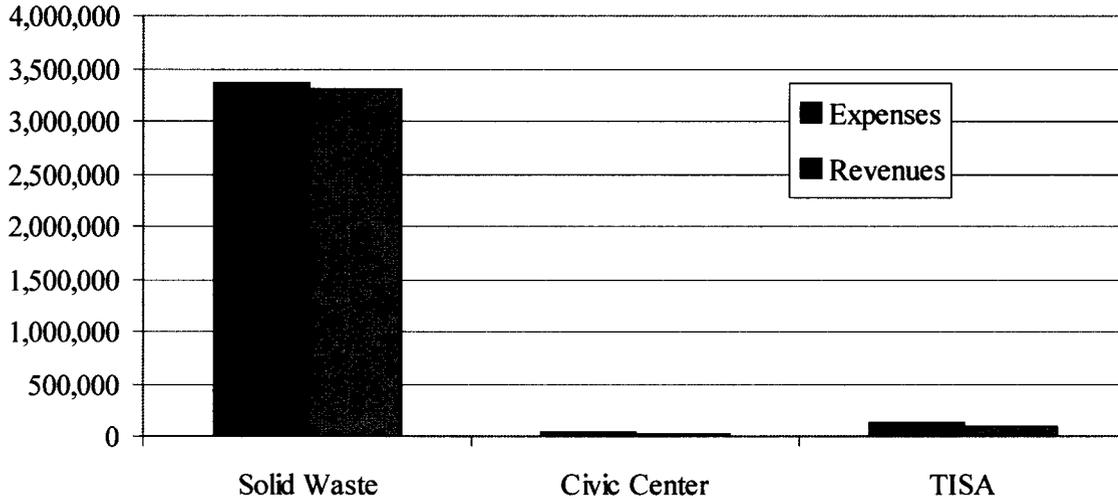


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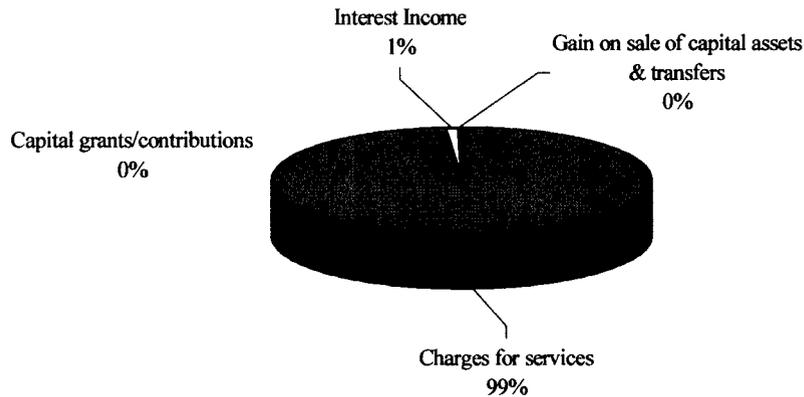
**C. Business-Type Activities**

Business-type activities decreased the City's net assets by \$68,019, in contrast to the positive gain in net assets for Governmental Activities for the year.

**Business-Type Activities  
Expenses and Revenues**



**Business-Type Activities  
Revenue by Source**



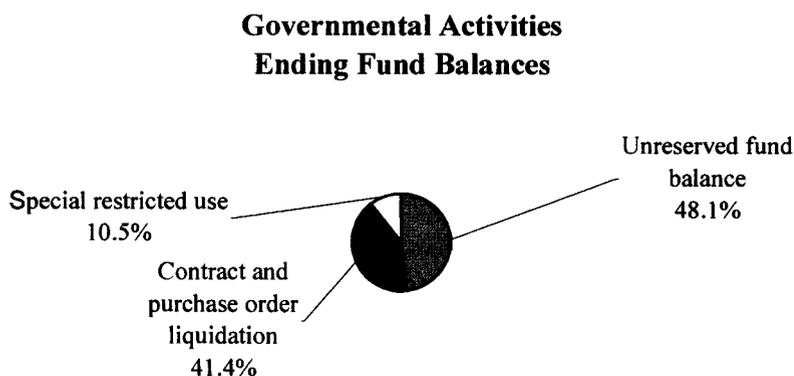
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#### IV. Financial Analysis of the City's Funds

##### A. Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in determining the City's financing requirements. Unreserved fund balance serves as a useful measure of the City's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the City governmental funds reported combined ending fund balances of \$10.3 million. Approximately 59% of this total amount, \$6.1 million, is unreserved fund balance, which is available for spending at the government's discretion. Of the \$6.1 million, \$1.1 million is in various special funds, which are restricted to specific purposes including grant programs and road paving programs. The remainder of fund balance is reserved to indicate it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period for \$4.2 million.



The general fund is the chief operating fund of the City. At the end of the 2002-2003 fiscal year, the general fund unreserved fund balance was \$4.9 million. City ordinance requires that an amount not less than 12.5% of the General Fund's budgeted expenditures remain undesignated in the fund balance, or \$3.1 million, which leave \$1.8 million as truly unreserved. As a measure of general fund liquidity, readers may compare both unreserved fund balance and total fund balance to total general fund expenditures. Unreserved General Fund fund balance represents approximately 20% of expenditures and transfers out (\$24.7 million).

The General Fund fund balance increased by \$484 thousand during the 2002-2003 fiscal year and was the result of decreased expenditures due to a number of unfilled vacancies or 'salary slippage'.

The General Capital Improvements Fund had a fund balance of \$583,589 all of which is reserved because it has already been committed to liquidate contracts and purchase orders of the prior period. The General Capital Improvements fund balance decreased \$297 thousand.

The Downtown Capital Improvements Fund had a fund balance of \$3 million all of which is reserved because it has already been committed to the Luther F. Carson Four River Center for the Performing Arts. The Downtown Capital Improvements fund balance decreased \$330 thousand.

##### D. Proprietary Funds

The City's proprietary funds provide the same information found in the government-wide financial statements, but in more detail.

(Continued)

Unrestricted net assets of the respective proprietary funds are:

Solidwaste	\$1,621,057
Wastewater	-
Civic Center	13,973
TISA	26,000

Combined net asset growth for the four funds was \$28 thousand broken down as follows: Solid Waste \$70 thousand, Civic Center (\$15 thousand), and TISA (\$27 thousand). Other factors concerning the proprietary enterprise funds have been addressed in the discussion of City business-type activities.

## V. General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in a \$1,020,235 decrease in appropriations and can be briefly summarized as follows:

<u>Department</u>	<u>Appropriations</u>	
	<u>Increase</u>	<u>Decrease</u>
General administration	\$ 156,155	
Finance		\$ 53,865
Planning	4,670	
Human rights		4,035
Human resources	32,315	
Inspection		66,890
Information systems		47,745
Police		272,925
Fire		84,205
Public works		559,215
Engineering services		100,090
Recreation		24,405

Transfers out were also increased \$351,215. The net decrease to appropriations and transfers out was \$669,020 for the year. Since expenditures were less than budgetary estimates, fund balance was reduced less than expected.

## VI. Capital Asset and Debt Administration

### A. Capital Assets

The City's investment in capital assets for governmental and business-type activities as of June 30, 2003, is \$33.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges, and construction in progress.

Capital improvements are included in each department budget until improvements are completed. At the end of the fiscal year, completed projects are capitalized in the 'Government-wide Statements'. During fiscal year 2003, projects and equipment expenditures totaled nearly \$5.5 million. The largest capital-type projects, in terms of dollars in fiscal year 2003, were for the completion of the Convention Center (\$921,170), Police mobile data terminals (\$748,760), followed by the City's Geographic Information System or GIS (\$437,909), the third phase of the downtown Streetscape project (\$375,219), the first phase of Pecan Drive Upgrade project (\$282,503), the completion of the downtown Convenience Center (\$255,087), and another construction phase completed at the River Heritage Museum (\$187,734).

(Continued)

In the upcoming years, several street, economic development, quality of life and drainage projects will continue and are estimated to cost several million dollars. Capital improvement projects such as the Luther F. Carson Four Rivers Center for the Performing Arts parking lot and related infrastructure, the continuing airport expansion, police and recreational facility improvements, continued neighborhood revitalization, and street and sidewalk rehabilitation are among the projects to be addressed.

**City of Paducah, Kentucky**  
**Capital Assets**  
**(Net of Accumulated Depreciation)**  
**June 30, 2003**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 5,084,335	\$ 65,908	\$ 5,150,243
Construction in progress	2,988,191	-	2,988,191
Buildings and improvements	3,096,982	183,855	3,280,837
Infrastructure	14,242,704	-	14,242,704
Equipment	1,032,988	376,358	1,409,346
Furnishings and fixtures	5,687	-	5,687
Vehicles	<u>1,584,777</u>	<u>799,632</u>	<u>2,384,409</u>
<b>TOTALS</b>	<b><u>\$28,035,664</u></b>	<b><u>\$1,425,753</u></b>	<b><u>\$29,461,417</u></b>

Additional information on City capital assets can be found in Note 3 in the notes to financial statements on pages 58-59.

**B. Long-Term Debt**

At year end, the City had \$10,622,533 in outstanding bonds, accrued compensated absences and capital leases, compared to \$10,955,290 at June 30, 2002 with maturities extending through 2026. During the year, the City's total debt decreased by \$332,757 or of 3%, as shown in the following table:

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
<b>General Obligation Bonds:</b>		
Convention and Arts Center	\$ 9,075,000	\$ 8,850,000
General Fund accrued compensated absences	1,646,236	1,692,709
Capital lease – fire equipment	<u>234,054</u>	<u>79,824</u>
<b>TOTALS</b>	<b><u>\$10,955,290</u></b>	<b><u>\$10,622,533</u></b>

In June 2001, a \$9.29 million general obligation bond was added to the City's debt obligation to finance construction of the Luther F. Carson Four Rivers Center for the Performing Arts (approximately \$3.0 million) and the expansion of the Julian Carroll Convention Center (approximately \$6.0 million). These bonds are required to be fully paid within 25 years from the date of issue and are backed by the full faith and credit of the City. While the City issued these bonds, 50% of the principal amount of the bonds is being issued on behalf of the County of McCracken, Kentucky. McCracken County has issued the City a general obligation note in a principal amount equal to 50% of the principal amount of the bonds.

The City's legal debt limit under §158 of the Kentucky Constitution is 10% of total assessed value of taxable property in Paducah; therefore, the debt limit is \$155,879,607. The City's latest bond rating by Moody is A2. The City has a low amount of general obligation debt, which explains our large legal debt margin.

(Continued)

The City of Paducah, Kentucky, issues and incurs debt in order to fund capital improvement projects, purchase major capital equipment and facilities, and respond to other special funding needs. Less than 3.5% of the General Fund budget is expended for debt service, and thus has minimal impact on current and future operations.

Additional information on the City's Long-term debt can be found in Note 3 in the notes to financial statements on pages 60-63.

## **VII. Economic Factors and Next Year's Budgets and Rates**

- A. General Comments.** Paducah experienced a slow down in economic growth due to the national economic slow down in fiscal year 2003. In spite of the national slowdown, Paducah has continued to experience retail growth in the Kentucky Oaks Mall area and the City's Southside. The downtown area continues to be enhanced with the addition of new retail establishments, further expanding the property tax value base as well as the payroll tax base. Downtown will be further enhanced with the opening of the Luther F. Carson Four Rivers Center for the Performing Arts (FRC). The FRC is scheduled to open in early 2004 at a cost in excess of \$35 million. The State of Kentucky contributed \$20 million toward the project, with the balance of the cost funded locally by government, tourism taxes and private donations.
- B. Unemployment Rate.** The unemployment rate for the City of Paducah (McCracken County) as of June 2003 was 5.9%. This rate compares favorably to state and federal unemployment rates, 5.9% and 6.4%, respectively.
- C. Inflationary Trends.** Inflationary trends in the City compare favorably to state and national trends.
- D. Annexation Policy.** The City's major long-term concern is revenue for capital projects. Incentive investments in annexation and economic development should enable revenue to increase over the next 5-8 years. Paducah will continue to pursue its annexation efforts as these efforts will insure long-term financial stability for the City in terms of increased property taxes, payroll taxes, and business gross receipts fees through further commercial, industrial, and residential development. City policy will continue to provide annexation incentives that should pay for themselves in the long-term and serve as incentive investments in future revenues to offset the cost of providing services to the newly annexed areas. The policy of balanced and controlled growth will be one of the City's greatest challenges in the next five to ten years.
- E. Strategic Fleet Acquisition Plan.** The City's effort to limit expenditure growth and seek cost savings opportunities assists our effort to insure that funds are available for future capital projects. Paducah implemented the Strategic Fleet Acquisition Plan fiscal year 1998-1999 in an effort to systematically review the City's fleet of vehicles. This plan allows the City to make long-range plans for replacing vehicles at the optimal time to avoid high maintenance costs and take advantage of a higher resale value.
- F. Enterprise Zone.** Since its inception, the Paducah Enterprise Zone Program has produced 321 qualified businesses, which have pledged expenditures of \$88.9 million in addition to creating 320-targeted jobs.

All the above factors, in addition to current and future needs of the City, were considered when the 2003-2004 Budget for the City of Paducah was prepared. The beginning general fund balance for fiscal year 2003-2004 is \$4,925,982. The City has estimated an ending fund balance of \$3,200,000, or 12% of projected general fund expenditures. At the present time, the City is in good financial condition and no tax increase is planned for fiscal year 2003-2004.

## **VIII. Requests for Information**

This financial report is designed to provide a general financial overview for those interested in the City of Paducah government finances. Questions or requests for additional financial information may be addressed to Jonathan Perkins, Finance Director, City of Paducah, 500 South 5th Street, Paducah, KY 42003.

**CITY OF PADUCAH, KENTUCKY**

**BASIC FINANCIAL STATEMENTS**

***GOVERNMENT-WIDE FINANCIAL STATEMENTS***

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2003**

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**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2003**

<u>ASSETS</u>	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 7,780,616	\$ 422,672	\$ 8,203,288	\$ 3,790,318
Beneficial interest in investments held by Community Foundation	-	-	-	12,795
Investments	5,945,622	1,632,926	7,578,548	4,003,411
Receivables, net:				
Note	110,000	-	110,000	-
Accounts	542,662	5,300	547,962	2,381,756
Grants	470,786	-	470,786	303,110
Interest	42,905	5,469	48,374	3,571
Property tax	4,158,143	-	4,158,143	619,570
Other	-	-	-	1,233,032
Due from other governments	-	-	-	84,475
Internal balances	95,930	(95,930)	-	-
Inventories	151,426	-	151,426	2,163,009
Prepaid expenses	8,765	-	8,765	53,015
Other current assets	-	-	-	720,462
<b>Total current assets</b>	<u>19,306,855</u>	<u>1,970,437</u>	<u>21,277,292</u>	<u>15,368,524</u>
<b>Noncurrent Assets:</b>				
Investments, restricted	-	-	-	5,660,235
Investments, unrestricted	-	-	-	150,000
Notes receivable	4,376,500	-	4,376,500	-
Net capital assets	28,035,664	1,425,753	29,461,417	87,426,186
Restricted assets	-	-	-	69,111
Other assets	-	-	-	151,528
<b>Total noncurrent assets</b>	<u>32,412,164</u>	<u>1,425,753</u>	<u>33,837,917</u>	<u>93,457,060</u>
<b>Total assets</b>	<u>51,719,019</u>	<u>3,396,190</u>	<u>55,115,209</u>	<u>108,825,584</u>

See accompanying notes to the basic financial statements.

**LIABILITIES**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Current Liabilities:</b>				
Voucher and accounts payable	\$ 2,042,789	\$ 320,232	\$ 2,363,021	\$ 2,817,509
Accrued payroll and payroll taxes	614,489	20,272	634,761	417,215
Due to other taxing agencies	110,628	-	110,628	-
Deferred revenue	4,504,265	-	4,504,265	1,329,802
Accrued compensated absences	333,029	46,162	379,191	176,349
Accrued interest	-	-	-	176,534
Prepaid grants	-	-	-	58,410
Notes payable due within one year	79,825	-	79,825	88,298
Revenue bonds due within one year	230,000	-	230,000	835,000
Public improvement bonds payable - current	-	-	-	330,000
Other current liabilities	-	-	-	1,864,616
<b>Total current liabilities</b>	<b>7,915,025</b>	<b>386,666</b>	<b>8,301,691</b>	<b>8,093,733</b>
<b>Noncurrent Liabilities:</b>				
Accrued compensated absences	1,359,680	18,671	1,378,351	112,793
Obligation under capital lease	-	-	-	2,367
Revenue bonds payable	8,620,000	-	8,620,000	4,389,737
Public improvement bonds payable	-	-	-	5,433,508
Public improvement loans payable	-	-	-	353,207
<b>Total noncurrent liabilities</b>	<b>9,979,680</b>	<b>18,671</b>	<b>9,998,351</b>	<b>10,291,612</b>
<b>Total liabilities</b>	<b>17,894,705</b>	<b>405,337</b>	<b>18,300,042</b>	<b>18,385,345</b>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	27,955,839	1,425,753	29,381,592	76,200,366
Restricted for:				
Program purposes	713,766	-	713,766	-
Youth programs	-	-	-	6,003
Capital projects	3,583,589	-	3,583,589	1,807,186
Art collection	-	-	-	28,443
Unrestricted	1,571,120	1,565,100	3,136,220	12,398,241
<b>TOTAL NET ASSETS</b>	<b>\$33,824,314</b>	<b>\$ 2,990,853</b>	<b>\$36,815,167</b>	<b>\$90,440,239</b>

**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2003**

<b><u>FUNCTIONS/PROGRAMS</u></b>	<b><u>Expenses</u></b>	<b><u>Program Revenues</u></b>		
		<b><u>Charges for Services</u></b>	<b><u>Operating Grants and Contributions</u></b>	<b><u>Capital Grants and Contributions</u></b>
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ 7,396,882	\$ 1,445,383	\$ 1,628	\$ 120,000
Public safety	12,964,120	94,386	663,027	911,952
Public service	7,376,791	683,119	1,079,537	976,155
Parks and recreation	975,362	131,355	10,314	-
Planning and development	3,108,192	15,867	2,422,042	205,650
Interest on long-term debt	428,578	-	-	-
Total governmental activities (See Note 1)	<u>32,249,925</u>	<u>2,370,110</u>	<u>4,176,548</u>	<u>2,213,757</u>
Business-type activities:				
Solid waste	3,359,731	3,298,964	-	-
Civic Center	46,509	20,825	-	-
TISA	123,719	93,383	-	3,666
Total business-type activities	<u>3,529,959</u>	<u>3,413,172</u>	<u>-</u>	<u>3,666</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u><u>\$35,779,884</u></u>	<u><u>\$ 5,783,282</u></u>	<u><u>\$4,176,548</u></u>	<u><u>\$2,217,423</u></u>
<b>Component Units:</b>				
Authorities:				
Governmental activities:				
Other authorities	\$ 113,059	\$ -	\$ 69,725	\$ -
Business-type activities:				
Paducah Water Works	5,696,370	5,953,642	-	458,669
Paducah Power System	37,969,395	38,416,177	-	-
Other authorities	5,273,523	3,681,597	1,395,604	1,570,565
Universities and colleges:				
Paducah Junior College	1,659,437	349,631	318,045	-
<b>TOTAL COMPONENT UNITS</b>	<u><u>\$50,711,784</u></u>	<u><u>\$48,401,047</u></u>	<u><u>\$1,783,374</u></u>	<u><u>\$2,029,234</u></u>

General revenues:

- Taxes and licenses:
  - Property taxes, levied for general purposes
  - Franchise tax
  - Telecommunications tax
  - Insurance premium tax
  - Vehicle tax
  - Bank tax
  - Business licenses
  - Employee earnings
  - Other taxes
- Intergovernmental revenue
- Unrestricted investment earnings
- Gain on sale of capital assets
- Miscellaneous
- Transfers

Total general revenues and transfers

Change in net assets  
 Net assets - beginning

**NET ASSETS - ENDING**

See accompanying notes to the basic financial statements.

**Net (Expense) Revenue and Changes in Net Assets**

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (5,829,871)	\$ -	\$ (5,829,871)	\$ -
(11,294,755)	-	(11,294,755)	-
(4,637,980)	-	(4,637,980)	-
(833,693)	-	(833,693)	-
(464,633)	-	(464,633)	-
(428,578)	-	(428,578)	-
<u>(23,489,510)</u>	<u>-</u>	<u>(23,489,510)</u>	<u>-</u>
-	(60,767)	(60,767)	-
-	(25,684)	(25,684)	-
-	(26,670)	(26,670)	-
<u>-</u>	<u>(113,121)</u>	<u>(113,121)</u>	<u>-</u>
<u>(23,489,510)</u>	<u>(113,121)</u>	<u>(23,602,631)</u>	<u>-</u>
-	-	-	(43,334)
-	-	-	715,941
-	-	-	446,782
-	-	-	1,374,243
<u>-</u>	<u>-</u>	<u>-</u>	<u>(991,761)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,501,871</u>
3,893,211	-	3,893,211	739,192
298,251	-	298,251	-
751,802	-	751,802	-
3,580,964	-	3,580,964	-
492,077	-	492,077	-
169,668	-	169,668	-
3,404,338	-	3,404,338	-
10,301,231	-	10,301,231	-
181,266	-	181,266	-
836,132	-	836,132	102,650
325,811	39,530	365,341	306,781
125,714	24,238	149,952	-
-	-	-	63,835
18,666	(18,666)	-	-
<u>24,379,131</u>	<u>45,102</u>	<u>24,424,233</u>	<u>1,212,458</u>
889,621	(68,019)	821,602	2,714,329
32,934,693	3,058,872	35,993,565	87,725,910
<u>\$ 33,824,314</u>	<u>\$ 2,990,853</u>	<u>\$ 36,815,167</u>	<u>\$ 90,440,239</u>

**CITY OF PADUCAH, KENTUCKY**

**BASIC FINANCIAL STATEMENTS**

***FUND FINANCIAL STATEMENTS***

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2003**

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**CITY OF PADUCAH, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2003**

<u>ASSETS</u>	<u>General Fund</u>	<u>General Capital Improvements</u>	<u>Downtown Capital Improvements</u>
Cash and cash equivalents	\$ 1,189,335	\$1,121,203	\$3,000,000
Investments	4,575,860	105,158	-
Accounts receivable:			
Accounts	84,550	-	189,173
Grants	71,356	292,842	-
Interest	36,600	1,062	-
Property taxes (net of allowances for uncollectibles)	3,934,540	-	-
Prepaid expenses	-	-	-
Due from other funds	436,574	-	-
<b>TOTAL ASSETS</b>	<u><u>\$10,328,815</u></u>	<u><u>\$1,520,265</u></u>	<u><u>\$3,189,173</u></u>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>  			
<b>Liabilities:</b>			
Voucher and accounts payable	\$ 609,681	\$ 426,340	\$ -
Accrued payroll and payroll taxes	571,141	-	-
Due to other funds	-	2,586	189,173
Due to component units	110,628	-	-
Deferred revenue	3,800,336	507,750	-
Accrued compensated absences	311,047	-	-
<b>Total liabilities</b>	<u>5,402,833</u>	<u>936,676</u>	<u>189,173</u>
<b>Fund Balances:</b>			
Reserved for:			
Program purposes	-	-	-
Capital improvements	-	583,589	3,000,000
Unreserved:			
General Fund	4,925,982	-	-
Special Revenue Funds	-	-	-
Debt Service Fund	-	-	-
<b>Total fund balances</b>	<u>4,925,982</u>	<u>583,589</u>	<u>3,000,000</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$10,328,815</u></u>	<u><u>\$1,520,265</u></u>	<u><u>\$3,189,173</u></u>

See accompanying notes to the basic financial statements.

<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$1,744,135	\$ 7,054,673
525,503	5,206,521
65,320	339,043
106,588	470,786
1,270	38,932
-	3,934,540
8,765	8,765
-	436,574
<u>\$2,451,581</u>	<u>\$ 17,489,834</u>

\$ 359,561	\$ 1,395,582
36,503	607,644
67,394	259,153
-	110,628
166,816	4,474,902
-	311,047
<u>630,274</u>	<u>7,158,956</u>

695,213	695,213
-	3,583,589
-	4,925,982
1,080,043	1,080,043
46,051	46,051
<u>1,821,307</u>	<u>10,330,878</u>
<u>\$2,451,581</u>	<u>\$ 17,489,834</u>

**CITY OF PADUCAH, KENTUCKY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO STATEMENT OF NET ASSETS**  
**JUNE 30, 2003**

Total fund balance - total governmental funds		\$ 10,330,878
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Delinquent property taxes receivable are not reported in the governmental funds balance sheet since they are not considered "available" revenues.		223,603
The long-term note receivable is not reported in the governmental funds balance sheet since it is not available to pay current period expenditures.		4,437,500
Inventory is not a current financial resource and, therefore, is not reported in the governmental funds balance sheet.		18,552
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. This amount includes capital assets of Internal Service Funds.		28,035,664
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet. This amount includes Internal Service Funds' non-current liabilities. The long-term liabilities are:		
Due within one year	309,825	
Due within more than one year	<u>9,979,680</u>	(10,289,505)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The assets and liabilities of the Internal Service Funds (net of amount allocated to business-type activities) not included in other reconciling items are:		
Current assets	1,854,509	
Current liabilities	(882,817)	
Net of amount allocated to business-type activities	<u>95,930</u>	<u>1,067,622</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>		<b><u><u>\$33,824,314</u></u></b>

See accompanying notes to the basic financial statements.

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**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	<b>General Fund</b>	<b>General Capital Improvements</b>	<b>Downtown Capital Improvements</b>
<b>Revenues:</b>			
Taxes	\$ 5,022,069	\$ -	\$ -
Licenses	17,900,739	-	-
Charges for services	652,791	-	-
Intergovernmental	-	56,000	189,173
Grants	591,652	2,035,476	-
Interest	170,061	3,290	119,103
Miscellaneous	604,795	573,272	-
Total revenues	<u>24,942,107</u>	<u>2,668,038</u>	<u>308,276</u>
<b>Expenditures:</b>			
Current operations:			
General government	3,943,031	-	-
Public safety	11,277,297	-	-
Public service	5,218,896	-	-
Parks and recreation	975,361	-	-
Planning and development	-	-	-
Other	645,653	-	-
Capital outlay	-	3,251,808	921,170
Debt Service:			
Principal requirement	-	-	-
Interest and fiscal requirement	-	-	-
Total expenditures	<u>22,060,238</u>	<u>3,251,808</u>	<u>921,170</u>
Excess revenues over (under) expenditures	<u>2,881,869</u>	<u>(583,770)</u>	<u>(612,894)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	281,209	361,407	282,119
Transfers out	<u>(2,678,758)</u>	<u>(74,991)</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,397,549)</u>	<u>286,416</u>	<u>282,119</u>
Excess revenues and other financing sources over (under) expenditures and other uses	484,320	(297,354)	(330,775)
Fund balances - beginning of the year, as adjusted	4,441,662	880,943	3,330,775
Adjustment to beginning fund balance	-	-	-
<b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ 4,925,982</u></u>	<u><u>\$ 583,589</u></u>	<u><u>\$3,000,000</u></u>

See accompanying notes to the basic financial statements.

<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 751,802	\$ 5,773,871
-	17,900,739
91,035	743,826
941,133	1,186,306
2,273,647	4,900,775
24,340	316,794
625,341	1,803,408
<u>4,707,298</u>	<u>32,625,719</u>
-	3,943,031
1,258,085	12,535,382
776,500	5,995,396
-	975,361
2,204,395	2,204,395
-	645,653
-	4,172,978
379,229	379,229
428,578	428,578
<u>5,046,787</u>	<u>31,280,003</u>
<u>(339,489)</u>	<u>1,345,716</u>
1,149,724	2,074,459
(413,937)	(3,167,686)
<u>735,787</u>	<u>(1,093,227)</u>
396,298	252,489
1,526,792	10,180,172
<u>(101,783)</u>	<u>(101,783)</u>
<u>\$1,821,307</u>	<u>\$10,330,878</u>

**CITY OF PADUCAH, KENTUCKY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2003**

Net change in fund balances - total governmental funds	\$ 252,489
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>	
Inventory purchases require the use of current financial resources and, therefore, are reported as expenditures in governmental funds.	26,642
Inventory sales provide current financial resources and are reported as revenues in governmental funds.	(55,039)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in the current period.	1,907,998
The loss on disposal of capital assets is not recorded in the governmental funds because the assets were recorded as expenditures when purchased.	(1,040)
Delinquent property taxes receivable are not considered "available" revenues in the governmental funds.	12,405
A contribution of land was received. The value of the land is not reported in the governmental funds.	120,000
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds. This amount includes Internal Service Funds' depreciation expense of \$359,900.	(2,336,317)
Principal payments of debt require the use of current financial resources and, therefore, are reported as expenditures in governmental funds. However, principal payments of debt do not affect net assets in the government-wide statement of net assets.	274,229

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2003**

Long-term accrued compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. \$ (13,215)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the Internal Service Funds is reported with governmental activities net of the amount allocated to business-type activities and depreciation expense. These amounts are as follows:

Change in net assets	\$ 245,639	
Net of amount allocated to business-type activities	95,930	
Depreciation expense	<u>359,900</u>	<u>701,469</u>
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>		<b><u><u>\$ 889,621</u></u></b>

See accompanying notes to the basic financial statements.

**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2003**

<u>ASSETS</u>	<u>Business-type Activities</u>			<u>Governmental Activities</u>
	<u>Solid Waste</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 166,512	\$256,160	\$ 422,672	\$ 725,943
Investments	1,632,926	-	1,632,926	739,101
Accounts receivable	5,300	-	5,300	-
Interest receivable	5,469	-	5,469	256,592
Inventory	-	-	-	132,873
	1,810,207	256,160	2,066,367	1,854,509
<b>Noncurrent Assets:</b>				
Property, plant and equipment, net	1,074,341	351,412	1,425,753	1,491,719
<b>Total assets</b>	2,884,548	607,572	3,492,120	3,346,228
<u>LIABILITIES</u>				
<b>Current Liabilities:</b>				
Voucher and accounts payable	104,045	216,187	320,232	647,207
Accrued payroll and payroll taxes	20,272	-	20,272	6,845
Accrued compensation absences	46,162	-	46,162	21,982
Due to other funds	-	-	-	177,420
Deferred revenue	-	-	-	29,363
	170,479	216,187	386,666	882,817
<b>Noncurrent Liabilities:</b>				
Accrued compensation absences	18,671	-	18,671	34,087
<b>Total liabilities</b>	189,150	216,187	405,337	916,904
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	1,074,341	351,412	1,425,753	1,491,719
Unrestricted	1,621,057	39,973	1,661,030	937,605
<b>TOTAL NET ASSETS</b>	\$2,695,398	\$391,385	3,086,783	\$2,429,324
Reconciliation to government-wide statements of net assets:				
Adjustment to reflect the consolidation of Internal Service Funds' activities related to Enterprise Funds			(95,930)	
<b>NET ASSETS OF BUSINESS-TYPE ACTIVITIES</b>			<b>\$2,990,853</b>	

See accompanying notes to the basic financial statements.

**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Business-type Activities</u>			<u>Governmental</u>
	<u>Solid</u>	<u>Nonmajor</u>	<u>Totals</u>	<u>Internal</u>
	<u>Waste</u>	<u>Enterprise</u>		<u>Service</u>
		<u>Funds</u>		<u>Funds</u>
<b>Operating Revenues:</b>				
Charges for services - internal	\$3,283,461	\$114,208	\$3,397,669	\$4,350,871
Charges for services - external	-	-	-	375,419
Miscellaneous	15,503	-	15,503	-
Total operating revenues	<u>3,298,964</u>	<u>114,208</u>	<u>3,413,172</u>	<u>4,726,290</u>
<b>Operating Expenses:</b>				
Cost of sales and service	2,949,109	109,659	3,058,768	4,811,307
Depreciation and amortization	314,692	60,569	375,261	359,900
Total operating expenses	<u>3,263,801</u>	<u>170,228</u>	<u>3,434,029</u>	<u>5,171,207</u>
Operating income (loss)	<u>35,163</u>	<u>(56,020)</u>	<u>(20,857)</u>	<u>(444,917)</u>
<b>Nonoperating Revenues (Expenses):</b>				
Interest and investment income	39,250	280	39,530	9,017
Gain (loss) on disposal of property and equipment	24,238	-	24,238	125,714
Total nonoperating revenues (expenses)	<u>63,488</u>	<u>280</u>	<u>63,768</u>	<u>134,731</u>
Income (loss) before contributions and operating transfers	<u>98,651</u>	<u>(55,740)</u>	<u>42,911</u>	<u>(310,186)</u>
<b>Other Financing Sources (Uses):</b>				
Capital contributions	-	3,666	3,666	-
Disposal of contributed assets	-	-	-	(63,758)
Transfers in	-	10,000	10,000	619,583
Transfers out	(28,666)	-	(28,666)	-
Total other financing sources (uses)	<u>(28,666)</u>	<u>13,666</u>	<u>(15,000)</u>	<u>555,825</u>
Change in net assets	69,985	(42,074)	27,911	245,639
Total net assets - beginning of the year, as restated	<u>2,625,413</u>	<u>433,459</u>		<u>2,183,685</u>
<b>TOTAL NET ASSETS - END OF YEAR</b>	<u><u>\$2,695,398</u></u>	<u><u>\$391,385</u></u>		<u><u>\$2,429,324</u></u>

Reconciliation to government-wide statements of net assets:

Adjustment to reflect the consolidation of Internal Service Funds'  
activities related to enterprise funds

(95,930)

**CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES**

\$ (68,019)

See accompanying notes to the basic financial statements.

**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Business-type Activities</u>			<u>Governmental</u>
	<u>Solid</u>	<u>Nonmajor</u>	<u>Totals</u>	<u>Internal</u>
	<u>Waste</u>	<u>Enterprise</u>		<u>Service</u>
		<u>Funds</u>		<u>Funds</u>
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers	\$3,278,161	\$114,208	\$3,392,369	\$4,613,595
Payments to suppliers	(2,101,074)	-	(2,101,074)	(183,681)
Payments to employees	(747,137)	-	(747,137)	(200,522)
Claims paid	-	-	-	(3,044,151)
Payments to internal service funds	(179,400)	-	(179,400)	-
Other receipts (payments)	12,362	(86,830)	(74,468)	(914,325)
Net cash provided (used) by operating activities	<u>262,912</u>	<u>27,378</u>	<u>290,290</u>	<u>270,916</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers (to) from other funds	<u>(28,666)</u>	<u>10,000</u>	<u>(18,666)</u>	<u>619,583</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Capital contributions	-	3,666	3,666	-
Acquisition and construction of capital assets	(277,258)	(12,778)	(290,036)	(491,338)
Proceeds from sale of capital assets	24,238	-	24,238	-
Insurance proceeds received	-	-	-	125,714
Net cash provided (used) by capital and related financing activities	<u>(253,020)</u>	<u>(9,112)</u>	<u>(262,132)</u>	<u>(365,624)</u>
<b>Cash Flows from Investing Activities:</b>				
Proceeds from sale of investment securities	-	-	-	229,781
Interest on cash and investments	39,250	280	39,530	9,320
Purchase of investments	(1,225,803)	-	(1,225,803)	(739,101)
Net cash provided (used) by investing activities	<u>(1,186,553)</u>	<u>280</u>	<u>(1,186,273)</u>	<u>(500,000)</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,205,327)</u>	<u>28,546</u>	<u>(1,176,781)</u>	<u>24,875</u>
Cash and cash equivalents, July 1, 2002	<u>1,371,839</u>	<u>227,614</u>	<u>1,599,453</u>	<u>701,068</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2003</b>	<u><u>\$ 166,512</u></u>	<u><u>\$256,160</u></u>	<u><u>\$ 422,672</u></u>	<u><u>\$ 725,943</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating income (loss)	\$ 35,163	\$(56,020)	\$ (20,857)	\$ (444,917)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	314,692	60,569	375,261	359,900
Change in assets and liabilities:				
Receivables	(8,441)	-	(8,441)	(112,695)
Prepaid expenses	-	-	-	-
Inventories	359	-	359	(7,465)
Accounts payable	(78,861)	22,829	(56,032)	476,093
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ 262,912</u></u>	<u><u>\$ 27,378</u></u>	<u><u>\$ 290,290</u></u>	<u><u>\$ 270,916</u></u>

See accompanying notes to the basic financial statements.

**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2003**

<b><u>ASSETS</u></b>	<b>Primary Government</b>			<b>Component Unit</b>	
	<b>Pension Funds</b>	<b>Private- purpose Trusts</b>	<b>Agency Funds</b>	<b>Private- purpose Trust</b>	<b>Agency Fund</b>
Cash and cash equivalents	\$ 523,693	\$ 3,020	\$251,099	\$ 270	\$30,228
Receivables:					
Interest	62,251	-	-	-	-
Other	5,552	-	-	-	-
Investments at fair value	9,197,151	72,476	-	2,178,908	-
<b>Total assets</b>	<b>9,788,647</b>	<b>75,496</b>	<b>251,099</b>	<b>2,179,178</b>	<b>30,228</b>
<b><u>LIABILITIES</u></b>					
Voucher and accounts payable	553	-	-	-	-
Payroll taxes and withholdings payable	-	-	251,099	-	-
Due to other funds	-	1	-	-	-
Deposits held and due to others	-	-	-	-	30,228
<b>Total liabilities</b>	<b>553</b>	<b>1</b>	<b>\$251,099</b>	<b>-</b>	<b>\$30,228</b>
<b><u>NET ASSETS</u></b>					
Held in trust for pension benefits and other purposes	<u>\$9,788,094</u>	<u>\$75,495</u>		<u>\$2,179,178</u>	

See accompanying notes to the basic financial statements

**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	<b>Pension Funds</b>	<b>Private- purpose Trusts</b>	<b>Component Unit Private- purpose Trust</b>
<b>Additions:</b>			
Contributions:			
Employer	\$ 214,778	\$ -	\$ -
Plan members	29,981	-	-
Intergovernmental revenues	-	2,295	189,871
Total contributions	<u>244,759</u>	<u>2,295</u>	<u>189,871</u>
Investment income:			
Net increase (decrease) in fair value of investments	(93,230)	1,826	-
Interest and dividends	315,478	3,865	111,667
Net investment income	<u>222,248</u>	<u>5,691</u>	<u>111,667</u>
Interfund transfers	<u>505,995</u>	<u>-</u>	<u>-</u>
Total additions	<u>973,002</u>	<u>7,986</u>	<u>301,538</u>
<b>Deductions:</b>			
Benefits	1,851,259	-	-
Health insurance	22,183	-	-
Administrative expenses	37,956	1,527	188,306
Interfund transfers	-	13,685	-
Total deductions	<u>1,911,398</u>	<u>15,212</u>	<u>188,306</u>
Change in net assets	(938,396)	(7,226)	113,232
Net assets - beginning of the year	<u>10,726,490</u>	<u>82,721</u>	<u>2,065,946</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$9,788,094</u></u>	<u><u>\$75,495</u></u>	<u><u>\$2,179,178</u></u>

See accompanying notes to the basic financial statements.

**CITY OF PADUCAH, KENTUCKY**

**BASIC FINANCIAL STATEMENTS**

***COMPONENT UNITS FINANCIAL STATEMENTS***

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2003**

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**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
**JUNE 30, 2003**

<u>ASSETS</u>	<u>Authorities</u>			
	<u>Paducah Water Works</u>	<u>Paducah Power System</u>	<u>Nonmajor Governmental Component Units</u>	<u>Nonmajor Business-type Component Units</u>
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 1,827,222	\$ 371,751	\$ 31,543	\$1,420,810
Beneficial interest in investments held by Community Foundation	-	-	-	12,795
Investments	-	-	-	-
Receivables, net:				
Accounts	311,132	2,065,174	-	450
Grants	-	-	-	303,110
Interest	-	-	-	3,571
Property tax	-	-	-	-
Other	555,036	569,408	21,678	22,160
Due from other governments	-	-	-	-
Inventories	374,272	1,762,017	-	26,720
Prepaid expenses	-	34,018	-	18,997
Other current assets	720,462	-	-	-
<b>Total current assets</b>	<u>3,788,124</u>	<u>4,802,368</u>	<u>53,221</u>	<u>1,808,613</u>
<b>Noncurrent Assets:</b>				
Investments, restricted	2,061,256	3,548,979	-	50,000
Investments, unrestricted	-	-	-	150,000
<b>Capital assets:</b>				
Land	-	13,761	-	225,181
Improvements other than buildings	-	-	-	85,569
Buildings	-	-	-	1,709,405
Rolling stock and equipment	-	-	16,024	3,818,796
Utility plant	50,158,029	60,456,108	-	-
Vehicles	-	-	-	15,548
Less: accumulated depreciation	<u>(19,620,488)</u>	<u>(23,388,336)</u>	<u>(6,503)</u>	<u>(2,375,003)</u>
<b>Net capital assets</b>	<u>30,537,541</u>	<u>37,081,533</u>	<u>9,521</u>	<u>3,479,496</u>
Restricted assets	69,111	-	-	-
Other assets	-	123,085	-	-
<b>Total noncurrent assets</b>	<u>32,667,908</u>	<u>40,753,597</u>	<u>9,521</u>	<u>3,679,496</u>
<b>Total assets</b>	<u>36,456,032</u>	<u>45,555,965</u>	<u>62,742</u>	<u>5,488,109</u>

See accompanying notes to the basic financial statements

<u>Universities and Colleges</u>	<u>All Component Unit Totals</u>
<u>Paducah Junior College</u>	<u>\$ 3,790,318</u>
\$ 138,992	\$ 3,790,318
-	12,795
4,003,411	4,003,411
5,000	2,381,756
-	303,110
-	3,571
619,570	619,570
64,750	1,233,032
84,475	84,475
-	2,163,009
-	53,015
-	720,462
<u>4,916,198</u>	<u>15,368,524</u>
-	5,660,235
-	150,000
-	238,942
123,883	209,452
17,594,321	19,303,726
1,355,673	5,190,493
-	110,614,137
-	15,548
<u>(2,755,782)</u>	<u>(48,146,112)</u>
<u>16,318,095</u>	<u>87,426,186</u>
-	69,111
<u>28,443</u>	<u>151,528</u>
<u>16,346,538</u>	<u>93,457,060</u>
<u>21,262,736</u>	<u>108,825,584</u>

(Continued)

CITY OF PADUCAH, KENTUCKY  
STATEMENT OF NET ASSETS  
COMPONENT UNITS  
JUNE 30, 2003

<u>LIABILITIES</u>	Authorities			
	Paducah Water Works	Paducah Power System	Nonmajor Governmental Component Units	Nonmajor Business-type Component Units
<b>Current Liabilities:</b>				
Voucher and accounts payable	\$ 192,768	\$ 2,497,240	\$ 215	\$ 59,848
Accrued payroll and payroll taxes	-	355,648	975	60,592
Deferred revenues	-	1,266,508	-	15,490
Accrued compensated absences	-	-	783	22,987
Accrued interest	-	176,528	-	6
Prepaid grants	-	-	-	58,410
Notes payable due within one year	28,298	-	-	60,000
Revenue bonds due within one year	835,000	-	-	-
Public improvement bonds payable - current	-	330,000	-	-
Other current liabilities	928,148	862,451	-	74,017
<b>Total current liabilities</b>	<b>1,984,214</b>	<b>5,488,375</b>	<b>1,973</b>	<b>351,350</b>
<b>Noncurrent Liabilities:</b>				
Accrued compensated absences	-	-	-	112,793
Obligation under capital lease	-	-	-	2,367
Revenue bonds payable	4,389,737	-	-	-
Public improvement bonds payable	-	5,433,508	-	-
Public improvement loan payable	304,207	-	49,000	-
<b>Total noncurrent liabilities</b>	<b>4,693,944</b>	<b>5,433,508</b>	<b>49,000</b>	<b>115,160</b>
<b>Total liabilities</b>	<b>6,678,158</b>	<b>10,921,883</b>	<b>50,973</b>	<b>466,510</b>
<u>NET ASSETS</u>				
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	25,097,835	31,302,348	9,521	3,472,567
Restricted for:				
Youth programs	-	-	-	6,003
Capital projects	-	1,807,186	-	-
Art collection	-	-	-	-
Unrestricted	4,680,039	1,524,548	2,248	1,543,029
<b>TOTAL NET ASSETS</b>	<b>\$29,777,874</b>	<b>\$34,634,082</b>	<b>\$ 11,769</b>	<b>\$5,021,599</b>

<u>Universities and Colleges</u>	<u>All Component Unit Totals</u>
<b>Paducah Junior College</b>	
\$ 67,438	\$ 2,817,509
-	417,215
47,804	1,329,802
152,579	176,349
-	176,534
-	58,410
-	88,298
-	835,000
-	330,000
-	1,864,616
267,821	8,093,733
-	112,793
-	2,367
-	4,389,737
-	5,433,508
-	353,207
-	10,291,612
267,821	18,385,345
16,318,095	76,200,366
-	6,003
-	1,807,186
28,443	28,443
4,648,377	12,398,241
<u>\$20,994,915</u>	<u>\$ 90,440,239</u>

**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

<u><b>FUNCTIONS/PROGRAMS</b></u>	<u><b>Program Revenues</b></u>			<u><b>Net (Expenses) Revenue</b></u>	
	<u><b>Expenses</b></u>	<u><b>Charges for Services</b></u>	<u><b>Operating Grants and Contributions</b></u>		<u><b>Capital Grants and Contributions</b></u>
<b>Authorities:</b>					
Governmental activities:					
Other authorities	\$ 113,059	\$ -	\$ 69,725	\$ -	\$ (43,334)
Business-type activities:					
Paducah Water Works	5,696,370	5,953,642	-	458,669	715,941
Paducah Power System	37,969,395	38,416,177	-	-	446,782
Other authorities	5,273,523	3,681,597	1,395,604	1,570,565	1,374,243
<b>Universities and Colleges:</b>					
Paducah Junior College	1,659,437	349,631	318,045	-	(991,761)
<b>TOTAL COMPONENT UNITS</b>	<u><u>\$50,711,784</u></u>	<u><u>\$48,401,047</u></u>	<u><u>\$1,783,374</u></u>	<u><u>\$2,029,234</u></u>	<u><u>1,501,871</u></u>
<b>General Revenues:</b>					
Property tax					739,192
Intergovernmental, not restricted to specific functions/programs					102,650
Unrestricted investment earnings					306,781
Miscellaneous general					63,835
Total general revenues and transfers					<u>1,212,458</u>
Change in net assets					2,714,329
Net assets at July 1, 2002, as restated					<u>87,725,910</u>
<b>NET ASSETS AT JUNE 30, 2003</b>					<u><u>\$90,440,239</u></u>

See accompanying notes to the basic financial statements

**CITY OF PADUCAH, KENTUCKY**

**NOTES TO THE FINANCIAL STATEMENTS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2003**

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2003**

**Note 1 - Summary of Significant Accounting Policies:**

**General Statement**

The City of Paducah (City) complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended June 30, 2003, the City implemented the new financial reporting requirements of GASB Statement No. 34. As a result, an entirely new financial presentation format has been implemented. The financial reporting entity, basis of accounting, and other significant policies employed by the City are summarized as follows:

**Financial Reporting Entity**

The City operates under a City Manager form of government. The Board of Commissioners consists of a Mayor and four Commissioners elected at large by the citizens on a non-partisan basis. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Paducah (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

**Blended Component Units**

The following component units have been presented as blended component units because the component unit's governing body is substantially the same as the governing body of the City, or the component unit provides services almost entirely to the primary government.

**Paducah Public Improvement Corporation** - The Mayor and Commissioners serve as the governing body for the Corporation. Although it is legally separate from the City, the Paducah Public Improvement Corporation is reported as if it were part of the primary government because its sole purpose is to finance long-term debt since the City may not legally obligate itself beyond one year.

**Police and Firefighters' Retirement Fund** - This Retirement Fund was established for the benefit of the police and firemen of the City. It is administered by a Board of Trustees consisting of the Mayor, City Finance Director and representatives of the Police and Fire Departments. The Board is authorized to establish benefit levels and to approve actuarial assumptions used in the determination of contribution levels.

**Discretely Presented Component Units**

The component unit column in the basic financial statements includes the financial data of the City's other component units. They are reported in a separate column to emphasize that they are legally separate from the City. The following component units are included in the reporting entity because of their financial relationship with the City.

**Paducah Water Works** - The City of Paducah Water Works Commission is appointed by the Mayor. The rates for user charges and bond issuance authorizations are subject to approval by the City Commission of the City of Paducah.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2003**

**Note 1 - Summary of Significant Accounting Policies:**

**Paducah Power System** - The members of the Electric Plant Board are appointed by the Mayor. The system provides a financial benefit to the City through a payment in lieu of taxes.

**Paducah Mainstreet, Inc.** - The governing board consists of sixteen members appointed by the Mayor. Paducah Mainstreet is an organization that provides for the preservation and revitalization of the historic buildings in downtown Paducah, Kentucky.

**Transit Authority of the City of Paducah** - The Transit Authority's governing board is appointed by the Mayor of the City of Paducah. The City is the grantee agency receiving, on behalf of the Transit Authority, its principal revenues. The City also contributes substantially to the operation of the Authority by providing cash subsidies and facilities.

**Forest Hills Village, Inc.** - The Corporation's Board is appointed by the City, and their only purpose is to manage City of Paducah properties known as "Forest Hills Housing Development". The City and Corporation have a lease agreement detailing the terms and conditions of operations.

**Edwin J. Paxton Park Golf Course** - The Paducah Golf Commission is appointed by the Mayor. Paxton Park is a public recreational golf course operating in McCracken County, Kentucky for the enjoyment of the golf community.

**Paducah Junior College, Incorporated** - The Board of Trustees of the junior college are appointed by the Mayor. The College is a part of the University of Kentucky Community College System which is now administered by the Kentucky Community and Technical College System. Under this system, the University of Kentucky receives the monies from student tuition, fees and other related income and provides the financing for the operational budget of the College. A tax levied and collected by the City is a primary revenue source for the College. These funds, as well as gifts and grants made to the College, may be used for the acquisition or improvement of property or to finance programs beyond the level of those normally provided by community colleges in the University of Kentucky system.

Complete financial statements of the individual component units can be obtained from their respective administrative offices in the following locations:

Paducah Water Works  
401 Washington Street  
Paducah, Kentucky 42003

Forest Hills Village, Inc.  
238 Highland Boulevard  
Paducah, Kentucky 42003

Paducah Power System  
1500 Broadway  
Paducah, Kentucky 42001

Paducah Golf Commission  
P.O. Box 7624  
Paducah, Kentucky 42002

Paducah Mainstreet, Inc.  
124 Broadway  
Paducah, Kentucky 42001

Paducah Junior College, Incorporated  
4810 Blandville Road  
Paducah, Kentucky 42001

Transit Authority of the  
City of Paducah  
850 Harrison St.  
Paducah, Kentucky 42001

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2003**

**Note 1 - Summary of Significant Accounting Policies:**

**Related Organizations**

City officials are also responsible for appointing the members of boards of other organizations, but the City's accountability for these organizations does not extend beyond appointing authority. The organizations listed below are notable related organizations which have not been included in the City's report.

**Paducah Housing Authority** – The Paducah Housing Authority (PHA) is a legally separate entity that provides for construction, operation and management of low income housing projects within the City. PHA is a legally separate entity and is not financially accountable to the City. This organization is not included as a component unit of the City.

**Joint Sewer Agency** – As of July 1, 1999, the assets and liabilities of the Wastewater/Stormwater Fund were transferred to the Paducah-McCracken County Joint Sewer Agency pursuant to a municipal order dated June 29, 1999. The Paducah-McCracken County Joint Sewer Agency is a legally separate entity and is not financially accountable to the City. This organization is not included as a component unit of the City.

**Basis of Presentation**

*Government-wide Financial Statements*

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

*Fund Financial Statements*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2003**

**Note 1 - Summary of Significant Account Policies:**

General Fund - To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

General Capital Improvements – To account for the acquisition or construction of major capital projects other than those financed by proprietary fund operations and special assessments.

Downtown Capital Improvements – To account for the acquisition or construction of major capital facilities related to the development of downtown Paducah.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary fund:

Solid Waste Fund – To account for the provision of refuse services to the residents of the City.

Additionally, the City reports the internal service funds which are used to account for the fleet management services, self funded property and casualty self insurance and self funded health and disability insurance provided to departments of the city.

Fiduciary funds, which are not included in government-wide statements, include Police and Firefighters' Retirement Fund, Appointive Employees' Pension Fund, two private-purpose trusts, and two agency funds.

**Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

*Measurement Focus*

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2003**

**Note 1 - Summary of Significant Account Policies:**

*Basis of Accounting*

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Those revenues susceptible to accrual are taxes, intergovernmental, employer and employees' contributions to trust funds, interest revenue and charges for services. License and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The City reports deferred revenue on its statement of net assets. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the statement of net assets and revenue is recognized.

**Budgets and Budgetary Accounting**

The City follows these procedures in establishing the budgetary data reflected in these financial statements:

1. Prior to July, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing those.
2. Public hearings are conducted by the City to obtain taxpayer comments.
3. Prior to July, the budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between department line items; however, any revisions that alter the total expenditures of any department must be approved by the City Commission.
5. Formal budgetary integration is employed as a management control device during the year and the budget is legally adopted. Budget amendments are also legally adopted.
6. The budget is adopted on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis).

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2003**

**Note 1 - Summary of Significant 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 employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds. In accordance with generally accepted accounting principles (GAAP), encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. There are no encumbrances at June 30, 2003.

**Cash and Investments**

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposit of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Additional cash and investment disclosures are presented in Note 3.

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Major receivable balances for the governmental activities include property taxes, franchise taxes and grant revenue. Business-type activities report utilities and interest earnings as their major receivables. The government-wide statements also include a general obligation note receivable related to the general obligation bonds outstanding as described in Note 3.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as franchise tax and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

**Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details of interfund transactions, including receivables and payables at year end.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2003**

**Note 1 - Summary of Significant Accounting Policies:**

**Inventories**

Inventories are stated at cost on a first-in, first-out basis.

**Fixed Assets**

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

*Government-wide Statement*

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2003.

Assets capitalized have an original cost of \$500 or more prior to July 1, 1999, and \$2,500 or more after July 1, 1999. Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Depreciation of all exhaustible fixed assets used by propriety funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land improvements	10-20 Years
Buildings	30-60 Years
Building improvements	3- 7 Years
Infrastructure	15-20 Years
Equipment	5-25 Years
Furnishings and fixtures	3-10 Years
Vehicles	3- 9 Years

*Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**Restricted Assets**

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited to applicable bond covenants.

**Compensated Absences**

Accumulated unpaid vacation, sick pay, and other employee benefit amounts are recorded as long-term debt in the government-wide statements. The current portion of accrued compensated absences is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2003**

**Note 1 - Summary of Significant Accounting Policies:**

Accumulations for vacation pay are restricted to a maximum of 50 days and provide vesting rights upon completion of six months service. Accumulations for sick pay are restricted to a maximum of 150 days and provide payment to employees or beneficiaries for accumulations in excess of 50 days and up to 120 days upon death or retirement from City service.

**Long-Term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

**Equity Classifications**

*Government-wide Statements*

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

*Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

**Revenues, Expenditures, and Expenses**

**Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2003**

**Note 1 - Summary of Significant Accounting Policies:**

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**General Fund Revenues**

The City bills and collects its own property taxes. The City elects to use the annual property assessment prepared by McCracken County as its base to apply the property tax rate. According to Kentucky Revised Statutes, the assessment date for the City must conform to the assessment date of McCracken County, and the annual increase in the property tax levy cannot exceed 4%. City property tax revenues are recorded as a receivable when assessed because the City has an enforceable legal claim to the resources. At this time, the receivable is offset by deferred revenue. Property tax revenues are recognized during the period for which they are levied.

The due dates and collection period for all property taxes, exclusive of vehicle taxes, for the fiscal year ended June 30, 2003, are as follows:

<u>Description</u>	<u>Date</u>
Assessment and enforceable lien	January 1, 2002
Levy	October 8, 2002
Face value amount payment dates	1 <sup>st</sup> half by November 1, 2002 2 <sup>nd</sup> half by February 1, 2003
Delinquent date - 10% penalty plus 1/2% per month	1 <sup>st</sup> half - November 30, 2002 2 <sup>nd</sup> half - February 28, 2003

**Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

**Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - by character:	Current (further classified by function)
	Debt Service
	Capital Outlay
Proprietary Fund - by operating and nonoperating	

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**Interfund Transfers**

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2003**

**Note 1 - Summary of Significant Accounting Policies:**

**Statement of Cash Flows**

In September, 1989, the Governmental Accounting Standards Board issued Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. The City adopted the provisions of the Statement in its 1991 financial statements. For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 2 - Stewardship, Compliance, and Accountability:**

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

**Fund Accounting Requirements**

The City complies with all state and local laws and regulations requiring the use of separate funds.

**Deposits and Investments Laws and Regulations**

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government of Government Agency securities, certain State of Kentucky or political subdivision debt obligations, or surety bonds.

Investments of the City are limited to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which the full faith and credit of the U.S. Government is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

**Revenue Restrictions**

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include.

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Kentucky Police Incentive Grant	Salaries
Kentucky Fire Incentive Grant	Salaries
HOME Investment Partnerships Grant	Construction of Low-income Rental Units
Emergency Communication Revenue	E-911 Emergency Services
County Bed Tax	Debt Obligations
Public Safety and Community Policing Grant	Police Mobile Data Terminal System
Kentucky Transportation Cabinet	Street Repairs and Maintenance
Kentucky Housing Corporation	Façade Loans
Other Grants	Grant Program Expenditures

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2003**

**Note 2 - Stewardship, Compliance, and Accountability:**

For the year ended June 30, 2003, the City complied, in all material respects, with these revenue restrictions.

**Debt Restrictions and Covenants**

*General Obligation Debt*

The City has general obligation bonds outstanding at June 30, 2003, in the amount of \$8,850,000. In addition to the bonds, the City has a capital lease for fire equipment through the Kentucky Municipal Finance Corporation. Additional long-term debt disclosures are present in Note 3.

*Other Long-Term Debt*

The City may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue without first obtaining voter approval. For the year ended June 30, 2003, the City incurred no such indebtedness.

**Note 3 - Detail Notes on Transaction Classes/Accounts:**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

**Deposits - Primary Government**

At year end, the carrying amount of the City's demand deposits was \$8,453,265 and the bank balance was \$8,672,357. These balances include \$261,260 of trust and agency fund cash not included in the government-wide statements. The balances below also include bank certificates of deposit of \$8,078,548, including \$800,000 of agency fund certificates of deposit not included in the government-wide statements and \$7,078,548 of certificates of deposit classified as investments in the financial statements. The bank balance is categorized as follows:

Amount secured by the FDIC, or collateralized with securities held by the City in its name	\$ 400,000
Amount collateralized with securities held by the pledging institution's agent in the City's name	15,850,905
Amount collateralized with securities held by the pledging financial institution	<u>500,000</u>
<b>TOTAL BANK BALANCE</b>	<b><u>\$16,750,905</u></b>

**Investments**

Kentucky Revised Statutes (KRS 66.480) authorize the City to invest in:

1. Obligations of the U.S. Treasury, agencies, and instrumentalities. Such investments may be accomplished through repurchase agreements reached with national or state banks chartered in Kentucky;
2. Bonds or certificates of indebtedness of the state of Kentucky and of its agencies and instrumentalities;
3. Savings and loan associations insured by the U.S. government;
4. Interest-bearing deposits in national or state banks chartered in Kentucky and insured by an agency of the U.S. government;

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2003**

**Note 3 - Detail Notes on Transaction Classes/Accounts:**

5. Deposit accounts with banking institutions;
6. State treasurer investment pool.

The Police and Firemen's Retirement Fund is also authorized to invest in real estate mortgage notes, bonds and other interest bearing or dividend paying securities.

Investments made by the City, including repurchase agreements, are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1 - Insured or registered, with securities held by the City or its agent in the City's name.
- Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 - Uninsured and unregistered, with securities held by the counterpart, or by its trust department or agent, but not in the City's name.

Investments of the primary government are classified as follows:

	<u>Category</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
U.S. government securities	\$2,871,868	\$ -	\$ -	\$2,871,868	\$2,871,868
Mortgage backed securities	53,866	-	-	53,866	53,866
Corporate bonds and notes	<u>1,284,546</u>	<u>-</u>	<u>-</u>	<u>1,284,546</u>	<u>1,284,546</u>
	<u>\$4,210,280</u>	<u>\$ -</u>	<u>\$ -</u>	4,210,280	4,210,280
Investment in mutual funds				<u>4,559,347</u>	<u>4,559,347</u>
TOTAL INVESTMENTS (excluding \$8,078,548 of bank CD's)				<u>\$8,769,627</u>	<u>\$8,769,627</u>

The above amounts include \$8,469,627 of fiduciary fund investments not included in the government-wide financial statements.

Investments of the discretely presented component units are classified as follows:

	<u>Category</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
U.S. government securities	\$ 539,275	\$ -	\$ -	\$ 539,275	\$ 539,275
Corporate bonds and notes	594,801	-	-	594,801	594,801
Corporate equity stocks	<u>1,314,720</u>	<u>-</u>	<u>-</u>	<u>1,314,720</u>	<u>1,314,720</u>
	<u>\$2,448,796</u>	<u>\$ -</u>	<u>\$ -</u>	2,448,796	2,448,796
Investment in mutual funds and money markets				<u>6,594,064</u>	<u>6,594,064</u>
TOTAL INVESTMENTS (excluding \$2,962,489 of bank CD's and savings accounts), including \$5,660,235 classified as restricted on combined balance sheet				<u>\$9,042,860</u>	<u>\$9,042,860</u>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2003**

**Note 3 - Detail Notes on Transaction Classes/Accounts:**

The above amounts include \$2,178,908 of fiduciary fund investments not included in the government-wide financial statements.

The following methods and assumptions were used by the entities in estimating fair values for financial instruments:

**Certificates of Deposit** - The carrying amounts reported for certificates of deposit approximate their fair value.

**Investment Securities (including Mortgage-Backed Securities)** - Fair values for investment securities are based on quoted market prices.

**Capital Assets**

Capital asset activity for the year ended June 30, 2003, was as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2002</b>	<b>Additions</b>	<b>Disposals</b>	<b>June 30, 2003</b>
<b>Governmental Activities:</b>				
Land	\$ 5,083,637	\$ 698	\$ -	\$ 5,084,335
Land improvements	950,000	-	-	950,000
Construction-in-progress	2,070,096	918,095	-	2,988,191
Buildings and improvements	13,119,697	-	-	13,119,697
Infrastructure	21,414,552	346,183	-	21,760,735
Equipment	5,494,947	763,023	449,966	5,808,004
Furnishings and fixtures	238,585	-	1,300	237,285
Vehicles	<u>6,159,197</u>	<u>506,337</u>	<u>156,982</u>	<u>6,508,552</u>
Totals at historical cost	<u>54,530,711</u>	<u>2,534,336</u>	<u>608,248</u>	<u>56,456,799</u>
Less accumulated depreciation:				
Land improvements	950,000	-	-	950,000
Buildings and improvements	9,820,375	202,340	-	10,022,715
Infrastructure	6,121,404	1,396,627	-	7,518,031
Equipment	5,003,716	220,226	448,926	4,775,016
Furnishings and fixtures	225,784	7,114	1,300	231,598
Vehicles	<u>4,491,988</u>	<u>510,010</u>	<u>78,223</u>	<u>4,923,775</u>
Total accumulated depreciation	<u>26,613,267</u>	<u>2,336,317</u>	<u>528,449</u>	<u>28,421,135</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<u>\$27,917,444</u>	<u>\$ 198,019</u>	<u>\$ 79,799</u>	<u>\$28,035,664</u>
<b>Business-type Activities:</b>				
Land	\$ 65,908	\$ -	\$ -	\$ 65,908
Buildings and improvements	324,882	-	-	324,882
Equipment	2,165,175	12,778	181,818	1,996,135
Vehicles	<u>1,628,240</u>	<u>277,258</u>	-	<u>1,905,498</u>
Totals at historical cost	<u>4,184,205</u>	<u>290,036</u>	<u>181,818</u>	<u>4,292,423</u>
Less accumulated depreciation:				
Buildings and improvements	131,413	9,614	-	141,027
Equipment	1,645,925	155,670	181,818	1,619,777
Vehicles	<u>895,889</u>	<u>209,977</u>	-	<u>1,105,866</u>
Total accumulated depreciation	<u>2,673,227</u>	<u>375,261</u>	<u>181,818</u>	<u>2,866,670</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<u>\$1,510,978</u>	<u>\$(85,225)</u>	<u>\$ -</u>	<u>\$1,425,753</u>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2003**

**Note 3 - Detail Notes on Transaction Classes/Accounts:**

Depreciation expense was charged to governmental activities as follows:

General government:	
General administration	\$ 82,939
Finance	1,917
Planning	7,699
Human rights	862
Personnel	68
Inspection	3,501
Information systems	18,127
Fleet maintenance	<u>12,585</u>
Total general government	<u>127,698</u>
Public safety:	
Police	57,801
Fire	163,233
Grants	37,725
Emergency 911	30,724
Court awards	23,465
Fleet Lease Trust	<u>347,315</u>
Total public safety	<u>660,263</u>
Public service:	
Public works	81,246
Engineering	<u>8,185</u>
Total public service	<u>89,431</u>
Parks and recreation	<u>53,029</u>
Planning and development:	
Infrastructure	1,396,627
Grants	<u>9,269</u>
Total planning and development	<u>1,405,896</u>
<b>TOTAL DEPRECIATION EXPENSE – GOVERNMENTAL ACTIVITIES</b>	<b><u>\$2,336,317</u></b>

Depreciation expense was charged to business-type activities as follows:

Solid waste fund	\$ 314,692
Civic Center	8,318
TISA Fund	<u>52,251</u>
<b>TOTAL DEPRECIATION EXPENSE – BUSINESS-TYPE ACTIVITIES</b>	<b><u>\$ 375,261</u></b>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2003**

**Note 3 - Detail Notes on Transaction Classes/Accounts:**

<b>Discretely Presented</b>	<b>Balance</b>			<b>Balance</b>
<b>Component Units:</b>	<b>July 1, 2002</b>	<b>Additions</b>	<b>Disposals</b>	<b>June 30, 2003</b>
Land	\$ 1,419,331	\$ -	\$ -	\$ 1,419,331
Construction-in-progress	456,115	341,648	-	797,763
Buildings and improvements	17,718,204	-	-	17,718,204
Equipment	1,258,756	96,917	-	1,355,673
Utility plant	105,644,401	3,545,763	779,360	108,410,804
Nonmajor component units	<u>4,568,669</u>	<u>1,328,204</u>	<u>26,350</u>	<u>5,870,523</u>
Totals at historical cost	<u>131,065,476</u>	<u>5,312,532</u>	<u>805,710</u>	<u>135,572,298</u>
Less accumulated depreciation:				
Buildings and improvements	2,036,929	467,320	-	2,504,249
Equipment	133,128	118,404	-	251,532
Utility plant	40,528,280	3,387,931	907,386	43,008,825
Nonmajor component units	<u>2,063,338</u>	<u>344,518</u>	<u>26,350</u>	<u>2,381,506</u>
Total accumulated depreciation	<u>44,761,675</u>	<u>4,318,173</u>	<u>933,736</u>	<u>48,146,112</u>
COMPONENT UNIT				
CAPITAL ASSETS, NET	<u>\$ 86,303,801</u>	<u>\$ 994,359</u>	<u>\$(128,026)</u>	<u>\$ 87,426,186</u>

Depreciation expense, charged to functions/programs of discretely presented major component units as follows:

Paducah Water Works	\$1,205,382
Paducah Power System	2,182,549
Paducah Junior College	585,724
Nonmajor component units	<u>344,518</u>
<b>TOTAL DEPRECIATION EXPENSE BY ACTIVITY</b>	<b><u>\$4,318,173</u></b>

**Accounts Payable**

Payables in the governmental and proprietary funds are composed of payables to vendors and accrued salaries and benefits.

**Long-Term Debt**

The City's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

*Governmental Activities*

As of June 30, 2003, the governmental long-term debt consisted of the following:

General obligation bonds:	
Current portion	\$ 230,000
Noncurrent portion	<u>8,620,000</u>
<b>TOTAL GENERAL OBLIGATION</b>	
<b>BOND COSTS</b>	<b><u>\$8,850,000</u></b>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2003**

**Note 3 - Detail Notes on Transaction Classes/Accounts:**

Capital lease:	
Current portion	\$ 79,825
Noncurrent portion	<u>          -</u>
<b>TOTAL CAPITAL LEASE PAYMENTS</b>	<b><u>\$ 79,825</u></b>
Accrued compensated absences:	
Current portion	\$ 333,029
Noncurrent portion	<u>1,359,680</u>
<b>TOTAL ACCRUED COMPENSATED ABSENCES</b>	<b><u>\$1,692,709</u></b>

*Business-type Activities*

As of June 30, 2003, the long-term debt payable from proprietary fund resources consisted of the following:

Accrued compensated absences:	
Current portion	\$ 46,162
Noncurrent portion	<u>18,671</u>
<b>TOTAL ACCRUED COMPENSATED ABSENCES</b>	<b><u>\$ 64,833</u></b>

*Changes in Long-Term Debt*

The following is a summary of changes in long-term debt for the year ended June 30, 2003:

<b>Type of Debt:</b>	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Amounts Due within One Year</u></b>
Governmental activities:					
General obligation bonds:					
Convention and Arts Center	\$ 9,075,000	\$ -	\$225,000	\$ 8,850,000	\$230,000
Capital lease	234,054	-	154,229	79,825	79,825
General fund accrued compensated absences	<u>1,646,236</u>	<u>46,473</u>	<u>          -</u>	<u>1,692,709</u>	<u>333,029</u>
<b>TOTAL GENERAL LONG-TERM DEBT</b>	<b><u>\$10,955,290</u></b>	<b><u>\$46,473</u></b>	<b><u>\$379,229</u></b>	<b><u>\$10,622,534</u></b>	<b><u>\$642,854</u></b>
Business-type activities:					
Accrued compensated absences	<u>\$ 59,696</u>	<u>\$ 5,137</u>	<u>\$          -</u>	<u>\$ 64,833</u>	<u>\$ 46,162</u>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2003**

**Note 3 - Detail Notes on Transaction Classes/Accounts:**

**Annual Debt Service Requirements**

*General Obligation Bonds*

The City of Paducah issued general obligation bonds of \$9,290,000 in June, 2001, to finance construction of the new Luther F. Carson Four Rivers Center for the Performing Arts and the expansion of the Julian Carroll Convention Center. Interest rates range from 3.5% to 5%. These bonds are required to be fully paid within 25 years from the date of issue and are backed by the full faith and credit of the City. While these bonds are issued by the City, 50% of the principal amount of the bonds was issued on behalf of the County of McCracken, Kentucky which intends to participate on an equal basis with the City in financing the projects and has issued the City a general obligation note in a principal amount equal to 50% of the principal amount of the bonds and bearing interest at the same rates as the City's bonds in order to secure the County's obligations to the City. This note receivable is reflected in the government-wide Statement of Net Assets. In accordance with an Interlocal Cooperation Compact between the City, McCracken County, Kentucky (the County), and the Paducah-McCracken County Tourist and Convention Commission (the Bureau), principal and interest payments on the bonds are being made from an additional 2% transient room tax collected by the County with the remaining payments split evenly between the City, the County, and the Bureau.

The annual debt service requirements to maturity, including principal and interest, for general long-term debt as of June 30, 2003, are as follows:

<b>Year Ending June 30</b>	<b>General Obligation Bonds</b>	
	<b>Principal</b>	<b>Interest</b>
2004	\$ 230,000	\$ 412,150
2005	240,000	404,100
2006	250,000	394,500
2007	260,000	384,500
2008	270,000	374,100
2009-2013	1,525,000	1,691,135
2014-2018	1,910,000	1,310,508
2019-2023	2,410,000	808,612
2024-2026	<u>1,755,000</u>	<u>178,500</u>
<b>TOTALS</b>	<b><u>\$8,850,000</u></b>	<b><u>\$5,958,105</u></b>

*Capital Lease*

On December 20, 1993, the City agreed to lease new fire equipment through the Kentucky Municipal Finance Corporation. All the equipment was acquired prior to June 30, 1996, at a total cost of \$1,674,251. The City paid \$400,000 of the purchase price, with the remaining \$1,274,251 financed with the lease. The lease is classified as a capital lease. Assets under capital leases totaled \$1,274,251 at June 30, 2003.

The following schedule calculates the net present value of the final minimum lease payment to be made in 2004 under this capital lease:

Minimum lease payment for capital lease at June 30, 2003	\$81,216
Less: amount representing interest at the City's incremental borrowing rate of interest	<u>1,391</u>
<b>PRESENT VALUE OF MINIMUM LEASE PAYMENT</b>	<b><u>\$79,825</u></b>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2003**

**Note 3 - Detail Notes on Transaction Classes/Accounts:**

**Accrued Compensated Absences**

Compensated absence obligations arise from amounts due to City employees for vested amounts of vacation pay and sick pay which will be payable in the future. Amounts accrued at June 30, 2003, are as follows:

	<b><u>Governmental</u></b> <b><u>Activities</u></b>	<b><u>Business-type</u></b> <b><u>Activities</u></b>
Accrued sick leave	\$ 729,371	\$18,435
Accrued vacation leave	843,048	41,791
Applicable payroll taxes	<u>120,290</u>	<u>4,607</u>
Total	1,692,709	64,833
Less current portion	<u>333,029</u>	<u>46,162</u>
LONG-TERM PORTION	<u>\$1,359,680</u>	<u>\$18,671</u>

**Interfund Transactions and Balances**

Interfund transfers during the year ended June 30, 2003, were as follows:

	<b><u>Interfund</u></b> <b><u>Transfers In</u></b>	<b><u>Interfund</u></b> <b><u>Transfers Out</u></b>
Governmental Funds:		
General Fund	\$ 281,209	\$2,678,758
Capital Project Fund	361,407	74,991
Downtown Capital Project Fund	282,119	-
Nonmajor Governmental Funds	1,149,724	413,937
Internal Service Funds	619,583	-
Fiduciary Funds:		
Appointive Employee Pension Fund	75,000	-
Police and Firemen's Pension Fund	430,995	-
Rinkleff Estate Trust Fund	-	13,685
Proprietary Funds:		
Solid Waste Fund	-	28,666
Nonmajor Proprietary Funds	<u>10,000</u>	<u>-</u>
TOTALS	<u>\$3,210,037</u>	<u>\$3,210,037</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Due To/From Balances**

Due to/from balances used to cover current operating expenses were as follows as of June 30, 2003:

	<b><u>Due From</u></b>	<b><u>Due To</u></b>
General Fund	\$436,574	\$ -
Capital Project Fund	-	2,586
Downtown Capital Project Fund	-	189,173
Nonmajor Governmental Funds	-	67,394
Internal Service Funds	-	177,420
Fiduciary Funds	<u>-</u>	<u>1</u>
TOTALS	<u>\$436,574</u>	<u>\$436,574</u>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2003**

**Note 4 - Pension Plans - City of Paducah:**

The City provides retirement benefits to its employees through three pension funds. Two of these funds are single-employer defined benefit funds and are administered by the City. These funds are Police and Firefighters' Pension Fund (PFPF) and Appointive Employee' Pension Fund (AEPF). The other pension is a multi-employer public employee retirement fund administered by the Kentucky County Employees Retirement System (CERS). The City also participates in two deferred compensation plans. Information regarding these plans follows:

**Single Employer Defined Benefit Funds**

**Basis of Accounting** - The financial statements are prepared using the accrual basis of accounting. Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

**Funding** - The Appointive Employee's Pension Fund Board and the City of Paducah Police and Firefighter's Pension Fund Board are responsible for establishing or amending contribution rates and requirements for their respective plans.

**Valuation of Investments** - Investments are reported at fair value. Investments are composed of securities valued at current market prices.

**Police and Firefighters' Pension Fund**

*Plan Description:* PFPF is a single-employer defined benefit plan. On August 1, 1988, the plan was closed to new entrants and current active duty police and firemen of the City were given a choice of remaining in this plan or transferring into the CERS. Effective August 1, 1988, the PFPF covered 21 active duty members; all other active duty members elected coverage under CERS. PFPF provides retirement, disability and death benefits to plan members and their beneficiaries. These benefits are determined by Kentucky Revised Statutes (KRS) sections 95.851 to 95.884. The plan financial statements are included in this audit report.

*Contributions:* Plan members are required to contribute 8% of their annual covered salary. A member reserve is established for member contributions, less amounts transferred to reserves for retirement and disability and amounts refunded to terminated employees.

Components of annual pension cost for PFPF are as follows:

<b>Component</b>	<b><u>Year Ended June 30, 2003</u></b>	<b><u>Year Ended June 30, 2002</u></b>	<b><u>Year Ended June 30, 2001</u></b>
Beginning NPO balance	\$ -	\$ -	\$ -
ARC	<u>645,773</u>	<u>806,632</u>	<u>865,026</u>
Pension cost	645,773	806,632	865,026
Less actual contribution	<u>645,773</u>	<u>806,632</u>	<u>865,026</u>
Net change in NPO	-	-	-
ENDING NPO BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
PERCENTAGE OF PENSION COST CONTRIBUTED	<u>100%</u>	<u>100%</u>	<u>100%</u>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2003**

**Note 4 - Pension Plans - City of Paducah:**

**Appointive Employees' Pension Fund**

*Plan Description:* AEPF is a single-employer defined benefit plan which covers past appointed employees of the City. In 1975, the City froze admission of new entrants into the plan. There are no active participants in the plan at June 30, 2003. The plan financial statements are included in this audit report.

*Contributions:* Since there are only retired employees and beneficiaries receiving benefits, the City expects little or no additional pension obligation. The City has pledged to maintain benefits and the financial soundness of the plan by appropriations from the General Fund, as necessary.

Components of annual pension cost for AEPF are as follows:

<b>Component</b>	<b>Year Ended June 30, 2003</b>	<b>Year Ended June 30, 2002</b>	<b>Year Ended June 30, 2001</b>
Beginning NPO balance	<u>\$(186,170)</u>	<u>\$(182,940)</u>	<u>\$(182,405)</u>
ARC	50,112	59,297	62,029
Interest on NPO	(11,170)	(10,976)	(10,944)
Unfunded ARC adjustment	<u>23,863</u>	<u>23,449</u>	<u>23,380</u>
Pension cost	62,805	71,770	74,465
Less actual contribution	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>
Net change in NPO	<u>(12,195)</u>	<u>(3,230)</u>	<u>(535)</u>
ENDING NPO BALANCE	<u>\$(198,365)</u>	<u>\$(186,170)</u>	<u>\$(182,940)</u>
PERCENTAGE OF PENSION COST CONTRIBUTED	<u>120%</u>	<u>105%</u>	<u>101%</u>

**Contribution Information**

A summary of actuarial assumptions at June 30, 2003, the date of the latest actuarial valuation is as follows:

	<u>PFPF</u>	<u>AEPF</u>
Valuation date	7/1/03	7/1/03
Actuarial cost method	Entry age normal	Aggregate (1)
Amortization method	Level dollar closed	Level dollar closed
Remaining amortization period	29 Years	10 Years
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return	7.75%	6.0%
Projected salary increases	4.0%	(2)
Inflation rates adjustments	2.0%	(2)

- (1) The Aggregate Method does not identify or separately amortize the unfunded actuarial liabilities.
- (2) The plan has no active participants. The pension cost for each year is determined as an amortization of the unfunded actuarial accrued liability over the lesser of 10 years or the weighted average of expected term of payment of plan benefits.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2003**

**Note 4 - Pension Plans - City of Paducah:**

Employer contributions were as follows:

<b>Year Ended June 30</b>	<b>PFPF</b>		<b>AEPF</b>	
	<b>Annual Required Contribution (ARC)</b>	<b>Percent ARC Contributed</b>	<b>Annual Required Contribution (ARC)</b>	<b>Percent ARC Contributed</b>
2001	\$ 865,026	100%	\$ 62,029	121%
2002	806,632	100	59,297	126
2003	645,773	100	50,112	150

**Membership Information**

Membership of each plan consisted of the following at June 30, 2003:

	<b>PFPF</b>	<b>AEPF</b>
Active participants	7	-
Beneficiaries	43	9
Retired participants	<u>56</u>	<u>6</u>
<b>TOTAL PARTICIPANTS</b>	<b><u>106</u></b>	<b><u>15</u></b>

**Cost-Sharing Multiple-Employer Defined Benefit Plan**

**County Employees' Retirement System**

*Plan Description:* The City is a participant in the County Employees Retirement System (CERS), a cost sharing, multi-employer public employee retirement system. CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments are provided at the discretion of the State legislature. Kentucky Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601-6124 or by calling 1-502-564-4646.

*Funding Policy:* Hazardous position employees are required to contribute 8% to the plan and nonhazardous position employees are required to contribute 5% of their creditable compensation by State statute. The City is required by the same statute to contribute the remaining amounts necessary to pay benefits when due. For the years ended June 30, 2003, 2002 and 2001, the City contributed 6.34%, 6.41%, and 7.17%, respectively, of each nonhazardous employee's creditable compensation and 16.28%, 16.28%, and 16.78%, respectively, of each hazardous employee's creditable compensation. These actuarially determined rates are set by the Board of Trustees of Kentucky Retirement Systems. The City's contributions to CERS for the years ending June 30, 2003, 2002 and 2001, were \$2,104,841, \$2,092,620, and \$2,101,513, respectively, equal to the required contributions for each year.

**Note 5 - Fund Equity and Budget Deficits:**

The following fund had a deficit in net assets at June 30, 2003:

	<b><u>Deficit Amount</u></b>
Health Insurance Fund	\$559,509

No departments that adopted budgets annually had excess expenditures over appropriations for the fiscal year ended June 30, 2003.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2003**

**Note 6 – Component Unit Long-Term Debt:**

Long-term debt of the discretely presented component units consists of the following at June 30, 2003:

**Refunding Revenue Bonds of 1991 - Paducah Water Works**

The City of Paducah, Kentucky Refunding Bonds, Series of 1991, in the amount of \$10,775,000 were issued for the purpose of defeasing certain bonds of the Revenue Refunding Bonds, Series of 1985. During the year ended June 30, 1998, Paducah Water Works refunded a portion (\$6,075,000) of the 1991 bond issue by issuing \$6,780,000 of 1997 revenue refunding bonds, Series 1997. At June 30, 2003, the total bonds that are considered extinguished under an in-substance defeasance (refund) is \$13,140,000. The bonds are secured by a first pledge of the revenues of Paducah Water Works. City bond ordinances require that net revenues, as defined in the ordinances, equal or exceed 130% of the maximum annual debt service. Payment of bonds and related interest is fully guaranteed by the Municipal Investors Assurance Corporation.

The following schedule summarizes the debt service requirements for the Refunding Revenue Bonds, Series of 1991:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2004	\$ 835,000	\$ 246,321	\$1,081,321
2005	870,000	209,790	1,079,790
2006	905,000	171,510	1,076,510
2007	950,000	131,690	1,081,690
2008	990,000	89,890	1,079,890
2009-2013	1,030,000	45,835	1,075,835
Less deferred debit arising from advanced refunding	<u>(355,263)</u>	<u>-</u>	<u>(355,263)</u>
<b>TOTALS</b>	<u><b>\$5,224,737</b></u>	<u><b>\$ 895,036</b></u>	<u><b>\$6,119,773</b></u>

**Note Payable, Kentucky Infrastructure Authority (KIA) – Paducah Water Works**

In connection with a merger with Reidland Water District, Paducah Water Works assumed a loan from the KIA. Interest rates range from 2.5% to 4.25%, with a .2% annual service fee. The annual requirements to amortize the outstanding debt as of June 30, 2003, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Fee (0.2%)</u>	<u>Total</u>
2004	\$ 28,298	\$ 12,885	\$ 665	\$ 41,848
2005	29,182	12,106	608	41,896
2006	30,066	11,231	550	41,847
2007	30,950	10,329	489	41,768
2008	31,835	9,246	428	41,509
2009-2018	<u>182,174</u>	<u>24,073</u>	<u>1,122</u>	<u>207,369</u>
<b>TOTALS</b>	<u><b>\$332,505</b></u>	<u><b>\$ 79,870</b></u>	<u><b>\$3,862</b></u>	<u><b>\$416,237</b></u>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2003**

**Note 6 – Component Unit Long-Term Debt:**

**Paducah Electric Plant Board 1991 Bond Issue**

In 1991, bonds amounting to \$4,725,000 were issued to make improvements to the Paducah Power sub-station and renovation of the building that houses the System’s offices, warehouse and storage. All assets of the System are pledged as collateral to the bond issue. Interest rates range from 6.25% to 6.30%.

On November 1, 1998, the Utility issued \$3.35 million in special revenue refunding bonds with interest rates between 3.75% and 4.20%. The Utility issued the bonds to advance refund \$3.06 million of the outstanding Series 1991 general obligation bonds with a 6.30% interest rate and were secured by all assets of the Utility. The Utility used the net proceeds along with other resources to purchase the U. S. Government Securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 1991 Series bonds maturing on or after January 1, 2002. As a result, that portion of the 1991 Series bonds is considered defeased and the Utility has removed the liability from its books.

On November 9, 2001, the System issued \$3.32 million in special revenue refunding bonds with interest rates between 3.00% and 4.25% and is secured by a first pledge of the net revenues of the System. The System issued the bonds to finance construction of a fiber optic network in the community.

The following schedule summarizes the remaining debt service requirements:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2004	\$ 330,000	\$ 245,908	\$ 575,908
2005	345,000	233,058	578,058
2006	355,000	219,607	574,607
2007	370,000	205,758	575,758
2008	385,000	191,117	576,117
2009-2013	2,170,000	707,428	2,877,428
2014-2018	<u>2,080,000</u>	<u>224,515</u>	<u>2,304,515</u>
<b>TOTALS</b>	<b><u>\$6,035,000</u></b>	<b><u>\$2,027,391</u></b>	<b><u>\$8,062,391</u></b>

Bonds payable totaling \$5,763,508 are recorded net of \$271,492 unamortized bond discount and advance refunding deferred charges.

**Note 7 - Commitments and Contingencies:**

**Construction Commitment**

The City has an on-going contract for paving materials, equipment, and labor. As of June 30, 2003, the balance of the contract commitment was \$463,436.

**Escrow Account Securing Note Payable**

The City has established a \$300,000 escrow account which is included in General Fund investments to secure a note payable for the Greater Paducah Economic Development Council (GPEDC) for the construction of a speculation building that is to be built in the McCracken County Information Age Park. The City also signed a loan guarantee agreement in the amount of \$221,876 related to another GPEDC note payable, but does not anticipate any required payment.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2003**

**Note 7 - Commitments and Contingencies:**

**Grant Contingencies**

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**Note 8 - Risk Management and Litigation:**

The City 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. The City obtains coverage from commercial insurance companies to handle the risk of loss. There have been no decreases in insurance coverage from the prior year. There have been no settlements in excess of insurance coverage during the prior three years.

An analysis of claims activity is presented below:

	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Actual Claim Payments</b>	<b>Balance at Fiscal Year End</b>
1996 - 1997	\$ -	\$ 85,326	\$ 85,326	\$ -
1997 - 1998	-	96,101	96,101	-
1998 - 1999	-	26,457	26,457	-
1999 - 2000	-	26,455	26,455	-
2000 - 2001	-	102,380	102,380	-
2001 - 2002	-	2,879	2,879	-
2002 - 2003	-	3,277	3,277	-

During fiscal year 1999, the City established the Health Insurance Fund (an internal service fund) to account for and finance employee medical costs relating to the City's employee self-insured medical benefit plan that went into effect as of July 1, 1999. The health insurance provides coverage for up to \$80,000 for each covered individual. The City purchases commercial insurance (reinsurance) for claims in excess of the coverage provided per individual or in excess of the maximum aggregate limit of \$2,000,000. Self-insurance costs are accrued based on claims reported within 90 days of the balance sheet date as well as an estimated liability for claims incurred but not reported. The total accrued liability for self-insurance costs was \$332,000 at June 30, 2003.

The analysis of claims activity is presented below:

	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Actual Claim Payments</b>	<b>Balance at Fiscal Year End</b>
1999 - 2000	\$ -	\$1,874,033	\$1,874,033	\$ -
2000 - 2001	-	2,636,969	2,351,969	285,000
2001 - 2002	285,000	2,601,988	2,601,988	285,000
2002 - 2003	285,000	3,257,340	3,210,340	332,000

Several lawsuits are pending involving citizens' complaints and the City of Paducah. Various allegations have been made seeking damages which the legal counsel of the City, along with its management, have determined to be immaterial to the City's financial position. In addition, the City currently has \$153,650 accrued for a settlement agreement with a property owner related to property acquired for road construction.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2003**

**Note 9 - Lease Agreements:**

The City leases certain property to various lessees under agreements that have various expiration dates through June 30, 2079. Rental revenue received from leased property during 2003 totaled \$240,039. The following is a schedule of future minimum rental income from operating leases at June 30, 2003:

	<b><u>Lease Income</u></b>
2004	\$211,952
2005	216,963
2006	141,973
2007	61,973
2008	60,623
Future years	<u>275,992</u>
TOTAL MINIMUM LEASE RECEIPTS	<u>\$969,476</u>

The City is also leasing land to the Luther F. Carson Four Rivers Center for the Performing Arts (Center) for a primary term of 99 years. No rental revenue is being collected from this lease. The rental for the primary term of the lease is the construction of the performing arts center. After construction of the performing arts center is completed, the Center Board and City Commission intend to place ownership of the building in the hands of the City and to include the building in the 99 year lease to the Center. The building will be deemed the property of the City upon termination of the lease. In December 2003, with the authorization of the City, the Center secured financing of \$6.5 million subject to a mortgage against the leasehold and real property on which the performing arts center is located. The City also consented to an assignment of the lease as security for the loan.

**Note 10- Reclassification of Beginning Fund Balance:**

A reclassification was made to the following beginning fund balance as follows:

	<b><u>Section 8 Housing</u></b>
June 30, 2002, balance as previously reported	\$ 255,124
Section 8 Housing adjustment	<u>(101,783)</u>
JULY 1, 2002, BALANCE AS RESTATED	<u>\$ 153,341</u>

A reclassification was made to the following beginning component unit fund balance as follows:

	<b><u>Edwin J. Paxton Park Golf Course</u></b>
June 30, 2002, balance as previously reported	\$ -
Balance not reported	<u>485,870</u>
JULY 1, 2002, BALANCE AS RESTATED	<u>\$ 485,870</u>

**CITY OF PADUCAH, KENTUCKY**

**REQUIRED SUPPLEMENTARY INFORMATION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2003**

**CITY OF PADUCAH, KENTUCKY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**PENSION TRUST FUND SCHEDULES**

**Schedules of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
<b>Police and Firefighters' Pension Fund (PFPP) (Using Entry Age Normal Method)</b>						
7/1/2001	\$11,346,128	\$15,724,236	\$4,378,108	72.2%	\$356,406	1228.40%
7/1/2002	10,382,216	15,550,968	5,168,752	66.8	356,304	1450.66
7/1/2003	9,460,720	15,334,484	5,873,764	61.7	320,782	1831.08

**Appointive Employees' Pension Fund (AEPF) (Using Aggregate Actuarial Method)**

The Aggregate Cost Method is used for the AEPF; therefore, a schedule of funding progress is not required.

**CITY OF PADUCAH, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning budgetary fund balance	\$4,116,767	\$4,441,662	\$ 4,441,662	\$ -
Resources (inflows):				
Taxes:				
Real and personal, current year	4,033,000	3,907,045	3,903,658	(3,387)
Real and personal, prior year	122,160	209,655	209,645	(10)
Franchise	211,000	280,750	280,734	(16)
Bank taxes	185,000	165,190	165,186	(4)
In lieu of tax payment	137,500	192,660	139,754	(52,906)
Penalty, interest and advertising	33,000	40,885	40,888	3
Paducah Junior College tax collections	-	278,810	282,204	3,394
<b>Total taxes</b>	<u>4,721,660</u>	<u>5,074,995</u>	<u>5,022,069</u>	<u>(52,926)</u>
Licenses:				
Business licenses	3,330,000	3,404,340	3,404,338	(2)
Employee earnings	10,400,000	10,301,235	10,301,231	(4)
Comcast fees	265,000	277,015	277,013	(2)
Penalties	57,000	69,065	69,064	(1)
Alcoholic beverages	85,000	109,120	109,120	-
Insurance premium tax	3,490,000	3,580,965	3,580,964	(1)
Building permits	75,000	120,435	120,431	(4)
Electrical permits	20,000	33,440	33,437	(3)
Zoning change fees	4,000	4,235	4,235	-
Miscellaneous building and electrical fees	3,500	910	906	(4)
<b>Total licenses</b>	<u>17,729,500</u>	<u>17,900,760</u>	<u>17,900,739</u>	<u>(21)</u>
Charges for services:				
Tax collection fee	120,000	115,780	115,780	-
Administrative charge	236,900	236,905	236,904	(1)
Base court revenue	168,750	168,755	168,752	(3)
Recreation fees	126,000	131,345	131,355	10
<b>Total charges for services</b>	<u>651,650</u>	<u>652,785</u>	<u>652,791</u>	<u>6</u>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Grants:				
Police State Incentive	\$ 252,650	\$ 266,360	\$ 266,362	\$ 2
Fire State Incentive	226,300	252,855	252,858	3
Paducah Housing Authority after school program	23,000	9,775	28,161	18,386
Police supplemental grants	117,800	44,280	44,271	(9)
Total grants	<u>619,750</u>	<u>573,270</u>	<u>591,652</u>	<u>18,382</u>
Interest	<u>286,230</u>	<u>188,455</u>	<u>170,061</u>	<u>(18,394)</u>
Other:				
Property rent and sales	411,805	419,105	419,127	22
Property upkeep and maintenance	112,475	106,020	106,023	3
Miscellaneous	70,000	82,425	79,645	(2,780)
Total other	<u>594,280</u>	<u>607,550</u>	<u>604,795</u>	<u>(2,755)</u>
Other financing sources:				
Operating transfers in	<u>260,000</u>	<u>282,750</u>	<u>281,209</u>	<u>(1,541)</u>
Amounts available for appropriation	<u>28,979,837</u>	<u>29,722,227</u>	<u>29,664,978</u>	<u>(57,249)</u>

**CITY OF PADUCAH, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to appropriations (outflows):				
General government:				
General administration:				
Mayor and Commissioners	\$ 162,085	\$ 178,775	\$ 178,677	\$ 98
City Manager	245,850	243,390	243,189	201
City Clerk	106,365	101,940	101,778	162
Corporate Counsel	220,675	359,030	358,953	77
Non-departmental	240,000	300,000	300,000	-
Memberships and contingency	223,800	172,105	22,054	150,051
Alcoholic beverage control	-	-	-	-
Civic beautification	3,030	2,720	2,715	5
Total general administration	<u>1,201,805</u>	<u>1,357,960</u>	<u>1,207,366</u>	<u>150,594</u>
Finance:				
Finance administration	143,585	145,570	145,587	(17)
Accounting and payroll	292,730	285,140	284,766	374
Revenue collection	298,245	252,985	252,714	271
Total finance	<u>734,560</u>	<u>683,695</u>	<u>683,067</u>	<u>628</u>
Planning:				
Administration	179,565	178,095	177,866	229
Planning	197,585	196,650	196,634	16
Grants	100,165	98,840	98,708	132
Economic development	318,500	326,900	326,899	1
Total planning	<u>795,815</u>	<u>800,485</u>	<u>800,107</u>	<u>378</u>
Human rights	<u>97,980</u>	<u>93,945</u>	<u>93,674</u>	<u>271</u>
Personnel	<u>215,920</u>	<u>248,235</u>	<u>247,940</u>	<u>295</u>
Inspection:				
Inspection administration	249,410	189,415	189,229	186
Construction	259,640	257,255	256,958	297
Code enforcement	249,835	245,325	244,944	381
Total inspection	<u>758,885</u>	<u>691,995</u>	<u>691,131</u>	<u>864</u>
Information systems	<u>267,735</u>	<u>219,990</u>	<u>219,746</u>	<u>244</u>

**CITY OF PADUCAH, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public safety:				
Police:				
Police administration	\$1,092,755	\$1,135,580	\$ 1,134,522	\$ 1,058
Patrol	4,420,740	4,119,630	4,114,778	4,852
Investigations	1,151,995	1,137,355	1,137,182	173
Total police	<u>6,665,490</u>	<u>6,392,565</u>	<u>6,386,482</u>	<u>6,083</u>
Fire:				
Fire administration	258,170	246,135	245,668	467
Suppression	4,415,790	4,398,955	4,394,258	4,697
Prevention	166,370	144,675	144,428	247
Training	140,815	107,175	106,461	714
Total fire	<u>4,981,145</u>	<u>4,896,940</u>	<u>4,890,815</u>	<u>6,125</u>
Public service:				
Public works:				
Public Works Administration	182,340	168,690	168,529	161
Street maintenance	2,164,260	1,880,540	1,875,251	5,289
Street lighting	456,370	458,750	458,552	198
Facility maintenance	543,425	477,030	476,613	417
Custodial service	222,750	186,540	185,816	724
Landscape maintenance	1,321,790	1,182,745	1,181,059	1,686
Summer youth program	101,200	78,625	78,610	15
Total public works	<u>4,992,135</u>	<u>4,432,920</u>	<u>4,424,430</u>	<u>8,490</u>
Engineering services:				
Engineering services	464,680	430,885	430,844	41
Flood control	430,465	364,170	363,622	548
Total engineering services	<u>895,145</u>	<u>795,055</u>	<u>794,466</u>	<u>589</u>

**CITY OF PADUCAH, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
Recreation:				
Recreation administration	\$ 523,035	\$ 508,030	\$ 507,569	\$ 461
Pools and recreation	477,190	467,790	467,792	(2)
Total recreation	<u>1,000,225</u>	<u>975,820</u>	<u>975,361</u>	<u>459</u>
Other:				
Cable authority	100,000	81,350	81,338	12
Grant match expense	-	-	254,064	(254,064)
Leave expense	-	-	28,047	(28,047)
Intergovernmental expense	-	-	282,204	(282,204)
Miscellaneous	400	-	-	-
Total other	<u>100,400</u>	<u>81,350</u>	<u>645,653</u>	<u>(564,303)</u>
Other financing uses:				
Operating transfers out	<u>2,605,635</u>	<u>2,956,850</u>	<u>2,678,758</u>	<u>278,092</u>
Total charges to appropriations	<u>25,312,875</u>	<u>24,627,805</u>	<u>24,738,996</u>	<u>(111,191)</u>
ENDING BUDGETARY FUND BALANCE	<u>\$3,666,962</u>	<u>\$5,094,422</u>	<u>\$ 4,925,982</u>	<u>\$ (168,440)</u>

**CITY OF PADUCAH, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)**  
**GENERAL CAPITAL IMPROVEMENTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary fund balance - July 1, 2002	\$ 892,431	\$ 880,943	\$ 880,943	\$ -
Resources (inflows):				
Intergovernmental	-	56,000	56,000	-
Grants	55,000	2,061,730	2,035,476	(26,254)
Interest	-	3,290	3,290	-
Miscellaneous	-	592,910	573,272	(19,638)
Transfers from other funds	74,000	601,615	361,407	(240,208)
Amounts available for appropriation	<u>1,021,431</u>	<u>4,196,488</u>	<u>3,910,388</u>	<u>(286,100)</u>
Charges to appropriations (outflows):				
Capital outlays	129,000	3,249,250	3,251,808	(2,558)
Transfers to other funds	60,000	77,645	74,991	2,654
Total charges to appropriations	<u>189,000</u>	<u>3,326,895</u>	<u>3,326,799</u>	<u>96</u>
<b>BUDGETARY FUND BALANCE, JUNE 30, 2003</b>	<u><u>\$ 832,431</u></u>	<u><u>\$ 869,593</u></u>	<u><u>\$ 583,589</u></u>	<u><u>\$ (286,004)</u></u>

**CITY OF PADUCAH, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)**  
**DOWNTOWN CAPITAL IMPROVEMENTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance - July 1, 2002	\$3,412,954	\$3,330,775	\$3,330,775	\$ -
Resources (inflows):				
Taxes	-	189,175	189,173	(2)
Interest	103,800	2,860	119,103	116,243
Transfers from other funds	250,000	282,120	282,119	(1)
Amounts available for appropriation	<u>3,766,754</u>	<u>3,804,930</u>	<u>3,921,170</u>	<u>116,240</u>
Charges to appropriations (outflows):				
Capital outlays	<u>3,500,000</u>	<u>921,170</u>	<u>921,170</u>	<u>-</u>
Total charges to appropriations	<u>3,500,000</u>	<u>921,170</u>	<u>921,170</u>	<u>-</u>
<b>BUDGETARY FUND BALANCE, JUNE 30, 2003</b>	<u><u>\$ 266,754</u></u>	<u><u>\$2,883,760</u></u>	<u><u>\$3,000,000</u></u>	<u><u>\$ 116,240</u></u>

**CITY OF PADUCAH, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**NOTE TO RSI**  
**FOR THE YEAR ENDED JUNE 30, 2003**

Note A - Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	<b>General Fund</b>	<b>General Capital Improvements Fund</b>	<b>Downtown Capital Improvements Fund</b>
Sources/inflows of resources:			
Actual amounts "available for appropriation" from the budgetary comparison schedule	\$29,664,978	\$3,910,388	\$3,921,170
Differences - budget to GAAP:			
The beginning fund balance is a budgetary resource, but is not a current year revenue for financial reporting purposes	(4,441,662)	(880,943)	(3,330,775)
Transfers from these funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	(281,209)	(361,407)	(282,119)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	\$24,942,107	\$2,668,038	\$ 308,276
Uses/outflows of resources:			
Actual amounts "total charges to appropriations" from the budgetary comparison schedule	\$24,738,996	\$3,326,799	\$ 921,170
Differences - budget to GAAP:			
Transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes	(2,678,758)	(74,991)	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	\$22,060,238	\$3,251,808	\$ 921,170

**CITY OF PADUCAH, KENTUCKY**

**SUPPLEMENTARY INFORMATION**

***NONMAJOR GOVERNMENTAL FUNDS***

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2003**

**COMBINING FINANCIAL STATEMENTS  
NONMAJOR GOVERNMENTAL FUNDS**

**Special Revenue Funds**

Municipal Aid Program - to account for revenues and expenditures of Kentucky gas tax refunds.

Emergency Communication Service Fund - to account for revenues associated with 911 program.

Court Awards Fund - to account for revenues associated with judicial system confiscations.

Federal, State, and Local Grants - to account for the grant programs awarded to the City of Paducah from agencies of the Federal Government and the Commonwealth of Kentucky.

**Debt Service Fund**

To account for the payment of public project bond principal and interest, public improvement loan principal and interest, and capital lease payments.

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**CITY OF PADUCAH, KENTUCKY**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2003**

<u>ASSETS</u>	<u>Special Revenue</u>				
	<u>Municipal Aid Program</u>	<u>Emergency Communication Service Fund</u>	<u>Court Awards Fund</u>	<u>Small Grant Fund</u>	<u>CDBG Grant Fund</u>
Cash and cash equivalents	\$371,001	\$153,901	\$134,188	\$49,531	\$110,816
Investments	525,503	-	-	-	-
Accounts receivable:					
Accounts	-	65,320	-	-	-
Grants	-	-	-	21,267	7,000
Interest	1,270	-	-	-	-
Prepaid expenses	-	8,765	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$897,774</u></b>	<b><u>\$227,986</u></b>	<b><u>\$134,188</u></b>	<b><u>\$70,798</u></b>	<b><u>\$117,816</u></b>
 <b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Voucher and accounts payable	\$ 56,694	\$ 8,616	\$ 90,396	\$ 624	\$ 63,816
Accrued payroll and payroll taxes	-	24,464	-	-	-
Due to other funds	-	-	-	24,439	-
Deferred revenue	-	(265)	-	43,885	54,000
Total liabilities	<u>56,694</u>	<u>32,815</u>	<u>90,396</u>	<u>68,948</u>	<u>117,816</u>
<b>Fund Balances:</b>					
Reserved for:					
Program purposes	-	-	-	1,850	-
Unreserved	<u>841,080</u>	<u>195,171</u>	<u>43,792</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>841,080</u>	<u>195,171</u>	<u>43,792</u>	<u>1,850</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$897,774</u></b>	<b><u>\$227,986</u></b>	<b><u>\$134,188</u></b>	<b><u>\$70,798</u></b>	<b><u>\$117,816</u></b>

See auditors report on pages 12-13.

<b>HOPE 3 Grant Fund</b>	<b>Home Grant Fund</b>	<b>HUD Revolving Grant Fund</b>	<b>PHA Police Grant Fund</b>	<b>Section Eight Housing</b>	<b>Debt Service Debt Service Fund</b>	<b>Total Nonmajor Governmental Funds</b>
\$146,431	\$ 47,228	\$370,696	\$ -	\$314,292	\$46,051	\$1,744,135
-	-	-	-	-	-	525,503
-	-	-	-	-	-	65,320
-	75,277	-	3,044	-	-	106,588
-	-	-	-	-	-	1,270
-	-	-	-	-	-	8,765
<u>\$146,431</u>	<u>\$122,505</u>	<u>\$370,696</u>	<u>\$3,044</u>	<u>\$314,292</u>	<u>\$46,051</u>	<u>\$2,451,581</u>
\$ -	\$ 53,309	\$ 17,029	\$ -	\$ 69,077	\$ -	\$ 359,561
-	-	-	-	12,039	-	36,503
-	-	-	3,044	39,911	-	67,394
-	69,196	-	-	-	-	166,816
-	<u>122,505</u>	<u>17,029</u>	<u>3,044</u>	<u>121,027</u>	-	<u>630,274</u>
146,431	-	353,667	-	193,265	-	695,213
-	-	-	-	-	46,051	1,126,094
<u>146,431</u>	<u>-</u>	<u>353,667</u>	<u>-</u>	<u>193,265</u>	<u>46,051</u>	<u>1,821,307</u>
<u>\$146,431</u>	<u>\$122,505</u>	<u>\$370,696</u>	<u>\$3,044</u>	<u>\$314,292</u>	<u>\$46,051</u>	<u>\$2,451,581</u>

**CITY OF PADUCAH, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	Special Revenue				
	Municipal Aid Program	Emergency Communication Service Fund	Court Awards Fund	Small Grant Fund	CDBG Grant Fund
<b>Revenues:</b>					
Taxes	\$ -	\$ 751,802	\$ -	\$ -	\$ -
Charges for services	-	91,035	-	-	-
Intergovernmental	373,022	-	-	-	-
Grants	-	-	-	218,489	93,052
Interest	15,477	3,280	1,742	474	-
Miscellaneous	420,670	73,379	15,468	40,275	-
<b>Total revenues</b>	<u>809,169</u>	<u>919,496</u>	<u>17,210</u>	<u>259,238</u>	<u>93,052</u>
<b>Expenditures:</b>					
Current operations:					
Public safety	-	1,150,922	23,095	-	-
Public service	776,500	-	-	-	-
Planning and development	-	-	-	272,522	93,052
Debt Service:					
Principal requirement	-	-	-	-	-
Interest and fiscal requirement	-	-	-	-	-
<b>Total expenditures</b>	<u>776,500</u>	<u>1,150,922</u>	<u>23,095</u>	<u>272,522</u>	<u>93,052</u>
Excess revenues over (under) expenditures	<u>32,669</u>	<u>(231,426)</u>	<u>(5,885)</u>	<u>(13,284)</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	555,467	89,246	-	15,134	-
Transfers out	(75,000)	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>480,467</u>	<u>89,246</u>	<u>-</u>	<u>15,134</u>	<u>-</u>
Excess revenues and other financing sources over (under) expenditures and other uses	513,136	(142,180)	(5,885)	1,850	-
Fund balances - beginning of the year, as adjusted	327,944	337,351	49,677	-	-
Adjustment to beginning fund balance	-	-	-	-	-
<b>FUND BALANCES - END OF YEAR</b>	<u>\$841,080</u>	<u>\$ 195,171</u>	<u>\$43,792</u>	<u>\$ 1,850</u>	<u>\$ -</u>

See auditors report on pages 12-13.

<b>HOPE 3 Grant Fund</b>	<b>Home Grant Fund</b>	<b>HUD Revolving Grant Fund</b>	<b>PHA Police Grant Fund</b>	<b>Section Eight Housing</b>	<b>Debt Service Debt Service Fund</b>	<b>Total Nonmajor Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 751,802
-	-	-	-	-	-	91,035
-	-	-	-	-	568,111	941,133
-	298,319	-	84,068	1,579,719	-	2,273,647
-	-	2,556	-	811	-	24,340
-	3,000	70,906	-	15	1,628	625,341
-	301,319	73,462	84,068	1,580,545	569,739	4,707,298
-	-	-	84,068	-	-	1,258,085
-	-	-	-	-	-	776,500
-	304,633	68,567	-	1,465,621	-	2,204,395
-	-	-	-	-	379,229	379,229
-	-	-	-	-	428,578	428,578
-	304,633	68,567	84,068	1,465,621	807,807	5,046,787
-	(3,314)	4,895	-	114,924	(238,068)	(339,489)
-	3,314	247,168	-	-	239,395	1,149,724
(33,078)	-	(30,859)	-	(75,000)	(200,000)	(413,937)
(33,078)	3,314	216,309	-	(75,000)	39,395	735,787
(33,078)	-	221,204	-	39,924	(198,673)	396,298
179,509	-	132,463	-	255,124	244,724	1,526,792
-	-	-	-	(101,783)	-	(101,783)
<u>\$146,431</u>	<u>\$ -</u>	<u>\$353,667</u>	<u>\$ -</u>	<u>\$ 193,265</u>	<u>\$ 46,051</u>	<u>\$1,821,307</u>

**CITY OF PADUCAH, KENTUCKY**

**SUPPLEMENTARY INFORMATION**

***NONMAJOR PROPRIETARY FUNDS***

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2003**

**COMBINING FINANCIAL STATEMENTS  
NONMAJOR PROPRIETARY FUNDS**

Wastewater/Stormwater Fund – to account for the remaining assets and liabilities of wastewater/stormwater operations not yet transferred to the Joint Sewer Agency.

Civic Center Fund – to account for the operation of the Civic Center.

TISA Fund – to account for revenues and expenses associated with the operation of the Paducah-McCracken County telecommunications and information systems.

**CITY OF PADUCAH, KENTUCKY**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
**JUNE 30, 2003**

<u>ASSETS</u>	<u>Wastewater/ Stormwater Fund</u>	<u>Civic Center Fund</u>	<u>TISA Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>Current Assets:</b>				
Cash and cash equivalents	\$191,079	\$ 17,729	\$ 47,352	\$256,160
<b>Noncurrent Assets:</b>				
Property, plant and equipment, net	-	164,946	186,466	351,412
Total assets	<u>191,079</u>	<u>182,675</u>	<u>233,818</u>	<u>607,572</u>
 <u>LIABILITIES</u>  				
<b>Current Liabilities:</b>				
Voucher and accounts payable	191,079	3,756	21,352	216,187
Total liabilities	<u>191,079</u>	<u>3,756</u>	<u>21,352</u>	<u>216,187</u>
 <u>NET ASSETS</u>  				
Invested in capital assets, net of related debt	-	164,946	186,466	351,412
Unrestricted	-	13,973	26,000	39,973
<b>TOTAL NET ASSETS</b>	<u><u>\$ -</u></u>	<u><u>\$178,919</u></u>	<u><u>\$212,466</u></u>	<u><u>\$391,385</u></u>

See auditors report on pages 12-13.

**CITY OF PADUCAH, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	<b>Wastewater/ Stormwater Fund</b>	<b>Civic Center Fund</b>	<b>TISA Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Operating Revenues:</b>				
Charges for services	\$ -	\$ 20,825	\$ 93,383	\$114,208
Total operating revenues	-	20,825	93,383	114,208
<b>Operating Expenses:</b>				
Cost of sales and service	-	38,191	71,468	109,659
Depreciation and amortization	-	8,318	52,251	60,569
Total operating expenses	-	46,509	123,719	170,228
Operating income (loss)	-	(25,684)	(30,336)	(56,020)
<b>Non-Operating Revenues (Expenses):</b>				
Interest and investment income	-	280	-	280
Income (loss) before contributions and operating transfers	-	(25,404)	(30,336)	(55,740)
Capital contributions	-	-	3,666	3,666
Transfers in	-	10,000	-	10,000
Change in net assets	-	(15,404)	(26,670)	(42,074)
Total net assets - beginning of the year, as restated	-	194,323	239,136	433,459
<b>TOTAL NET ASSETS - END OF YEAR</b>	<b>\$ -</b>	<b>\$178,919</b>	<b>\$212,466</b>	<b>\$391,385</b>

See auditors report on pages 12-13.

**CITY OF PADUCAH, KENTUCKY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	<b>Wastewater/ Stormwater Fund</b>	<b>Civic Center Fund</b>	<b>TISA Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers	\$ -	\$ 20,825	\$ 93,383	\$114,208
Other receipts (payments)	2,266	(35,596)	(53,500)	(86,830)
Net cash provided (used) by operating activities	<u>2,266</u>	<u>(14,771)</u>	<u>39,883</u>	<u>27,378</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers (to) from other funds	-	10,000	-	10,000
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Capital contributions	-	-	3,666	3,666
Acquisition and construction of capital assets	-	(2,750)	(10,028)	(12,778)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(2,750)</u>	<u>(6,362)</u>	<u>(9,112)</u>
<b>Cash Flows from Investing Activities:</b>				
Interest on cash and investments	-	280	-	280
Net increase (decrease) in cash and cash equivalents	2,266	(7,241)	33,521	28,546
Cash and cash equivalents, July 1, 2002	<u>188,813</u>	<u>24,970</u>	<u>13,831</u>	<u>227,614</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2003</b>	<u><u>\$191,079</u></u>	<u><u>\$ 17,729</u></u>	<u><u>\$ 47,352</u></u>	<u><u>\$256,160</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating income (loss)	\$ -	\$ (25,684)	\$ (30,336)	\$ (56,020)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	-	8,318	52,251	60,569
Increase in accounts payable	2,266	2,595	17,968	22,829
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ 2,266</u></u>	<u><u>\$ (14,771)</u></u>	<u><u>\$ 39,883</u></u>	<u><u>\$ 27,378</u></u>

See auditors report on pages 12-13.

**CITY OF PADUCAH, KENTUCKY**

**SUPPLEMENTARY INFORMATION**

***INTERNAL SERVICE FUNDS***

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2003**

## **INTERNAL SERVICE FUNDS**

**Fleet Maintenance** – to account for costs of operating a maintenance facility for automotive equipment used by other City departments.

**Fleet Lease Trust** – to account for the financing of vehicle acquisitions provided by one department or agency to other departments or agencies of the government and to other governmental units, on a cost reimbursement basis.

**Insurance Fund** – to account for the costs of obtaining insurance for other City departments.

**Health Insurance Fund** – to account for the costs associated with the City's health insurance activities. The intent of the City of Paducah is that the cost of providing insurance coverages on a continuing basis be financed primarily through user charges.

**CITY OF PADUCAH, KENTUCKY**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2003**

<u>ASSETS</u>	<u>Fleet</u> <u>Maintenance</u>	<u>Fleet Lease</u> <u>Trust</u>	<u>Insurance</u> <u>Fund</u>	<u>Health</u> <u>Insurance</u> <u>Fund</u>	<u>Combined</u> <u>Total</u>
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 31,724	\$ 534,476	\$137,560	\$ 22,183	\$ 725,943
Investments	-	739,101	-	-	739,101
Receivables, net	-	3,973	-	252,619	256,592
Inventories	132,873	-	-	-	132,873
Total current assets	<u>164,597</u>	<u>1,277,550</u>	<u>137,560</u>	<u>274,802</u>	<u>1,854,509</u>
<b>Noncurrent Assets:</b>					
Buildings and equipment, net	42,173	1,449,546	-	-	1,491,719
Total assets	<u>206,770</u>	<u>2,727,096</u>	<u>137,560</u>	<u>274,802</u>	<u>3,346,228</u>
<b><u>LIABILITIES</u></b>					
<b>Current Liabilities:</b>					
Voucher and accounts payable	19,679	-	-	627,528	647,207
Accrued payroll and payroll taxes	6,845	-	-	-	6,845
Current maturities of long-term debt	21,982	-	-	-	21,982
Due to other funds	-	-	-	177,420	177,420
Deferred revenue	-	-	-	29,363	29,363
Total current liabilities	<u>48,506</u>	<u>-</u>	<u>-</u>	<u>834,311</u>	<u>882,817</u>
<b>Noncurrent Liabilities:</b>					
Accrued compensated absences	34,087	-	-	-	34,087
Total liabilities	<u>82,593</u>	<u>-</u>	<u>-</u>	<u>834,311</u>	<u>916,904</u>
<b><u>NET ASSETS</u></b>					
Invested in capital assets, net of related debt	42,173	1,449,546	-	-	1,491,719
Unrestricted	82,004	1,277,550	137,560	(559,509)	937,605
TOTAL NET ASSETS	<u>\$124,177</u>	<u>\$2,727,096</u>	<u>\$137,560</u>	<u>\$ (559,509)</u>	<u>\$2,429,324</u>

See auditors report on pages 12-13.

**CITY OF PADUCAH, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Fleet Maintenance</u>	<u>Fleet Lease Trust</u>	<u>Insurance Fund</u>	<u>Health Insurance Fund</u>	<u>Combined Total</u>
<b>Operating Revenues:</b>					
Charges for services - internal	\$269,627	\$ 379,150	\$939,036	\$2,763,058	\$4,350,871
Charges for services - external	-	-	-	375,419	375,419
<b>Total operating revenues</b>	<u>269,627</u>	<u>379,150</u>	<u>939,036</u>	<u>3,138,477</u>	<u>4,726,290</u>
<b>Operating Expenses:</b>					
Vehicle maintenance	384,690	-	-	-	384,690
Administrative	-	2,588	-	850	3,438
Insurance	-	-	910,887	3,507,081	4,417,968
Leave expense	5,211	-	-	-	5,211
Depreciation	12,585	347,315	-	-	359,900
<b>Total operating expenses</b>	<u>402,486</u>	<u>349,903</u>	<u>910,887</u>	<u>3,507,931</u>	<u>5,171,207</u>
Operating income (loss)	<u>(132,859)</u>	<u>29,247</u>	<u>28,149</u>	<u>(369,454)</u>	<u>(444,917)</u>
<b>Nonoperating Revenues and (Expenses):</b>					
Interest and investment income	-	9,017	-	-	9,017
Gain (loss) on disposal of property and equipment	-	125,714	-	-	125,714
<b>Total nonoperating revenues (expenses)</b>	<u>-</u>	<u>134,731</u>	<u>-</u>	<u>-</u>	<u>134,731</u>
Income (loss) before operating transfers	<u>(132,859)</u>	<u>163,978</u>	<u>28,149</u>	<u>(369,454)</u>	<u>(310,186)</u>
<b>Contributions and Operating Transfers:</b>					
Disposal of contributed assets	-	(63,758)	-	-	(63,758)
Transfers in	146,000	473,583	-	-	619,583
<b>Total contributions and operating transfers</b>	<u>146,000</u>	<u>409,825</u>	<u>-</u>	<u>-</u>	<u>555,825</u>
Change in net assets	13,141	573,803	28,149	(369,454)	245,639
Net assets - beginning of the year	<u>111,036</u>	<u>2,153,293</u>	<u>109,411</u>	<u>(190,055)</u>	<u>2,183,685</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$124,177</u>	<u>\$2,727,096</u>	<u>\$137,560</u>	<u>\$ (559,509)</u>	<u>\$2,429,324</u>

See auditors report on pages 12-13.

**CITY OF PADUCAH, KENTUCKY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	<b>Fleet Maintenance</b>	<b>Fleet Lease Trust</b>	<b>Insurance Fund</b>	<b>Health Insurance Fund</b>	<b>Combined Total</b>
<b>Cash Flows from Operating Activities:</b>					
Receipts from other funds for services	\$ 269,627	\$ 379,150	\$ 939,036	\$ 3,025,782	\$ 4,613,595
Payments to suppliers	(183,681)	-	-	-	(183,681)
Payments to employees	(200,522)	-	-	-	(200,522)
Claims paid	-	-	-	(3,044,151)	(3,044,151)
Other receipts (payments)	-	(2,588)	(910,887)	(850)	(914,325)
Net cash provided (used) by operating activities	<u>(114,576)</u>	<u>376,562</u>	<u>28,149</u>	<u>(19,219)</u>	<u>270,916</u>
<b>Cash Flows from Noncapital Financing Activities:</b>					
Transfers (to) from other funds	<u>146,000</u>	<u>473,583</u>	<u>-</u>	<u>-</u>	<u>619,583</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Purchase of capital assets	-	(491,338)	-	-	(491,338)
Insurance proceeds received	-	125,714	-	-	125,714
Net cash used by capital and related financing	<u>-</u>	<u>(365,624)</u>	<u>-</u>	<u>-</u>	<u>(365,624)</u>
<b>Cash Flows from Investing Activities:</b>					
Proceeds from sales and maturities of investments	-	229,781	-	-	229,781
Interest and dividends	-	9,320	-	-	9,320
Purchase of investments	-	(739,101)	-	-	(739,101)
Net cash used by investing activities	<u>-</u>	<u>(500,000)</u>	<u>-</u>	<u>-</u>	<u>(500,000)</u>
Net increase (decrease) in cash and cash equivalents	31,424	(15,479)	28,149	(19,219)	24,875
Cash and cash equivalents, July 1, 2002	<u>300</u>	<u>549,955</u>	<u>109,411</u>	<u>41,402</u>	<u>701,068</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2003</b>	<u><u>\$ 31,724</u></u>	<u><u>\$ 534,476</u></u>	<u><u>\$ 137,560</u></u>	<u><u>\$ 22,183</u></u>	<u><u>\$ 725,943</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>					
Operating income (loss)	\$(132,859)	\$ 29,247	\$ 28,149	\$ (369,454)	\$ (444,917)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	12,585	347,315	-	-	359,900
Change in assets and liabilities:					
Receivables	-	-	-	(112,695)	(112,695)
Inventories	(7,465)	-	-	-	(7,465)
Accounts payable and accrued expenses	13,163	-	-	462,930	476,093
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$(114,576)</u></u>	<u><u>\$ 376,562</u></u>	<u><u>\$ 28,149</u></u>	<u><u>\$ (19,219)</u></u>	<u><u>\$ 270,916</u></u>

See auditors report on pages 12-13.

**CITY OF PADUCAH, KENTUCKY**

**SUPPLEMENTARY INFORMATION**

***FIDUCIARY FUNDS***

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2003**

## **FIDUCIARY FUNDS**

### **Pension Trust Funds**

Police and Firefighters' Retirement Fund and Appointive Employees' Pension Fund – to account for the accumulation of resources to be used for retirement payments at appropriate amounts and times in the future. Resources are contributed by employees and by the City at amounts determined by Kentucky Statutes and/or City Commission decisions.

**CITY OF PADUCAH, KENTUCKY**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS - PENSION TRUST FUNDS**  
**JUNE 30, 2003**

<u>ASSETS</u>	<u>Police and Firefighters' Retirement Fund</u>	<u>Appointive Employees' Pension Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ 496,635	\$ 27,058	\$ 523,693
Receivables:			
Interest	61,930	321	62,251
Other	5,552	-	5,552
Investments at fair value	<u>8,897,151</u>	<u>300,000</u>	<u>9,197,151</u>
Total assets	<u>9,461,268</u>	<u>327,379</u>	<u>9,788,647</u>
 <u>LIABILITIES</u>			
Voucher and accounts payable	<u>548</u>	<u>5</u>	<u>553</u>
 <u>NET ASSETS</u>			
Held for trust for pension benefits and other purposes	<u>\$9,460,720</u>	<u>\$327,374</u>	<u>\$9,788,094</u>

See auditors report on pages 12-13.

**CITY OF PADUCAH, KENTUCKY**  
**COMBINING STATEMENT OF CHANGES IN NET ASSETS**  
**FIDUCIARY FUNDS - PENSION TRUST FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

<b>Additions:</b>	<b>Police and Firefighters' Retirement Fund</b>	<b>Appointive Employees' Pension Fund</b>	<b>Totals</b>
Contributions:			
Employer	\$ 214,778	\$ -	\$ 214,778
Plan members	29,981	-	29,981
Total contributions	<u>244,759</u>	<u>-</u>	<u>244,759</u>
Investment earnings:			
Net (decrease) in fair value of investments	(93,230)	-	(93,230)
Interest and dividends	310,612	4,866	315,478
Net investment earnings	<u>217,382</u>	<u>4,866</u>	<u>222,248</u>
Interfund transfers	<u>430,995</u>	<u>75,000</u>	<u>505,995</u>
Total additions	<u>893,136</u>	<u>79,866</u>	<u>973,002</u>
<b>Deductions:</b>			
Benefits	1,760,964	90,295	1,851,259
Health insurance	22,183	-	22,183
Administrative expenses	31,486	6,470	37,956
Total deductions	<u>1,814,633</u>	<u>96,765</u>	<u>1,911,398</u>
Change in net assets	(921,497)	(16,899)	(938,396)
Net assets - beginning of the year	<u>10,382,217</u>	<u>344,273</u>	<u>10,726,490</u>
NET ASSETS - END OF YEAR	<u>\$ 9,460,720</u>	<u>\$327,374</u>	<u>\$ 9,788,094</u>

See auditors report on pages 12-13.

## **FIDUCIARY FUNDS**

### **Private-purpose Trust Funds**

Oak Grove Cemetery Trust and Rinkleff Estate – to account for assets held by the City in the capacity of trustee for specified purposes.

Component Unit – to account for Paducah Junior College's various scholarship programs.

**CITY OF PADUCAH, KENTUCKY**  
**COMBINING STATEMENT OF NET ASSETS**  
**FIDUCIARY FUNDS - PRIVATE-PURPOSE TRUST FUNDS**  
**JUNE 30, 2003**

<u>ASSETS</u>	<u>Oak Grove Cemetery Trust</u>	<u>Rinkleff Estate</u>	<u>Total</u>	<u>Component Unit</u>
Cash and cash equivalents	\$ 3,020	\$ -	\$ 3,020	\$ 270
Investments at fair value	72,476	-	72,476	2,178,908
Total assets	<u>75,496</u>	<u>-</u>	<u>75,496</u>	<u>2,179,178</u>
 <u>LIABILITIES</u>				
Due to other funds	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>
 <u>NET ASSETS</u>				
Held in trust for other purposes	<u>\$ 75,495</u>	<u>\$ -</u>	<u>\$ 75,495</u>	<u>\$2,179,178</u>

See auditors report on pages 12-13.

**CITY OF PADUCAH, KENTUCKY**  
**COMBINING STATEMENT OF CHANGES IN NET ASSETS**  
**FIDUCIARY FUNDS - PRIVATE-PURPOSE TRUST FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	<b>Oak Grove Cemetery Trust</b>	<b>Rinkleff Estate</b>	<b>Totals</b>	<b>Component Unit</b>
<b>Additions:</b>				
Contributions:				
Intergovernmental revenues	\$ 2,295	\$ -	\$ 2,295	\$ 189,871
Investment earnings:				
Net increase in fair value of investments	1,826	-	1,826	-
Interest and dividends	3,778	87	3,865	111,667
Net investment earnings	5,604	87	5,691	111,667
Total additions	7,899	87	7,986	301,538
<b>Deductions:</b>				
Administrative expenses	1,477	50	1,527	188,306
Interfund transfers	-	13,685	13,685	-
Total deductions	1,477	13,735	15,212	188,306
Change in net assets	6,422	(13,648)	(7,226)	113,232
Net assets - beginning of the year	69,073	13,648	82,721	2,065,946
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 75,495</b>	<b>\$ -</b>	<b>\$ 75,495</b>	<b>\$2,179,178</b>

See auditors report on pages 12-13.

## **FIDUCIARY FUNDS**

### **Agency Funds**

Property Tax Agency Fund – previously to account for the collection and distribution of property tax resources received by the City of Paducah for the General Fund, special voted funds and other governmental agencies for which the City acts as collection agent. This fund was eliminated during the current fiscal year.

Payroll Agency Fund – to account for disbursements relative to the City payroll. The various City departments transfer amounts to this fund to cover routine payroll and the related benefits and taxes. All payroll disbursements are made from this fund.

Component Unit Agency Fund – to account for Paducah Junior College's assets held for various student groups and departments.

**CITY OF PADUCAH, KENTUCKY**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES**  
**IN ASSETS AND LIABILITIES**  
**YEAR ENDED JUNE 30, 2003**

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2003</u>
<b>Property Tax Fund:</b>				
Assets:				
Taxes receivable, net	\$188,841	\$ -	\$ 188,841	\$ -
Due from other taxing agencies	2,114	-	2,114	-
Total assets	<u>\$190,955</u>	<u>\$ -</u>	<u>\$ 190,955</u>	<u>\$ -</u>
Liabilities:				
Due to other funds	\$100,718	\$ -	\$ 100,718	\$ -
Due to other taxing agencies	90,237	-	90,237	-
Total liabilities	<u>\$190,955</u>	<u>\$ -</u>	<u>\$ 190,955</u>	<u>\$ -</u>
<b>Payroll Fund:</b>				
Assets:				
Cash and cash equivalents	<u>\$255,382</u>	<u>\$10,659,787</u>	<u>\$10,664,070</u>	<u>\$251,099</u>
Liabilities:				
Payroll taxes and withholdings payable	<u>\$255,382</u>	<u>\$10,659,787</u>	<u>\$10,664,070</u>	<u>\$251,099</u>
<b>Totals - All Agency Funds:</b>				
Assets:				
Cash and cash equivalents	\$255,382	\$10,659,787	\$10,664,070	\$251,099
Taxes receivable, net	188,841	-	188,841	-
Due from other taxing agencies	2,114	-	2,114	-
Total assets	<u>\$446,337</u>	<u>\$10,659,787</u>	<u>\$10,855,025</u>	<u>\$251,099</u>
Liabilities:				
Payroll taxes and withholdings payable	\$255,382	\$10,659,787	\$10,664,070	\$251,099
Due to other funds	100,718	-	100,718	-
Due to other taxing agencies	90,237	-	90,237	-
Total liabilities	<u>\$446,337</u>	<u>\$10,659,787</u>	<u>\$10,855,025</u>	<u>\$251,099</u>
<b>Component Unit:</b>				
Assets:				
Cash and cash equivalents	<u>\$ 30,000</u>	<u>\$ 228</u>	<u>\$ -</u>	<u>\$ 30,228</u>
Liabilities:				
Deposits held and due to others	<u>\$ 30,000</u>	<u>\$ 228</u>	<u>\$ -</u>	<u>\$ 30,228</u>

See auditors report on pages 12-13.

**CITY OF PADUCAH, KENTUCKY**

**SUPPLEMENTARY INFORMATION**

***NONMAJOR COMPONENT UNITS***

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2003**

## **NONMAJOR COMPONENT UNITS**

Paducah Mainstreet, Inc. – Paducah Mainstreet is an organization that provides for the preservation and revitalization of the historic buildings in downtown Paducah, Kentucky.

Transit Authority of the City of Paducah – The City is the grantee agency receiving, on behalf of the Transit Authority, its principal revenues. The City also contributes substantially to the operation of the Authority by providing cash subsidies and facilities.

Forest Hills Village, Inc. – The Corporation's only purpose is to manage City of Paducah properties known as "Forest Hills Housing Development". The City and Corporation have a lease agreement detailing the terms and conditions of operations.

Edwin J. Paxton Park Golf Course – Paxton Park is a public recreational golf course operating in McCracken County, Kentucky for the enjoyment of the golf community.

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**CITY OF PADUCAH, KENTUCKY**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR COMPONENT UNITS - AUTHORITIES**  
**JUNE 30, 2003**

<b>ASSETS</b>	<b>Governmental</b>	<b>Business-type Activities</b>			<b>Total Nonmajor</b>
	<b>Activities</b>	<b>Paducah</b>	<b>Forest</b>	<b>Edwin J. Paxton</b>	
	<b>Mainstreet</b>	<b>Transit</b>	<b>Hills</b>	<b>Park Golf</b>	<b>Components</b>
		<b>Authority</b>		<b>Course</b>	
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 31,543	\$ 716,293	\$ 677,574	\$ 26,943	\$1,420,810
Beneficial interest in investments held by Community Foundation	-	-	-	12,795	12,795
Receivables, net:					
Accounts	-	450	-	-	450
Grants	-	303,110	-	-	303,110
Interest	-	-	3,571	-	3,571
Other	21,678	6,034	11,126	5,000	22,160
Inventories	-	17,764	8,956	-	26,720
Prepaid expenses	-	-	18,997	-	18,997
<b>Total current assets</b>	<b>53,221</b>	<b>1,043,651</b>	<b>720,224</b>	<b>44,738</b>	<b>1,808,613</b>
<b>Noncurrent Assets:</b>					
Investments, restricted	-	-	50,000	-	50,000
Investments, unrestricted	-	50,000	-	100,000	150,000
Capital assets:					
Land	-	139,131	-	86,050	225,181
Improvements other than building:	-	-	-	85,569	85,569
Buildings	-	1,328,694	-	380,711	1,709,405
Rolling stock and equipment	16,024	3,007,457	310,294	501,045	3,818,796
Vehicles	-	-	-	15,548	15,548
Less: accumulated depreciation	(6,503)	(1,449,409)	(244,480)	(681,114)	(2,375,003)
<b>Total capital assets</b>	<b>9,521</b>	<b>3,025,873</b>	<b>65,814</b>	<b>387,809</b>	<b>3,479,496</b>
<b>Total noncurrent assets</b>	<b>9,521</b>	<b>3,075,873</b>	<b>115,814</b>	<b>487,809</b>	<b>3,679,496</b>
<b>Total assets</b>	<b>62,742</b>	<b>4,119,524</b>	<b>836,038</b>	<b>532,547</b>	<b>5,488,109</b>

See auditors report on pages 12-13.

**CITY OF PADUCAH, KENTUCKY**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR COMPONENT UNITS - AUTHORITIES**  
**JUNE 30, 2003**

<b><u>LIABILITIES</u></b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Nonmajor Business-type Components</b>
	<b>Mainstreet</b>	<b>Paducah Transit Authority</b>	<b>Forest Hills</b>	<b>Edwin J. Paxton Park Golf Course</b>	
<b>Current Liabilities:</b>					
Voucher and accounts payable	\$ 215	\$ 44,012	\$ 12,918	\$ 2,918	\$ 59,848
Accrued payroll and payroll taxes	975	45,462	13,380	1,750	60,592
Deferred revenues	-	-	15,490	-	15,490
Accrued compensated absences	783	22,987	-	-	22,987
Accrued interest	-	-	-	6	6
Prepaid grants	-	58,410	-	-	58,410
Notes payable due within one year	-	-	-	60,000	60,000
Other current liabilities	-	4,562	69,455	-	74,017
<b>Total current liabilities</b>	<b>1,973</b>	<b>175,433</b>	<b>111,243</b>	<b>64,674</b>	<b>351,350</b>
<b>Noncurrent Liabilities:</b>					
Accrued compensated absences	-	-	112,793	-	112,793
Obligation under capital lease	-	2,367	-	-	2,367
Public improvement loan payable	49,000	-	-	-	-
<b>Total noncurrent liabilities</b>	<b>49,000</b>	<b>2,367</b>	<b>112,793</b>	<b>-</b>	<b>115,160</b>
<b>Total liabilities</b>	<b>50,973</b>	<b>177,800</b>	<b>224,036</b>	<b>64,674</b>	<b>466,510</b>
<b><u>NET ASSETS</u></b>					
Invested in capital assets, net of related debt	9,521	3,018,944	65,814	387,809	3,472,567
Restricted for:					
Youth programs	-	-	-	6,003	6,003
Unrestricted	2,248	922,780	546,188	74,061	1,543,029
<b>TOTAL NET ASSETS</b>	<b>\$ 11,769</b>	<b>\$3,941,724</b>	<b>\$ 612,002</b>	<b>\$ 467,873</b>	<b>\$5,021,599</b>

**CITY OF PADUCAH, KENTUCKY**  
**COMBINING STATEMENT OF ACTIVITIES**  
**NONMAJOR COMPONENT UNITS - AUTHORITIES**  
**FOR THE YEAR ENDED JUNE 30, 2003**

<u><b>FUNCTIONS/PROGRAMS</b></u>	<u><b>Program Revenues</b></u>			<b>Net (Expenses) Revenue</b>	
	<u><b>Expenses</b></u>	<u><b>Charges for Services</b></u>	<u><b>Operating Grants and Contributions</b></u>		<u><b>Capital Grants and Contributions</b></u>
<b>Authorities:</b>					
Governmental activities:					
Mainstreet	\$ 113,059	\$ -	\$ 69,725	\$ -	\$ (43,334)
Business-type activities:					
Paducah Transit Authority	3,614,498	2,104,006	1,395,604	1,570,565	1,455,677
Forest Hills	1,336,143	1,283,076	-	-	(53,067)
Edwin J. Paxton Park Golf Course	322,882	294,515	-	-	(28,367)
<b>TOTAL COMPONENT UNITS</b>	<u><u>\$5,386,582</u></u>	<u><u>\$3,681,597</u></u>	<u><u>\$1,465,329</u></u>	<u><u>\$1,570,565</u></u>	<u><u>1,330,909</u></u>
<b>General Revenues:</b>					
Intergovernmental revenue					2,650
Unrestricted investment earnings					40,612
Miscellaneous general					50,300
Total general revenues and transfers					<u>93,562</u>
Change in net assets					1,424,471
Net assets at July 1, 2002, as restated					<u>3,608,897</u>
<b>NET ASSETS AT JUNE 30, 2003</b>					<u><u>\$5,033,368</u></u>

See auditors report on pages 12-13.

**CITY OF PADUCAH, KENTUCKY**

**STATISTICAL SECTION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2003**

**TABLE 1**  
**CITY OF PADUCAH, KENTUCKY**  
**GENERAL GOVERNMENT EXPENDITURES BY FUNCTION**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Total</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Service</u>	<u>Parks and Recreation</u>	<u>Other</u>
1993-1994	\$15,928,276	\$2,555,764	\$ 8,134,021	\$3,741,048	\$1,350,003	\$147,440
1994-1995	16,744,678	2,689,578	8,583,974	3,758,416	1,541,882	170,828
1995-1996	17,737,044	2,595,564	9,329,445	4,211,915	1,505,497	94,623
1996-1997	19,823,351	3,539,738	10,372,133	4,312,281	1,476,238	122,961
1997-1998	18,787,240	3,531,033	9,629,127	4,009,198	1,476,446	141,436
1998-1999	21,306,659	4,296,935	10,049,095	5,209,051	1,661,119	90,459
1999-2000	19,817,326	3,436,701	10,363,856	4,260,125	1,661,562	95,082
2000-2001	20,677,530	3,386,330	10,530,012	5,923,130	738,401	99,657
2001-2002	22,904,317	3,446,408	11,076,152	7,163,787	897,060	320,910
2002-2003	22,836,738	3,943,031	11,277,297	5,995,396	975,361	645,653

Note: This table includes the General Fund and the Municipal Aid Fund.

**TABLE 2  
CITY OF PADUCAH, KENTUCKY  
GENERAL REVENUE BY SOURCE  
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Total</u>	<u>Taxes</u>	<u>Licenses</u>	<u>Charges for Services</u>	<u>Inter- Governmental Revenues</u>	<u>Grants</u>	<u>Interest</u>	<u>Other</u>
1993-1994	\$19,296,663	\$4,930,132	\$12,245,614	\$790,780	\$371,269	\$ 637,582	\$206,829	\$ 114,457
1994-1995	20,697,540	5,269,017	13,150,265	714,677	385,313	679,625	305,055	193,588
1995-1996	21,773,167	5,555,183	13,715,804	746,562	361,995	822,581	300,491	270,551
1996-1997	21,973,605	4,710,687	14,007,138	723,337	405,995	1,267,998	353,422	505,028
1997-1998	22,282,146	4,582,205	14,985,551	713,872	428,006	727,386	443,355	401,771
1998-1999	23,320,631	4,770,784	15,584,674	716,181	419,686	786,865	413,480	628,961
1999-2000	23,624,074	4,659,202	15,970,996	566,145	418,698	966,715	438,707	603,611
2000-2001	24,125,224	4,736,568	16,705,030	578,482	437,439	723,626	436,598	507,481
2001-2002	24,893,770	5,006,538	17,299,400	657,826	399,977	665,614	256,900	607,515
2002-2003	25,751,276	5,022,069	17,900,739	652,791	373,022	591,652	185,538	1,025,465

Note: This table includes the General Fund and the Municipal Aid Fund.

**TABLE 3**  
**CITY OF PADUCAH, KENTUCKY**  
**TAX REVENUE BY SOURCE**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Total</b>	<b>Real and Personal (Current Year)</b>	<b>Real and Personal (Prior Year)</b>	<b>Franchise</b>	<b># Bank Taxes</b>	<b>In Lieu of Tax Payments</b>	<b>Penalty, Interest &amp; Adv.</b>	<b>% Charge On School Tax Collections</b>
1993-1994	\$5,013,092	\$4,188,026	\$ 97,747	\$252,095	\$199,009	\$112,671	\$80,584	\$ 82,960
1994-1995	5,346,566	4,532,539	95,175	247,919	228,649	108,835	55,900	77,549
1995-1996	5,642,653	4,846,606	90,680	195,259	236,744	123,243	62,651	87,470
1996-1997	4,801,595	4,012,661	81,368	239,973	210,218	109,522	56,945	90,908
1997-1998	4,676,361	4,029,124	92,287	81,875	215,996	111,872	51,052	94,155
1998-1999	4,875,017	3,977,703	82,589	310,110	232,398	115,344	52,640	104,233
1999-2000	4,770,504	3,982,872	135,215	211,860	189,949	119,938	19,368	111,302
2000-2001	4,850,327	3,973,898	157,508	257,095	175,607	136,864	35,596	113,759
2001-2002	5,127,176	4,088,805	291,515	259,451	184,629	134,055	48,084	120,637
2002-2003	5,137,849	4,185,862	209,645	280,734	165,186	139,754	40,888	115,780

Note: This table includes only the General Fund collections.

# Bank tax for fiscal years 1993-1996 was based on the value of each bank's stock. Bank tax for fiscal year 1997 and after was based on the deposits held by each bank.

**TABLE 4  
CITY OF PADUCAH, KENTUCKY  
SECURED TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>(1) Total Levy</u>	<u>(1) Total Collections</u>	<u>Percent of Levy Collected</u>
1993-1994	\$4,726,013	\$4,713,807	99.7%
1994-1995	4,998,288	4,981,828	99.6%
1995-1996	5,040,252	5,022,419	99.6%
1996-1997	4,361,298	4,350,475	97.8%
1997-1998	4,417,910	4,373,272	99.0%
1998-1999	4,614,749	4,602,800	99.7%
1999-2000	4,428,970	4,384,681	99.0%
2000-2001	4,549,413	4,406,600	96.9%
2001-2002	4,679,795	4,532,885	96.9%
2002-2003	4,653,264	4,631,782	99.5%

(1) Includes current year real and personal property tax, franchise, auto and bank shares.

**TABLE 5**  
**CITY OF PADUCAH, KENTUCKY**  
**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Franchise</u>	<u>Bank Shares</u>	<u>Total</u>	<u>Estimated Actual Value</u>	<u>Percent Assessed To Estimated Value</u>	<u>Exemptions</u>	<u>FCV Bank Shares</u>
1993-1994	\$ 593,054,111	\$328,687,459	\$52,456,919	\$ 99,504,852	\$1,073,703,341	\$1,136,728,703	94.5%	\$56,980,078	\$ 105,550,136
1994-1995	669,377,719	347,198,595	52,359,197	114,324,900	1,183,260,411	1,239,314,427	95.5%	51,848,378	118,530,538
1995-1996	705,705,231	390,678,518	54,782,324	115,233,874	1,266,399,947	1,332,467,639	95.0%	53,941,397	127,360,169
1996-1997	760,010,607	394,329,201	53,348,852	*	1,207,688,660	1,262,547,324	95.7%	54,858,664	*
1997-1998	813,820,288	399,909,183	49,442,125	*	1,263,171,596	1,318,865,740	95.8%	55,694,144	*
1998-1999	887,837,493	394,507,049	90,087,831	*	1,372,432,373	1,430,510,601	95.9%	58,258,356	*
1999-2000	940,914,928	429,763,712	66,465,568	*	1,437,144,208	1,497,446,385	95.9%	59,328,314	*
2000-2001	994,267,575	479,928,323	69,737,433	*	1,543,933,331	1,603,816,189	96.3%	58,908,995	*
2001-2002	1,024,284,671	466,849,195	71,286,784	*	1,562,420,650	1,623,844,461	96.2%	60,449,948	*
2002-2003	1,053,370,689	453,327,389	79,952,984	*	1,586,651,062	1,647,809,422	96.3%	60,184,497	*

\* The tax on bank shares was eliminated after fiscal year 1997 and replaced with a bank deposit tax. The bank deposit assessment is not included in this table due to incomparability with prior years and the unrealistic impact it would have on Table 7.

**TABLE 6**  
**CITY OF PADUCAH, KENTUCKY**  
**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**  
**(PER \$100 OF ASSESSED VALUE)**  
**LAST TEN FISCAL YEARS**

Fiscal Year	General Fund		Public Library		Enterprise	Pension Trust		School Districts		Paducah Junior College		Combined	
	Real Estate	Personal	Real Estate	Personal	(*)	Real Estate	Personal	Real Estate	Personal	Real Estate	Personal	Real Estate	Personal
1993-1994	.452	.490	.049	.050	-	.014	.015	.592	.592	.032	.034	1.139	1.181
1994-1995	.438	.490	.046	.050	-	.013	.015	.562	.595	.032	.034	1.091	1.184
1995-1996	.436	.390	.045	.050	-	.013	-	.600	.600	.032	.034	1.126	1.074
1996-1997	.327	.390	.043	.050	-	-	-	.594	.604	.032	.034	.966	1.078
1997-1998	.327	.390	.043	.050	-	-	-	.585	.607	.032	.034	.987	1.081
1998-1999	.318	.390	.041	.050	-	-	-	.598	.598	.030	.034	.987	1.072
1999-2000	.300	.390	.040	.050	-	-	-	.590	.590	.029	.034	.959	1.064
2000-2001	.300	.390	-	-	-	-	-	.597	.597	.022	.022	.919	1.009
2001-2002	.300	.390	-	-	-	-	-	.600	.603	.022	.022	.922	1.015
2002-2003	.300	.390	-	-	-	-	-	.598	.605	.022	.022	.920	1.017

(\*) Real estate and personal property taxed at the same rate.

**TABLE 7**  
**CITY OF PADUCAH, KENTUCKY**  
**RATIO OF NET GENERAL BONDED DEBT**  
**TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>(1) Population</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1993-1994	27,256	\$1,073,703,341	\$5,479,493	\$5,188,735	.48	190.37
1994-1995	27,256	1,183,260,411	4,544,307	1,440,433	.12	52.85
1995-1996	27,256	1,266,399,947	4,072,981	40,182	.003	1.47
1996-1997	27,256	1,207,688,660	70,625	-	-	-
1997-1998	27,256	1,263,171,596	42,375	-	-	-
1998-1999	27,256	1,372,432,373	-	-	-	-
1999-2000	27,256	1,437,144,208	-	-	-	-
2000-2001	26,307	1,543,933,331	9,290,000	9,057,359	.59	344.29
2001-2002	26,307	1,562,420,650	9,075,000	8,830,276	.57	335.66
2002-2003	26,307	1,586,651,062	8,850,000	8,803,949	.56	334.66

(1) Source:  
Bureau of the Census Count - 1990 and 2000.

**TABLE 8**  
**CITY OF PADUCAH, KENTUCKY**  
**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR**  
**GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>(1) Total General Government Expenditures</u>	<u>Ratio of Debt Service To Total Governmental Fund Type Expenditures</u>
1993-1994	\$ 444,344	\$379,956	\$ 824,300	\$15,928,276	5.2%
1994-1995	913,564	405,000	1,318,564	16,744,678	7.9%
1995-1996	438,141	355,361	793,502	17,737,044	4.5%
1996-1997	4,119,275 *	431,669	4,550,944	19,823,351	22.9%
1997-1998	150,709	46,829	197,538	18,787,240	1.1%
1998-1999	170,615	35,891	206,506	21,306,659	1.0%
1999-2000	134,295	30,536	164,831	19,817,326	0.8%
2000-2001	140,636	25,752	166,388	20,677,530	0.8%
2001-2002	362,275	413,364	775,639	22,904,317	3.4%
2002-2003	379,229	428,578	807,807	22,836,738	3.5%

(1) Includes the General Fund and Municipal Aid Fund

\* Includes in-substance defeasance of Kentucky League of Cities - Pooled Leasing debt.

**TABLE 9  
CITY OF PADUCAH, KENTUCKY  
COMPUTATION OF LEGAL DEBT MARGIN  
YEAR ENDED JUNE 30, 2003**

Net assessed value		\$1,586,651,062
Add exemption		<u>60,184,497</u>
Total assessed value		<u><u>\$1,646,835,559</u></u>
Debt limit - 10% of total assessed value (1)		\$ 164,683,556
Debt outstanding:		
General obligations bonds outstanding	\$8,850,000	
Less debt not subject to limit	<u>-</u>	
Gross bonded debt	8,850,000	
Less amount available in debt service funds	<u>46,051</u>	
Net bonded indebtedness subject to limit		<u>8,803,949</u>
Legal Debt Margin		<u><u>\$ 155,879,607</u></u>

(1) Section 158 of the Commonwealth of Kentucky states:

"Cities shall not be authorized or permitted to incur indebtedness to an amount, including existing indebtedness, in the aggregate exceeding the following named maximum percentages on the value of the taxable property therein, to be estimated by the assessment previous to the incurring of the indebtedness: Cities of the first and second classes, and of the third class having a population exceeding fifteen hundred, ten per centum."

**TABLE 10**  
**CITY OF PADUCAH, KENTUCKY**  
**PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Property Value			Commercial Construction		Residential Construction		(1) Bank Deposits (in thousands)	
	Commercial	Residential	Exemptions	Total	No. Units	Value	No. Units		Value
1993-1994	\$315,135,784	\$277,918,327	\$56,530,236	\$ 649,584,347	298	\$33,372,580	289	\$10,977,691	\$805,092
1994-1995	360,404,650	309,337,069	51,848,378	721,590,097	276	30,016,266	242	10,906,114	*
1995-1996	385,729,011	319,976,220	53,941,397	759,646,628	293	50,578,040	298	12,381,735	*
1996-1997	418,868,651	341,141,956	54,858,664	814,869,271	236	37,274,349	330	9,857,980	858,034
1997-1998	447,773,935	366,046,353	55,694,144	869,514,432	285	32,398,583	348	11,332,887	879,579
1998-1999	467,467,471	419,904,322	58,258,356	945,630,149	309	29,708,999	310	10,840,325	948,147
1999-2000	522,210,835	418,704,093	59,328,314	1,000,243,242	171	38,001,115	211	9,288,734	767,477
2000-2001	558,387,762	435,879,813	58,908,995	1,053,176,570	126	16,330,078	187	10,117,794	706,842
2001-2002	575,900,884	448,383,787	60,449,948	1,084,734,619	116	43,006,170	191	8,524,556	753,577
2002-2003	592,114,279	521,440,907	60,184,497	1,173,739,683	166	35,896,704	231	9,795,159	659,388

\* Unavailable

(1) Sources:

Through fiscal year 1997 - Federal Deposit Insurance Corporation  
 Fiscal year 1998 and after - Kentucky Revenue Cabinet

**TABLE 11**  
**CITY OF PADUCAH, KENTUCKY**  
**SCHEDULE OF SEWER REVENUE BOND COVERAGE**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>(1) Gross Revenue</u>	<u>(2) Expenses</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
1993-1994	\$2,150,844	\$1,592,527	\$ 558,317	\$150,000	\$ 97,792	\$247,792	2.25x
1994-1995	2,664,623	1,770,685	893,938	190,000	65,090	255,090	3.50x
1995-1996	3,529,784	1,778,177	1,751,607	195,000	59,200	254,200	6.89x
1996-1997	3,479,257	1,917,660	1,561,597	205,000	52,570	257,570	6.06x
1997-1998	3,382,994	1,873,558	1,509,436	210,000	45,190	255,190	5.91x
1998-1999	3,369,358	2,081,507	1,287,851	110,000	37,105	147,105	8.75x
1999-2000	*	*	*	*	*	*	*
2000-2001	*	*	*	*	*	*	*
2001-2002	*	*	*	*	*	*	*
2002-2003	*	*	*	*	*	*	*

(1) Gross revenue includes only sewer charges received from customers.

(2) Total expenses are exclusive of depreciation and bond interest.

\* This information is not applicable for fiscal years 2000 through 2003 since all assets and liabilities of the Wastewater/Stormwater Fund were transferred to the Paducah-McCracken County Joint Sewer Agency as of July 1, 1999.

**TABLE 12  
CITY OF PADUCAH, KENTUCKY  
DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>(1) Population</u>	<u>(2) Per Capita Income</u>	<u>(2) Median Age</u>	<u>(3) School Enrollment</u>	<u>(4) Unemployment Rate</u>
1993-1994	27,256	\$11,918	36.6	3,416	5.7%
1994-1995	27,256	11,918	36.6	3,389	3.9%
1995-1996	27,256	11,918	36.6	3,320	4.4%
1996-1997	27,256	11,918	36.6	3,312	5.5%
1997-1998	27,256	11,918	36.6	3,244	4.3%
1998-1999	27,256	11,918	36.6	3,195	3.2%
1999-2000	27,256	11,918	36.6	3,289	3.8%
2000-2001	26,307	11,918	39.9	3,037	4.2%
2001-2002	26,307	18,417	39.9	2,909	5.2%
2002-2003	26,307	18,417	39.9	2,887	6.0%

Sources:

(1) Bureau of the Census Count - 1990 and 2000.

(2) Bureau of the Census Count - 1990 and 2000.

(3) Board of Education; represents elementary and secondary public schools.

(4) Kentucky Cabinet for Human Resources, Department for Employment Services.

**TABLE 13  
CITY OF PADUCAH, KENTUCKY  
MISCELLANEOUS STATISTICAL DATA  
JUNE 30, 2003**

**Miscellaneous:**

Date of incorporation	1830
Form of government	City Manager, Mayor and Commissioners
Area - square miles	19.19
Miles of streets/paved	209
Miles of sidewalks	45
Population	26,307
Registered voters	15,117
Votes cast last general election	8,069
Number of hospitals	2

**Schools:**

Number of public schools:	
High school	1
Middle school	1
Elementary	4
Head Start	1
Alternative learning center	1
Adult education	1
Students	2,956
Teachers	244
Administrative personnel	34
Support personnel	264

**Parks and Recreation:**

Number of parks	20
Acres of parks	320
Public golf courses	2
Public swimming pools	3
Public tennis courts	6

**TABLE 13  
CITY OF PADUCAH, KENTUCKY  
MISCELLANEOUS STATISTICAL DATA  
JUNE 30, 2003**

**Police and Fire Protection:**

Number of employees:	
Policemen	76
Firefighters	73
Number of fire stations	5

**Utilities:**

Water utility:	
Number of users	22180
Annual consumption	2,579,817,600 Gallons
Distribution lines	475 Miles
Employees	47
Sewer utility:	
Plant capacity main plant	9,000,000 Gallons/Day
Miles of collection system:	
Sanitary sewers	220 Miles
Combination sewers	56 Miles
Storm sewers	38 Miles
Employees	36
Electric utility:	
Number of street lights	4,573
Number of city maintained traffic light intersections	10
Employees	68

**TABLE 14  
CITY OF PADUCAH, KENTUCKY  
PRINCIPAL TAXPAYERS  
JANUARY 1, 2003**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>(1) Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Kentucky Oaks Mall	Mall	\$ 41,626,900	2.99%
Wal-Mart	Retailer	33,851,922	2.43%
Lourdes Medical Pavilion	Healthcare	19,511,911	1.40%
Alliant Foodservice, Inc.	Food wholesaler	17,907,914	1.29%
Amerisource	Drug Wholesaler	15,798,498	1.14%
Computer Services, Inc.	Bank Data Processor	14,257,212	1.03%
Lowe's	Retailer	13,669,186	0.98%
Paducah Medical Investors	Healthcare	13,440,090	0.97%
Drury Inns, Inc.	Motels	13,266,765	0.95%
H. B. Fuller	Adhesive manufacturing	<u>10,941,319</u>	<u>0.79%</u>
<b>TOTALS</b>		<u><u>\$194,271,717</u></u>	<u><u>13.97%</u></u>

(1) Source - Property Valuation Administration; Assessed value as of January 1, 2003.

**TABLE 15  
CITY OF PADUCAH, KENTUCKY  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
JUNE 30, 2003**

	<u>Bonds/Loans Outstanding</u>	<u>Amount Available Debt Service Funds</u>	<u>Net Debt Outstanding</u>	<u>(1) Percentage Applicable to City of Paducah</u>
City of Paducah	<u>\$ 8,850,000</u>	<u>\$ 46,051</u>	<u>\$ 8,803,949</u>	<u>100.0%</u>
Paducah Independent School District	8,100,000	-	8,100,000	100.0%
McCracken County	6,350,000	-	6,350,000	47.4%
McCracken County Board of Education	<u>26,308,173</u>	<u>-</u>	<u>26,308,173</u>	23.9%
Overlapping Debt	<u>40,758,173</u>	<u>-</u>	<u>40,758,173</u>	
<b>TOTALS</b>	<u><u>\$49,608,173</u></u>	<u><u>\$ 46,051</u></u>	<u><u>\$49,562,122</u></u>	

(1) Applicable percentage is determined by ratio of assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in reporting unit.

**TABLE 16**  
**CITY OF PADUCAH, KENTUCKY**  
**POLICE AND FIREFIGHTERS' RETIREMENT FUND**  
**REVENUE BY SOURCE**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>(1) Employer Contributions</u>	<u>(2) Investment Income</u>	<u>Other</u>	<u>Total</u>
1993-1994	\$36,797	\$356,200	\$852,563	\$396	\$1,245,956
1994-1995	34,737	323,844	784,629	2,702	1,145,912
1995-1996	33,253	340,773	884,085	4,052	1,262,163
1996-1997	33,888	744,484	858,541	1,203	1,638,116
1997-1998	36,110	660,651	989,175	8,967	1,694,903
1998-1999	31,371	593,776	716,366	2,998	1,344,511
1999-2000	27,640	649,274	1,224,591	2,000	1,903,505
2000-2001	28,482	865,026	1,033,814	-	1,927,322
2001-2002	29,224	806,632	487,024	-	1,322,880
2002-2003	29,981	645,773	(51,867)	-	623,887

(1) Includes interfund transfers.

(2) Includes interest and dividend income and net gain (loss) on sale of investments, but does not include net appreciation (depreciation) in fair value of investments.

**TABLE 17**  
**CITY OF PADUCAH, KENTUCKY**  
**POLICE AND FIREFIGHTER'S RETIREMENT FUND**  
**EXPENSES BY TYPE**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Refunds</u>	<u>Benefit Payments</u>	<u>Investment Services</u>	<u>Other</u>	<u>Total</u>
1993-1994	\$ -	\$1,394,169	\$6,504	\$28,331	\$1,429,004
1994-1995	-	1,492,528	6,302	5,842	1,504,672
1995-1996	-	1,535,885	7,119	12,433	1,555,437
1996-1997	-	1,585,549	7,008	2,102	1,594,659
1997-1998	-	1,613,710	15,777	7,649	1,637,136
1998-1999	28,684	1,695,198	11,756	10,831	1,746,469
1999-2000	-	1,719,043	10,993	9,868	1,739,904
2000-2001	-	1,742,179	8,008	10,437	1,760,624
2001-2002	-	1,761,979	9,107	27,002	1,798,088
2002-2003	-	1,760,964	9,509	44,160	1,814,633

**TABLE 18**  
**CITY OF PADUCAH, KENTUCKY**  
**SUMMARY OF INSURANCE IN FORCE**  
**JUNE 30, 2003**

<b>Type of Coverage</b>	<b>Insurer</b>	<b>Policy No.</b>	<b>Liability Limits</b>	<b>Policy Term</b>	<b>Premium</b>
General liability	KMRMA	5429-L01	\$ 2,000,000	7/1/02 - 7/1/03	\$164,474
Property	KMRMA	5429-P01	35,999,621	7/1/02 - 7/1/03	63,277
Commercial auto	KMRMA	5429-L01	2,000,000	7/1/02 - 7/1/03	179,501
Public officials liability	KMRMA	5429-L01	2,000,000	7/1/02 - 7/1/03	119,187
Law enforcement liability	KMRMA	5429-L01	2,000,000	7/1/02 - 7/1/03	54,067
Workers' compensation	KLC Workers' Comp. Trust	WC2001-1000376	2,000,000	7/1/02 - 7/1/03	324,826

**CITY OF PADUCAH, KENTUCKY**

**SINGLE AUDIT SECTION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2003**

**CITY OF PADUCAH, KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2003**

<u>Federal Grantor/Pass-Through Grantor/ Program Title:</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Expenditures</u>
<b>Department of Housing and Urban Development:</b>			
Section 8 Housing Choice Vouchers Passed through Kentucky Department of Local Government:	14.871	Contract A-2877-V	\$1,540,621
Community Development Block Grants/State's Program Passed-through Kentucky Housing Corporation:	14.228	M-00044473 99-101	93,052
HOME Investment Partnerships Program	14.239	M-98-SG-2101-05-00 M-99-SG-2101-05-00 M-01-SG-2101-36-00 M-01-SG-2101-05-00	<u>283,497</u>
Total Department of Housing and Urban Development			<u>1,917,170</u>
<b>Department of Justice:</b>			
Local Law Enforcement Block Grants Program	16.592	2000-LB-VX-0991 2001-LB-BX-1375	22,954
Bulletproof Vest Partnership Program	16.607	Reimbursable and not grant	12,249
Public Safety and Community Policing Grant	16.710	2001-CK-WX-0047	748,350
Byrne Formula Grant	16.579	2000-DD-VX-0047	<u>10,149</u>
Total Department of Justice			<u>793,702</u>
<b>Department of Agriculture:</b>			
Passed-through Kentucky Department of Natural Resources - Division of Forestry: Forestry Urban and Community Forestry Grant	10.664	01-DG-11083121-010 02-DG-11083121-020	10,314
Passed-through Kentucky Department of Education: Summer Food Service Program for Children	10.559	N/A	<u>28,161</u>
Total Department of Agriculture			<u>38,475</u>
<b>Federal Emergency Management Agency:</b>			
Passed through Division of Disaster and Emergency Services Assistance to Firefighter's Grant	83.55	EMW-2001-FG-11523	<u>42,300</u>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2003**

<u>Federal Grantor/Pass-Through Grantor/ Program Title:</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Expenditures</u>
<b>U.S. Department of Transportation:</b>			
Small Community Air Service Development Pilot Program	20.106	OST-2002-11590-100	\$ 140,805
Passed-through Kentucky Transportation Cabinet:			
Transportation Enhancement Project - River Heritage Museum	20.205	C-02076510	271,054
Transportation Enhancement Project - Streetscape	20.205	C-021-30342	<u>312,285</u>
Total Department of Transportation			<u>724,144</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$3,515,791</u></u>

See accompanying notes to schedule of expenditures of federal awards.

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

**Note 1 - Basis of Presentation:**

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

**Note 2 – Subrecipients:**

The City of Paducah provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Transportation Enhancement Project	20.205	\$271,054
Summer Food Service Program for Children	10.559	<u>28,161</u>
		<u>\$299,215</u>

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G. LEON WILLIAMS  
H. WILLIAM LENTZ

**Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit  
of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

Honorable William F. Paxton, Mayor  
Members of the Board of Commissioners  
City of Paducah  
Paducah, Kentucky

We have audited the financial statements of the City of Paducah, Kentucky, as of and for the year ended June 30, 2003, and have issued our report thereon dated October 6, 2003. 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.

**Compliance**

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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Paducah, Kentucky's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that are considered to be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Paducah, Kentucky, in a separate letter dated October 6, 2003.

This report is intended for the information and use of the Board of Commissioners of the City of Paducah, Kentucky, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Williams, Williams & Lentz, LLP*

October 6, 2003

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G. LEON WILLIAMS  
H. WILLIAM LENTZ

**Report on Compliance with Requirements Applicable  
to Each Major Program and Internal Control Over  
Compliance in Accordance with OMB Circular A-133**

Honorable William F. Paxton, Mayor  
Members of the Board of Commissioners  
City of Paducah  
Paducah, Kentucky

**Compliance**

We have audited the compliance of the City of Paducah, Kentucky, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The City of Paducah, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the management of the City of Paducah, Kentucky. Our responsibility is to express an opinion on the City of Paducah, Kentucky's compliance based on our audit.

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

In our opinion, the City of Paducah, Kentucky complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

**Internal Control Over Compliance**

The management of the City of Paducah, Kentucky, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Paducah, Kentucky's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Commissioners of the City of Paducah, Kentucky, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*William, Williams & Lentz, LLP*

October 6, 2003

**CITY OF PADUCAH, KENTUCKY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2003**

**A. Summary of Audit Results:**

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the City of Paducah, Kentucky.
2. No reportable conditions were disclosed during the audit of the basic financial statements of the City of Paducah, Kentucky.
3. No instances of noncompliance material to the basic financial statements of the City of Paducah, Kentucky were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the City of Paducah, Kentucky expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards program to be reported.
7. The programs tested as major programs included:

<u>Name</u>	<u>CFDA #</u>
Section 8 Housing Choice Vouchers	14.871
Public Safety and Community Policing Grant	16.710
Transportation Enhancement Project - Locomotive Project and Streetscape	20.205

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Paducah, Kentucky was determined to be a low-risk auditee.

**B. Findings - Basic Financial Statements Audit:**

None

**C. Findings and Questioned Costs - Major Federal Award Programs:**

None