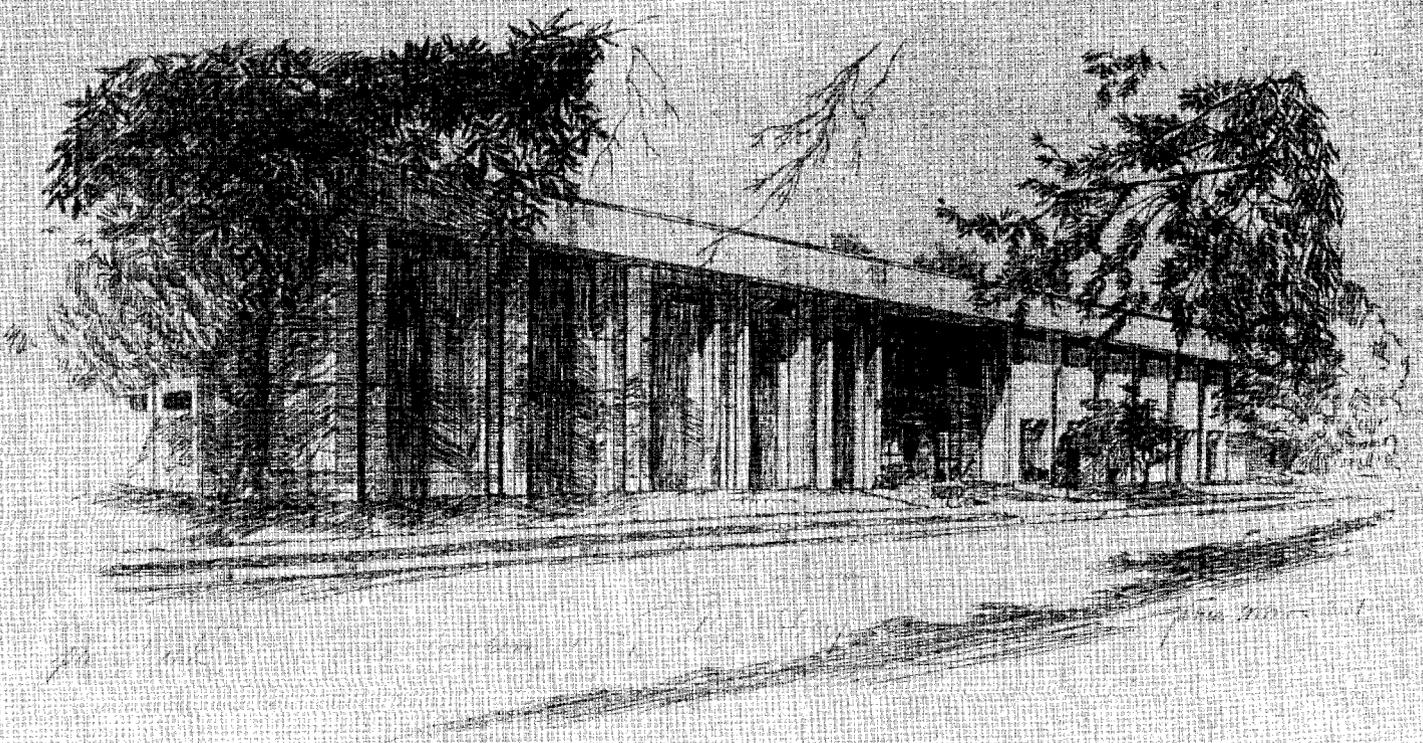


**CITY OF PADUCAH,
KENTUCKY**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

YEAR ENDED JUNE 30, 2004

**FINANCE DEPARTMENT
CITY OF PADUCAH,
KENTUCKY**



City of Paducah
Paducah, Kentucky
Comprehensive Annual Financial Report
Year Ended June 30, 2004



**Issued by the
Finance Department**

CITY OF PADUCAH, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2004

TABLE OF CONTENTS

	<u>Exhibit No.</u>	<u>Page No.</u>
Introductory Section:		
Letter of Transmittal		1 - 9
Organizational Chart		10
Principal Officials		11
GFOA Certificate of Achievement		12
 Financial Section:		
Independent Auditor's Report		13-14
Required Supplementary Information:		
Management's Discussion and Analysis		15-26
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	1	27-28
Statement of Activities	2	29-30
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	3	31-32
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Assets	4	33-34
Statement of Revenues, Expenditures and Changes in Fund Balances	5	35-36
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	37-38
Proprietary Funds:		
Statement of Net Assets	7	39
Statement of Revenues, Expenses and Changes in Fund Net Assets	8	40
Statement of Cash Flows	9	41
Fiduciary Funds:		
Statement of Net Assets	10	42
Statement of Changes in Net Assets	11	43
Component Units Financial Statements:		
Statement of Net Assets	12	44-45
Statement of Activities	13	46-47
Notes to Financial Statements		48-75
Required Supplementary Information:		
Pension Trust Fund Schedules	A-1	76
Budgetary Comparison Schedule (Budgetary Basis) – General Fund	A-2	77-80
Budgetary Comparison Schedule – Note to RSI	A-5	81
Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	B-1	82-83
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	B-2	84-85

	<u>Exhibit No.</u>	<u>Page No.</u>
Supplementary Information:		
Detail Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:		
Municipal Aid Program Fund	B-3	86
Emergency Communication Service Fund	B-4	87
Court Awards Fund	B-5	88
Small Grant Fund	B-6	89
CDBG Fund	B-7	90
Hope 3 Implementation Grant Fund	B-8	91
Home Grant Fund	B-9	92
HUD Revolving Grant Fund	B-10	93
Paducah Housing Authority Police Grant Fund	B-11	94
Debt Service Fund	B-12	95
Nonmajor Proprietary Funds:		
Combining Statement of Net Assets	C-1	96
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	C-2	97
Combining Statement of Cash Flows	C-3	98
Internal Service Funds:		
Combining Statement of Net Assets	D-1	99
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	D-2	100
Combining Statement of Cash Flows	D-3	101
Fiduciary Funds:		
Combining Statement of Net Assets – Pension Trust Funds	E-1	102
Combining Statement of Changes in Net Assets – Pension Trust Funds	E-2	103
Combining Statement of Net Assets – Private-purpose Trust Funds	E-3	104
Combining Statement of Changes in Net Assets – Private-purpose Trust Funds	E-4	105
Statement of Changes in Assets and Liabilities – Agency Funds	E-5	106

	<u>Table No.</u>	<u>Page No.</u>
Statistical Section:		
General Government Expenditures by Function	1	107
General Revenue By Source	2	108
Tax Revenue by Source	3	109
Secured Tax Levies and Collections	4	110
Assessed and Estimated Actual Value of Taxable Property	5	111
Property Tax Rates - Direct and Overlapping Governments	6	112
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	7	113
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures	8	114
Computation of Legal Debt Margin	9	115
Property Value, Construction and Bank Deposits	10	116
Schedule of Sewer Revenue Bond Coverage	11	117

	<u>Table No.</u>	<u>Page No.</u>
Statistical Section:		
Demographic Statistics	12	118
Miscellaneous Statistical Data	13	119-120
Principal Taxpayers	14	121
Computation of Direct and Overlapping Debt	15	122
Police and Firefighters' Retirement Fund – Revenue by Source	16	123
Police and Firefighter's Retirement Fund – Expenses by Type	17	124
Summary of Insurance in Force	18	125
 Single Audit Section:		
Schedule of Expenditures of Federal Awards		126-127
Notes to the Schedule of Expenditures of Federal Awards		128
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		129
Report on Compliance with Requirements Applicable to each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		130-131
Schedule of Findings and Questioned Costs		132

CITY OF PADUCAH, KENTUCKY

INTRODUCTORY SECTION

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2004**



CITY OF PADUCAH

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

September 20, 2004

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, 2004. 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.

In FY2004, the Keiler family donated the Columbia and Arcade Theatre buildings valued at \$740,000, and a donation of infrastructure for Industrial Park West valued at \$1.1 million was received, totaling \$1.84 million. Union Planter’s Bank donated its former main bank building valued at \$675,000 to the City. However, the Union Planter’s Bank building is accounted for in a trust that is not included in the government-wide statements. The City converted the former bank building into the City’s ‘Commerce Center’, which houses numerous economic and business development-related tenants, including the GPEDC and the Paducah Area Chamber of Commerce. The theater buildings are being actively marketed for resale to further enhance the downtown.

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, started out 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 '8th 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 lineup is the 'Luther F. Carson Four Rivers Center for the Performing Arts'. The Center opened in February 2004, as a regional, multiple-purpose facility with a 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 supplements 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 325 full-time employees as of June 30, 2004. 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, and Transit Authority of the City of Paducah are 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 expenditures/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 \$27,473,810 in fiscal year 2004, an increase of 10.2% (2.7% without building donations, as noted below) over fiscal year 2003. 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 2004 Amount	Percent of Total	Increase (Decrease) From FY 2003	
			Dollar Amount	Percent
Taxes	\$ 5,205,422	19.0%	\$ 183,353	3.7 %
Licenses and permits	18,423,244	67.0%	522,505	2.9 %
Charges for services	569,320	2.1%	(83,471)	(12.8)%
Grants	635,525	2.3%	43,873	7.4%
Interest	118,566	0.4%	(51,495)	(30.3)%
Miscellaneous	<u>2,521,733</u>	<u>9.2%</u>	<u>1,916,938</u>	<u>317.0%</u>
TOTAL REVENUE	<u>\$27,473,810</u>	<u>100.0%</u>	<u>\$2,531,703</u>	<u>10.2 %</u>

The most substantial increase in the revenue categories above in actual dollars is in 'Miscellaneous', which amounted to \$1,916,938. The vast majority of the increase was caused by a 'one-time' donation of \$1.84 million for a building and infrastructure donated to the City. Net of the donations, revenues in the 'Miscellaneous' category increased \$76,938. See 'Economic Development Activities' section on page 2 for additional details regarding the donations.

The most substantial increase in the revenue categories, outside of 'Miscellaneous', was 'Licenses and Permits', which amounted to \$522,505. Payroll taxes increased \$314,992 or about 3.1 percent, while business license collections increased \$92,100 or 2.7 percent over last year. In fiscal year 1994, \$7.0 million was received in payroll tax revenues, while fiscal year 2004 revenue was \$10.6 million, an average growth rate of 4.3 percent. Payroll tax revenue rate of growth was 3.6 percent for a more recent five-year period, fiscal 1999 to fiscal 2004. The FY2004 payroll tax revenue growth rate is approximately 72 percent of that of the 10-year historical average.

Insurance premium tax collections increased 5.2 percent or \$186,900 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 below inflation, at 2.9 percent.

While overall, 'License and Permits' revenue dollars grew the most, the 'Interest' category decreased the most dramatically as a percentage of change, 30.3 percent or \$51,495. The interest revenue decrease was caused primarily by the steady decline in interest rates over the past several years as investments continue to mature, in addition to the decline in funds available to invest.

General Fund Expenditures (Based on Fund Financial Statements)

Expenditures for General Fund functions totaled \$24,593,416, an increase of 11.5% (3.1% without building donations, as noted below) over fiscal year 2003. Increases and decreases in levels of expenditures by major functions compared to the preceding year are shown in the following tabulation:

	<u>FY 2004</u> <u>Amount</u>	<u>Percent</u> <u>of Total</u>	<u>Increase (Decrease)</u> <u>From FY 2003</u>	
			<u>Dollar</u> <u>Amount</u>	<u>Percent</u>
Expenditures:				
General government	\$ 3,891,251	15.8%	\$ (51,780)	(1.3)%
Public safety	11,750,018	47.8%	472,721	4.2%
Public service	5,582,006	22.7%	363,110	7.0%
Recreation	1,026,297	4.2%	50,936	5.2%
Other	<u>2,343,844</u>	<u>9.5%</u>	<u>1,698,191</u>	<u>263.0%</u>
TOTAL EXPENDITURES	<u>\$24,593,416</u>	<u>100.0%</u>	<u>\$2,533,178</u>	<u>11.5%</u>

Expenditures grew 11.5 percent or \$2,533,178 (3.1% or \$693,178 without building donations) between fiscal year 2003 and fiscal year 2004, as compared to the increase in spending between fiscal year 2002 and fiscal year 2003, of \$865,890 or 4.1 percent. The fiscal year 1995 expenditure per capita was \$595 and changed to \$728 and \$838 in fiscal year 2000 and fiscal year 2003, respectively. Per capita expenditures have increased on average 5.3 percent annually since fiscal year 1995. Fiscal year 2004 General Fund expenditures (net of one-time building donations) increased \$27 per citizen from the fiscal year 2003 amount of \$838.

The most substantial increase in the expenditures categories above, in actual dollars, is in 'Other', which amounted to \$1,698,191. The vast majority of the increase was caused by a 'one-time' donation of \$1.84 million for a building and infrastructure donated to the City. Net of the donations, expenditures in the 'Other' category decreased \$141,809. See 'Economic Development Activities' section on page 2 for additional details regarding the donations.

The fiscal year 2004 budget process played a significant role in identifying spending trends, and that process should be carried over into fiscal year 2005. The fiscal year 2004 expenditures more accurately reflect all costs associated with the departments that benefit from the expenditure. The single largest net change was in 'Public Safety' for \$472,721. Nearly 95% of the change was due to wage increases (\$280,000) and related pension expenses (\$172,000). FOP and IAFF wage contracts provided for 3% cost of living adjustment in fiscal year 2004. The State of Kentucky increased the City's pension expense for hazardous-duty employees by 2.23% (a 14% increase) to an 18.51% contribution rate on all wages paid.

The next most significant change in terms of dollars and percentage change were in the 'Public Service' category for \$363,110 or 7.0% over last year. Public Service expenditures are made up of Public Works, Engineering and Floodwall operational costs. The most substantial increase, in terms of dollars, was in the 'Landscape Maintenance' division.

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 32,888, a 1.7% decrease.

The June 30, 2004, unemployment rate was 4.3% (McCracken County), much better than the federal rate of 5.6%. The number of active electric and water meters was nearly the same as the prior year. The number of residential construction permits obtained was 268 units of single and multi-family dwellings, up 16% and valued at \$17.9 million. The value of commercial construction permits was \$23.6 million, down 34% 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 2004 in the General Fund was \$118,566, on rates varying from 1.65% to 3.52%.

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 \$904,500 and \$905,300 in fiscal year 2004 and fiscal year 2003, 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 \$108,421 with net assets valued at \$9,352,299 on June 30, 2004. There were 6 active members and 97 retirees and/or beneficiaries in this fund as of June 30, 2004. The most recent actuarial report prepared for the PFPF was as of July 1, 2004.

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 7.34% for non-hazardous and 18.51% for hazardous duty employees in fiscal year 2004.

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 12 retirees and/or beneficiaries receiving benefits from the fund as of June 30, 2004. 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 \$3,754 in fiscal year 2004, with net assets valued as of June 30, 2004, of \$323,620.

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 was closed out in fiscal year 2004, since 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 was fully paid in fiscal year 2004.

In fiscal year 2001, the City issued \$9.29 million in notes payable to fund the Julian Carroll Convention Center expansion (\$6.0 million) and to assist in the financing of the Luther F. Carson Four Rivers Center (FRC) for the Performing Arts (\$3.0 million). According to an interlocal agreement between the City, McCracken County and the Tourism and Convention Commission, principal and interest payments on the bonds are to be made from a 2% transient room tax collected by the County. Any excess principal and interest payments on the bonds are split equally between the City, County and the Tourism and Convention Commission.

In fiscal year 2004, the City issued \$3.5 million in bonds to fund a variety of capital projects, including park improvements (\$1.0 million), downtown infrastructure improvements in conjunction with the FRC (\$1.5 million), and City Hall, Police and other City-owned facility improvements (\$1.0 million). In fiscal year 2004, the City sold \$5.0 million in bonds to construct the Infiniti Media Building in the Paducah Industrial Park West, an economic development project. By interlocal agreement, McCracken County is obligated to an amount equal to 50% of the principal amount of the bonds. After the third year of the life of the bond, the Infiniti Media Company is obligated to make monthly lease payments to the City in an amount nearly equal to the debt service obligation.

The total cash outlay requirements for debt service retirement; principal and interest, in fiscal year 2004 were \$900,238.

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, 2003. This was the thirteenth year for Paducah to receive this prestigious award.

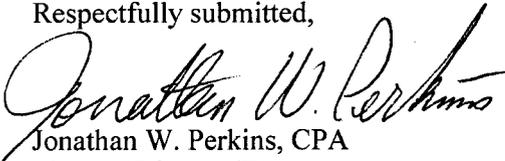
In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, the City published an easily readable and efficiently organized comprehensive annual financial report, the contents of which conform to program standards. The report satisfied both generally accepted accounting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

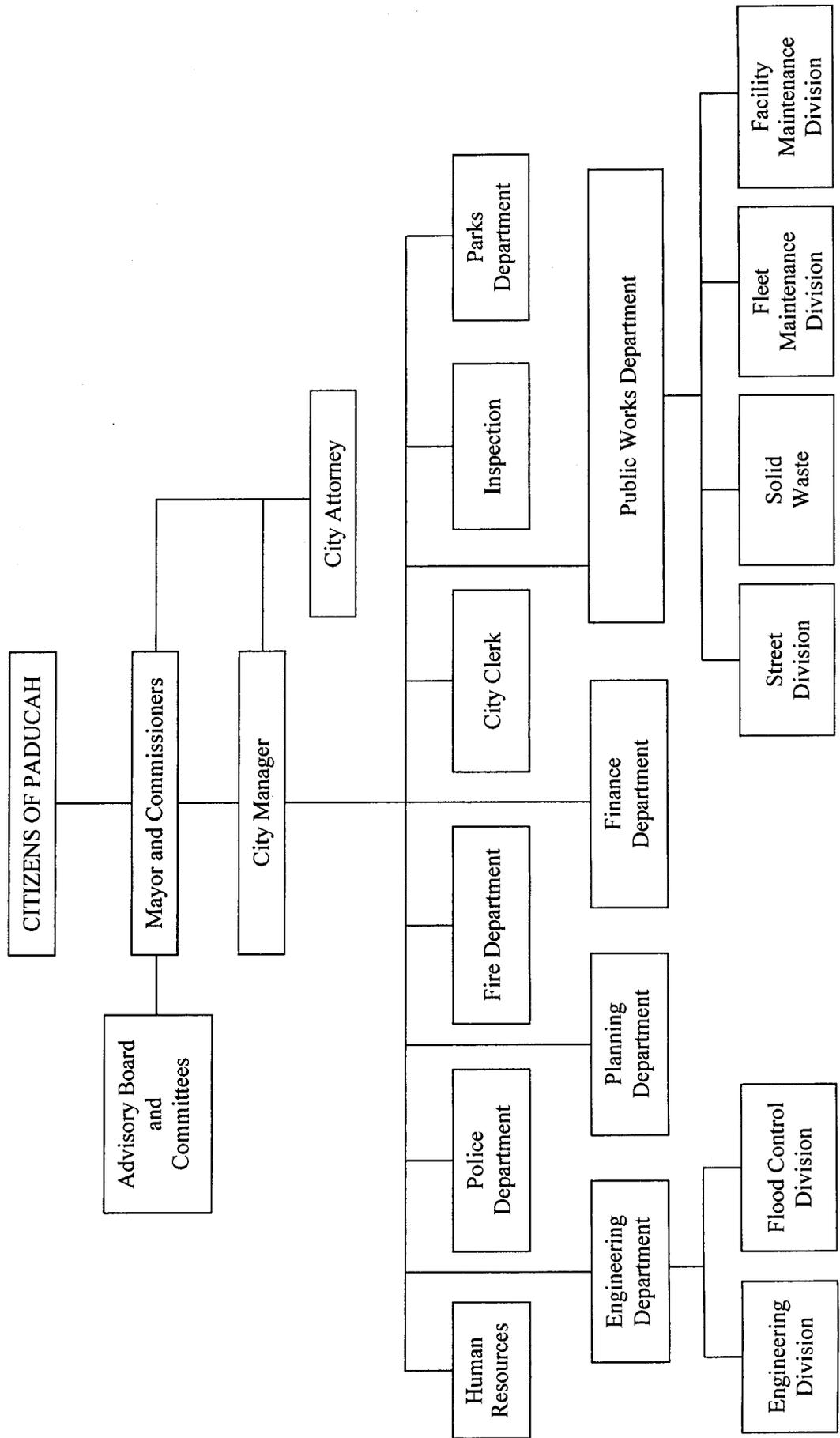
The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We wish to express our appreciation to all members of the Finance Department who assisted and contributed to its preparation, and special 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	Interim
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, 2003

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.



Nancy L. Ziehl

President

Jeffrey R. Enev

Executive Director

CITY OF PADUCAH, KENTUCKY

FINANCIAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2004

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

G. LEON WILLIAMS, 1926-2004
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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Paducah, Kentucky (the City), as of and for the year ended June 30, 2004, 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 opinions on these financial statements based on our audit. We did not audit the financial statements of the following component units: Paducah Water Works, Paducah Power System, and Transit Authority of the City of Paducah, which represent 100 percent 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, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Paducah, Kentucky as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2004, 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 15 through 26 and 76 through 81, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding 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 opinions on the financial statements that collectively comprise the City of Paducah, Kentucky's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Paducah, Kentucky. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are 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.

William, William & Lentz, LLP

September 20, 2004

CITY OF PADUCAH, KENTUCKY

REQUIRED SUPPLEMENTARY INFORMATION

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2004**

CITY OF PADUCAH, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004

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, 2004. 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 1-9) and the basic financial statements (pages 27-75) provided in this document.

The City first implemented Government Accounting Standards Board Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, for fiscal year 2003.

I. Financial Highlights

- Assets exceeded liabilities by \$35.6 million at the close of the 2003-2004 fiscal year. Of this amount, \$1.6 million (unrestricted net assets) may be used to meet City government's ongoing obligations to citizens and creditors.
- Total net assets decreased \$1,174,634.
- At fiscal year end, City governmental funds reported a combined ending fund balance of \$9.8 million. Approximately 55% of this total amount, \$5.4 million, is unreserved and available for spending at the City's discretion. Of the \$5.4 million, \$800,696 is in various special funds, which are earmarked for specific purposes.
- At the end of the current fiscal year, unreserved general fund balance was \$4.6 million, approximately 16.7% 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, Wastewater, Civic Center and Telecommunication Information System Authority (TISA).

(Continued)

Government-wide financial statements include not only the City (the primary government), but also a legally separate Paducah Water Works, Paducah Power System and Transit Authority of the City of Paducah (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 27-30 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 fourteen (14) 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 eleven (11) 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 and individual fund statements elsewhere in this report on pages 82-95.

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 (pages 33-34) and Exhibit 6 (pages 37-38) 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 31-38 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, and public transit. 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 and Paducah Transit Authority, which provide water, electric, light and power systems, and public transportation. These component units, each of which has their own board of directors, are also enterprise funds and are shown on pages 44-47.

- 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 allocated between governmental activities and business-type activities in the government-wide financial statements based on revenue earned.

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 96-98 of this report. Individual data for the internal service funds is likewise presented in the form of combining statements on pages 100-102 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, Maintenance and Rehabilitation Trust and Payroll Agency) are presented in the form of combining statements on pages 102-106 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 48-75 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 82-106 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 \$35.6 million as of June 30, 2004.

The largest portion of the City's net assets (82%) 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 (13%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$1.6 million) may be used to meet the City's ongoing obligations to citizens and creditors.

As of June 30, 2004, 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.

In this second year of implementation of GASB Statement 34, the City is presenting comparative columns in the various comparisons and analyses for the prior year.

City of Paducah, Kentucky
Net Assets
June 30

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Current assets	\$20,080,043	\$19,306,855	\$2,205,856	\$1,970,437	\$22,285,899	\$21,277,292
Capital assets	<u>38,764,453</u>	<u>32,412,164</u>	<u>1,463,669</u>	<u>1,425,753</u>	<u>40,228,122</u>	<u>33,837,917</u>
Total assets	<u>58,844,496</u>	<u>51,719,019</u>	<u>3,669,525</u>	<u>3,396,190</u>	<u>62,514,021</u>	<u>55,115,209</u>
Long-term liabilities	17,889,770	9,979,680	14,002	18,671	17,903,772	9,998,351
Other liabilities	<u>8,788,311</u>	<u>7,915,025</u>	<u>212,361</u>	<u>386,666</u>	<u>9,000,672</u>	<u>8,301,691</u>
Total liabilities	<u>26,678,081</u>	<u>17,894,705</u>	<u>226,363</u>	<u>405,337</u>	<u>26,904,444</u>	<u>18,300,042</u>
Net assets:						
Invested in capital assets, net of related debt	27,826,117	27,955,839	1,463,668	1,425,753	29,289,785	29,381,592
Restricted	4,746,340	4,297,355	-	-	4,746,340	4,297,355
Unrestricted	<u>(406,042)</u>	<u>1,571,120</u>	<u>1,979,494</u>	<u>1,565,100</u>	<u>1,573,452</u>	<u>3,136,220</u>
TOTAL NET ASSETS	<u>\$32,166,415</u>	<u>\$33,824,314</u>	<u>\$3,443,162</u>	<u>\$2,990,853</u>	<u>\$35,609,577</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 years ended June 30, 2004 and 2003. The City first implemented GASB Statement 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments* in fiscal year 2003. Governmental activities decreased the City's net assets by \$1,626,943. The primary reason for the decrease was a \$3.0 million payment to the Luther F. Carson Four Rivers Center for the Center's building construction fund. Additionally, while most funds' net assets increased, the Municipal Aid Fund's net assets decreased \$349,264. Business-type activities increased the City's net assets by \$452,309.

The following table provides a summary of the City's operations for the years ended June 30, 2004 and June 30, 2003:

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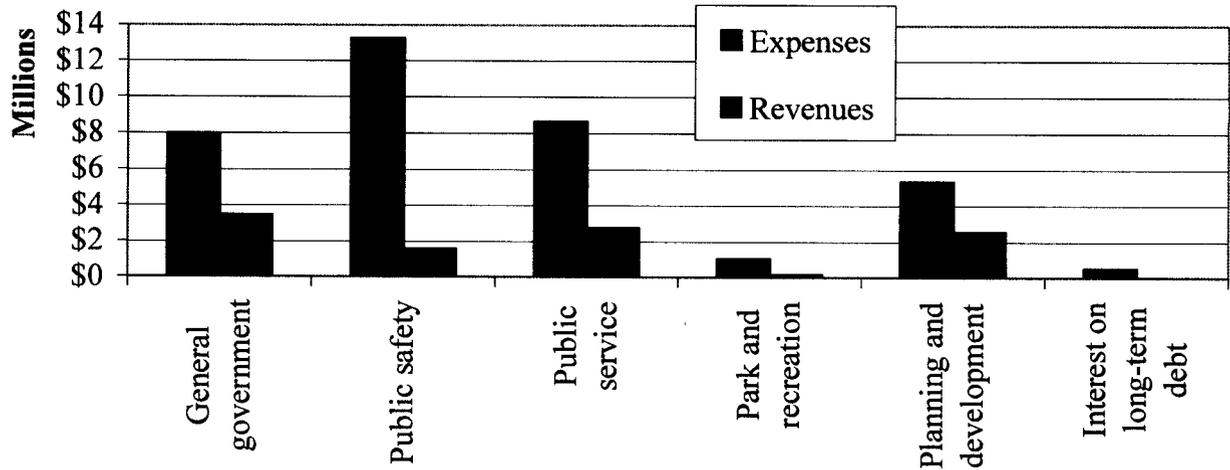
City of Paducah, Kentucky
Changes in Net Assets
For the Years Ended June 30

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,867,699	\$ 2,370,110	\$ 3,927,365	\$ 3,413,172	\$ 7,795,064	\$ 5,783,282
Operating grants/ contributions	3,290,134	4,176,548	-	-	3,290,134	4,176,548
Capital grants/ contributions	3,221,637	2,213,757	24,990	3,666	3,246,627	2,217,423
General revenues:						
Property taxes	4,012,168	3,893,211	-	-	4,012,168	3,893,211
Franchise tax	244,877	298,251	-	-	244,877	298,251
Telecommunications tax	665,807	751,802	-	-	665,807	751,802
Insurance premium tax	3,767,864	3,580,964	-	-	3,767,864	3,580,964
Vehicle tax	493,800	492,077	-	-	493,800	492,077
Bank tax	161,550	169,668	-	-	161,550	169,668
Gross receipts license tax	3,496,438	3,404,338	-	-	3,496,438	3,404,338
Employee licenses tax	10,616,223	10,301,231	-	-	10,616,223	10,301,231
Other taxes	198,106	181,266	-	-	198,106	181,266
Intergovernmental revenue	871,273	836,132	-	-	871,273	836,132
Unrestricted investment earnings	220,992	325,811	32,826	39,530	253,818	365,341
Gain on sale of capital assets	(1,972)	125,714	34,975	24,238	33,003	149,952
Total revenues	<u>35,126,596</u>	<u>33,120,880</u>	<u>4,020,156</u>	<u>3,480,606</u>	<u>39,146,752</u>	<u>36,601,486</u>
Expenses:						
General						
government	7,969,027	7,396,882	-	-	7,969,027	7,396,882
Public safety	13,243,912	12,964,120	-	-	13,243,912	12,964,120
Public service	8,618,901	7,376,791	-	-	8,618,901	7,376,791
Parks and recreation	1,026,293	975,362	-	-	1,026,293	975,362
Planning and development	5,330,393	3,108,192	-	-	5,330,393	3,108,192
Interest on long-term debt	496,049	428,578	-	-	496,049	428,578
Solid Waste	-	-	3,419,464	3,359,731	3,419,464	3,359,731
Civic Center	-	-	33,181	46,509	33,181	46,509
TISA	-	-	184,166	123,719	184,166	123,719
Total expenses	<u>36,684,575</u>	<u>32,249,925</u>	<u>3,636,811</u>	<u>3,529,959</u>	<u>40,321,386</u>	<u>35,779,884</u>
Increase (decrease) in net assets before transfers	(1,557,979)	870,955	383,345	(49,353)	(1,174,634)	821,602
Transfer	(68,964)	18,666	68,964	(18,666)	-	-
Change in net assets	<u>(1,626,943)</u>	<u>889,621</u>	<u>452,309</u>	<u>(68,019)</u>	<u>(1,174,634)</u>	<u>821,602</u>
Adjustment to beginning net assets	(30,956)	-	-	-	(30,956)	-
Net assets, July 1	<u>33,824,314</u>	<u>32,934,693</u>	<u>2,990,853</u>	<u>3,058,872</u>	<u>36,815,167</u>	<u>35,993,565</u>
NET ASSETS, JUNE 30	<u>\$32,166,415</u>	<u>\$33,824,314</u>	<u>\$ 3,443,162</u>	<u>\$ 2,990,853</u>	<u>\$35,609,577</u>	<u>\$36,815,167</u>

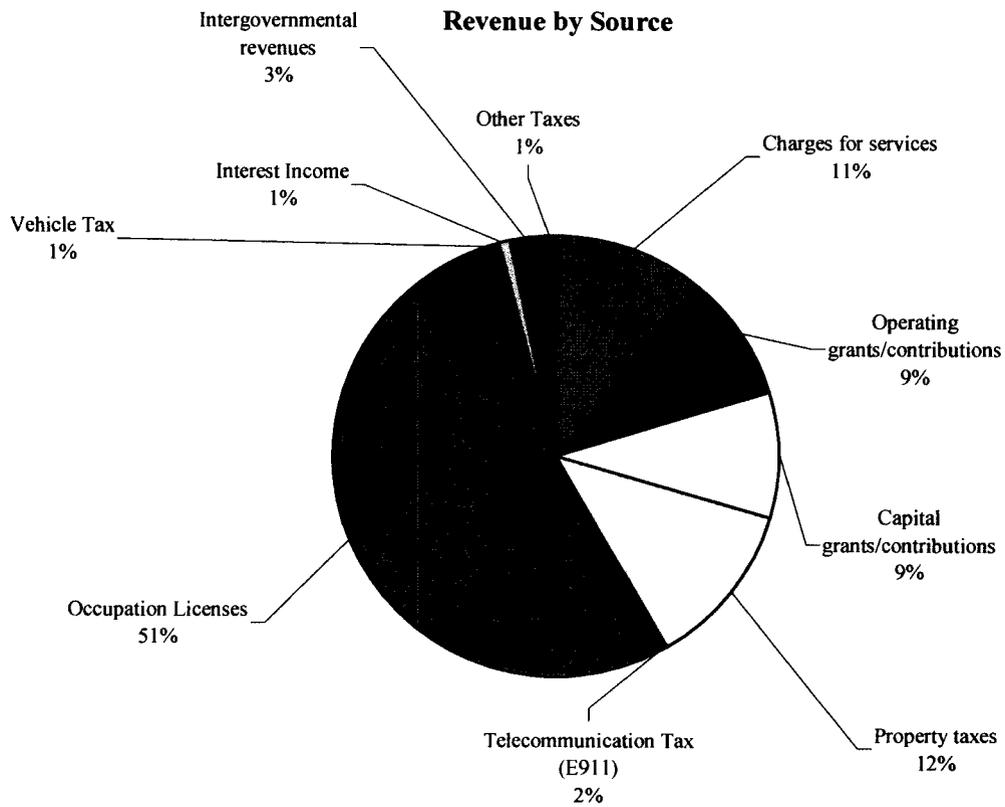
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B. Governmental Activities

**Governmental Activities
Expenses and Program Revenues**



**Governmental Activities
Revenue by Source**

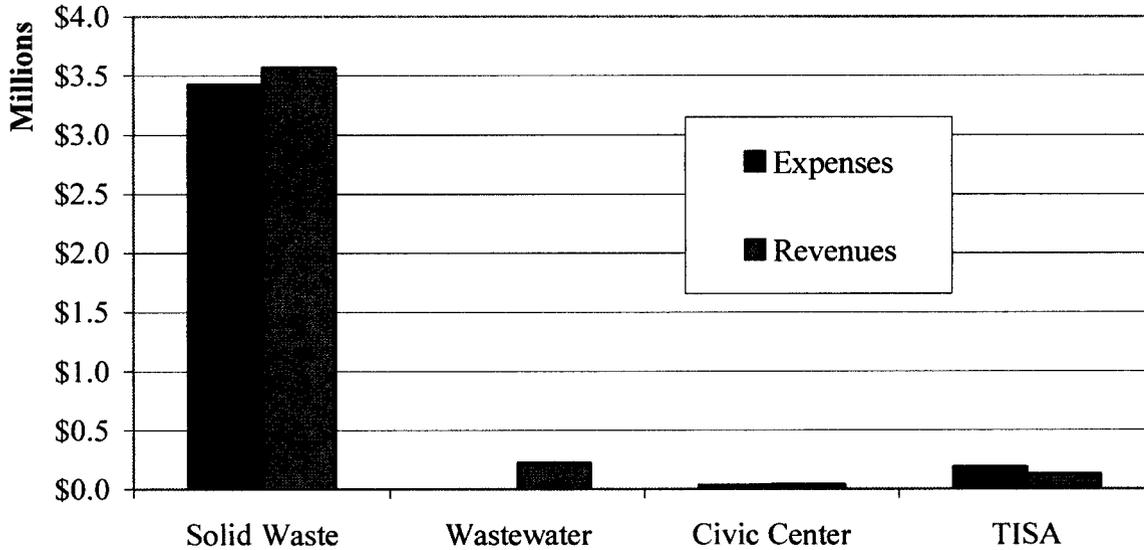


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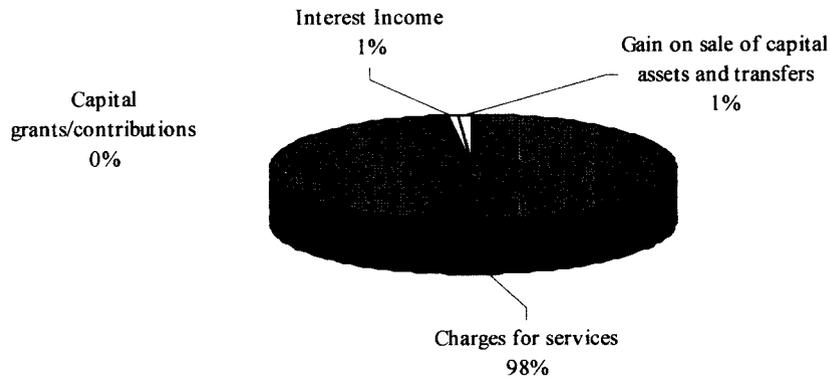
C. Business-Type Activities

Business-type activities increased the City's net assets by \$452,309, in contrast to the negative position in net assets for Governmental Activities for the year.

**Business-Type Activities
Expenses and Revenues**



**Business-Type Activities
Revenue by Source**



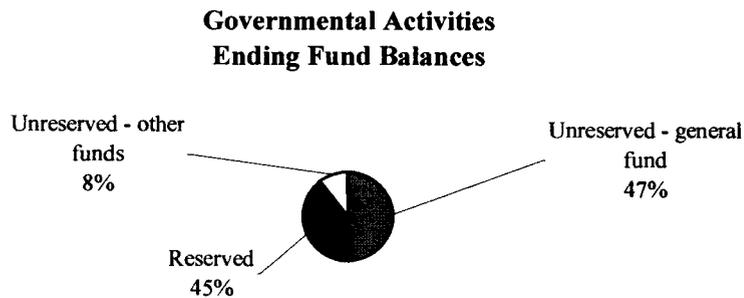
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IV. Financial Analysis of the City's Funds

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 \$9.8 million. Approximately 55% of this total amount, \$5.4 million, is unreserved fund balance, which is available for spending at the government's discretion. Of the \$5.4 million, \$800,696 is in the debt service fund and various grant funds. The remaining \$4.4 million of fund balance is reserved for specific future uses.



The general fund is the chief operating fund of the City. At the end of the 2003-2004 fiscal year, the general fund unreserved fund balance was \$4.6 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 \$3.5 million, which leave \$1.1 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 16.7% of expenditures and transfers out (\$27.8 million).

The General Fund fund balance decreased by \$284 thousand during the 2003-2004 fiscal year and was the result of expenditures increasing at a more rapid rate than revenues. Key factors contributing to this decrease are:

- o Economic development incentives, and
- o State pension plan cost increases.

The General Capital Improvements Fund had a fund balance of \$738 thousand all of which is reserved. The General Capital Improvements fund balance increased \$155 thousand.

The Downtown Capital Improvements Fund had a fund balance of \$3.1 million all of which is reserved and it has already been committed to the Infinity Media project in Paducah's Industrial Park West. The Downtown Capital Improvements fund balance increased \$148 thousand.

B. Proprietary Funds

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

Unrestricted net assets of the respective proprietary funds are:

Solid Waste	\$1,914,969
Wastewater	-
Civic Center	21,117
TISA	49,412

(Continued)

Combined net asset growth for the four funds was \$362 thousand broken down as follows: Solid Waste \$345 thousand, Civic Center \$3 thousand, and TISA \$14 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 \$975,660 decrease in appropriations and can be briefly summarized as follows:

<u>Department</u>	<u>Appropriations</u>	
	<u>Increase</u>	<u>Decrease</u>
General administration	\$ -	\$255,005
Finance	-	26,290
Planning	114,915	-
Human rights	-	3,075
Human resources	-	8,800
Inspection	-	49,475
Information systems	-	29,540
Police	-	220,600
Fire	-	21,965
Public works	-	434,660
Engineering services	14,465	-
Recreation	-	55,630

Transfers out were also increased \$1,126,515. The net increase to appropriations and transfers out was \$2,386,525 for the year. Since expenditures and transfers out were slightly more than budgetary estimates, fund balance was reduced more 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, 2004, is \$33.4 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 2004, projects and equipment expenditures totaled nearly \$13.3 million. The largest capital-type projects, in terms of dollars in fiscal year 2004, are shown in the following table:

Four Rivers Center capital building fund	\$3,000,000
Infiniti Media building project	3,400,000
Four Rivers Center parking lot and related infrastructure	1,800,000
Park improvements (including recreation trails)	714,000
Pecan Drive improvements project (row, bridges)	632,000
Streetscape – Phase IV	412,000
GIS project	266,000
River Heritage Museum project	250,000

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 including 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.

(Continued)

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 5,420,685	\$ 5,084,335	\$ 65,908	\$ 65,908	\$ 5,486,593	\$ 5,150,243
Land improvements	53,502	-	-	-	53,502	-
Construction in progress	1,719,363	2,988,191	-	-	1,719,363	2,988,191
Buildings and improvements	3,645,717	3,096,982	194,339	183,855	3,840,056	3,280,837
Infrastructure	18,604,571	14,242,704	-	-	18,604,571	14,242,704
Equipment	825,402	1,032,988	288,321	376,358	1,113,723	1,409,346
Furnishings and fixtures	1,755	5,687	-	-	1,755	5,687
Vehicles	<u>1,666,547</u>	<u>1,584,777</u>	<u>915,101</u>	<u>799,632</u>	<u>2,581,648</u>	<u>2,384,409</u>
TOTALS	<u>\$31,937,542</u>	<u>\$28,035,664</u>	<u>\$1,463,669</u>	<u>\$1,425,753</u>	<u>\$33,401,211</u>	<u>\$29,461,417</u>

Additional information on City capital assets can be found in Note 3 in the notes to financial statements on pages 60-61.

B. Long-Term Debt

At year end, the City had \$18,793,259 in outstanding bonds, accrued compensated absences and capital leases, compared to \$10,622,534 at June 30, 2003 with maturities extending through 2026. During the year, the City's total debt increased by \$8,170,725 or 80%, as shown in the following table:

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
General Obligation Bonds:		
Convention and Performing Arts Center – 2001	\$ 8,620,000	\$ 8,850,000
Kentucky League of Cities – 2003	3,381,211	-
Infiniti Media Building – 2004	5,000,000	-
General Fund accrued compensated absences	1,744,404	1,692,709
Paducah Bank – Lowertown property	47,644	-
Capital lease – fire equipment	-	79,825
TOTALS	<u>\$18,793,259</u>	<u>\$10,622,534</u>

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.

In fiscal year 2004, the City borrowed \$3.5 million to fund a variety of capital projects, including park improvements (\$1.0 million), downtown infrastructure improvements in conjunction with the FRC (\$1.5 million), and City Hall, Police and other City-owned facility improvements (\$1.0 million).

(Continued)

In fiscal year 2004, the City sold \$5.0 million in bonds to construct the Infiniti Media Building in the Paducah Industrial Park West, an economic development project. By interlocal agreement, McCracken County is obligated to an amount equal to 50% of the principal amount of the bonds. After the third year of the life of the bond, the Infiniti Media Company is obligated to make monthly lease payments to the City in an amount nearly equal to the debt service obligation.

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 \$149,036,256. 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.

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 3.7% 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 63-65.

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

- A. **General Comments.** Paducah continued to experience steady-slow-growth in the local economy as compared to the national economy in fiscal year 2004. Paducah continues 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 was improved with the opening of the Luther F. Carson Four Rivers Center for the Performing Arts (FRC). The FRC opened 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. Four Rivers Behavioral Health Systems Corporate offices moving into the former J C Penney building which had been vacant for years further enhanced downtown. These major additions to the downtown area will significantly increase the flow of commerce and traffic flow.
- B. **Unemployment Rate.** The unemployment rate for the City of Paducah (McCracken County) as of June, 2004 was 4.3%. This rate compares favorably to state and federal unemployment rates, 5.4% and 5.6%, 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.

(Continued)

F. Enterprise Zone. Since its inception, the Paducah Enterprise Zone Program has produced 325 qualified businesses, which have pledged expenditures of \$91 million in addition to creating 322 targeted jobs.

All the above factors, in addition to current and future needs of the City, were considered when the 2004-2005 Budget for the City of Paducah was prepared. The beginning general fund balance for fiscal year 2004-2005 is \$4,642,073. The City has estimated an ending fund balance of \$3,400,000, or 12.5% 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 2004-2005.

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, 2004

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CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET ASSETS
JUNE 30, 2004

<u>ASSETS</u>	<u>Primary Government</u>			Component Units
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Current Assets:				
Cash and cash equivalents	\$ 7,419,546	\$ 943,762	\$ 8,363,308	\$ 1,596,627
Investments	5,774,204	1,200,000	6,974,204	-
Receivables, net:				
Note	195,000	-	195,000	-
Accounts	296,499	55,536	352,035	2,829,582
Grants	617,121	-	617,121	190,065
Interest	32,900	5,568	38,468	-
Property tax	4,121,736	-	4,121,736	-
Other	-	-	-	1,211,561
Internal balances	6,004	(6,004)	-	-
Inventory	376,874	-	376,874	1,366,349
Prepaid pension obligation	212,055	-	212,055	-
Prepaid expenses	1,028,104	6,994	1,035,098	39,231
Other current assets	-	-	-	835,889
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	20,080,043	2,205,856	22,285,899	8,069,304
Noncurrent Assets:				
Investments, restricted	-	-	-	5,480,663
Notes receivable	6,681,500	-	6,681,500	-
Bond issuance costs, net	145,411	-	145,411	-
Net capital assets:				
Land and construction in progress	7,140,048	65,908	7,205,956	3,628,208
Depreciable capital assets	24,797,494	1,397,761	26,195,255	71,152,006
Restricted assets	-	-	-	69,111
Other assets	-	-	-	116,329
	<hr/>	<hr/>	<hr/>	<hr/>
Total noncurrent assets	38,764,453	1,463,669	40,228,122	80,446,317
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	58,844,496	3,669,525	62,514,021	88,515,621

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current Liabilities:				
Voucher and accounts payable	\$ 1,917,833	\$ 129,568	\$ 2,047,401	\$ 3,832,690
Accrued payroll and payroll taxes	778,491	31,608	810,099	505,363
Due to other taxing agencies	51,491	-	51,491	-
Unearned revenue	5,137,007	-	5,137,007	1,379,222
Accrued compensated absences	370,130	51,185	421,315	26,956
Accrued interest	-	-	-	161,023
Notes payable due within one year	133,359	-	133,359	29,182
Bonds payable due within one year	400,000	-	400,000	1,215,000
Other current liabilities	-	-	-	1,850,610
Total current liabilities	8,788,311	212,361	9,000,672	9,000,046
Noncurrent Liabilities:				
Accrued compensated absences	1,374,274	14,002	1,388,276	-
Notes payable	3,295,496	-	3,295,496	275,025
Bonds payable	13,220,000	-	13,220,000	9,085,621
Total noncurrent liabilities	17,889,770	14,002	17,903,772	9,360,646
Total liabilities	26,678,081	226,363	26,904,444	18,360,692
NET ASSETS				
Invested in capital assets, net of related debt	27,826,117	1,463,668	29,289,785	64,644,282
Restricted for:				
Program purposes	714,538	-	714,538	-
Capital projects	4,031,802	-	4,031,802	1,113,399
Unrestricted	(406,042)	1,979,494	1,573,452	4,397,248
TOTAL NET ASSETS	\$32,166,415	\$3,443,162	\$35,609,577	\$70,154,929

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

<u>FUNCTIONS/PROGRAMS</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 7,969,027	\$ 1,601,414	\$ -	\$1,840,000
Public safety	13,243,912	1,134,386	61,400	363,446
Public service	8,618,901	986,618	710,715	1,009,920
Parks and recreation	1,026,293	132,388	10,102	-
Planning and development	5,330,393	12,893	2,507,917	8,271
Interest on long-term debt	496,049	-	-	-
Total governmental activities (See Note 1)	36,684,575	3,867,699	3,290,134	3,221,637
Business-type activities:				
Solid Waste	3,419,464	3,568,056	-	-
Wastewater	-	222,076	-	-
Civic Center	33,181	36,455	-	-
TISA	184,166	100,778	-	24,990
Total business-type activities	3,636,811	3,927,365	-	24,990
TOTAL PRIMARY GOVERNMENT	\$40,321,386	\$ 7,795,064	\$3,290,134	\$3,246,627
Component Units:				
Authorities:				
Paducah Water Works	\$ 5,950,078	\$ 6,141,550	\$ -	\$ 416,757
Paducah Power System	39,969,207	40,438,080	-	-
Paducah Transit Authority	5,849,879	2,883,911	2,339,780	1,226,325
TOTAL COMPONENT UNITS	\$51,769,164	\$49,463,541	\$2,339,780	\$1,643,082

General revenues:
Taxes and licenses:
Property taxes, levied for general purposes
Franchise tax
Telecommunications tax
Insurance premium tax
Vehicle tax
Bank tax
Gross receipts license tax
Employee license tax
Other taxes
Intergovernmental revenue
Unrestricted investment earnings
Gain on sale of capital assets
Rent income
Miscellaneous
Total general revenues
Transfers
Total general revenues and transfers
Change in net assets
Net assets, July 1, 2003, as previously reported
Adjustment to beginning net assets
NET ASSETS, JUNE 30, 2004

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental	Business-type		Component
Activities	Activities	Total	Units
\$ (4,527,613)	\$ -	\$ (4,527,613)	\$ -
(11,684,680)	-	(11,684,680)	-
(5,911,648)	-	(5,911,648)	-
(883,803)	-	(883,803)	-
(2,801,312)	-	(2,801,312)	-
(496,049)	-	(496,049)	-
<u>(26,305,105)</u>	<u>-</u>	<u>(26,305,105)</u>	<u>-</u>
-	148,592	148,592	-
-	222,076	222,076	-
-	3,274	3,274	-
-	(58,398)	(58,398)	-
<u>-</u>	<u>315,544</u>	<u>315,544</u>	<u>-</u>
<u>(26,305,105)</u>	<u>315,544</u>	<u>(25,989,561)</u>	<u>-</u>
-	-	-	608,229
-	-	-	468,873
-	-	-	600,137
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,677,239</u>
4,012,168	-	4,012,168	-
244,877	-	244,877	-
665,807	-	665,807	-
3,767,864	-	3,767,864	-
493,800	-	493,800	-
161,550	-	161,550	-
3,496,438	-	3,496,438	-
10,616,223	-	10,616,223	-
198,106	-	198,106	-
871,273	-	871,273	-
220,992	32,826	253,818	88,846
(1,972)	34,975	33,003	-
-	-	-	13,900
-	-	-	21,264
<u>24,747,126</u>	<u>67,801</u>	<u>24,814,927</u>	<u>124,010</u>
<u>(68,964)</u>	<u>68,964</u>	<u>-</u>	<u>-</u>
<u>24,678,162</u>	<u>136,765</u>	<u>24,814,927</u>	<u>124,010</u>
(1,626,943)	452,309	(1,174,634)	1,801,249
33,824,314	2,990,853	36,815,167	68,353,680
<u>(30,956)</u>	<u>-</u>	<u>(30,956)</u>	<u>-</u>
<u>\$32,166,415</u>	<u>\$3,443,162</u>	<u>\$35,609,577</u>	<u>\$70,154,929</u>

CITY OF PADUCAH, KENTUCKY

BASIC FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2004

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CITY OF PADUCAH, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

<u>ASSETS</u>	<u>General Fund</u>	<u>General Capital Improvements</u>	<u>Downtown Capital Improvements</u>
Cash and cash equivalents	\$2,461,179	\$ 823,868	\$2,164,514
Investments	2,300,000	-	1,674,204
Accounts receivable:			
Accounts	72,354	-	-
Grants	71,393	453,472	-
Interest	6,844	-	3,728
Property taxes (net of allowances for uncollectibles)	3,993,055	-	-
Prepaid items	-	-	-
Due from other funds	1,047,746	-	-
TOTAL ASSETS	<u><u>\$9,952,571</u></u>	<u><u>\$1,277,340</u></u>	<u><u>\$3,842,446</u></u>
 <u>LIABILITIES AND FUND BALANCES</u> 			
Liabilities:			
Voucher and accounts payable	\$ 298,438	\$ 292,672	\$ 694,215
Accrued payroll and payroll taxes	739,288	-	-
Due to other funds	-	-	-
Due to other taxing agencies	51,491	-	-
Unearned revenue	3,875,525	246,508	-
Accrued compensated absences	345,756	-	-
Total liabilities	<u><u>5,310,498</u></u>	<u><u>539,180</u></u>	<u><u>694,215</u></u>
Fund Balances:			
Reserved for:			
Program purposes	-	-	-
Capital improvements	-	738,160	3,148,231
Unreserved:			
General Fund	4,642,073	-	-
Special Revenue Funds	-	-	-
Debt Service Fund	-	-	-
Total fund balances	<u><u>4,642,073</u></u>	<u><u>738,160</u></u>	<u><u>3,148,231</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$9,952,571</u></u>	<u><u>\$1,277,340</u></u>	<u><u>\$3,842,446</u></u>

See accompanying notes to the basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$1,099,082	\$ 6,548,643
500,000	4,474,204
133,737	206,091
92,256	617,121
3,267	13,839
-	3,993,055
12,962	12,962
-	1,047,746
<u>\$1,841,304</u>	<u>\$16,913,661</u>

\$ 243,126	\$ 1,528,451
30,102	769,390
49,405	49,405
-	51,491
234,552	4,356,585
-	345,756
<u>557,185</u>	<u>7,101,078</u>

483,423	483,423
-	3,886,391
-	4,642,073
770,453	770,453
30,243	30,243
<u>1,284,119</u>	<u>9,812,583</u>
<u>\$1,841,304</u>	<u>\$16,913,661</u>

CITY OF PADUCAH, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
JUNE 30, 2004

Total fund balance - total governmental funds	\$ 9,812,583
<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.	128,681
The long-term notes receivable are not reported in the governmental funds balance sheet since they are not available to pay current period expenditures.	6,827,500
Interest receivable on the long-term notes receivable is not reported on the governmental funds balance sheet since neither the note receivable nor the interest is available to pay current period expenditures.	12,451
Inventory is not a current financial resource and, therefore, is not reported in the governmental funds balance sheet.	278,760
A prepaid pension obligation is not a current financial resource, and therefore, is not reported in the governmental funds balance sheet.	212,055
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.	31,937,542
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	\$ 533,359
Due after one year	<u>17,889,770</u>
	(18,423,129)
Bond issuance costs used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	145,411

(Continued)

CITY OF PADUCAH, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
JUNE 30, 2004

Debt proceeds deferred for future construction are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.

\$ (780,637)

Accrued interest payments on debt are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.

(24,800)

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	\$ 3,430,393	
Current liabilities	(1,396,399)	
Net amount allocated to business-type activities	<u>6,004</u>	

2,039,998

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$32,166,415

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>General Fund</u>	<u>General Capital Improvements</u>	<u>Downtown Capital Improvements</u>
Revenues:			
Taxes	\$ 5,205,422	\$ -	\$ -
Licenses	18,423,244	-	-
Charges for services	569,320	-	-
Intergovernmental	-	48,036	-
Grants	635,525	926,120	-
Interest	118,566	627	49,084
Miscellaneous	2,521,733	422,726	336,350
	<u>27,473,810</u>	<u>1,397,509</u>	<u>385,434</u>
Total revenues			
Expenditures:			
Current operations:			
General government	3,891,251	-	-
Public safety	11,750,018	-	-
Public service	5,582,006	-	-
Parks and recreation	1,026,297	-	-
Planning and development	-	-	-
Other	2,343,844	-	-
Capital outlay	-	4,063,505	6,923,679
Debt service:			
Principal requirement	-	-	-
Interest and fiscal requirement	-	-	-
	<u>24,593,416</u>	<u>4,063,505</u>	<u>6,923,679</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>2,880,394</u>	<u>(2,665,996)</u>	<u>(6,538,245)</u>
Other Financing Sources (Uses):			
Long-term debt issued	-	-	8,500,000
Transfers in	3,282	2,820,567	-
Transfers out	(3,167,585)	-	(1,813,524)
	<u>(3,164,303)</u>	<u>2,820,567</u>	<u>6,686,476</u>
Total other financing sources (uses)			
Net change in fund balances	(283,909)	154,571	148,231
Fund balances, July 1, 2003	4,925,982	583,589	3,000,000
Adjustment to beginning fund balance	-	-	-
FUND BALANCES, JUNE 30, 2004	<u><u>\$ 4,642,073</u></u>	<u><u>\$ 738,160</u></u>	<u><u>\$3,148,231</u></u>

See accompanying notes to the basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 665,807	\$ 5,871,229
-	18,423,244
99,339	668,659
981,271	1,029,307
2,441,076	4,002,721
22,073	190,350
500,225	3,781,034
<u>4,709,791</u>	<u>33,966,544</u>
-	3,891,251
1,213,667	12,963,685
1,332,517	6,914,523
-	1,026,297
2,570,473	2,570,473
-	2,343,844
-	10,987,184
428,613	428,613
471,625	471,625
<u>6,016,895</u>	<u>41,597,495</u>
<u>(1,307,104)</u>	<u>(7,630,951)</u>
-	8,500,000
1,115,339	3,939,188
(314,467)	(5,295,576)
<u>800,872</u>	<u>7,143,612</u>
(506,232)	(487,339)
1,821,307	10,330,878
<u>(30,956)</u>	<u>(30,956)</u>
<u>\$1,284,119</u>	<u>\$ 9,812,583</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, 2004

Net change in fund balances - total governmental funds	\$ (487,339)
<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.	264,120
Inventory sales provide current financial resources and are reported as revenues in governmental funds.	(51,558)
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.	6,068,511
The loss on disposal of capital assets is not recorded in the governmental funds because the assets were recorded as expenditures when purchased.	(216)
Interest revenue on the long-term note receivable is not reported on the governmental funds since neither the note receivable nor the interest is available to pay current period expenditures.	12,451
Delinquent property taxes receivable are not considered "available" revenues in the governmental funds.	(94,922)
Governmental funds report contributions of buildings and infrastructure as revenue and expense. However, in the Statement of Activities, the value of the assets is allocated over their estimated useful life as depreciation expense.	1,840,000
The prepayment of a pension obligation requires the use of current financial resources and, therefore, is reported as an expenditure in governmental funds. However, the prepayment does not affect net assets in the government-wide Statement of Activities.	212,055

(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, 2004

The issuance of long-term debt provides current financial resources to governmental funds and is reported as a revenue in governmental funds. However, the proceeds do not affect net assets in the government-wide Statement of Net Assets. \$(8,500,000)

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 an expenditure in governmental funds. This amount includes Internal Service Funds' depreciation expense of \$410,068. (2,853,770)

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 Activities. 318,613

Accrued interest payments on debt do not require the use of current financial resources. Accrued interest is reported as an expenditure in the government-wide statement of activities. (24,800)

Long-term accrued compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (11,078)

Governmental funds report the effect of bond issuance costs when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. Includes amortization expense of \$3,192. 145,411

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	\$1,215,437	
Net of amount allocated to business-type activities	(89,926)	
Depreciation expense	<u>410,068</u>	<u>1,535,579</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$(1,626,943)</u></u>
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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, 2004

	<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>
Operating Revenues:				
Charges for services - internal	\$3,463,958	\$359,309	\$3,823,267	\$4,529,915
Charges for services - external	-	-	-	501,809
Miscellaneous	14,172	-	14,172	-
Total operating revenues	<u>3,478,130</u>	<u>359,309</u>	<u>3,837,439</u>	<u>5,031,724</u>
Operating Expenses:				
Cost of sales and service	3,129,575	140,017	3,269,592	4,018,807
Depreciation and amortization	289,889	77,330	367,219	410,068
Total operating expenses	<u>3,419,464</u>	<u>217,347</u>	<u>3,636,811</u>	<u>4,428,875</u>
Operating income (loss)	<u>58,666</u>	<u>141,962</u>	<u>200,628</u>	<u>602,849</u>
Nonoperating Revenues (Expenses):				
Interest and investment income	32,617	209	32,826	18,129
Gain (loss) on disposal of property and equipment	34,975	-	34,975	(1,972)
Total nonoperating revenues (expenses)	<u>67,592</u>	<u>209</u>	<u>67,801</u>	<u>16,157</u>
Income (loss) before contributions and operating transfers	<u>126,258</u>	<u>142,171</u>	<u>268,429</u>	<u>619,006</u>
Contributions and Operating Transfers:				
Capital contributions	-	24,990	24,990	-
Transfers in	222,076	72,246	294,322	596,431
Transfers out	(3,282)	(222,076)	(225,358)	-
Total contributions and operating transfers	<u>218,794</u>	<u>(124,840)</u>	<u>93,954</u>	<u>596,431</u>
Change in net assets	<u>345,052</u>	<u>17,331</u>	<u>362,383</u>	<u>1,215,437</u>
Total net assets, July 1, 2003	<u>2,695,398</u>	<u>391,385</u>		<u>2,429,324</u>
TOTAL NET ASSETS - JUNE 30, 2004	<u>\$3,040,450</u>	<u>\$408,716</u>		<u>\$3,644,761</u>
Reconciliation to government-wide statements of net assets:				
Adjustment to reflect the consolidation of Internal Service Funds' activities related to Enterprise Funds			<u>89,926</u>	
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES			<u>\$ 452,309</u>	

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Business-type Activities			Governmental
	Solid Waste	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Cash Flows from Operating Activities:				
Cash received from customers	\$3,440,728	\$332,304	\$3,773,032	\$5,144,721
Payments to suppliers	(2,130,618)	-	(2,130,618)	(208,108)
Payments to employees	(789,579)	-	(789,579)	(206,830)
Claims paid	-	-	-	(2,990,822)
Payments to internal service funds	(174,524)	-	(174,524)	-
Other receipts (payments)	14,073	(360,839)	(346,766)	(1,076,335)
Net cash provided (used) by operating activities	<u>360,080</u>	<u>(28,535)</u>	<u>331,545</u>	<u>662,626</u>
Cash Flows from Noncapital Financing Activities:				
Transfers (to) from other funds	<u>222,076</u>	<u>(149,830)</u>	<u>72,246</u>	<u>596,431</u>
Cash Flows from Capital and Related Financing Activities:				
Capital contributions	-	24,990	24,990	-
Purchase of capital assets	(352,718)	(64,106)	(416,824)	(581,525)
Proceeds from sale of capital assets	43,381	-	43,381	12,836
Net cash provided (used) by capital and related financing activities	<u>(309,337)</u>	<u>(39,116)</u>	<u>(348,453)</u>	<u>(568,689)</u>
Cash Flows from Investing Activities:				
Proceeds from sale of investment securities	1,636,997	-	1,636,997	743,333
Interest on cash and investments	32,617	209	32,826	15,491
Purchase of investments	(1,204,071)	-	(1,204,071)	(1,304,232)
Net cash provided (used) by investing activities	<u>465,543</u>	<u>209</u>	<u>465,752</u>	<u>(545,408)</u>
Net increase (decrease) in cash and cash equivalents	738,362	(217,272)	521,090	144,960
Cash and cash equivalents, July 1, 2003	<u>166,512</u>	<u>256,160</u>	<u>422,672</u>	<u>725,943</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2004	<u><u>\$ 904,874</u></u>	<u><u>\$ 38,888</u></u>	<u><u>\$ 943,762</u></u>	<u><u>\$ 870,903</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 58,666	\$141,962	\$ 200,628	\$ 602,845
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	289,889	77,330	367,219	410,068
Change in assets and liabilities:				
Receivables	(23,329)	(27,006)	(50,335)	112,996
Prepaid expenses	-	(6,994)	(6,994)	(1,015,142)
Inventories	-	-	-	34,758
Accounts payable	34,854	(213,827)	(178,973)	517,097
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 360,080</u></u>	<u><u>\$ (28,535)</u></u>	<u><u>\$ 331,545</u></u>	<u><u>\$ 662,626</u></u>

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

<u>ASSETS</u>	Primary Government		
	Pension Funds	Private- purpose Trusts	Agency Funds
Cash and cash equivalents	\$ 353,580	\$ 2,825	\$306,560
Receivables:			
Interest	64,151	-	-
Other	1,425	-	-
Investments at fair value	9,257,586	77,651	-
Total assets	9,676,742	80,476	\$306,560
<u>LIABILITIES</u>			
Voucher and accounts payable	823	-	\$ -
Payroll taxes and withholdings payable	-	-	306,560
Total liabilities	823	-	\$306,560
<u>NET ASSETS</u>			
Held in trust for pension benefits and other purposes	\$9,675,919	\$80,476	

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, 2004

	Pension Funds	Private- purpose Trusts
Additions:		
Contributions:		
Employer	\$ 195,962	\$ -
Plan members	27,355	-
Intergovernmental revenues	-	9,235
Private donations	-	675,000
	223,317	684,235
Investment income:		
Net increase (decrease) in fair value of investments	607,613	(217)
Interest and dividends	270,310	2,912
	877,923	2,695
Interfund transfers	690,992	1
Total additions	1,792,232	686,931
Deductions:		
Benefits	1,849,974	-
Capital outlay	-	679,493
Administrative expenses	54,433	2,457
	1,904,407	681,950
Change in net assets	(112,175)	4,981
Net assets, July 1, 2003	9,788,094	75,495
NET ASSETS, JUNE 30, 2004	\$9,675,919	\$ 80,476

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, 2004

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CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2004

<u>ASSETS</u>	<u>Paducah Water Works</u>	<u>Paducah Power System</u>	<u>Paducah Transit Authority</u>	<u>All Component Unit Totals</u>
Current Assets:				
Cash and cash equivalents	\$ 1,190,337	\$ 229,422	\$ 176,868	\$ 1,596,627
Receivables, net:				
Accounts	336,441	2,446,431	46,710	2,829,582
Grants	-	-	190,065	190,065
Other	627,370	579,427	4,764	1,211,561
Inventories	351,682	998,920	15,747	1,366,349
Prepaid expenses	-	39,231	-	39,231
Other current assets	835,889	-	-	835,889
Total current assets	<u>3,341,719</u>	<u>4,293,431</u>	<u>434,154</u>	<u>8,069,304</u>
Noncurrent Assets:				
Investments, restricted	2,561,030	2,919,633	-	5,480,663
Net capital assets:				
Land and construction in progress	-	3,155,682	472,526	3,628,208
Depreciable capital assets	30,568,317	36,377,984	4,205,705	71,152,006
Restricted assets	69,111	-	-	69,111
Other assets	-	116,329	-	116,329
Total noncurrent assets	<u>33,198,458</u>	<u>42,569,628</u>	<u>4,678,231</u>	<u>80,446,317</u>
Total assets	<u>36,540,177</u>	<u>46,863,059</u>	<u>5,112,385</u>	<u>88,515,621</u>

<u>LIABILITIES</u>	Paducah Water Works	Paducah Power System	Paducah Transit Authority	All Component Unit Totals
Current Liabilities:				
Voucher and accounts payable	\$ 369,864	\$ 3,424,532	\$ 38,294	\$ 3,832,690
Accrued payroll and payroll taxes	-	404,006	101,357	505,363
Unearned revenue	-	1,379,222	-	1,379,222
Accrued compensated absences	-	-	26,956	26,956
Accrued interest	-	161,023	-	161,023
Notes payable due within one year	29,182	-	-	29,182
Bonds payable due within one year	870,000	345,000	-	1,215,000
Other current liabilities	972,739	875,504	2,367	1,850,610
Total current liabilities	2,241,785	6,589,287	168,974	9,000,046
Noncurrent Liabilities:				
Bonds payable	3,578,947	5,121,223	385,451	9,085,621
Notes payable	275,025	-	-	275,025
Total noncurrent liabilities	3,853,972	5,121,223	385,451	9,360,646
Total liabilities	6,095,757	11,710,510	554,425	18,360,692
<u>NET ASSETS</u>				
Net Assets:				
Invested in capital assets, net of related debt	25,913,758	34,054,660	4,675,864	64,644,282
Restricted for:				
Capital projects	-	1,113,399	-	1,113,399
Unrestricted	4,530,662	(15,510)	(117,904)	4,397,248
TOTAL NET ASSETS	\$30,444,420	\$35,152,549	\$4,557,960	\$70,154,929

See accompanying notes to the basic financial statements

CITY OF PADUCAH, KENTUCKY
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2004

<u>FUNCTIONS/PROGRAMS</u>	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Authorities:				
Business-type activities:				
Paducah Water Works	\$ 5,950,078	\$ 6,141,550	\$ -	\$ 416,757
Paducah Power System	39,969,207	40,438,080	-	-
Paducah Transit Authority	5,849,879	2,883,911	2,339,780	1,226,325
TOTAL COMPONENT UNITS	\$51,769,164	\$49,463,541	\$2,339,780	\$1,643,082
General Revenues:				
Unrestricted investment earnings				
Rent income				
Miscellaneous general				
Total general revenues and transfers				
Change in net assets				
Net assets, July 1, 2003				
NET ASSETS, JUNE 30, 2004				

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets

Paducah Water Works	Paducah Power System	Paducah Transit Authority	Totals
\$ 608,229	\$ -	\$ -	\$ 608,229
-	468,873	-	468,873
-	-	600,137	600,137
<u>608,229</u>	<u>468,873</u>	<u>600,137</u>	<u>1,677,239</u>
53,929	33,672	1,245	88,846
-	-	13,900	13,900
<u>4,388</u>	<u>15,922</u>	<u>954</u>	<u>21,264</u>
<u>58,317</u>	<u>49,594</u>	<u>16,099</u>	<u>124,010</u>
666,546	518,467	616,236	1,801,249
<u>29,777,874</u>	<u>34,634,082</u>	<u>3,941,724</u>	<u>68,353,680</u>
<u>\$30,444,420</u>	<u>\$35,152,549</u>	<u>\$4,557,960</u>	<u>\$70,154,929</u>

CITY OF PADUCAH, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2004

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

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. 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' Pension 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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

Note 1 - Summary of Significant Accounting Policies:

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.

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.

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.

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	Paducah Power System 1500 Broadway Paducah, Kentucky 42001	Transit Authority of the City of Paducah 850 Harrison Street Paducah, Kentucky 42001
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Related Organizations

City officials are also responsible for appointing the members of boards of other organizations, but the City's accountability for these organizations do 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.

Forest Hills Village, Inc. - The Corporation's 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. Forest Hills Village, Inc. 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.

Paducah Junior College, Incorporated (PJC) - 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. PJC 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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

Note 1 - Summary of Significant Account Policies:

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:

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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

Note 1 - Summary of Significant Account Policies:

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

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.

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.

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.

In the fund financial statements, governmental 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. Agency funds are presented using the accrual basis of accounting.

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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

Note 1 - Summary of Significant Account Policies:

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of year end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include employee license taxes, property taxes, grants, entitlements and donations. The City considers property taxes as available if they are collected within sixty days after year end. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The 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.

Unearned revenue

The City reports unearned revenue on its statement of net assets. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned 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 unearned 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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

Note 1 - Summary of Significant Accounting Policies:

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).

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, 2004.

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand and savings accounts 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 general obligation notes 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 sixty 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, 2004

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, 2004.

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, 2004

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 is 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.

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, 2004

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.

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Operating and Non-Operating Revenues and Expenses – Proprietary Funds

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. Operating expenses for the enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

Note 1 - Summary of Significant Accounting Policies:

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.

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.

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
Kentucky Transportation Cabinet	Street Repairs and Maintenance
Kentucky Housing Corporation	Façade Loans
Other Grants	Grant Program Expenditures

For the year ended June 30, 2004, the City complied, in all material respects, with these revenue restrictions.

Debt Restrictions and Covenants

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, 2004, the City incurred no such indebtedness.

Note 2 – Property Taxes:

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 unearned revenue. Property tax revenues are recognized during the period for which they are levied.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

Note 2 - Property Taxes:

The due dates and collection period for all property taxes, exclusive of vehicle taxes, for the fiscal year ended June 30, 2004, are as follows:

<u>Description</u>	<u>Date</u>
Assessment and enforceable lien Levy	January 1, 2003
Face value amount payment dates	October 7, 2003
	1 st half by November 1, 2003
	2 nd half by February 1, 2004
Delinquent date - 10% penalty plus 1/2% per month	1 st half - November 30, 2003
	2 nd half - February 29, 2004

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 \$8,697,848 and the bank balance was \$9,496,736. These balances include \$345,411 of trust and agency fund cash not included in the government-wide statements. The balances below also include bank certificates of deposit of \$5,550,000, including \$550,000 of agency fund certificates of deposit not included in the government-wide statements and \$5,000,000 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	\$ 500,000
Amount collateralized with securities held by the pledging institution's agent in the City's name	14,496,736
Amount uncollateralized	<u>50,000</u>
TOTAL BANK BALANCE	<u>\$15,046,736</u>

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, 2004

Note 3 - Detail Notes on Transaction Classes/Accounts:

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

The Police and Firefighters' Pension 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	\$2,851,936	\$ -	\$ -	\$ 2,851,936	\$ 2,851,936
Mortgage backed securities	42,289	-	-	42,289	42,289
Corporate bonds and notes	1,645,813	-	-	1,645,813	1,645,813
	<u>\$4,540,038</u>	<u>\$ -</u>	<u>\$ -</u>	4,540,038	4,540,038
Investment in mutual funds				<u>6,219,403</u>	<u>6,219,403</u>
TOTAL INVESTMENTS (excluding \$5,000,000 of bank CD's)				<u>\$10,759,441</u>	<u>\$10,759,441</u>

The above amounts include \$8,785,237 of fiduciary fund investments not included in the government-wide financial statements, but do not include \$550,000 of fiduciary fund bank CD's.

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

	<u>Carrying Amount</u>	<u>Fair Value</u>
Investment in mutual funds and money markets	<u>\$ 2,036,894</u>	<u>\$ 2,036,894</u>
TOTAL INVESTMENTS (excluding \$3,443,769 of bank CD's and savings accounts)	<u>\$ 2,036,894</u>	<u>\$ 2,036,894</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

Note 3 - Detail Notes on Transaction Classes/Accounts:

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, 2004, was as follows:

Governmental Activities:	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Capital assets, not being depreciated:				
Land	\$ 5,084,335	\$ 336,350	\$ -	\$ 5,420,685
Construction-in-progress	<u>2,988,191</u>	<u>1,719,363</u>	<u>2,988,191</u>	<u>1,719,363</u>
Total capital assets, not being depreciated	<u>8,072,526</u>	<u>2,055,713</u>	<u>2,988,191</u>	<u>7,140,048</u>
Capital assets, being depreciated:				
Land improvements	950,000	55,955	-	1,005,955
Buildings and improvements	13,119,697	751,660	-	13,871,357
Infrastructure	21,760,735	6,185,597	-	27,946,332
Equipment	5,808,004	121,926	46,390	5,883,540
Furnishings and fixtures	237,285	-	4,300	232,985
Vehicles	<u>6,508,552</u>	<u>686,429</u>	<u>821,444</u>	<u>6,373,537</u>
Total capital assets, being depreciated	<u>48,384,273</u>	<u>7,801,567</u>	<u>872,134</u>	<u>55,313,706</u>
Less accumulated depreciation:				
Land improvements	950,000	2,453	-	952,453
Buildings and improvements	10,022,715	202,925	-	10,225,640
Infrastructure	7,518,031	1,823,730	-	9,341,761
Equipment	4,775,016	329,294	46,172	5,058,138
Furnishings and fixtures	231,598	3,932	4,300	231,230
Vehicles	<u>4,923,775</u>	<u>557,009</u>	<u>773,794</u>	<u>4,706,990</u>
Total accumulated depreciation	<u>28,421,135</u>	<u>2,919,343</u>	<u>824,266</u>	<u>30,516,212</u>
Total capital assets, being depreciated, net	<u>19,963,138</u>	<u>4,882,224</u>	<u>47,868</u>	<u>24,797,494</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$28,035,664</u>	<u>\$6,937,937</u>	<u>\$3,036,059</u>	<u>\$31,937,542</u>

The increases in accumulated depreciation for governmental funds include \$65,573 in prior year accumulated depreciation on capital assets transferred from business-type activities.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

Note 3 - Detail Notes on Transaction Classes/Accounts:

Business-type Activities:	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Capital assets, not being depreciated:				
Land	\$ 65,908	\$ -	\$ -	\$ 65,908
Capital assets, being depreciated:				
Buildings and improvements	324,882	20,901	-	345,783
Equipment	1,996,135	64,107	-	2,060,242
Vehicles	<u>1,905,498</u>	<u>331,818</u>	<u>239,680</u>	<u>1,997,636</u>
Total capital assets, being depreciated	<u>4,226,515</u>	<u>416,826</u>	<u>239,680</u>	<u>4,403,661</u>
Less accumulated depreciation:				
Buildings and improvements	141,027	10,417	-	151,444
Equipment	1,619,777	152,144	-	1,771,921
Vehicles	<u>1,105,866</u>	<u>204,658</u>	<u>227,989</u>	<u>1,082,535</u>
Total accumulated depreciation	<u>2,866,670</u>	<u>367,219</u>	<u>227,989</u>	<u>3,005,900</u>
Total capital assets, being depreciated, net	<u>1,359,845</u>	<u>49,607</u>	<u>11,691</u>	<u>1,397,761</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$1,425,753</u>	<u>\$ 49,607</u>	<u>\$ 11,691</u>	<u>\$1,463,669</u>

Depreciation expense was charged to governmental activities as follows:

General government:	
General administration	\$ 82,043
Finance	2,505
Planning	11,107
Human rights	862
Personnel	1,188
Information systems	16,602
Fleet maintenance	<u>11,408</u>
Total general government	<u>125,715</u>
Public safety:	
Police	41,333
Fire	124,095
Grants	149,670
Emergency 911	21,757
Court awards	19,757
Fleet Lease Trust	<u>398,660</u>
Total public safety	<u>755,272</u>
Public service:	
Public works	77,392
Engineering	<u>11,095</u>
Total public service	<u>88,487</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

Note 3 - Detail Notes on Transaction Classes/Accounts:

Parks and recreation	\$ <u>51,297</u>
Planning and development:	
Infrastructure	1,823,730
Grants	<u>9,269</u>
Total planning and development	<u>1,832,999</u>
TOTAL DEPRECIATION EXPENSE – GOVERNMENTAL ACTIVITIES	<u>\$2,853,770</u>

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

Solid Waste Fund	\$ 289,889
Civic Center	8,173
TISA Fund	<u>69,157</u>
TOTAL DEPRECIATION EXPENSE – BUSINESS-TYPE ACTIVITIES	<u>\$ 367,219</u>

	<u>Balance July 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2004</u>
Discretely Presented Component Units:				
Capital assets, not being depreciated:				
Land	\$ 1,644,512	\$ 333,395	\$ 87,028	\$ 1,890,879
Construction-in-progress	<u>797,763</u>	<u>3,261,060</u>	<u>2,321,494</u>	<u>1,737,329</u>
Total capital assets, not being depreciated	<u>2,442,275</u>	<u>3,594,455</u>	<u>2,408,522</u>	<u>3,628,208</u>
Capital assets, being depreciated:				
Buildings and improvements	19,513,178	339,532	18,184,484	1,668,226
Equipment	5,206,041	1,568,176	2,470,523	4,303,694
Utility plant	<u>108,410,804</u>	<u>5,063,913</u>	<u>740,745</u>	<u>112,733,972</u>
Total capital assets, being depreciated	<u>133,130,023</u>	<u>6,971,621</u>	<u>21,395,752</u>	<u>118,705,892</u>
Less accumulated depreciation:				
Buildings and improvements	2,926,276	101,012	2,808,142	219,146
Equipment	2,211,011	438,466	1,102,408	1,547,069
Utility plant	<u>43,008,825</u>	<u>3,454,202</u>	<u>675,356</u>	<u>45,787,671</u>
Total accumulated depreciation	<u>48,146,112</u>	<u>3,993,680</u>	<u>4,585,906</u>	<u>47,553,886</u>
Total capital assets, being depreciated, net	<u>84,983,911</u>	<u>2,977,941</u>	<u>16,809,846</u>	<u>71,152,006</u>
COMPONENT UNIT CAPITAL ASSETS, NET	<u>\$ 87,426,186</u>	<u>\$6,572,396</u>	<u>\$19,218,368</u>	<u>\$ 74,780,214</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

Note 3 - Detail Notes on Transaction Classes/Accounts:

The decreases in component units include \$20,469,118 in capital assets and \$3,687,879 in accumulated depreciation related to prior year component units that are no longer component units of the City of Paducah.

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

Paducah Water Works	\$ 1,216,550
Paducah Power System	2,237,652
Paducah Transit Authority	<u>539,478</u>
TOTAL DEPRECIATION EXPENSE BY ACTIVITY	<u>\$ 3,993,680</u>

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, 2004, the governmental long-term debt consisted of the following:

General obligation bonds:	
Current portion	\$ 400,000
Noncurrent portion	<u>13,220,000</u>
TOTAL GENERAL OBLIGATION BOND COSTS	<u>\$13,620,000</u>
Note payable:	
Current portion	\$ 133,359
Noncurrent portion	<u>3,295,496</u>
TOTAL NOTE PAYABLE PAYMENTS	<u>\$ 3,428,855</u>
Accrued compensated absences:	
Current portion	\$ 370,130
Noncurrent portion	<u>1,374,274</u>
TOTAL ACCRUED COMPENSATED ABSENCES	<u>\$ 1,744,404</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

Note 3 - Detail Notes on Transaction Classes/Accounts:

Business-type Activities

As of June 30, 2004, the long-term debt payable from proprietary fund resources consisted of the following:

Accrued compensated absences:		
Current portion		\$51,185
Noncurrent portion		<u>14,002</u>
TOTAL ACCRUED COMPENSATED ABSENCES		<u>\$65,187</u>

General Obligation Bonds

Series 2001 Bond Issue - 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 Agreement 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.

Series 2004 Bond Issue - The City of Paducah issued general obligation bonds of \$5,000,000 in June, 2004, to finance construction of the new Infiniti Media Building. Interest rates range from 2.25% to 6%. These bonds are required to be fully paid within 20 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 a Capital Sublease Agreement between McCracken County, Kentucky (the County) and Infiniti Plastic Technologies, Inc., principal and interest payments prior to June 1, 2007, on the bonds are being split evenly between the City and the County. After June 1, 2007, The County will pay 2.031% of the bond payments with the remaining amount being made from Infiniti's lease payments.

Notes Payable

Kentucky League of Cities - On July 1, 2003, the City entered into an agreement in the amount of \$3,500,000 with the Kentucky League of Cities to finance the acquisition and installation of various public projects. Interest is charged at a rate of approximately 2.98%. The note is required to be fully paid within 20 years from the date of issue and is backed by the full faith and credit of the City.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

Note 3 - Detail Notes on Transaction Classes/Accounts:

Paducah Bank - On April 1, 2003, the City entered into a note for up to \$70,000 with Paducah Bank & Trust Company to help finance the purchase of property located at 233 North 6th Street, which is part of the LowerTown property acquired for resell. Interest is charged at a rate of 3.25% with the full amount of the note due to be paid in a lump sum on April 1, 2006.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2004:

Type of Debt:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental activities:					
General obligation bonds:					
Convention and Arts Center	\$ 8,850,000	\$ -	\$230,000	\$ 8,620,000	\$240,000
Infiniti Media Building	-	5,000,000	-	5,000,000	160,000
Capital lease	79,825	-	79,825	-	-
Notes payable:					
Kentucky League of Cities	-	3,500,000	118,789	3,381,211	133,359
Paducah Bank	-	47,644	-	47,644	-
Accrued compensated absences	<u>1,692,709</u>	<u>384,724</u>	<u>333,029</u>	<u>1,744,404</u>	<u>370,130</u>
TOTAL GENERAL LONG-TERM DEBT	<u>\$10,622,534</u>	<u>\$8,932,368</u>	<u>\$761,643</u>	<u>\$18,793,259</u>	<u>\$903,489</u>
Business-type activities:					
Accrued compensated absences	<u>\$ 64,833</u>	<u>\$ 46,516</u>	<u>\$ 46,162</u>	<u>\$ 65,187</u>	<u>\$ 51,185</u>

Annual Debt Service Requirements

The annual debt service requirements to maturity, excluding obligations associated with compensated absences, for general long-term debt as of June 30, 2004, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 533,359	\$ 764,531
2006	595,055	750,642
2007	566,585	732,677
2008	590,887	712,329
2009	610,319	689,772
2010-2014	3,442,940	3,047,839
2015-2019	4,305,782	2,200,361
2020-2024	5,203,928	1,079,835
2025-2026	<u>1,200,000</u>	<u>90,750</u>
TOTALS	<u>\$17,048,855</u>	<u>\$10,068,736</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

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, 2004, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accrued sick leave	\$ 766,820	\$16,960
Accrued vacation leave	853,620	43,594
Applicable payroll taxes	<u>123,964</u>	<u>4,633</u>
Totals	1,744,404	65,187
Less current portion	<u>370,130</u>	<u>51,185</u>
LONG-TERM PORTION	<u>\$1,374,274</u>	<u>\$14,002</u>

Interfund Transactions and Balances

Interfund transfers during the year ended June 30, 2004, were as follows:

	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
Governmental Funds:		
General Fund	\$ 3,282	\$3,167,585
Capital Project Fund	2,820,567	-
Downtown Capital Project Fund	-	1,813,524
Nonmajor Governmental Funds	1,115,339	314,467
Internal Service Funds	596,431	-
Fiduciary Funds:		
Appointive Employee Pension Fund	75,553	-
Police and Firefighters' Pension Fund	615,439	-
Oak Grove Cemetery Trust Fund	1	-
Proprietary Funds:		
Solid Waste Fund	222,076	3,282
Nonmajor Proprietary Funds	<u>72,246</u>	<u>222,076</u>
TOTALS	<u>\$5,520,934</u>	<u>\$5,520,934</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, 2004:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$1,047,746	\$ -
Nonmajor Governmental Funds	-	49,405
Internal Service Funds	-	<u>998,341</u>
TOTALS	<u>\$1,047,746</u>	<u>\$1,047,746</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

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:

Component	<u>Year Ended</u> <u>June 30, 2004</u>	<u>Year Ended</u> <u>June 30, 2003</u>	<u>Year Ended</u> <u>June 30, 2002</u>
Beginning NPO balance	\$ -	\$ -	\$ -
ARC	<u>811,401</u>	<u>645,773</u>	<u>806,632</u>
Pension cost	811,401	645,773	806,632
Less actual contribution	<u>811,401</u>	<u>645,773</u>	<u>806,632</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, 2004

Note 4 - Pension Plans - City of Paducah:

The financial statements for the Police and Firefighters' Pension Fund are as follows:

Statement of Fiduciary Net Assets
Police and Firefighters' Retirement Fund
June 30, 2004

Assets:	
Cash and cash equivalents	\$ 330,591
Receivables	64,770
Investment at fair value	<u>8,957,586</u>
 Total assets	 9,352,947
 Liabilities:	
Voucher and accounts payable	<u>648</u>
 Net Assets:	
Held in trust for pension benefits and other purposes	 <u>\$9,352,299</u>

Statement of Changes in Net Assets
Police and Firefighters' Retirement Fund
For the Year Ended June 30, 2004

Additions:	
Employer contributions	\$ 195,962
Plan members' contributions	<u>27,355</u>
 Total contributions	 <u>223,317</u>
 Investment earnings:	
Net increase in fair value of investments	607,613
Interest and dividends	<u>265,306</u>
 Net investment earnings	 <u>872,919</u>
 Interfund transfers	 <u>615,439</u>
 Total additions	 <u>1,711,675</u>
 Deductions:	
Benefits	1,773,398
Administrative expenses	<u>46,698</u>
 Total deductions	 <u>1,820,096</u>
 Change in net assets	 (108,421)
Net assets, July 1, 2003	<u>9,460,720</u>
 NET ASSETS, JUNE 30, 2004	 <u>\$9,352,299</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

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, 2004. 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:

Component	<u>Year Ended June 30, 2004</u>	<u>Year Ended June 30, 2003</u>	<u>Year Ended June 30, 2002</u>
Beginning NPO balance	\$(198,365)	\$(186,170)	\$(182,940)
ARC	48,339	50,112	59,297
Interest on NPO	(11,902)	(11,170)	(10,976)
Unfunded ARC adjustment	<u>25,426</u>	<u>23,863</u>	<u>23,449</u>
Pension cost	61,863	62,805	71,770
Less actual contribution	<u>75,553</u>	<u>75,000</u>	<u>75,000</u>
Net change in NPO	<u>(13,690)</u>	<u>(12,195)</u>	<u>(3,230)</u>
ENDING NPO BALANCE	<u>\$(212,055)</u>	<u>\$(198,365)</u>	<u>\$(186,170)</u>
PERCENTAGE OF PENSION COST CONTRIBUTED	<u>122%</u>	<u>120%</u>	<u>105%</u>

Statement of Fiduciary Net Assets
Appointive Employees' Pension Fund
June 30, 2004

Assets:		
Cash and cash equivalents		\$ 22,989
Receivables		806
Investment at fair value		<u>300,000</u>
Total assets		323,795
Liabilities:		
Voucher and accounts payable		<u>175</u>
Net Assets:		
Held in trust for pension benefits and other purposes		<u>\$323,620</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

Note 4 - Pension Plans - City of Paducah:

Statement of Changes in Net Assets
Appointive Employees' Pension Fund
For the Year Ended June 30, 2004

Additions:	
Interest and dividends	\$ 5,004
Interfund transfers	<u>75,553</u>
Total additions	<u>80,557</u>
Deductions:	
Benefits	76,576
Administrative expenses	<u>7,735</u>
Total deductions	<u>84,311</u>
Change in net assets	(3,754)
Net assets, July 1, 2003	<u>327,374</u>
NET ASSETS, JUNE 30, 2004	<u>\$323,620</u>

Contribution Information

A summary of actuarial assumptions at June 30, 2004, the date of the latest actuarial valuation is as follows:

	PFPF	AEPF
Valuation date	7/1/04	7/1/04
Actuarial cost method	Entry age normal	Aggregate (1)
Amortization method	Level dollar closed	Level dollar closed
Remaining amortization period	28 Years	10 Years
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return	7.75%	6.0%
Projected salary increases	4.00%	(2)
Inflation rates adjustments	3.27%	(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, 2004

Note 4 - Pension Plans - City of Paducah:

Membership Information

Membership of each plan consisted of the following at June 30, 2004:

	PFPE	AEPE
Active participants	6	-
Beneficiaries	43	8
Retired participants	54	4
TOTAL PARTICIPANTS	103	12

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, 2004, 2003 and 2002, the City contributed 7.34%, 6.34%, and 6.41%, respectively, of each nonhazardous employee's creditable compensation and 18.51%, 16.28%, and 16.28%, 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, 2004, 2003 and 2002, were \$2,387,011, \$2,104,841, and \$2,092,620, respectively, equal to the required contributions for each year.

Note 5 - Budget Deficits:

No departments that adopted budgets annually had excess expenditures over appropriations for the fiscal year ended June 30, 2004.

Note 6 - Component Unit Long-Term Debt:

Long-term debt of the discretely presented component units consists of the following at June 30, 2004:

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, 2004, the total bonds that are considered extinguished under an in-substance defeasance (refund) are \$11,790,000. 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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

Note 6 - Component Unit Long-Term Debt:

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>
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	1,030,000	45,835	1,075,835
Less deferred debit arising from advanced refunding	<u>(296,053)</u>	<u>-</u>	<u>(296,053)</u>
TOTALS	<u>\$4,448,947</u>	<u>\$648,715</u>	<u>\$5,097,662</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, 2004, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Fee (0.2%)</u>	<u>Total</u>
2005	\$ 29,182	\$12,106	\$ 608	\$ 41,897
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	33,603	7,972	183	41,758
2010-2018	<u>148,571</u>	<u>16,101</u>	<u>940</u>	<u>165,612</u>
TOTALS	<u>\$304,207</u>	<u>\$66,985</u>	<u>\$3,198</u>	<u>\$374,391</u>

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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

Note 6 - Component Unit Long-Term Debt:

The following schedule summarizes the remaining debt service requirements for the Paducah Electric Plant Board 1991 Bond Issue:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	400,000	175,532	575,532
2010-2014	2,260,000	619,560	2,879,560
2015-2018	<u>1,590,000</u>	<u>136,850</u>	<u>1,726,850</u>
TOTALS	<u>\$5,705,000</u>	<u>\$1,781,482</u>	<u>\$7,486,482</u>

Bonds payable totaling \$5,466,223 are recorded net of \$238,777 unamortized bond discount and advance refunding deferred charges.

Note 7 - Commitments and Contingencies:

Construction Commitments

The City has on-going contracts for paving materials, equipment, and labor. As of June 30, 2004, the balance of the contract commitments were \$264,993.

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 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.

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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

Note 8 - Risk Management and Litigation:

An analysis of claims activity is presented below:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Actual Claim Payments</u>	<u>Balance at Fiscal Year End</u>
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	-
2003 - 2004	-	133,383	133,383	-

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 \$150,000 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 \$350,000 at June 30, 2004.

The analysis of claims activity is presented below:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Actual Claim Payments</u>	<u>Balance at Fiscal Year End</u>
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
2003 - 2004	332,000	2,217,067	2,199,067	350,000

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, has determined to be immaterial to the City's financial position.

Note 9 - Lease Agreements:

The City is 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. 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.

The City is leasing land and a building to Infiniti Media, Incorporated for use by Infiniti Plastic Technologies, Incorporated for a primary term of 20 years. No rental revenue is collected for the first three years of the lease term. Rental payments will commence on September 1, 2007, at a monthly payment of \$33,816 and end with the final payment due May 1, 2024. Infiniti Media has the option to cancel this lease at any time after the sixth year of the lease term.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

Note 9 - Lease Agreements:

The City leases certain other property to various lessees under agreements that have various expiration dates through June 30, 2079. Rental revenue received from leased property during 2004 totaled \$271,292.

The following is an analysis of property leased under these operating leases at June 30, 2004:

Land	\$ 606,350
Buildings	2,592,613
Equipment	<u>110,126</u>
Total	3,309,089
Less: accumulated depreciation	<u>671,865</u>
NET BOOK VALUE	<u>\$ 2,637,224</u>

Depreciation expense for the year ended June 30, 2004, on leased property was \$20,775.

The following is a schedule of future minimum rental income from operating leases at June 30, 2004:

	<u>Lease</u>
	<u>Income</u>
2005	\$ 216,963
2006	141,973
2007	61,973
2008	398,786
2009	466,419
Future years	<u>6,268,488</u>
TOTAL MINIMUM LEASE RECEIPTS	<u>\$ 7,554,602</u>

Note 10 - Reclassification of Beginning Fund Balance:

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

	<u>Section 8</u>
	<u>Housing</u>
June 30, 2003, balance as previously reported	\$ 193,265
Section 8 Housing adjustment	<u>(30,956)</u>
JULY 1, 2003, BALANCE AS RESTATED	<u>\$ 162,309</u>

Beginning net assets for component units were decreased as a result of entities previously considered component units no longer being component units of the City of Paducah. The beginning net assets decreased as follows:

	<u>Total</u>
	<u>Component</u>
	<u>Units</u>
June 30, 2003, balance as previously reported	\$ 90,440,239
Paducah Mainstreet, Inc.	(11,769)
Forest Hills Village, Inc.	(612,002)
Edwin J. Paxton Park Golf Course	(467,873)
Paducah Junior College, Inc.	<u>(20,994,915)</u>
JULY 1, 2004, BALANCE AS RESTATED	<u>\$ 68,353,680</u>

CITY OF PADUCAH, KENTUCKY

REQUIRED SUPPLEMENTARY INFORMATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2004

CITY OF PADUCAH, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
PENSION TRUST FUNDS 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>
Police and Firefighters' Pension Fund (PFPF) (Using Entry Age Normal Method)						
7/1/1999	\$11,949,160	\$16,011,730	\$4,062,570	74.6%	\$332,825	1220.63%
7/1/2000	11,914,754	15,923,034	4,008,280	74.8	345,500	1160.14
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
7/1/2004	9,352,299	15,204,717	5,852,418	61.5	287,923	2032.63

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.

Schedules of Employer Contributions

<u>Year Ended June 30</u>	<u>PFPF</u>		<u>AEPF</u>		
	<u>Annual Required Contribution (ARC)</u>	<u>Percent ARC Contributed</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percent ARC Contributed</u>	<u>Ending Net Pension Obligation (NPO)</u>
1999	\$593,776	100%	\$72,984	103%	\$(186,860)
2000	649,274	100	66,716	112	(182,405)
2001	865,026	100	62,029	121	(182,940)
2002	806,632	100	59,297	126	(186,170)
2003	645,773	100	50,112	150	(198,365)
2004	811,401	100	48,339	156	(212,055)

CITY OF PADUCAH, KENTUCKY
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning budgetary fund balance	\$5,094,422	\$4,925,982	\$ 4,925,982	\$ -
Resources (Inflows):				
Taxes:				
Real and personal, current year	4,077,000	4,196,940	4,196,949	9
Real and personal, prior year	165,000	139,775	140,776	1,001
Franchise	244,000	233,845	233,854	9
Bank taxes	165,200	161,550	161,550	-
In lieu of tax payment	115,000	146,145	146,145	-
Penalty, interest and advertising	35,000	51,630	51,630	-
Paducah Junior College tax collections	-	-	274,518	274,518
Total taxes	4,801,200	4,929,885	5,205,422	275,537
Licenses:				
Business licenses	3,400,000	3,496,440	3,496,438	(2)
Employee earnings	10,600,000	10,616,225	10,616,223	(2)
Comcast fees	300,000	281,245	281,244	(1)
Penalties	57,000	61,500	61,532	32
Alcoholic beverages	115,000	113,685	113,685	-
Insurance premium tax	3,700,000	3,781,365	3,767,864	(13,501)
Building permits	105,000	112,820	112,820	-
Electrical permits	31,000	34,570	34,569	(1)
Zoning change fees	3,500	3,680	3,681	1
Miscellaneous building and electrical fees	1,000	600	602	2
KJDA payroll rebate	-	(65,415)	(65,414)	1
Total licenses	18,312,500	18,436,715	18,423,244	(13,471)
Charges for services:				
Tax collection fee	125,000	111,840	111,860	20
Administrative charge	240,700	240,700	240,696	(4)
Base court revenue	84,375	84,375	84,376	1
Recreation fees	121,500	132,400	132,388	(12)
Total charges for services	571,575	569,315	569,320	5

(Continued)

CITY OF PADUCAH, KENTUCKY
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Grants:				
Police State Incentive	\$ 270,000	\$ 268,625	\$ 268,626	\$ 1
Fire State Incentive	265,000	259,410	259,410	-
Paducah Housing Authority after school program	29,000	52,380	52,384	4
Police supplemental grants	28,000	52,520	55,105	2,585
Total grants	592,000	632,935	635,525	2,590
Interest	183,400	118,565	118,566	1
Other:				
Property rent and sales	428,475	458,370	465,124	6,754
Property upkeep and maintenance	106,700	100,245	100,260	15
Contractual programs	3,000	5,755	5,754	(1)
E911 - GIS	-	9,870	9,868	(2)
Miscellaneous	84,300	1,940,695	1,940,727	32
Total other	622,475	2,514,935	2,521,733	6,798
Other financing sources:				
Operating transfers in	-	3,280	3,282	2
Amounts available for appropriation	30,177,572	32,131,612	32,403,074	271,462
Charges to Appropriations (Outflows):				
General government:				
General administration:				
Mayor and Commissioners	176,300	185,005	185,003	2
City Manager	219,690	211,580	211,227	353
City Clerk	125,395	131,480	131,366	114
Corporate Counsel	227,625	142,925	142,921	4
Non-departmental	230,000	280,000	280,000	-
Memberships and contingency	248,925	21,920	21,872	48
Civic beautification	2,625	2,645	2,645	-
Total general administration	1,230,560	975,555	975,034	521
Finance:				
Finance administration	150,420	154,815	154,815	-
Accounting and payroll	303,945	288,410	288,409	1
Revenue collection	294,290	279,140	279,077	63
Total finance	748,655	722,365	722,301	64

(Continued)

CITY OF PADUCAH, KENTUCKY
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
General government:				
Planning:				
Administration	\$ 217,115	\$ 245,310	\$ 245,303	\$ 7
Planning	205,365	205,700	205,696	4
Grants	104,025	103,375	103,052	323
Economic development	212,500	299,535	299,532	3
Total planning	<u>739,005</u>	<u>853,920</u>	<u>853,583</u>	<u>337</u>
Human rights	<u>99,545</u>	<u>96,470</u>	<u>96,309</u>	<u>161</u>
Human resources	<u>338,570</u>	<u>329,770</u>	<u>329,740</u>	<u>30</u>
Inspection:				
Inspection administration	149,305	145,555	145,551	4
Construction	272,140	271,485	271,289	196
Code enforcement	329,235	284,165	284,143	22
Total inspection	<u>750,680</u>	<u>701,205</u>	<u>700,983</u>	<u>222</u>
Information systems	<u>242,845</u>	<u>213,305</u>	<u>213,301</u>	<u>4</u>
Public safety:				
Police:				
Police administration	1,114,190	1,135,870	1,135,867	3
Patrol	4,576,425	4,323,205	4,323,142	63
Investigations	1,176,475	1,187,415	1,187,224	191
Total police	<u>6,867,090</u>	<u>6,646,490</u>	<u>6,646,233</u>	<u>257</u>
Fire:				
Fire administration	233,560	227,325	226,985	340
Suppression	4,584,010	4,596,320	4,596,318	2
Prevention	174,900	170,055	169,952	103
Training	133,730	110,535	110,530	5
Total fire	<u>5,126,200</u>	<u>5,104,235</u>	<u>5,103,785</u>	<u>450</u>
Public service:				
Public works:				
Public Works Administration	188,970	156,995	156,993	2
Street maintenance	2,225,560	1,924,855	1,924,712	143
Street lighting	458,185	480,370	480,369	1

(Continued)

CITY OF PADUCAH, KENTUCKY
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public service:				
Public works:				
Facility maintenance	\$ 561,930	\$ 444,025	\$ 443,730	\$ 295
Custodial service	230,770	201,300	201,294	6
Landscape maintenance	1,347,740	1,402,200	1,402,197	3
Summer youth program	100,765	69,115	69,113	2
Total public works	<u>5,113,920</u>	<u>4,678,860</u>	<u>4,678,408</u>	<u>452</u>
Engineering services:				
Engineering services	508,675	461,095	461,042	53
Flood control	380,960	443,005	442,556	449
Total engineering services	<u>889,635</u>	<u>904,100</u>	<u>903,598</u>	<u>502</u>
Recreation:				
Recreation administration	589,195	553,190	553,172	18
Pools and recreation	492,820	473,195	473,125	70
Total recreation	<u>1,082,015</u>	<u>1,026,385</u>	<u>1,026,297</u>	<u>88</u>
Other:				
Cable authority	107,785	70,975	70,971	4
Grant match expense	-	120,255	120,252	3
Leave expense	-	34,710	34,709	1
Intergovernmental expense	-	277,915	277,912	3
Donated assets	-	1,840,000	1,840,000	-
Total other	<u>107,785</u>	<u>2,343,855</u>	<u>2,343,844</u>	<u>11</u>
Other financing uses:				
Operating transfers out	<u>2,177,065</u>	<u>3,303,580</u>	<u>3,167,585</u>	<u>135,995</u>
Total charges to appropriations	<u>25,513,570</u>	<u>27,900,095</u>	<u>27,761,001</u>	<u>139,094</u>
BUDGETARY FUND BALANCE, JUNE 30, 2004	<u><u>\$4,664,002</u></u>	<u><u>\$4,231,517</u></u>	<u><u>\$ 4,642,073</u></u>	<u><u>\$410,556</u></u>

CITY OF PADUCAH, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE YEAR ENDED JUNE 30, 2004

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

	<u>General Fund</u>
Sources/inflows of resources:	
Actual amounts "available for appropriation" from the budgetary comparison schedule	\$32,403,074
Differences - budget to GAAP:	
The beginning fund balance is a budgetary resource, but is not a current year revenue for financial reporting purposes	(4,925,982)
Transfers from these funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	<u>(3,282)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$27,473,810</u>
Uses/outflows of resources:	
Actual amounts "total charges to appropriations" from the budgetary comparison schedule	\$27,761,001
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes	<u>(3,167,585)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$24,593,416</u>

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2004

**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 bond principal and interest, note principal and interest, and capital lease payments.

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CITY OF PADUCAH, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004

<u>ASSETS</u>	<u>Special Revenue Funds</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	\$ 41,203	\$154,354	\$168,142	\$113,312	\$43,000
Investments	500,000	-	-	-	-
Receivables, net:					
Accounts	-	114,540	-	-	-
Grants	-	-	-	9,996	7,000
Interest	3,267	-	-	-	-
Prepaid items	-	12,962	-	-	-
TOTAL ASSETS	<u>\$544,470</u>	<u>\$281,856</u>	<u>\$168,142</u>	<u>\$123,308</u>	<u>\$50,000</u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Voucher and accounts payable	\$ 52,654	\$ 37,682	\$116,032	\$ 2,879	\$ -
Accrued payroll and payroll taxes	-	17,647	-	-	-
Unearned revenue	-	-	-	93,687	50,000
Due to other funds	-	-	-	24,439	-
Total liabilities	<u>52,654</u>	<u>55,329</u>	<u>116,032</u>	<u>121,005</u>	<u>50,000</u>
Fund Balances:					
Reserved for:					
Program purposes	-	-	-	2,303	-
Unreserved	491,816	226,527	52,110	-	-
Total fund balances	<u>491,816</u>	<u>226,527</u>	<u>52,110</u>	<u>2,303</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$544,470</u>	<u>\$281,856</u>	<u>\$168,142</u>	<u>\$123,308</u>	<u>\$50,000</u>

See auditors report on pages 13-14.

Special Revenue Funds					Debt Service	Total Nonmajor Governmental Funds
HOPE 3 Grant Fund	Home Grant Fund	HUD Revolving Grant Fund	PHA Police Grant Fund	Section Eight Housing	Debt Service Fund	
\$130,761	\$59,924	\$212,878	\$ 3	\$145,262	\$30,243	\$1,099,082
-	-	-	-	-	-	500,000
-	-	-	-	19,197	-	133,737
-	30,941	-	3,132	41,187	-	92,256
-	-	-	-	-	-	3,267
-	-	-	-	-	-	12,962
<u>\$130,761</u>	<u>\$90,865</u>	<u>\$212,878</u>	<u>\$3,135</u>	<u>\$205,646</u>	<u>\$30,243</u>	<u>\$1,841,304</u>
\$ -	\$ -	\$ 35	\$ -	\$ 33,844	\$ -	\$ 243,126
-	-	-	-	12,455	-	30,102
-	90,865	-	-	-	-	234,552
-	-	-	3,135	21,831	-	49,405
-	<u>90,865</u>	<u>35</u>	<u>3,135</u>	<u>68,130</u>	<u>-</u>	<u>557,185</u>
130,761	-	212,843	-	137,516	-	483,423
-	-	-	-	-	30,243	800,696
<u>130,761</u>	<u>-</u>	<u>212,843</u>	<u>-</u>	<u>137,516</u>	<u>30,243</u>	<u>1,284,119</u>
<u>\$130,761</u>	<u>\$90,865</u>	<u>\$212,878</u>	<u>\$3,135</u>	<u>\$205,646</u>	<u>\$30,243</u>	<u>\$1,841,304</u>

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Special Revenue Funds				
	Municipal Aid Program	Emergency Communication Service Fund	Court Awards Fund	Small Grant Fund	CDBG Grant Fund
Revenues:					
Taxes	\$ -	\$ 665,807	\$ -	\$ -	\$ -
Charges for services	-	99,339	-	-	-
Intergovernmental	405,763	-	-	-	-
Grants	281,250	-	-	30,591	16,500
Interest	14,922	1,637	1,712	59	-
Miscellaneous	187,568	186,644	31,967	19,291	-
Total revenues	889,503	953,427	33,679	49,941	16,500
Expenditures:					
Current operations:					
Public safety	-	1,158,873	25,361	-	-
Public service	1,332,517	-	-	-	-
Planning and development	-	-	-	46,693	12,500
Debt Service:					
Principal requirement	-	-	-	-	-
Interest and fiscal requirement	-	-	-	-	-
Total expenditures	1,332,517	1,158,873	25,361	46,693	12,500
Excess (deficiency) of revenues over expenditures	(443,014)	(205,446)	8,318	3,248	4,000
Other Financing Sources (Uses):					
Transfers in	93,750	236,802	-	-	-
Transfers out	-	-	-	(2,795)	(4,000)
Total other financing sources (uses)	93,750	236,802	-	(2,795)	(4,000)
Net change in fund balances	(349,264)	31,356	8,318	453	-
Fund balances, July 1, 2003	841,080	195,171	43,792	1,850	-
Adjustment to beginning fund balance	-	-	-	-	-
FUND BALANCES, JUNE 30, 2004	\$ 491,816	\$ 226,527	\$52,110	\$ 2,303	\$ -

See auditors report on pages 13-14.

Special Revenue Funds					Debt Service	Total Nonmajor Governmental Funds
HOPE 3 Grant Fund	Home Grant Fund	HUD Revolving Grant Fund	PHA Police Grant Fund	Section Eight Housing	Debt Service Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 665,807
-	-	-	-	-	-	99,339
-	-	-	-	-	575,508	981,271
-	490,344	-	29,433	1,592,958	-	2,441,076
-	-	3,047	-	696	-	22,073
-	29,957	44,798	-	-	-	500,225
-	520,301	47,845	29,433	1,593,654	575,508	4,709,791
-	-	-	29,433	-	-	1,213,667
-	-	-	-	-	-	1,332,517
15,670	564,266	312,897	-	1,618,447	-	2,570,473
-	-	-	-	-	428,613	428,613
-	-	-	-	-	471,625	471,625
15,670	564,266	312,897	29,433	1,618,447	900,238	6,016,895
(15,670)	(43,965)	(265,052)	-	(24,793)	(324,730)	(1,307,104)
-	78,356	397,509	-	-	308,922	1,115,339
-	(34,391)	(273,281)	-	-	-	(314,467)
-	43,965	124,228	-	-	308,922	800,872
(15,670)	-	(140,824)	-	(24,793)	(15,808)	(506,232)
146,431	-	353,667	-	193,265	46,051	1,821,307
-	-	-	-	(30,956)	-	(30,956)
<u>\$130,761</u>	<u>\$ -</u>	<u>\$212,843</u>	<u>\$ -</u>	<u>\$ 137,516</u>	<u>\$ 30,243</u>	<u>\$1,284,119</u>

CITY OF PADUCAH, KENTUCKY
MUNICIPAL AID PROGRAM FUND
DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 405,760	\$ 405,763	\$ 3
Grants	281,250	281,250	-
Interest	14,920	14,922	2
Other	<u>187,570</u>	<u>187,568</u>	<u>(2)</u>
Total revenues	<u>889,500</u>	<u>889,503</u>	<u>3</u>
Expenditures:			
Public service	<u>1,332,545</u>	<u>1,332,517</u>	<u>28</u>
Excess (deficiency) of revenues over expenditures	(443,045)	(443,014)	31
Other Financing Sources (Uses):			
Operating transfers in	<u>93,750</u>	<u>93,750</u>	<u>-</u>
Net change in fund balance	<u>\$ (349,295)</u>	(349,264)	<u>\$ 31</u>
Fund balance, July 1, 2003		<u>841,080</u>	
FUND BALANCE, JUNE 30, 2004		<u>\$ 491,816</u>	

See auditors report on pages 13-14.

CITY OF PADUCAH, KENTUCKY
EMERGENCY COMMUNICATION SERVICE FUND
DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Local contributions	\$ 659,080	\$ 665,807	\$6,727
Telephone surcharges	99,340	99,339	(1)
Interest	1,635	1,637	2
Miscellaneous	186,645	186,644	(1)
	<u>946,700</u>	<u>953,427</u>	<u>6,727</u>
Expenditures:			
Public safety	1,158,820	1,158,873	(53)
Excess (deficiency) of revenues over expenditures	(212,120)	(205,446)	6,674
Other Financing Sources (Uses):			
Operating transfers in	236,800	236,802	2
Net change in fund balance	<u>\$ 24,680</u>	31,356	<u>\$6,676</u>
Fund balance, July 1, 2003		<u>195,171</u>	
FUND BALANCE, JUNE 30, 2004		<u>\$ 226,527</u>	

See auditors report on pages 13-14.

CITY OF PADUCAH, KENTUCKY
COURT AWARDS FUND
DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Court awarded forfeitures	\$31,970	\$31,967	\$ (3)
Interest	1,710	1,712	2
Total revenues	<u>33,680</u>	<u>33,679</u>	<u>(1)</u>
Expenditures:			
Public safety	<u>25,390</u>	<u>25,361</u>	<u>29</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 8,290</u>	8,318	<u>\$ 28</u>
Fund balance, July 1, 2003		<u>43,792</u>	
FUND BALANCE, JUNE 30, 2004		<u>\$52,110</u>	

See auditors report on pages 13-14.

CITY OF PADUCAH, KENTUCKY
SMALL GRANT FUND
DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Grants	\$30,590	\$30,591	\$ 1
Interest	55	59	4
Other	<u>19,290</u>	<u>19,291</u>	<u>1</u>
Total revenues	<u>49,935</u>	<u>49,941</u>	<u>6</u>
Expenditures:			
Planning and development	<u>46,695</u>	<u>46,693</u>	<u>2</u>
Excess (deficiency) of revenues over expenditures	<u>3,240</u>	<u>3,248</u>	<u>8</u>
Other Financing Sources (Uses):			
Operating transfers out	<u>(2,795)</u>	<u>(2,795)</u>	<u>-</u>
Net change in fund balance	<u>\$ 445</u>	453	<u>\$ 8</u>
Fund balance, July 1, 2003		<u>1,850</u>	
FUND BALANCE, JUNE 30, 2004		<u>\$ 2,303</u>	

See auditors report on pages 13-14.

CITY OF PADUCAH, KENTUCKY
CDBG FUND
DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative) <u>\$ -</u>
Revenues:			
Grants	<u>\$16,500</u>	<u>\$16,500</u>	<u>\$ -</u>
Expenditures:			
Planning and development	<u>12,500</u>	<u>12,500</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Other Financing Sources (Uses):			
Operating transfers out	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, July 1, 2003		<u>-</u>	
FUND BALANCE, JUNE 30, 2004		<u>\$ -</u>	

See auditors report on pages 13-14.

CITY OF PADUCAH, KENTUCKY
HOPE 3 IMPLEMENTATION GRANT FUND
DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative) <u>\$ -</u>
Revenues:			
Other	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures:			
Planning and development	<u>15,670</u>	<u>15,670</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u><u>\$(15,670)</u></u>	<u>(15,670)</u>	<u><u>\$ -</u></u>
Fund balance, July 1, 2003		<u>146,431</u>	
FUND BALANCE, JUNE 30, 2004		<u><u>\$130,761</u></u>	

See auditors report on pages 13-14.

CITY OF PADUCAH, KENTUCKY
HOME GRANT FUND
DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Grants	\$490,340	\$490,344	\$ 4
Miscellaneous	29,955	29,957	2
Total revenues	<u>520,295</u>	<u>520,301</u>	<u>6</u>
Expenditures:			
Planning and development	564,265	564,266	(1)
Excess (deficiency) of revenues over expenditures	<u>(43,970)</u>	<u>(43,965)</u>	<u>5</u>
Other Financing Sources (Uses):			
Operating transfers in	78,360	78,356	(4)
Operating transfers out	<u>(34,395)</u>	<u>(34,391)</u>	<u>4</u>
Total other financing sources (uses)	<u>43,965</u>	<u>43,965</u>	<u>-</u>
Net change in fund balance	<u>\$ (5)</u>	-	<u>\$ 5</u>
Fund balance, July 1, 2003		-	
FUND BALANCE, JUNE 30, 2004		<u>\$ -</u>	

See auditors report on pages 13-14.

CITY OF PADUCAH, KENTUCKY
HUD REVOLVING GRANT FUND
DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Interest	\$ 3,045	\$ 3,047	\$ 2
Other	44,800	44,798	(2)
Total revenues	<u>47,845</u>	<u>47,845</u>	<u>-</u>
Expenditures:			
Planning and development	<u>312,900</u>	<u>312,897</u>	<u>3</u>
Excess (deficiency) of revenues over expenditures	<u>(265,055)</u>	<u>(265,052)</u>	<u>3</u>
Other Financing Sources (Uses):			
Operating transfers in	396,185	397,509	1,324
Operating transfers out	<u>(273,285)</u>	<u>(273,281)</u>	<u>4</u>
Total other financing sources (uses)	<u>122,900</u>	<u>124,228</u>	<u>1,328</u>
Net change in fund balance	<u><u>\$(142,155)</u></u>	<u>(140,824)</u>	<u><u>\$1,331</u></u>
Fund balance, July 1, 2003		<u>353,667</u>	
FUND BALANCE, JUNE 30, 2004		<u><u>\$212,843</u></u>	

See auditors report on pages 13-14.

CITY OF PADUCAH, KENTUCKY
PADUCAH HOUSING AUTHORITY POLICE GRANT FUND
DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Grants	<u>\$29,430</u>	<u>\$29,433</u>	<u>\$ 3</u>
Expenditures:			
Public safety	<u>29,510</u>	<u>29,433</u>	<u>77</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (80)</u>	-	<u>\$80</u>
Fund balance, July 1, 2003		<u>-</u>	
FUND BALANCE, JUNE 30, 2004		<u>\$ -</u>	

See auditors report on pages 13-14.

CITY OF PADUCAH, KENTUCKY
DEBT SERVICE FUND
DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	<u>\$ 575,510</u>	<u>\$ 575,508</u>	<u>\$ (2)</u>
Expenditures:			
Debt service:			
Principal requirement	428,615	428,613	2
Interest and fiscal requirement	<u>471,655</u>	<u>471,625</u>	<u>30</u>
Total expenditures	<u>900,270</u>	<u>900,238</u>	<u>32</u>
Excess (deficiency) of revenues over expenditures	(324,760)	(324,730)	30
Other Financing Sources (Uses):			
Operating transfers in	<u>308,920</u>	<u>308,922</u>	<u>2</u>
Net change in fund balance	<u>\$ (15,840)</u>	(15,808)	<u>\$ 32</u>
Fund balance, July 1, 2003		<u>46,051</u>	
FUND BALANCE, JUNE 30, 2004		<u>\$ 30,243</u>	

See auditors report on pages 13-14.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

NONMAJOR PROPRIETARY FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2004

**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, 2004

<u>ASSETS</u>	<u>Wastewater/ Stormwater Fund</u>	<u>Civic Center Fund</u>	<u>TISA Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
Current Assets:				
Cash and cash equivalents	\$ -	\$ 22,551	\$ 16,337	\$ 38,888
Receivables, net	-	-	27,006	27,006
Prepaid expense	-	-	6,994	6,994
Total current assets	<u>-</u>	<u>22,551</u>	<u>50,337</u>	<u>72,888</u>
Noncurrent Assets:				
Net depreciable capital assets	<u>-</u>	<u>161,285</u>	<u>176,902</u>	<u>338,187</u>
Total assets	<u>-</u>	<u>183,836</u>	<u>227,239</u>	<u>411,075</u>
 <u>LIABILITIES</u>				
Current Liabilities:				
Voucher and accounts payable	<u>-</u>	<u>1,434</u>	<u>925</u>	<u>2,359</u>
Total liabilities	<u>-</u>	<u>1,434</u>	<u>925</u>	<u>2,359</u>
 <u>NET ASSETS</u>				
Invested in capital assets, net of related debt	-	161,285	176,902	338,187
Unrestricted	<u>-</u>	<u>21,117</u>	<u>49,412</u>	<u>70,529</u>
TOTAL NET ASSETS	<u>\$ -</u>	<u>\$182,402</u>	<u>\$226,314</u>	<u>\$408,716</u>

See auditors report on pages 13-14.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Wastewater/ Stormwater Fund	Civic Center Fund	TISA Fund	Total Nonmajor Enterprise Funds
Operating Revenues:				
Charges for services	<u>\$222,076</u>	<u>\$ 36,455</u>	<u>\$100,778</u>	<u>\$359,309</u>
Operating Expenses:				
Cost of sales and service	-	25,008	115,009	140,017
Depreciation and amortization	-	8,173	69,157	77,330
Total operating expenses	-	33,181	184,166	217,347
Operating income (loss)	<u>222,076</u>	<u>3,274</u>	<u>(83,388)</u>	<u>141,962</u>
Non-Operating Revenues (Expenses):				
Interest and investment income	-	209	-	209
Income (loss) before contributions and operating transfers	<u>222,076</u>	<u>3,483</u>	<u>(83,388)</u>	<u>142,171</u>
Contributions and Operating Transfers:				
Capital contributions	-	-	24,990	24,990
Transfers in	-	-	72,246	72,246
Transfers out	<u>(222,076)</u>	-	-	<u>(222,076)</u>
Total contributions and operating transfers	<u>(222,076)</u>	-	<u>97,236</u>	<u>(124,840)</u>
Change in net assets	-	3,483	13,848	17,331
Net assets, July 1, 2003	-	178,919	212,466	391,385
NET ASSETS, JUNE 30, 2004	<u>\$ -</u>	<u>\$182,402</u>	<u>\$226,314</u>	<u>\$408,716</u>

See auditors report on pages 13-14.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Wastewater/ Stormwater Fund	Civic Center Fund	TISA Fund	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities:				
Cash received from customers	\$222,076	\$ 36,455	\$ 73,773	\$332,304
Other receipts (payments)	(191,079)	(27,330)	(142,430)	(360,839)
Net cash provided (used) by operating activities	<u>30,997</u>	<u>9,125</u>	<u>(68,657)</u>	<u>(28,535)</u>
Cash Flows from Noncapital Financing Activities:				
Transfers (to) from other funds	(222,076)	-	72,246	(149,830)
Cash Flows from Capital and Related Financing Activities:				
Capital contributions	-	-	24,990	24,990
Acquisition and construction of capital assets	-	(4,512)	(59,594)	(64,106)
Net cash used by capital and related financing activities	<u>-</u>	<u>(4,512)</u>	<u>(34,604)</u>	<u>(39,116)</u>
Cash Flows from Investing Activities:				
Interest on cash and investments	-	209	-	209
Net increase (decrease) in cash and cash equivalents	(191,079)	4,822	(31,015)	(217,272)
Cash and cash equivalents, July 1, 2003	<u>191,079</u>	<u>17,729</u>	<u>47,352</u>	<u>256,160</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2004	<u><u>\$ -</u></u>	<u><u>\$ 22,551</u></u>	<u><u>\$ 16,337</u></u>	<u><u>\$ 38,888</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$222,076	\$ 3,274	\$(83,388)	\$141,962
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	-	8,173	69,157	77,330
Change in assets and liabilities:				
Receivables	-	-	(27,006)	(27,006)
Prepaid expense	-	-	(6,994)	(6,994)
Accounts payable and accrued expenses	(191,079)	(2,322)	(20,426)	(213,827)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 30,997</u></u>	<u><u>\$ 9,125</u></u>	<u><u>\$ (68,657)</u></u>	<u><u>\$ (28,535)</u></u>

See auditors report on pages 13-14.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

INTERNAL SERVICE FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2004

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, 2004

<u>ASSETS</u>	Fleet Maintenance	Fleet Lease Trust	Insurance Fund	Health Insurance Fund	Combined Total
Current Assets:					
Cash and cash equivalents	\$ 3,955	\$ 373,284	\$ 1	\$493,663	\$ 870,903
Investments	-	1,300,000	-	-	1,300,000
Receivables, net	-	6,610	-	139,623	146,233
Prepaid expense	-	-	1,015,142	-	1,015,142
Inventories	98,115	-	-	-	98,115
Total current assets	102,070	1,679,894	1,015,143	633,286	3,430,393
Noncurrent Assets:					
Net depreciable capital assets	33,760	1,614,609	-	-	1,648,369
Total assets	135,830	3,294,503	1,015,143	633,286	5,078,762
<u>LIABILITIES</u>					
Current Liabilities:					
Voucher and accounts payable	2,584	-	-	361,999	364,583
Accrued payroll and payroll taxes	9,101	-	-	-	9,101
Accrued compensated absences	24,374	-	-	-	24,374
Due to other funds	-	-	998,341	-	998,341
Total current liabilities	36,059	-	998,341	361,999	1,396,399
Noncurrent Liabilities:					
Accrued compensated absences	37,602	-	-	-	37,602
Total liabilities	73,661	-	998,341	361,999	1,434,001
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	33,760	1,614,609	-	-	1,648,369
Unrestricted	28,409	1,679,894	16,802	271,287	1,996,392
TOTAL NET ASSETS	\$ 62,169	\$3,294,503	\$ 16,802	\$271,287	\$3,644,761

See auditors report on pages 13-14.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Fleet Maintenance</u>	<u>Fleet Lease Trust</u>	<u>Insurance Fund</u>	<u>Health Insurance Fund</u>	<u>Combined Total</u>
Operating Revenues:					
Charges for services - internal	\$290,164	\$ 458,333	\$ 933,046	\$2,848,372	\$4,529,915
Charges for services - external	-	-	-	501,809	501,809
Total operating revenues	<u>290,164</u>	<u>458,333</u>	<u>933,046</u>	<u>3,350,181</u>	<u>5,031,724</u>
Operating Expenses:					
Vehicle maintenance	434,858	-	-	-	434,858
Administrative	-	4,854	-	876	5,730
Insurance	-	-	1,053,804	2,518,509	3,572,313
Leave expense	5,906	-	-	-	5,906
Depreciation	11,408	398,660	-	-	410,068
Total operating expenses	<u>452,172</u>	<u>403,514</u>	<u>1,053,804</u>	<u>2,519,385</u>	<u>4,428,875</u>
Operating income (loss)	<u>(162,008)</u>	<u>54,819</u>	<u>(120,758)</u>	<u>830,796</u>	<u>602,849</u>
Nonoperating Revenues and (Expenses):					
Interest and investment income	-	18,129	-	-	18,129
Gain (loss) on disposal of property and equipment	-	(1,972)	-	-	(1,972)
Total nonoperating revenues (expenses)	<u>-</u>	<u>16,157</u>	<u>-</u>	<u>-</u>	<u>16,157</u>
Income (loss) before operating transfers	<u>(162,008)</u>	<u>70,976</u>	<u>(120,758)</u>	<u>830,796</u>	<u>619,006</u>
Contributions and Operating Transfers:					
Transfers in	<u>100,000</u>	<u>496,431</u>	<u>-</u>	<u>-</u>	<u>596,431</u>
Change in net assets	(62,008)	567,407	(120,758)	830,796	1,215,437
Net assets, July 1, 2003	<u>124,177</u>	<u>2,727,096</u>	<u>137,560</u>	<u>(559,509)</u>	<u>2,429,324</u>
NET ASSETS, JUNE 30, 2004	<u>\$ 62,169</u>	<u>\$3,294,503</u>	<u>\$ 16,802</u>	<u>\$ 271,287</u>	<u>\$3,644,761</u>

See auditors report on pages 13-14.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Fleet Maintenance	Fleet Lease Trust	Insurance Fund	Health Insurance Fund	Combined Total
Cash Flows from Operating Activities:					
Receipts from other funds for services	\$ 290,164	\$ 458,333	\$ 933,046	\$3,463,178	\$5,144,721
Payments to suppliers	(208,108)	-	-	-	(208,108)
Payments to employees	(206,830)	-	-	-	(206,830)
Claims paid	-	-	-	(2,990,822)	(2,990,822)
Other receipts (payments)	-	(4,854)	(1,070,605)	(876)	(1,076,335)
Net cash provided (used) by operating activities	<u>(124,774)</u>	<u>453,479</u>	<u>(137,559)</u>	<u>471,480</u>	<u>662,626</u>
Cash Flows from Noncapital Financing Activities:					
Transfers from other funds	<u>100,000</u>	<u>496,431</u>	<u>-</u>	<u>-</u>	<u>596,431</u>
Cash Flows from Capital and Related Financing Activities:					
Purchase of capital assets	(2,995)	(578,530)	-	-	(581,525)
Insurance proceeds received	<u>-</u>	<u>12,836</u>	<u>-</u>	<u>-</u>	<u>12,836</u>
Net cash used by capital and related financing	<u>(2,995)</u>	<u>(565,694)</u>	<u>-</u>	<u>-</u>	<u>(568,689)</u>
Cash Flows from Investing Activities:					
Proceeds from sales and maturities of investments	-	743,333	-	-	743,333
Interest and dividends	-	15,491	-	-	15,491
Purchase of investments	<u>-</u>	<u>(1,304,232)</u>	<u>-</u>	<u>-</u>	<u>(1,304,232)</u>
Net cash used by investing activities	<u>-</u>	<u>(545,408)</u>	<u>-</u>	<u>-</u>	<u>(545,408)</u>
Net increase (decrease) in cash and cash equivalents	(27,769)	(161,192)	(137,559)	471,480	144,960
Cash and cash equivalents, July 1, 2003	<u>31,724</u>	<u>534,476</u>	<u>137,560</u>	<u>22,183</u>	<u>725,943</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2004	<u>\$ 3,955</u>	<u>\$ 373,284</u>	<u>\$ 1</u>	<u>\$ 493,663</u>	<u>\$ 870,903</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating income (loss)	\$(162,008)	\$ 54,819	\$ (120,758)	\$ 830,796	\$ 602,849
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	11,408	398,660	-	-	410,068
Change in assets and liabilities:					
Receivables	-	-	-	112,996	112,996
Prepaid expense	-	-	(1,015,142)	-	(1,015,142)
Inventories	34,758	-	-	-	34,758
Accounts payable and accrued expenses	<u>(8,932)</u>	<u>-</u>	<u>998,341</u>	<u>(472,312)</u>	<u>517,097</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (124,774)</u>	<u>\$ 453,479</u>	<u>\$ (137,559)</u>	<u>\$ 471,480</u>	<u>\$ 662,626</u>

See auditors report on pages 13-14.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

FIDUCIARY FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2004

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, 2004

<u>ASSETS</u>	<u>Police and Firefighters' Retirement Fund</u>	<u>Appointive Employees' Pension Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ 330,591	\$ 22,989	\$ 353,580
Receivables:			
Interest	63,345	806	64,151
Other	1,425	-	1,425
Investments at fair value	<u>8,957,586</u>	<u>300,000</u>	<u>9,257,586</u>
Total assets	<u>9,352,947</u>	<u>323,795</u>	<u>9,676,742</u>
 <u>LIABILITIES</u>			
Voucher and accounts payable	<u>648</u>	<u>175</u>	<u>823</u>
 <u>NET ASSETS</u>			
Held in trust for pension benefits and other purposes	<u>\$9,352,299</u>	<u>\$323,620</u>	<u>\$9,675,919</u>

See auditors report on pages 13-14.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS - PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Police and Firefighters' Retirement Fund</u>	<u>Appointive Employees' Pension Fund</u>	<u>Totals</u>
Additions:			
Contributions:			
Employer	\$ 195,962	\$ -	\$ 195,962
Plan members	<u>27,355</u>	<u>-</u>	<u>27,355</u>
Total contributions	<u>223,317</u>	<u>-</u>	<u>223,317</u>
Investment earnings:			
Net increase in fair value of investments	607,613	-	607,613
Interest and dividends	<u>265,306</u>	<u>5,004</u>	<u>270,310</u>
Net investment earnings	<u>872,919</u>	<u>5,004</u>	<u>877,923</u>
Interfund transfers	<u>615,439</u>	<u>75,553</u>	<u>690,992</u>
Total additions	<u>1,711,675</u>	<u>80,557</u>	<u>1,792,232</u>
Deductions:			
Benefits	1,773,398	76,576	1,849,974
Administrative expenses	<u>46,698</u>	<u>7,735</u>	<u>54,433</u>
Total deductions	<u>1,820,096</u>	<u>84,311</u>	<u>1,904,407</u>
Change in net assets	(108,421)	(3,754)	(112,175)
Net assets, July 1, 2003	<u>9,460,720</u>	<u>327,374</u>	<u>9,788,094</u>
NET ASSETS, JUNE 30, 2004	<u><u>\$9,352,299</u></u>	<u><u>\$323,620</u></u>	<u><u>\$9,675,919</u></u>

See auditors report on pages 13-14.

FIDUCIARY FUNDS

Private-purpose Trust Funds

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

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF NET ASSETS
FIDUCIARY FUNDS - PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2004

<u>ASSETS</u>	<u>Oak Grove Cemetery Trust</u>	<u>Maintenance and Rehab Trust</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,923	\$ 902	\$ 2,825
Investments at fair value	<u>77,651</u>	<u>-</u>	<u>77,651</u>
Held in trust for other purposes	<u>\$79,574</u>	<u>\$ 902</u>	<u>\$80,476</u>

See auditors report on pages 13-14.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS - PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Oak Grove Cemetery Trust	Maintenance and Rehab Trust	Totals
Additions:			
Contributions:			
Intergovernmental revenues	\$ 2,235	\$ 7,000	\$ 9,235
Private donations	-	675,000	675,000
Total contributions	<u>2,235</u>	<u>682,000</u>	<u>684,235</u>
Investment earnings:			
Net decrease in fair value of investments	(217)	-	(217)
Interest and dividends	2,912	-	2,912
Net investment earnings	<u>2,695</u>	<u>-</u>	<u>2,695</u>
Interfund transfers	<u>1</u>	<u>-</u>	<u>1</u>
Total additions	<u>4,931</u>	<u>682,000</u>	<u>686,931</u>
Deductions:			
Capital outlay	-	679,493	679,493
Administrative expenses	852	1,605	2,457
Total deductions	<u>852</u>	<u>681,098</u>	<u>681,950</u>
Change in net assets	4,079	902	4,981
Net assets, July 1, 2003	<u>75,495</u>	<u>-</u>	<u>75,495</u>
NET ASSETS, JUNE 30, 2004	<u><u>\$79,574</u></u>	<u><u>\$ 902</u></u>	<u><u>\$ 80,476</u></u>

See auditors report on pages 13-14.

FIDUCIARY FUNDS

Agency Fund

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.

CITY OF PADUCAH, KENTUCKY
AGENCY FUND
STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2004

Payroll Fund:	Balance			Balance
	July 1, 2003	Additions	Deductions	June 30, 2004
Assets:				
Cash and cash equivalents	<u>\$251,099</u>	<u>\$10,257,456</u>	<u>\$10,201,995</u>	<u>\$306,560</u>
Liabilities:				
Payroll taxes and withholdings payable	<u>\$251,099</u>	<u>\$10,257,456</u>	<u>\$10,201,995</u>	<u>\$306,560</u>

See auditors report on pages 13-14.

CITY OF PADUCAH, KENTUCKY

STATISTICAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2004

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

Fiscal Year	Total	General Government	Public Safety	Public Service	Parks and Recreation	Other
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
2003-2004	25,925,933	3,891,251	11,750,018	6,914,523	1,026,297	2,343,844

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

Fiscal Year	Total	Taxes	Licenses	Charges for Services	Inter-Governmental Revenues	Grants	Interest	Other
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
2003-2004	28,363,313	5,205,422	18,423,244	569,320	405,763	916,775	133,488	2,709,301

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**

Fiscal Year	Total	Real and Personal (Current Year)	Real and Personal (Prior Year)	Franchise	# Bank Taxes	In Lieu of Tax Payments	Penalty, Interest & Adv.	% Charge On School Tax Collections
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
2003-2004	5,317,282	4,471,467	140,776	233,854	161,550	146,145	51,630	111,860

Note: This table includes only the General Fund collections.

Bank tax for fiscal years 1994-1996 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>
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%
2003-2004	4,890,723	4,866,871	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**

Fiscal Year	Assessed Value				Total	Estimated Actual Value	Percent Assessed To Estimated Value	Exemptions	FCV Bank Shares
	Real Estate	Personal Property	Franchise	Bank Shares					
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	*
2003-2004	1,087,747,076	438,024,336	73,121,063	*	1,598,892,475	1,661,522,546	96.2%	61,656,208	*

* 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		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
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
2003-2004	.300	.390	-	-	-	-	.617	.617	.021	.021	.938	1.028

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>
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
2003-2004	26,307	1,598,892,475	17,048,855	17,018,612	1.06	646.92

(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>
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%
2003-2004	428,613	471,625	900,238	25,925,933	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, 2004**

Net assessed value		\$1,598,892,475
Add exemption		<u>61,656,208</u>
Total assessed value		<u>\$1,660,548,683</u>
Debt limit - 10% of total assessed value (1)		\$ 166,054,868
Debt outstanding:		
General obligation bonds outstanding	\$13,620,000	
Notes payable	3,428,855	
Less debt not subject to limit	<u>-</u>	
Gross bonded debt	17,048,855	
Less amount available in debt service funds	<u>30,243</u>	
Net bonded indebtedness subject to limit		<u>17,018,612</u>
Legal Debt Margin		<u>\$ 149,036,256</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			Total	Commercial Construction		Residential Construction		(1) Bank Deposits (in thousands)
	Commercial	Residential	Exemptions		No. Units	Value	No. Units	Value	
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
2003-2004	602,844,179	546,559,105	61,656,208	1,211,059,492	130	23,635,207	268	17,872,216	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**

Fiscal Year	(1) Gross Revenue	(2) Expenses	Net Revenue Available for Debt Service	Debt Service Requirements		Coverage	
				Principal	Interest		Total
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	*	*	*	*	*	*	*
2003-2004	*	*	*	*	*	*	*

(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 2004 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>(1) Per Capita Income</u>	<u>(1) Median Age</u>	<u>(2) School Enrollment</u>	<u>(3) Unemployment Rate</u>
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%
2003-2004	26,307	18,417	39.9	2,977	4.0%

Sources:

- (1) Bureau of the Census Count - 1990 and 2000.
- (2) Board of Education; represents elementary and secondary public schools.
- (3) Kentucky Cabinet for Human Resources, Department for Employment Services.

**TABLE 13
CITY OF PADUCAH, KENTUCKY
MISCELLANEOUS STATISTICAL DATA
JUNE 30, 2004**

Miscellaneous:

Date of incorporation	1830
Form of government	City Manager, Mayor and Commissioners
Area - square miles	19.92
Miles of streets/paved	213
Miles of sidewalks	45
Population	26,307
Registered voters	28037
Votes cast last general election	9879
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	2977
Teachers	225
Administrative personnel	34
Support personnel	241

Parks and Recreation:

Number of parks	14
Acres of parks	280
Public golf courses	2
Public swimming pools	1
Public tennis courts	6

**TABLE 13
CITY OF PADUCAH, KENTUCKY
MISCELLANEOUS STATISTICAL DATA
JUNE 30, 2004**

Police and Fire Protection:

Number of employees:	
Policemen	73
Firefighters	69
Number of fire stations	5

Utilities:

Water utility:	
Number of users	22419
Annual consumption	2,467,110,100 Gallons
Distribution lines	476 Miles
Employees	46
Sewer utility:	
Plant capacity main plant	9,000,000 Gallons/Day
Miles of collection system:	
Sanitary sewers	300 Miles
Combination sewers	56 Miles
Storm sewers	38 Miles
Employees	35
Electric utility:	
Number of street lights	4795
Number of city maintained traffic light intersections	10
Employees	62

**TABLE 14
CITY OF PADUCAH, KENTUCKY
PRINCIPAL TAXPAYERS
JANUARY 1, 2004**

<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	3.10%
Wal-Mart	Retailer	34,007,318	2.53%
Lourdes Medical Pavilion	Healthcare	19,071,118	1.42%
Alliant Foodservice, Inc.	Food wholesaler	15,935,683	1.19%
Computer Services, Inc.	Bank Data Processor	14,661,833	1.09%
Amerisource	Drug Wholesaler	14,515,613	1.08%
Ducmall LLC	Mall	14,225,000	1.06%
Sams East Inc	Retailer	13,950,726	1.04%
Lowe's	Retailer	13,790,170	1.03%
Paducah Medical Investors	Healthcare	<u>13,440,090</u>	<u>1.00%</u>
TOTALS		<u><u>\$195,224,451</u></u>	<u><u>14.54%</u></u>

(1) Source - Property Valuation Administration; Assessed value as of January 1, 2004.

**TABLE 15
CITY OF PADUCAH, KENTUCKY
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2004**

	<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>\$17,048,855</u>	<u>\$30,243</u>	<u>\$17,018,612</u>	<u>100.0%</u>
Paducah Independent School District	7,595,000	-	7,595,000	100.0%
McCracken County	12,982,500	-	12,982,500	47.1%
McCracken County Board of Education	<u>28,562,802</u>	<u>-</u>	<u>28,562,802</u>	24.4%
Overlapping Debt	<u>49,140,302</u>	<u>-</u>	<u>49,140,302</u>	
TOTALS	<u><u>\$66,189,157</u></u>	<u><u>\$30,243</u></u>	<u><u>\$66,158,914</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>
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
2003-2004	27,355	811,401	1,390,740	-	2,229,496

(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 FIREFIGHTERS' 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>
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
2003-2004	-	1,773,398	22,687	24,011	1,820,096

TABLE 18
CITY OF PADUCAH, KENTUCKY
SUMMARY OF INSURANCE IN FORCE
JUNE 30, 2004

<u>Type of Coverage</u>	<u>Insurer</u>	<u>Policy No.</u>	<u>Liability Limits</u>	<u>Policy Term</u>	<u>Premium</u>
General liability	KMRMA	L5429-011013	\$ 2,000,000	7/1/03 - 7/1/04	\$135,333
Property	KMRMA	P5429-011013	46,140,223	7/1/03 - 7/1/04	84,445
Commercial auto	KMRMA	L5429-011013	2,000,000	7/1/03 - 7/1/04	209,370
Public officials liability	KMRMA	L5429-011013	2,000,000	7/1/03 - 7/1/04	97,813
Law enforcement liability	KMRMA	L5429-011013	2,000,000	7/1/03 - 7/1/04	69,150
Workers' compensation	KLC Workers' Comp. Trust	W5429-011013	4,000,000	7/1/03 - 7/1/04	308,429

CITY OF PADUCAH, KENTUCKY

SINGLE AUDIT SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2004

CITY OF PADUCAH, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

<u>Federal Grantor/Pass-Through Grantor/ Program Title:</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Expenditures</u>
Department of Housing and Urban Development:			
Direct Programs:			
Section 8 Housing Choice Vouchers Passed-through Kentucky Housing Corporation:	14.871	N/A	\$1,618,447
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>490,344</u>
Total Department of Housing and Urban Development			<u>2,108,791</u>
Department of Justice:			
Direct Programs:			
Local Law Enforcement Block Grants Program	16.592	N/A	57,034
Bulletproof Vest Partnership Program	16.607	N/A	5,681
Passed-through Marshall County:			
Byrne Formula Grant Program	16.579	2000-DD-VX-0047	5,992
Passed-through Kentucky Department of Juvenile Justice:			
Juvenile Accountability Incentive Block Grant	16.523	2002-JB-BX-0023 (104)	<u>6,920</u>
Total Department of Justice			<u>75,627</u>
Department of Agriculture:			
Passed-through Kentucky Department of Natural Resources - Division of Forestry:			
Cooperative Forestry Assistance	10.664	02-DG-11083121-020 03-DG-11083121-01A	5,702
Passed-through Kentucky Department of Education:			
Summer Food Service Program for Children	10.559	079V70999SU	<u>29,703</u>
Total Department of Agriculture			<u>35,405</u>
Department of Homeland Security:			
Passed-through Division of Disaster and Emergency Services:			
Assistance to Firefighters Grant	97.044	EMW-2003-FG-12050	24,286

(Continued)

CITY OF PADUCAH, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

<u>Federal Grantor/Pass-Through Grantor/ Program Title:</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Expenditures</u>
Department of Homeland Security:			
Passed-through Kentucky Department of Military Affairs:			
State Domestic Preparedness Equipment Support Program	97.004	M-03453577 M-03199593	\$ 47,804
Total Department of Homeland Security			<u>72,090</u>
Department of Transportation:			
Direct Programs:			
Airport Improvement Program	20.106	N/A	15,236
Recreation Trails Program	20.219	N/A	50,000
Passed-through Kentucky Transportation Cabinet:			
Highway Planning and Construction Project - River Heritage Museum	20.205	C-02076510	78,946
Highway Planning and Construction Project - Streetscape	20.205	C-021-30342	287,715
Passed-through Paducah Area Transit System:			
Federal Transit Formula Grant	20.507	MASS0335902	<u>281,250</u>
Total Department of Transportation			<u>713,147</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$3,005,060</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, 2004

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>
River Heritage Center, Inc.	20.205	\$ 78,946
Paducah Board of Education	10.559	<u>29,703</u>
		<u>\$108,649</u>

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**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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Paducah, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the City of Paducah, Kentucky's basic financial statements and have issued our report thereon dated September 20, 2004. 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 September 20, 2004.

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
September 20, 2004

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**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, 2004. 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 City of Paducah, Kentucky's management. 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, 2004.

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 solely 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, William & Lentz, LLP

September 20, 2004

CITY OF PADUCAH, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

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:

Name	CFDA #
Section 8 Housing Choice Vouchers	14.871
Home Investment Partnerships	14.239
Highway Planning and Construction – River Heritage 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