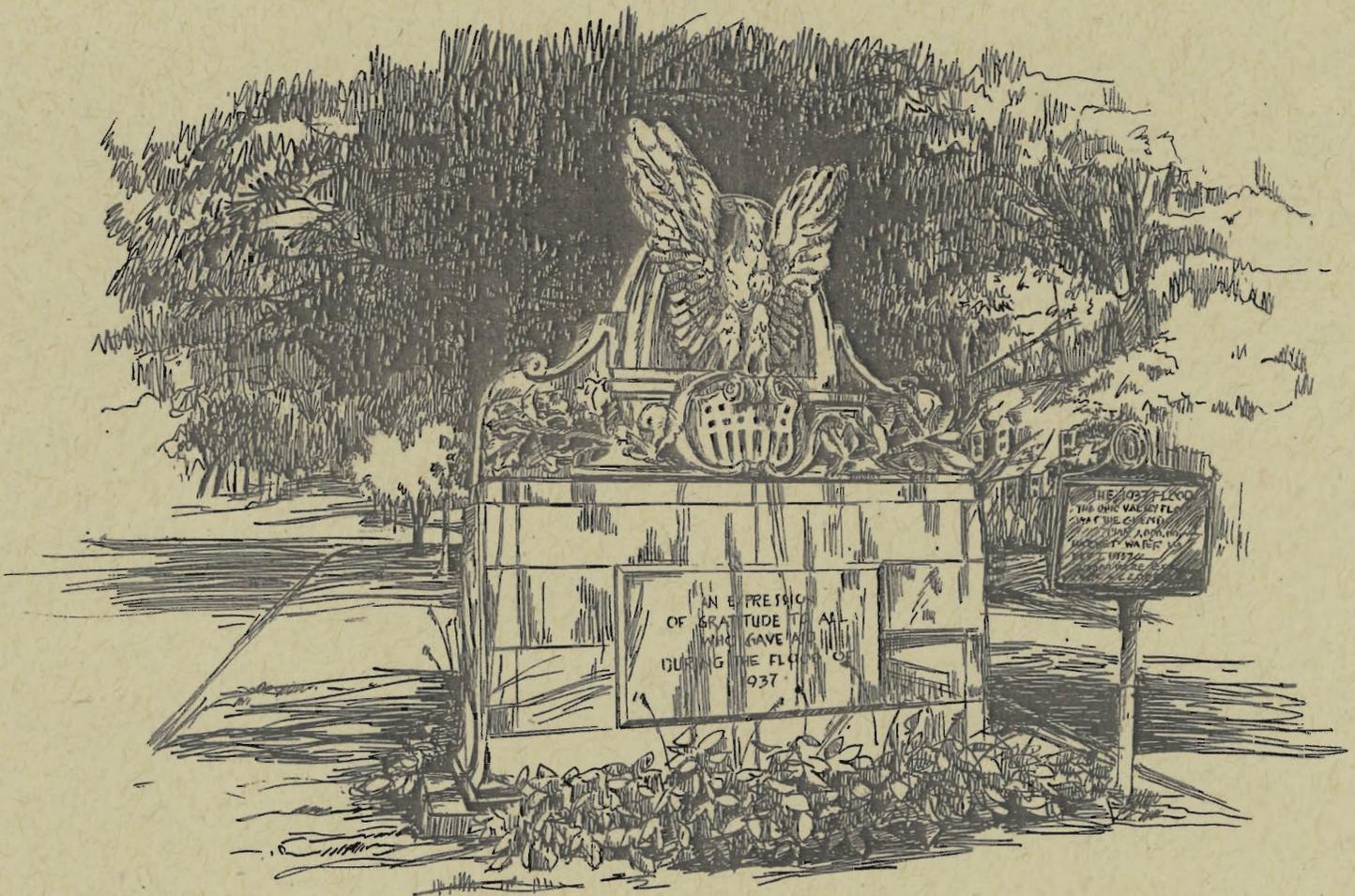


CITY OF PADUCAH, KENTUCKY

COMPREHENSIVE ANNUAL FINANCIAL REPORT



pen and ink

1937 flood memorial

janice d. m. s.

YEAR ENDED JUNE 30, 2007

FINANCE DEPARTMENT
CITY OF PADUCAH,
KENTUCKY

City of Paducah
Paducah, Kentucky
Comprehensive Annual Financial Report
Year Ended June 30, 2007



**Issued by the
Finance Department**

CITY OF PADUCAH, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2007

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CITY OF PADUCAH, KENTUCKY

INTRODUCTORY SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2007



CITY OF PADUCAH

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

December 17, 2007

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, 2007. 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.

City management's narrative on the financial activities of the City for the fiscal year ended June 30, 2007, is in the Management's Discussion and Analysis (MD&A) section of this report, immediately following the Report of Independent Auditors. The letter of transmittal is written to complement the MD&A and the financial statements, and should be read from that perspective and in conjunction with all other sections of the CAFR.

THE CITY

Paducah was established in 1827 by explorer General William Clark. The City of Paducah is situated at the confluence of the Ohio and Tennessee Rivers 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.

Equal Opportunity Employer

In the early 1990s, 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 was 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 2007, GPEDC began assembling property to establish Riverport West, a 1,000-acre industrial park with rail and river access in western McCracken County.

In FY2007, as the following table indicates, there were 104 jobs created and retained, and \$9.1 million capital invested not to mention the added fiscal impact from the jobs created and capital invested. Additionally, the City's second Lowe's, New York and Company, and numerous other retail shops opened, creating several dozen more service industry jobs, further strengthening Paducah's retail market.

Summary of Capital Investment and New/Retained Jobs FY2007			
Company	Capital Investment In Millions	Jobs	
		New	Retained
Dynatorch	\$0.4	5	7
James Marine	\$2.0	45	0
Crouse	\$4.5	0	14
Western Rivers	\$2.2	33	0
Total	\$9.1	83	21

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. The private American Justice School of Law opened in the Information Age Park in 2005. In 2007, Paducah and WKCTC laid plans to create a new Paducah School for the Arts.

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 640 beds for medical needs. The two largest hospitals, together, employ approximately 2,900 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, disc golf, skate boarding, 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.

The LowerTown Art and Music Festival is uniquely showcased within the borders of Paducah's 140-year-old historic neighborhood. The LowerTown Art and Music Festival is an outdoor-juried show in its 6th year. The weekend includes jazz, salsa, zydeco and blues music, as well as food from area restaurants. Over 15,000 people attended in 2007.

Paducah is the site of the Museum of the American Quilter's Society. 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', which 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 40,000 participants to Paducah's riverfront during the last weekend in September. Over time, this annual event has grown to incorporate other events, including '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. 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 Council-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 342 full-time employees as of June 30, 2007. 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. 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 of Paducah.

Blended units are presented as such because the units' governing bodies are substantially the same as the governing body of the City, or provide services almost entirely to the City of Paducah. The City has only one blended unit: the 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.

Financial Policies

The City's financial policies are shaped by state law and established by management and the City Commission. Financial policies include budgeting and financial planning, capital planning, revenue, investment, debt management, procurement, and accounting and auditing. As part of the City's annual budget process, financial policies are reviewed and amended as necessary. In FY2007, there were no changes in policy that would have a significant impact on the financial statements of the City.

LONG-TERM FINANCIAL PLANNING

On October 1, 2005, the City's payroll tax was increased ½ cent. As a result of the payroll tax increase, the City Commission created the Investment Fund. The Investment Fund is funded with the ½ cent increase and is dedicated to the following purposes: economic development, neighborhood redevelopment, infrastructure capital investment, and property tax relief. During the FY 2008 budget process, the Commission reviewed numerous decision packages proposed for the Investment Fund Budget; expenditures totaling \$3.875 million were appropriated.

The City has numerous infrastructure/capital items that will affect the long-term financial planning process. The following projects are two examples of future considerations facing the City:

Floodwall Restoration. The 12.5-mile long floodwall system protecting a large portion of the Paducah-McCracken area is approaching 60 years of age. It is still in good condition long beyond its design life; however, it is in need of necessary repairs. The estimated cost of this restoration project is approximately \$6 million. Anticipated grant funds will cover 65% of the project, but the City will proceed with an expenditure of around \$2 million to make the most seriously needed repairs.

Riverfront Redevelopment Plan. The City's Riverfront Redevelopment Plan includes proposed improvements that will provide public amenities, recreational facilities & public spaces that will tie the City's downtown to the River. The plan includes steamboat landing redevelopment, a public marina, boat ramp, and recreational trails and shoreline enhancements, just to name a few. Completion of Phase I & Phase II of the riverfront redevelopment will cost an estimated \$46.2 million. In FY2007 the City was allocated \$5.3 million in federal funds for Phase 1. As the project gets underway, property acquisition, construction, and eventually operating costs will be a long-term planning consideration.

ECONOMIC CONDITION

The City continues to be aggressive 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 remained steady in recent years and is expected to continue to be steady over the near-term. Area employment remains stable with 30,047 persons employed (McCracken County) as of June 30, 2007.

The June 2007 unemployment rate was 5.6% (McCracken County), which is 19% higher than the federal rate of 4.7%. The local unemployment rate of 5.6%, compares favorably to last year's 5.7%. The number of active electric and water meters was nearly the same as the prior year. The number of building and electric permits obtained was 1,418 for fiscal year 2007 valued at \$71.4 million, which is \$20.7 million up from fiscal year 2006.

CASH MANAGEMENT

The Finance Department is responsible for the custody, investment and disbursement of all funds of the City in accordance with the procedures adopted by the City Commission. It is the City's policy to invest funds in a manner that will provide the highest investment return with the maximum security of principal, while meeting the City's daily cash flow demands. The City's investments are governed by Kentucky Revised Statute (KRS) 66.480, and an investment policy approved by the City Commission.

All funds, except trust funds which are governed by their respective investment policies, were invested in either obligations of the United States or its agencies, or collateralized Certificates of Deposit. Interest income totaling approximately \$724 thousand was earned in these funds during this fiscal year.

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. In fiscal year 2005, a risk manager was hired in order to more aggressively address risk issues. The City has selected various insurance coverage to mitigate potential risk, with premiums/deductibles remaining flat at approximately \$1.2 million for both fiscal years 2007 and 2006 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 Kentucky 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. The financial health of the fund is evaluated by an annual actuarial report.

In the past year, the PFPF had a net asset increase of \$307,000, with net assets valued at \$14.5 million on June 30, 2007. In November 2005, the City issued general obligation bonds of \$6.1 million to finance the Police and Firefighters' Pension Fund estimated actuary liability. There were 3 active members and 88 retirees and/or beneficiaries in this fund as of June 30, 2007. The most recent actuarial report prepared for the PFPF was as of July 1, 2007.

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 PFPF 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 13.19% for non-hazardous and 28.21% for hazardous duty employees in fiscal year 2007.

The **AEPF** is a single-employer contributory defined benefit plan created by local ordinance under Kentucky statute. While there are no active members in the plan, there are 9 retirees and/or beneficiaries receiving benefits from the fund as of June 30, 2007. 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 \$27,068 in fiscal year 2007, with net assets valued as of June 30, 2007, of \$317,575.

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 Kemper CPA Group, 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 of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Paducah, Kentucky for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the sixteenth consecutive year that the City achieved this prestigious award.

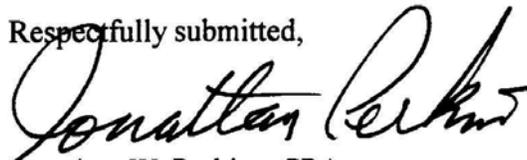
In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

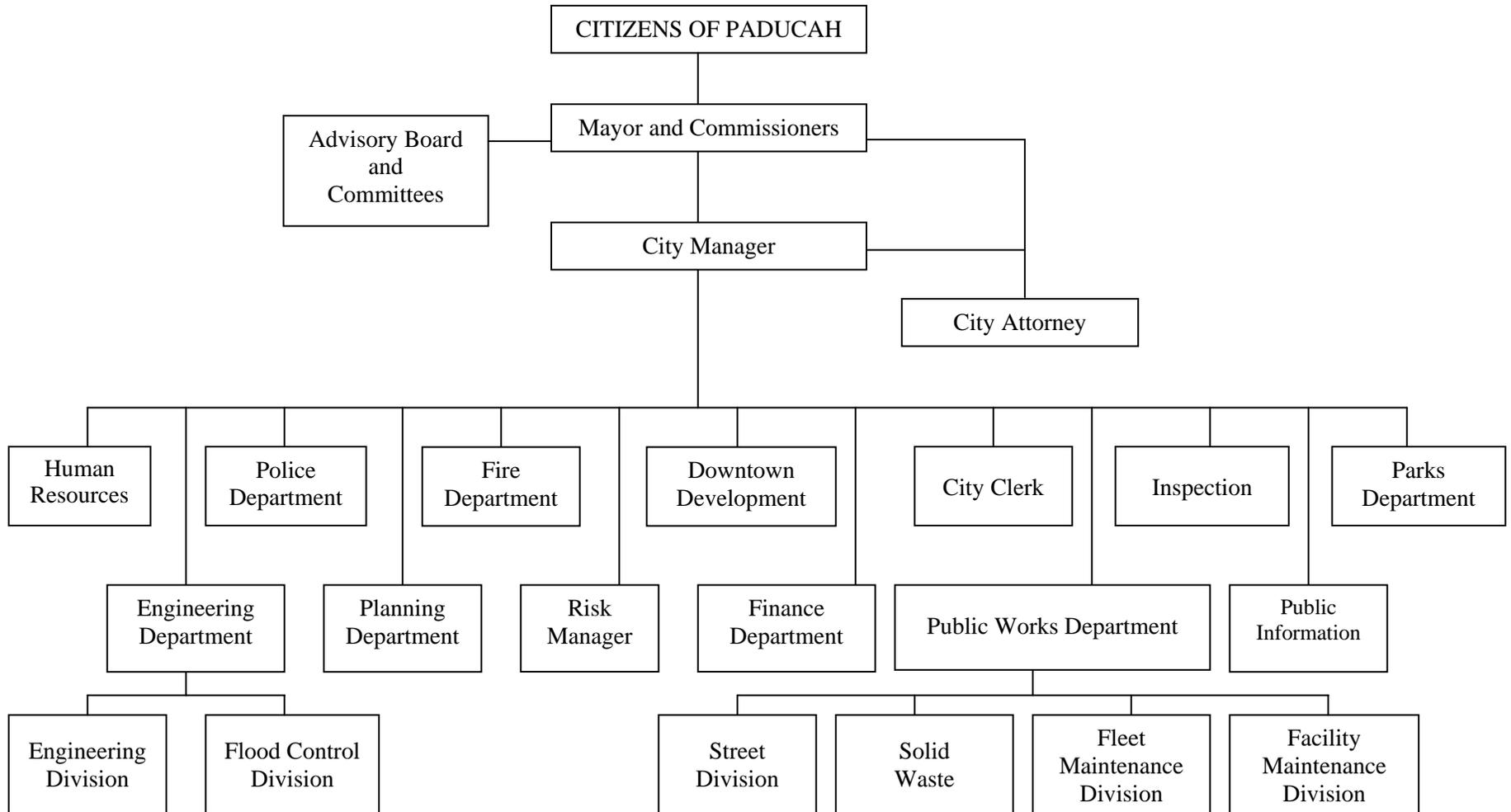
The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We wish to express our appreciation to all members of the Finance Department who assisted and contributed to its preparation, and special thanks to Kemper CPA Group, 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	Robert Coleman
Commissioner	Gerald Watkins
Commissioner	Gayle Kaler
Commissioner	Buz Smith

CITY MANAGER

James Zumwalt

Human Resources	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	Earnie Via
Information Services	Greg Mueller
City Clerk	Tammy Brock
Risk Manager	Cindy Medford
Public Information	Pam Spencer
Downtown Development	Steve Doolittle

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, 2006

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.



A handwritten signature in black ink, appearing to read "Ronald J. Blain".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emmer".

Executive Director

CITY OF PADUCAH, KENTUCKY

FINANCIAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2007

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, 2007, 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund, Special Revenue Investment Fund and General Capital Improvements Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of each nonmajor governmental, nonmajor enterprise, internal service, and fiduciary fund, which collectively comprise the City's combining and individual fund statements and schedules as listed in the table of contents as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the non-major governmental funds, 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 December 17, 2007, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Pension Trust Fund Schedules on pages 13 through 25 and 90, 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 and statistical section 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 schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections 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.

Kemper CPA Group, LLP

Certified Public Accountants and Consultants
Paducah, Kentucky
December 17, 2007

CITY OF PADUCAH, KENTUCKY

REQUIRED SUPPLEMENTARY INFORMATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2007

CITY OF PADUCAH, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

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, 2007. 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 1-7) and the basic financial statements (pages 26-89) 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 \$49.5 million at the close of the 2006-2007 fiscal year. Of this amount, \$8.9 million (unrestricted net assets) may be used to meet City government's ongoing obligations to citizens and creditors.
- Total net assets increased \$6.0 million.
- At fiscal year end, City governmental funds reported a combined ending fund balance of \$16.1 million. Approximately 65% of this total amount, \$10.5 million, is unreserved and available for spending at the City's discretion. Of the \$10.5 million, \$534,025 is in various special funds, which are earmarked for specific purposes.
- At the end of the current fiscal year, unreserved general fund balance was \$10.0 million, of which cash makes up approximately \$5.3 million. When compared to actual total appropriations, the general fund cash balance is 18%.

II. Overview of Financial Statements

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

A. Government-Wide Financial Statements

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

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

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

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

debt. Business-type activities of the City include Solid Waste, Civic Center and Telecommunication Information System Authority (TISA).

Government-wide financial statements include not only the City (the primary government), but also a legally separate Paducah Water Works, Paducah Power System and 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 26-29 of this report.

B. Fund Financial Statements

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

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

The City maintains thirteen (13) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, General Capital Improvements, and Investment Funds, all of which are considered to be major funds. Data from the other ten (10) funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining and individual fund statements elsewhere in this report on pages 91-103.

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 32-33) and Exhibit 6 (pages 36-37) 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 30-37 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 three enterprise funds to account for Solid Waste, Civic Center and TISA, as well as certain component units that provide electric, water, and public transit. TISA and Civic Center receive subsidy from the General Fund.

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 47-49.

- 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 104-106 of this report. Individual data for the internal service funds is likewise presented in the form of combining statements on pages 107-109 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, Other Trust Funds, Maintenance and Rehabilitation Trust and Payroll Agency) are presented in the form of combining statements on pages 110-114 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 56-89 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 91-114 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 \$49.5 million as of June 30, 2007.

The largest portion of the City's net assets (69%) 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.

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 (18%) may be used to meet the City's ongoing obligations to citizens and creditors.

As of June 30, 2007, 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.

City of Paducah, Kentucky

Net Assets

June 30

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current Assets	\$ 33,220,547	\$ 29,580,305	\$ 2,222,258	\$ 2,586,401	\$ 35,442,805	\$ 32,166,706
Capital Assets	38,575,330	36,786,376	1,491,523	1,277,720	40,066,853	38,064,096
Other noncurrent assets	6,520,288	6,833,601	-	-	6,520,288	6,833,601
Total Assets	78,316,165	73,200,282	3,713,781	3,864,121	82,029,946	77,064,403
Current Liabilities	8,045,120	8,287,277	300,832	420,861	8,345,952	8,708,138
Noncurrent liabilities	22,132,588	22,822,101	2,068,712	2,033,450	24,201,300	24,855,551
Total liabilities	30,177,708	31,109,378	2,369,544	2,454,311	32,547,252	33,563,689
Net assets:						
Invested in capital assets, net of related debt	32,557,572	30,664,671	1,491,523	1,277,720	34,049,095	31,942,391
Restricted	6,523,244	3,708,035	-	-	6,523,244	3,708,035
Unrestricted	9,057,641	7,718,198	(147,286)	132,090	8,910,355	7,850,288
TOTAL NET ASSETS	\$ 48,138,457	\$ 42,090,904	\$ 1,344,237	\$ 1,409,810	\$ 49,482,694	\$ 43,500,714

A. Analysis of the City's Operations

The following table provides a summary of the City's operations for the years ended June 30, 2007 and 2006. Governmental activities increased the City's net assets by \$6,047,553. Business-type activities decreased the City's net assets by \$65,573.

The following table provides a summary of the City's operations for the years ended June 30, 2007 and June 30, 2006:

City of Paducah, Kentucky

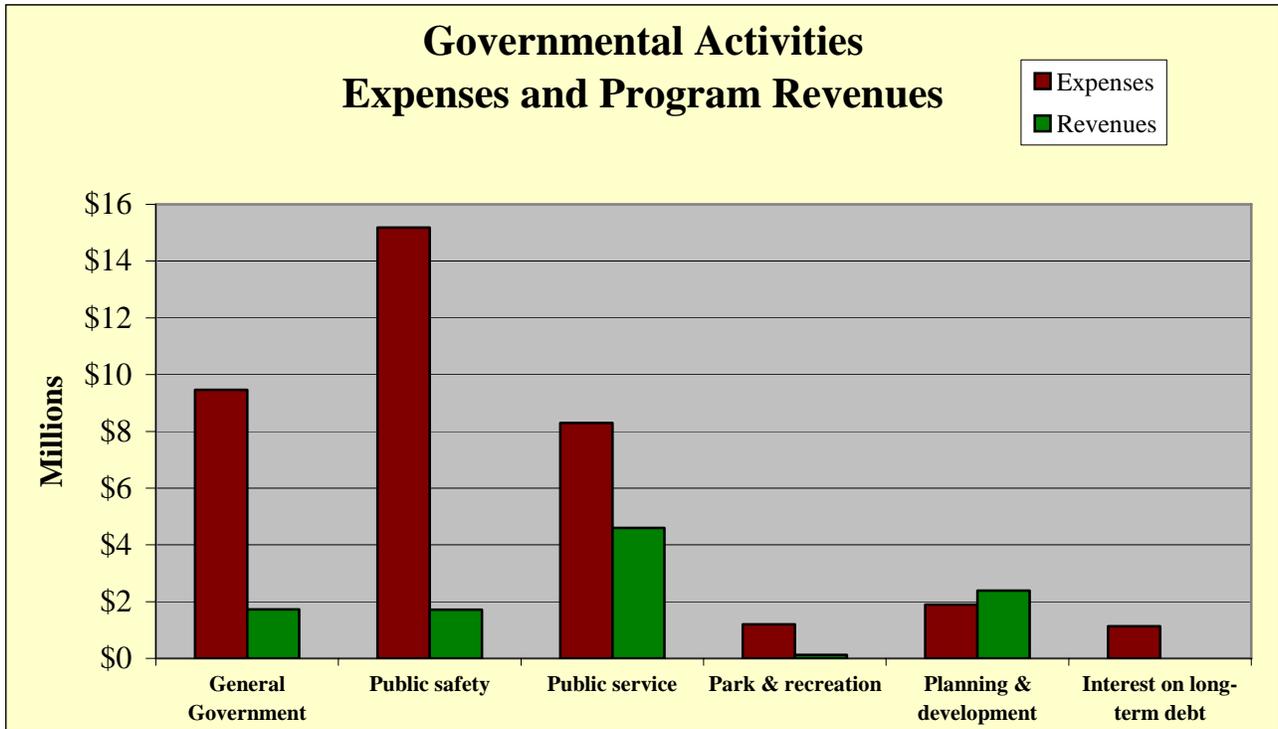
Changes in Net Assets

June 30

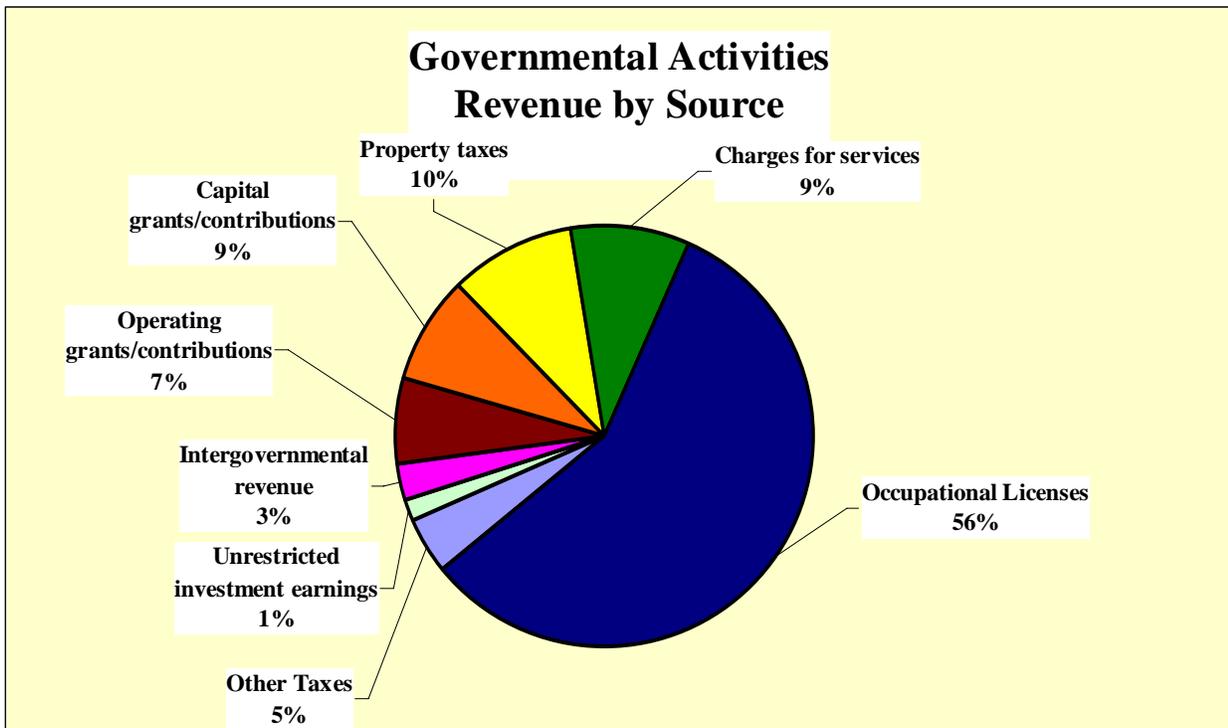
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program revenues:						
Charges for services	\$ 4,038,902	\$ 3,452,878	\$ 4,153,226	\$ 3,829,684	\$ 8,192,128	\$ 7,282,562
Operating grants/ contributions	2,797,216	2,988,612	-	-	2,797,216	2,988,612
Capital grants/ contributions	3,681,490	3,302,568	23,969	22,894	3,705,459	3,325,462
General Revenues:						
Property taxes	4,122,538	4,107,934	-	-	4,122,538	4,107,934
Franchise taxes	183,736	282,115	-	-	183,736	282,115
Telecommunications tax	522,665	626,971	-	-	522,665	626,971
Insurance premium tax	4,414,672	3,863,953	-	-	4,414,672	3,863,953
Vehicle tax	594,585	518,648	-	-	594,585	518,648
Bank tax	163,930	178,871	-	-	163,930	178,871
Gross receipts license tax	4,050,057	3,899,432	-	-	4,050,057	3,899,432
Employee license tax	16,273,966	14,794,217	-	-	16,273,966	14,794,217
Other taxes	499,185	498,409	-	-	499,185	498,409
Intergovernmental revenue	1,243,028	1,201,973	-	-	1,243,028	1,201,973
Unrestricted investment earnings	639,702	462,292	83,854	85,786	723,556	548,078
Gain on sale of capital assets	48,656	8,340	16,641	55,337	65,297	63,677
Total revenues	43,274,328	40,187,213	4,277,690	3,993,701	47,552,018	44,080,914
Expenses:						
General Government	9,462,543	9,057,295	-	-	9,462,543	9,057,295
Public safety	15,182,704	14,592,756	-	-	15,182,704	14,592,756
Public service	8,299,658	8,486,662	-	-	8,299,658	8,486,662
Park & recreation	1,197,072	1,044,361	-	-	1,197,072	1,044,361
Planning & development	1,891,725	2,404,636	-	-	1,891,725	2,404,636
Interest on long-term debt	1,134,898	974,101	-	-	1,134,898	974,101
Solid Waste	-	-	4,079,684	3,893,013	4,079,684	3,893,013
Civic Center	-	-	54,560	45,894	54,560	45,894
TISA	-	-	267,194	269,781	267,194	269,781
Total expenses	37,168,600	36,559,811	4,401,438	4,208,688	41,570,038	40,768,499
Increase (decrease) in Net assets before transfers	6,105,728	3,627,402	(123,748)	(214,987)	5,981,980	3,412,415
Transfers	(58,175)	(115,754)	58,175	115,754	-	-
Change in net assets	6,047,553	3,511,648	(65,573)	(99,233)	5,981,980	3,412,415
Net assets, July 1	42,090,904	38,579,256	1,409,810	1,509,043	43,500,714	40,088,299
NET ASSETS, JUNE 30	\$ 48,138,457	\$ 42,090,904	\$ 1,344,237	\$ 1,409,810	\$ 49,482,694	\$ 43,500,714

B. Governmental Activities

As with most municipalities, the City’s governmental activities are heavily subsidized by taxes, with little or no program revenue for each function. The chart below demonstrates the importance of tax revenue to essential functions of the City.



The graph below depicts the breakdown of revenue by source for fiscal year 2007.



In fiscal year 2007, the City derived 71% of its revenue from taxes/licenses. Occupational licenses, which include both payroll withholding tax, business licenses, and insurance premium tax is the largest source of income to the City, totaling approximately \$24.7 million. This area of revenue grew almost 10% from the prior year, with the majority of the increase resulting from payroll withholding tax collections.

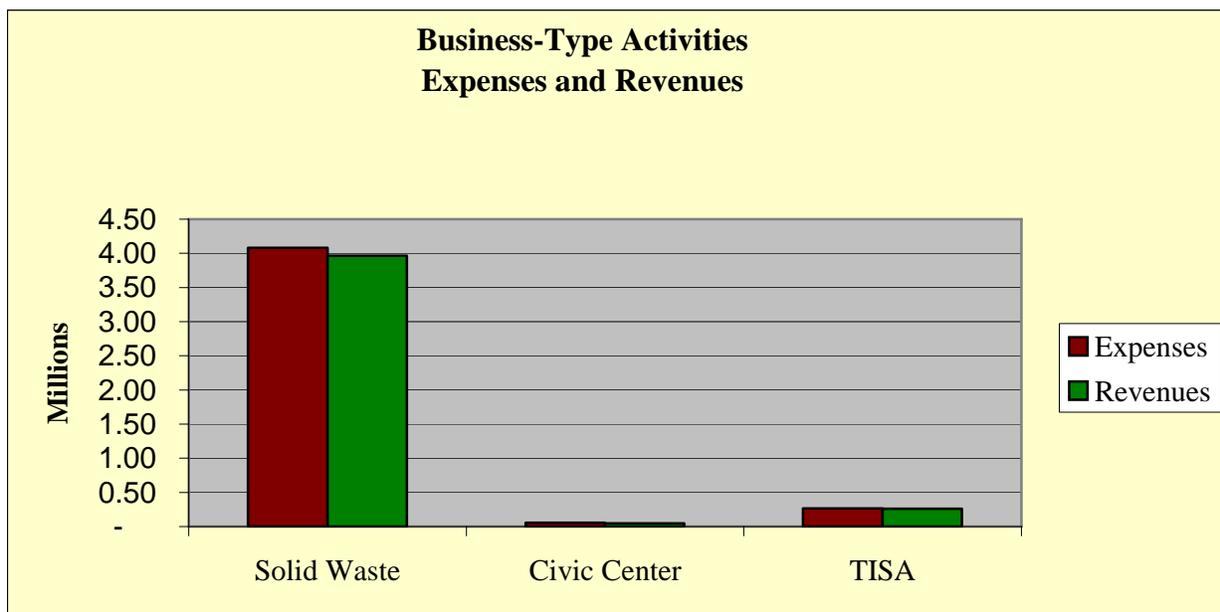
It should be noted that property tax revenue remained fairly flat from the prior year. As a component of the payroll tax increase, which was implemented in October 2005, the Commission committed to reducing property taxes, so that the goods and services provided by the City would be more equally supported by the massive inflow of population into the City daily for business and entertainment. The Commission has kept its commitment by decreasing the rate from \$.30 to \$.275 in fiscal year 2007 and again to \$.25 for fiscal year 2008. Although there was a decrease in the tax rate, new properties, annexation, and increasing property value assessments kept the revenue source stable.

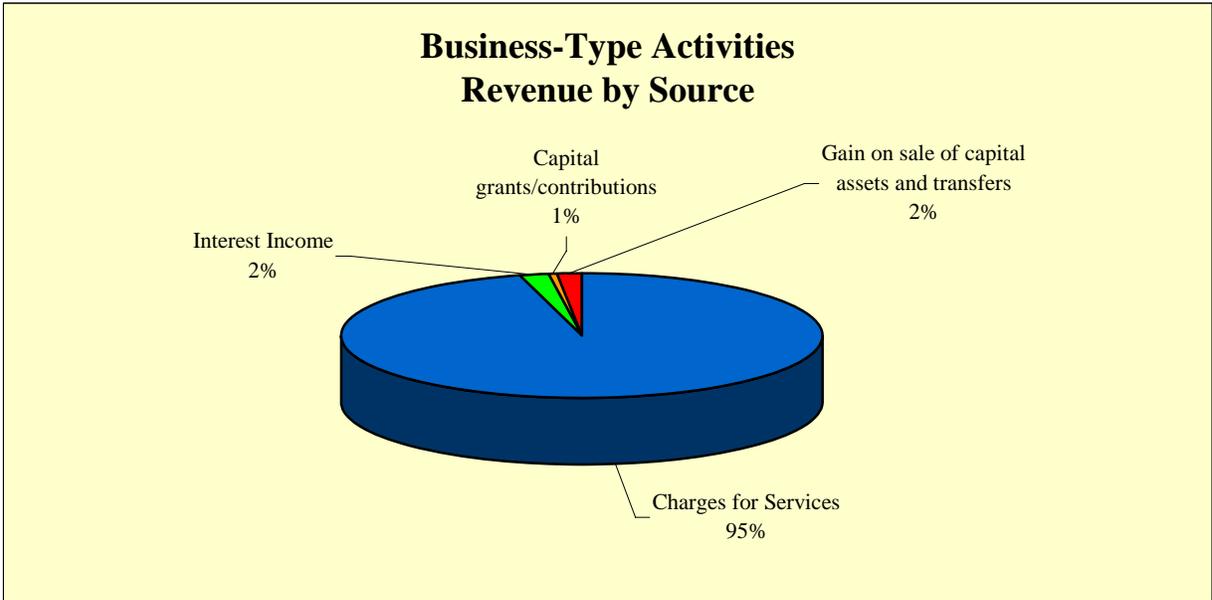
C. Business-Type Activities

Business-type activities decreased the City’s net assets by \$65,573, in contrast to the positive position in net assets for Governmental Activities for the year.

The chart below shows the operating results for each of the City’s business-type activities. These activities should break-even; the charges for services should be large enough to sustain operations. Although there was a decrease in net assets from the prior year, the operating gap was reduced by one-third.

The Solid Waste fund, as a major fund of the organization, is of particular interest. Efforts are currently being made to improve the performance of this function, including rate increases for fiscal year 2008, as well as efficiency measures through equipment and route reorganization.



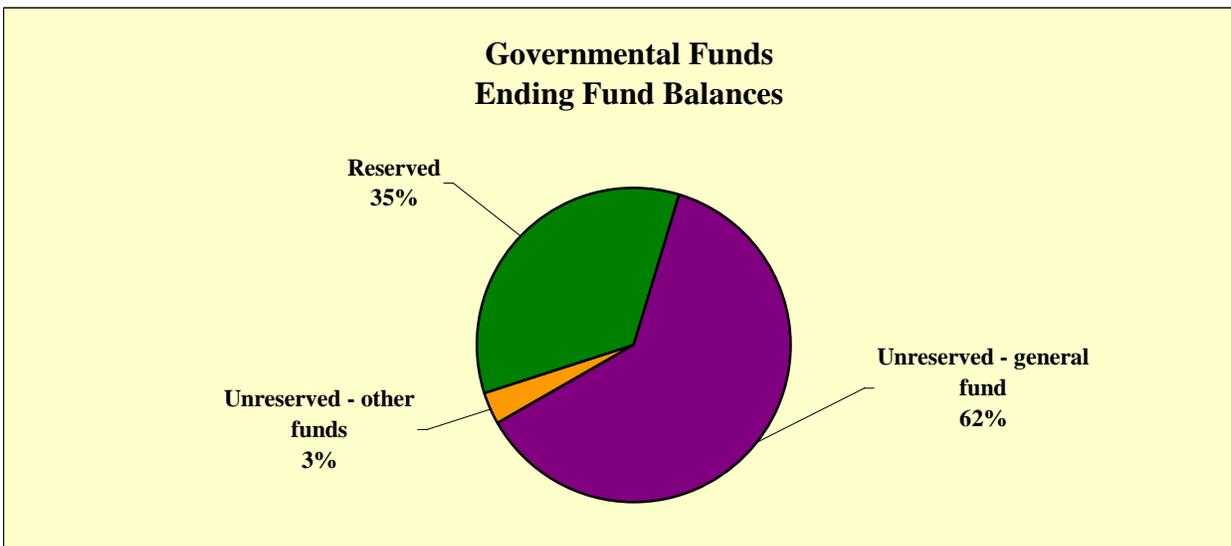


IV. Financial Analysis of the City's Funds

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 \$16.1 million (see Exhibit 3). Approximately 65% of this total amount, \$10.5 million, is unreserved fund balance, which is available for spending at the government's discretion but only up to the amount represented by cash. Of the \$10.5 million, \$534,025 is in the debt service fund and various special revenue funds, which are earmarked for specific purposes. The remaining \$5.6 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 2006-2007 fiscal year, the general fund unreserved fund balance was \$10.0 million. City fiscal policy (ordinance 2006-6-7137) required that an amount not less than 8% of the General Fund's budgeted expenditures remain undesignated in the fund balance, or \$2.3 million, which leaves \$7.7 million as unreserved for fiscal year 2007. While \$7.7 million represents unreserved fund balance, it is worth noting here that at year-end there was only \$5.3 million available as cash, the balance is tied up in other assets including accounts receivable and property taxes collectible. 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 35% of expenditures and transfers out (\$29 million). When compared to total appropriations (\$29 million), the general fund cash balance (\$5.3 million) is 18%.

The General Fund fund balance increased by \$819 thousand during the 2006-2007 fiscal year and was the result of expenditures being held down and a strong revenue environment, thus revenues outgrew expenditures. Key factors contributing to this positive change include the following:

- o Strong business license collections,
- o Continued growth in payroll tax collections, and
- o Increased property values

The General Capital Improvements Fund had a fund balance of \$2.9 million all of which is reserved. The General Capital Improvements fund balance increased \$1 million over last year. The fund balance increased because several capital projects that were fully funded had not yet been completed; therefore, funds remained on hand at year-end.

The Investment Fund had a fund balance of \$1.7 million, all of which is reserved for capital projects. The Investment Fund's fund balance increased \$1.0 million. The Investment Fund was authorized by the City Commission in fiscal year 2005-2006 as a special revenue fund whose use is restricted to economic development, community redevelopment and capital and infrastructure projects. The Investment Fund captures all manner of financial activities related to revenue from the ½ cent payroll tax increase, effective October 1, 2005.

B. Proprietary Funds

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

Net assets of the respective proprietary funds are:

Solid Waste	\$ 821,214
Civic Center	223,764
TISA	203,543

Combined total net asset change for the three funds was a decrease of \$128 thousand, broken down as follows: Solid Waste (\$114 thousand), Civic Center (\$8 thousand), and TISA (\$6 thousand). Other factors concerning the proprietary enterprise funds have been addressed in the discussion of City business-type activities (III, C).

V. General Fund Budgetary Highlights

Differences between the original budget and the final actual amounts resulted in a \$1.128 million decrease in appropriations and can be briefly summarized as follows:

<u>Department</u>	<u>Appropriations</u>	
	<u>Increase</u>	<u>Decrease</u>
	<u>(In Thousands)</u>	
General administration	\$ -	\$ 296
Finance	16	-
Planning	-	56
Human rights	-	6
Human resources	-	4
Inspection	-	-
Information systems	-	53
Risk management	-	6
Police	-	484
Fire	-	34
Public works	-	355
Engineering services	-	109
Recreation	-	58
Other	317	-

Transfers out were increased \$1.2 million. This increase is due to two mid-year budget appropriations designating nearly \$1 million for capital projects such as waterfront engineering/design, various roof replacements, and floodwall restoration engineering. Appropriations were also made for funding the old Police and Fire Pension Fund and an IAFF pay raise for members.

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, 2007, is \$40.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles 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 2007, projects and equipment expenditures totaled nearly \$6.5 million. The largest capital-type projects, in terms of dollars in fiscal year 2007, are shown in the following table:

Pecan Drive improvement project	\$3,251,321
Neighborhood Redevelopment (includes Fountain & Lowertown)	732,215
Noble Park Improvements & Recreation Trail	588,684
Olivet Church & Coleman Road Improvements	853,232

In the upcoming years, several street, economic development, riverfront 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, recreational facility improvements, continued neighborhood revitalization, and street and sidewalk rehabilitation are among the projects to be addressed.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 6,518,216	\$ 5,320,275	\$ 65,908	\$ 65,908	\$ 6,584,124	\$ 5,386,183
Land improvements	1,606,021	940,577	-	-	1,606,021	940,577
Construction in progress	802,177	3,945,451	-	-	802,177	3,945,451
Buildings and improvements	7,208,859	7,103,751	253,670	267,090	7,462,529	7,370,841
Infrastructure	19,175,949	16,261,506	-	-	19,175,949	16,261,506
Equipment	1,460,002	1,583,603	55,343	111,326	1,515,345	1,694,929
Furnishings and fixtures	5,845	7,112	-	-	5,845	7,112
Vehicles	1,798,261	1,624,101	1,116,602	833,396	2,914,863	2,457,497
TOTALS	<u>\$ 38,575,330</u>	<u>\$ 36,786,376</u>	<u>\$ 1,491,523</u>	<u>\$ 1,277,720</u>	<u>\$ 40,066,853</u>	<u>\$ 38,064,096</u>

Additional information on City capital assets can be found in Note 3 in the notes to financial statements on pages 70-73.

B. Long-Term Debt

At year-end, the City had \$23,569,480 in outstanding bonds, accrued compensated absences and notes payable, compared to \$24,083,707 at June 30, 2006 with maturities extending through 2026. During the year, the City's total debt decreased by \$514,227, as shown in the following table:

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Convention and Performing Arts Center – 2001	\$ 7,870,000	\$ 8,130,000
Kentucky League of Cities – 2003	2,968,856	3,110,441
Infiniti Media Building – 2004	4,515,000	4,680,000
General Fund accrued compensated absences	1,938,958	1,854,481
KACO – 2005	105,000	208,785
Police/Firefighter Pension Fund Liability – 2006	5,925,000	6,100,000
Jones Agreement (Art School) -- 2007	246,666	-
TOTALS	<u>\$23,569,480</u>	<u>\$24,083,707</u>

Convention and Performing Arts Center. 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.

Kentucky League of Cities. In fiscal year 2003, 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).

Infiniti Media Building. 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.

KACO. In fiscal year 2005, the County of McCracken entered into two separate agreements totaling \$550,000, with the Kentucky Association of Counties (KACO) for purchase of a rail spur and construction of a speculative building in the Industrial Park West. In fiscal year 2007, the Paducah-McCracken County Industrial Development Authority received a \$125,000 grant from the Delta Regional Commission. The entire payment was applied toward the rail spur note, and the note was paid in full by the end of the fiscal year. The remaining speculative building note is required to be fully paid within 5 years from date of issue and is backed jointly by the full faith and credit of the City and County. While the County issued the note, 50% of the principal amount was issued on behalf of the City, which intends to participate on an equal basis with the County in accordance with an interlocal agreement.

Police/Firefighter Pension Fund Liability In fiscal year 2006, the City issued \$6.1 million in general obligation bonds to finance the police and firefighter's pension fund estimated pension liability. These bonds are to be fully paid within 20 years and are backed by the full faith and credit of the City.

Jones Agreement (Art School). In fiscal year 2007, the City entered into an agreement with F. Burnham and Cynthia Jones in the amount of \$375,000 to finance the acquisition of real property to be used for the development of an art school. This note is to be fully paid by January 2009.

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 \$182,759,543. 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. In fiscal year 2007, less than 6.6% 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 73-76.

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

- A. General Comments.** Paducah continued to experience steady-growth in the local economy as compared to the national economy in fiscal year 2007. It is estimated that over 100 jobs were created or retained in fiscal year 2007 along with \$9.1 million in private capital investments. Paducah continues to experience retail growth in the Kentucky Oaks Mall area and the City's Southside in addition to job expansions in the Information Age Park and the Industrial Park West.
- B. Downtown Development.** 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. Just prior to the end of fiscal year 2007, the City hired a Downtown Development Director. This new cost center is tasked with establishing a Tax Increment Financing (TIF) District in the downtown/riverfront area for financing current and future development projects as well as mediating between the City and potential hotel and business developers in the downtown area.
- C. Unemployment Rate.** The unemployment rate for the City of Paducah (McCracken County) as of June 2007 was 5.6%.

- D. Inflationary Trends.** Inflationary trends in the City compare favorably to state and national trends.
- E. Annexation Policy.** 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.
- F. Post-employment Benefits.** Personal service costs make up nearly 67% of the City's annual budget, and that number increases annually partially due to rising retirement costs. In the past five years, the City's combined hazardous and non-hazardous retirement contribution has more than doubled, increasing annual expenditures approximately \$2 million from fiscal year 2004 to the projected figures for fiscal year 2008. Providing this benefit has become so costly that for the first time in fiscal year 2007, retirement match exceeded the cost of providing health insurance to City employees. Although Kentucky Retirement Systems has announced a slight decrease in fiscal year 2009 rates, the long-term outlook on funding requirements is of utmost concern.
- G. Permanence of Payroll Tax Increase.** Early in fiscal year 2008, the increase in employee payroll withholding tax that went into effect October 2005 was made permanent. The additional ½% generates approximately \$4 million annually. Making this increase permanent allows for more certainty in long-term planning and partially alleviates the City's long-term concern for funding of capital and economic development projects.
- H. Infrastructure.** Recently completed and upcoming major road/infrastructure projects have and will continue to increase the flow of commerce, tourism and traffic flow in the City. During fiscal 2007, the Pecan Drive Improvements project was completed, an investment of nearly \$5.5 million. This roadway project consists of 1.8 miles of roadway designed to accommodate modern-day traffic flow near the City's retail areas and opens up over 160 acres for development in the western part of the City. The City continues to work on the \$6.5 million Olivet Church Road Project, and is currently in the process of obtaining the necessary right-of way. This project will relieve traffic congestion and improve traffic safety for Interstate 24 at Exit 3 and 4.

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 42001.

CITY OF PADUCAH, KENTUCKY

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2007

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET ASSETS
JUNE 30, 2007

<u>ASSETS</u>	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Current Assets:				
Cash and cash equivalents	\$ 8,109,480	\$ 409,839	\$ 8,519,319	\$ 4,715,392
Investments	5,865,534	1,480,000	7,345,534	-
Receivables, net:				
Notes	351,500	-	351,500	-
Accounts	6,023,457	208,317	6,231,774	2,941,134
Grants	633,323	-	633,323	614,512
Interest	145,684	13,291	158,975	-
Property tax	4,413,890	-	4,413,890	-
Other	-	-	-	803,394
Internal balances	(95,716)	95,716	-	-
Inventory	894,799	-	894,799	1,789,470
Prepaid pension obligation	5,831,378	-	5,831,378	-
Prepaid expenses	1,047,118	15,095	1,062,213	106,720
Other current assets	100	-	100	763,181
Total current assets	33,220,547	2,222,258	35,442,805	11,733,803
Noncurrent Assets:				
Investments, restricted	-	-	-	2,676,425
Notes receivable	6,290,000	-	6,290,000	-
Bond issuance costs, net	230,288	-	230,288	-
Net capital assets:				
Land and construction in progress	7,320,393	65,908	7,386,301	3,517,365
Depreciable capital assets	31,254,937	1,425,615	32,680,552	78,911,052
Restricted assets	-	-	-	1,745,444
Other assets	-	-	-	477,609
Total noncurrent assets	45,095,618	1,491,523	46,587,141	87,327,895
Total assets	\$78,316,165	\$3,713,781	\$82,029,946	\$99,061,698

LIABILITIES

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Current Liabilities:				
Voucher and accounts payable	\$ 1,571,310	\$ 199,615	\$ 1,770,925	\$ 5,086,916
Line of credit	-	-	-	1,568,014
Accrued payables	543,685	30,766	574,451	534,113
Due to other taxing agencies	190,332	-	190,332	-
Deferred revenue	4,196,451	-	4,196,451	768,282
Accrued compensated absences	512,672	70,451	583,123	-
Accrued interest	106,450	-	106,450	156,375
Notes payable due within one year	294,220	-	294,220	55,171
Bonds payable due within one year	630,000	-	630,000	1,375,000
Other current liabilities	-	-	-	1,721,642
Total current liabilities	<u>8,045,120</u>	<u>300,832</u>	<u>8,345,952</u>	<u>11,265,513</u>
Noncurrent Liabilities:				
Accrued compensated absences	1,426,286	6,212	1,432,498	-
Landfill post-closure costs	-	2,062,500	2,062,500	-
Other liabilities	-	-	-	401,938
Notes payable	3,026,302	-	3,026,302	6,479,382
Bonds payable	17,680,000	-	17,680,000	5,020,948
Total noncurrent liabilities	<u>22,132,588</u>	<u>2,068,712</u>	<u>24,201,300</u>	<u>11,902,268</u>
Total liabilities	<u>30,177,708</u>	<u>2,369,544</u>	<u>32,547,252</u>	<u>23,167,781</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	32,557,572	1,491,523	34,049,095	69,355,892
Restricted for:				
Program purposes	1,904,321	-	1,904,321	-
Capital projects	4,618,923	-	4,618,923	-
Debt service	-	-	-	3,458,574
Unrestricted	<u>9,057,641</u>	<u>(147,286)</u>	<u>8,910,355</u>	<u>3,079,451</u>
TOTAL NET ASSETS	<u>\$48,138,457</u>	<u>\$1,344,237</u>	<u>\$49,482,694</u>	<u>\$75,893,917</u>

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
General government	\$ 9,462,543	\$ 1,730,046	\$ -	\$ -
Public safety	15,182,704	1,024,610	60,983	631,644
Public service	8,299,658	1,150,507	399,528	3,044,146
Parks and recreation	1,197,072	122,929	5,000	-
Planning and development	1,891,725	10,810	2,331,705	5,700
Interest on long-term debt	1,134,898	-	-	-
Total governmental activities (See Note 1)	<u>37,168,600</u>	<u>4,038,902</u>	<u>2,797,216</u>	<u>3,681,490</u>
Business-type activities:				
Solid Waste	4,079,684	3,928,141	-	-
Civic Center	54,560	31,372	-	-
TISA	267,194	193,713	-	23,969
Total business-type activities	<u>4,401,438</u>	<u>4,153,226</u>	<u>-</u>	<u>23,969</u>
TOTAL PRIMARY GOVERNMENT	<u><u>\$41,570,038</u></u>	<u><u>\$ 8,192,128</u></u>	<u><u>\$2,797,216</u></u>	<u><u>\$ 3,705,459</u></u>
Component Units:				
Authorities:				
Paducah Water Works	\$ 6,712,204	\$ 6,867,559	\$ -	\$ 520,355
Paducah Power System	48,905,522	49,733,519	-	-
Paducah Transit Authority	5,988,216	3,366,711	1,990,000	531,898
TOTAL COMPONENT UNITS	<u><u>\$61,605,942</u></u>	<u><u>\$59,967,789</u></u>	<u><u>\$1,990,000</u></u>	<u><u>\$ 1,052,253</u></u>

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, restricted for debt and street maintenance
Unrestricted investment earnings
Gain (loss) on sale of capital assets
Miscellaneous
Total general revenues
Transfers
Total general revenues and transfers
Change in net assets
Net assets, July 1, 2006
NET ASSETS, JUNE 30, 2007

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental	Business-type	Total	Component
Activities	Activities		Units
\$ (7,732,497)	\$ -	\$ (7,732,497)	\$ -
(13,465,467)	-	(13,465,467)	-
(3,705,477)	-	(3,705,477)	-
(1,069,143)	-	(1,069,143)	-
456,490	-	456,490	-
(1,134,898)	-	(1,134,898)	-
(26,650,992)	-	(26,650,992)	-
-	(151,543)	(151,543)	-
-	(23,188)	(23,188)	-
-	(49,512)	(49,512)	-
-	(224,243)	(224,243)	-
(26,650,992)	(224,243)	(26,875,235)	-
-	-	-	675,710
-	-	-	827,997
-	-	-	(99,607)
-	-	-	1,404,100
4,122,538	-	4,122,538	-
183,736	-	183,736	-
522,665	-	522,665	-
4,414,672	-	4,414,672	-
594,585	-	594,585	-
163,930	-	163,930	-
4,050,057	-	4,050,057	-
16,273,966	-	16,273,966	-
499,185	-	499,185	-
1,243,028	-	1,243,028	-
639,702	83,854	723,556	481,505
48,656	16,641	65,297	-
-	-	-	331,114
32,756,720	100,495	32,857,215	812,619
(58,175)	58,175	-	-
32,698,545	158,670	32,857,215	812,619
6,047,553	(65,573)	5,981,980	2,216,719
42,090,904	1,409,810	43,500,714	73,677,198
<u>\$ 48,138,457</u>	<u>\$1,344,237</u>	<u>\$ 49,482,694</u>	<u>\$75,893,917</u>

CITY OF PADUCAH, KENTUCKY

BASIC FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2007

CITY OF PADUCAH, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

<u>ASSETS</u>	<u>General Fund</u>	<u>General Capital Improvements</u>	<u>Special Revenue Investment Fund</u>
Cash and cash equivalents	\$ 1,707,270	\$2,624,446	\$ 439,838
Investments	3,542,767	-	-
Accounts receivable:			
Accounts	5,759,882	-	400,000
Grants	70,443	555,290	-
Interest	63,874	-	-
Property taxes (net of allowances for uncollectibles)	4,244,083	-	-
Due from other funds	1,071,915	93,215	951,313
TOTAL ASSETS	\$ 16,460,234	\$3,272,951	\$1,791,151
 <u>LIABILITIES AND FUND BALANCES</u> 			
Liabilities:			
Voucher and accounts payable	\$ 352,590	\$ 346,900	\$ 5,064
Accrued payroll and payroll taxes	492,605	-	-
Due to other funds	951,313	-	93,215
Due to other taxing agencies	190,332	-	-
Deferred revenue	3,997,355	-	-
Accrued compensated absences	499,960	-	-
Total liabilities	6,484,155	346,900	98,279
Fund Balances:			
Reserved for:			
Program purposes	-	-	-
Capital improvements	-	2,926,051	1,692,872
Unreserved:			
General Fund	9,976,079	-	-
Special Revenue Funds	-	-	-
Debt Service Fund	-	-	-
Total fund balances	9,976,079	2,926,051	1,692,872
TOTAL LIABILITIES AND FUND BALANCES	\$ 16,460,234	\$3,272,951	\$1,791,151

See accompanying notes to the basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$2,171,007	\$ 6,942,561
-	3,542,767
105,663	6,265,545
7,589	633,322
-	63,874
-	4,244,083
-	2,116,443
<u>\$2,284,259</u>	<u>\$23,808,595</u>

\$ 435,242	\$ 1,139,796
42,894	535,499
85,816	1,130,344
-	190,332
176,760	4,174,115
-	499,960
<u>740,712</u>	<u>7,670,046</u>

1,009,522	1,009,522
-	4,618,923
-	9,976,079
502,189	502,189
31,836	31,836
<u>1,543,547</u>	<u>16,138,549</u>
<u>\$2,284,259</u>	<u>\$23,808,595</u>

CITY OF PADUCAH, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
JUNE 30, 2007

Total fund balance - total governmental funds \$ 16,138,549

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Other account receivables are not available to pay current expenditures and, therefore, are deferred in the funds. 170,040

Delinquent property taxes receivable are not reported in the governmental funds balance sheet since they are not considered "available" revenues. 169,807

The long-term notes receivable are not reported in the governmental funds balance sheet since they are not available to pay current period expenditures. 6,192,500

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. 26,029

Inventory is not a current financial resource and, therefore, is not reported in the governmental funds balance sheet. 808,216

A prepaid pension obligation is not a current financial resource, and therefore, is not reported in the governmental funds balance sheet. 5,831,378

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. 38,575,330

Long-term liabilities of (\$21,630,522) are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet. See Note 3 for detail. Other related amounts include accrued compensated absences of (\$1,426,286). The long-term liabilities are:

Due within one year	\$ 924,220	
Due after one year	<u>22,132,588</u>	(23,056,808)

(Continued)

CITY OF PADUCAH, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
JUNE 30, 2007

Bond issuance costs used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.		\$ 230,288
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.		(106,450)
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	\$ 4,716,041	
Current liabilities	(1,460,747)	
Net amount allocated to business-type activities	(95,716)	3,159,578
NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$ 48,138,457

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, 2007

	<u>General Fund</u>	<u>General Capital Improvements</u>	<u>Special Revenue Investment Fund</u>
Revenues:			
Taxes	\$ 5,521,404	\$ -	\$ -
Licenses	21,193,930	-	3,946,685
Charges for services	560,289	-	-
Intergovernmental	-	283,755	-
Grants	583,865	3,451,663	-
Interest	492,090	-	-
Miscellaneous	1,068,954	235,902	-
	<u>29,420,532</u>	<u>3,971,320</u>	<u>3,946,685</u>
Total revenues			
Expenditures:			
Current operations:			
General government	4,763,839	-	-
Public safety	13,430,359	-	-
Public service	6,219,132	-	-
Parks and recreation	1,192,727	-	-
Planning and development	-	-	532,190
Other	526,238	-	-
Capital outlay	-	6,504,491	-
Debt service:			
Principal requirement	-	-	-
Interest and fiscal requirement	-	-	-
	<u>26,132,295</u>	<u>6,504,491</u>	<u>532,190</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>3,288,237</u>	<u>(2,533,171)</u>	<u>3,414,495</u>
Other Financing Sources (Uses):			
Long-term debt issued	-	246,667	-
Transfers in	91,668	3,560,249	1
Transfers out	(2,561,136)	(317,697)	(2,441,425)
	<u>(2,469,468)</u>	<u>3,489,219</u>	<u>(2,441,424)</u>
Total other financing sources (uses)			
Net change in fund balances	818,769	956,048	973,071
Fund balances, July 1, 2006	<u>9,157,310</u>	<u>1,970,003</u>	<u>719,801</u>
FUND BALANCES, JUNE 30, 2007	<u><u>\$ 9,976,079</u></u>	<u><u>\$2,926,051</u></u>	<u><u>\$ 1,692,872</u></u>

See accompanying notes to the basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 522,665	\$ 6,044,069
-	25,140,615
222,729	783,018
1,393,028	1,676,783
2,054,183	6,089,711
48,114	540,204
527,305	1,832,161
<u>4,768,024</u>	<u>42,106,561</u>
-	4,763,839
1,329,376	14,759,735
1,007,410	7,226,542
-	1,192,727
1,892,008	2,424,198
-	526,238
-	6,504,491
782,870	782,870
<u>1,108,385</u>	<u>1,108,385</u>
<u>6,120,049</u>	<u>39,289,025</u>
<u>(1,352,025)</u>	<u>2,817,536</u>
-	246,667
1,558,059	5,209,977
<u>(236,464)</u>	<u>(5,556,722)</u>
<u>1,321,595</u>	<u>(100,078)</u>
(30,430)	2,717,458
<u>1,573,977</u>	<u>13,421,091</u>
<u>\$1,543,547</u>	<u>\$16,138,549</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, 2007

Net change in fund balances - total governmental funds	\$ 2,717,458
<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.	765,265
Inventory sales provide current financial resources and are reported as revenues in governmental funds.	(125,754)
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.	4,638,045
Contributions for debt service received from other governments are reported as current year revenue in the governmental funds. However, receipts for long-term receivables are not considered revenue in the Statement of Activities.	(212,500)
Accrued 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.	2,279
Delinquent property taxes receivable are not considered "available" revenues in the governmental funds.	23,291
Tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	170,040
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.	118,613

(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, 2007

The issuance of long-term debt provides current financial resources to governmental funds and is reported as revenue in governmental funds. However, the proceeds are not reported in the government-wide Statement of Activities. \$ (246,667)

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 \$497,404. (3,519,277)

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. 845,370

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. (27,014)

Long-term accrued compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (48,644)

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. (13,313)

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	\$ 525,945	
Net of amount allocated to business-type activities	(62,988)	
Depreciation expense	497,404	960,361

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 6,047,553**

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning budgetary fund balance	\$ 9,157,310	\$ 9,157,310	\$ 9,157,310	\$ -
Resources (Inflows):				
Taxes:				
Real and personal, current year	4,385,500	4,549,475	4,549,474	(1)
Real and personal, prior year	107,000	137,365	137,361	(4)
Franchise	260,000	191,210	191,202	(8)
Bank taxes	185,000	163,930	163,930	-
In lieu of tax payment	170,000	166,755	166,757	2
Penalty, interest and advertising	33,500	31,315	31,314	(1)
Paducah Junior College tax collections	-	281,370	281,366	(4)
Total taxes	5,141,000	5,521,420	5,521,404	(16)
Licenses:				
Business licenses	3,955,000	3,899,425	3,899,422	(3)
Employee earnings	11,910,000	12,312,265	12,312,261	(4)
Comcast fees	284,000	342,155	342,155	-
Penalties	67,000	84,875	84,877	2
Alcoholic beverages	116,500	109,775	109,775	-
Insurance premium tax	4,050,000	4,410,285	4,410,285	-
Building permits	123,000	160,320	160,280	(40)
Electrical permits	27,000	42,570	42,403	(167)
Zoning change fees	4,500	3,410	3,407	(3)
Miscellaneous building and electrical fees	500	-	-	-
KJDA payroll rebate	(143,750)	(170,935)	(170,935)	-
Total licenses	20,393,750	21,194,145	21,193,930	(215)
Charges for services:				
Tax collection fee	120,000	115,725	115,724	(1)
Administrative charge	252,000	252,000	252,000	-
Base court revenue	57,000	69,635	69,636	1
Recreation fees	122,000	122,930	122,929	(1)
Total charges for services	551,000	560,290	560,289	(1)

(Continued)

CITY OF PADUCAH, KENTUCKY
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Grants:				
Police State Incentive	\$ 306,000	\$ 277,100	\$ 277,097	\$ (3)
Fire State Incentive	265,000	239,930	239,928	(2)
Paducah Housing Authority after school program	36,500	36,595	36,594	(1)
Police supplemental grants	5,000	30,220	30,246	26
Total grants	<u>612,500</u>	<u>583,845</u>	<u>583,865</u>	<u>20</u>
Interest	<u>413,000</u>	<u>492,085</u>	<u>492,090</u>	<u>5</u>
Other:				
Property rent and sales	615,240	626,150	626,135	(15)
Property upkeep and maintenance	147,375	164,810	164,811	1
Contractual programs	4,200	10,235	10,231	(4)
E911 - GIS	21,855	21,855	21,859	4
Miscellaneous	181,675	245,920	245,918	(2)
Total other	<u>970,345</u>	<u>1,068,970</u>	<u>1,068,954</u>	<u>(16)</u>
Other financing sources:				
Long-term debt issued	-	-	-	-
Operating transfers in	219,000	91,670	91,668	(2)
Total other financing sources	<u>219,000</u>	<u>91,670</u>	<u>91,668</u>	<u>(2)</u>
Amounts available for appropriation	<u>37,457,905</u>	<u>38,669,735</u>	<u>38,669,510</u>	<u>(225)</u>
Charges to Appropriations (Outflows):				
General government:				
General administration:				
Mayor and Commissioners	200,280	197,230	197,230	-
City Manager	354,075	330,760	330,760	-
City Clerk	184,630	152,165	152,166	(1)
Corporate Counsel	178,630	144,560	144,559	1
Non-departmental	416,800	591,500	591,500	-
Memberships and contingency	401,155	23,945	23,944	1
Civic beautification	3,365	2,975	2,971	4
Total general administration	<u>1,738,935</u>	<u>1,443,135</u>	<u>1,443,130</u>	<u>5</u>
Finance:				
Finance administration	180,510	179,030	179,026	4
Accounting and payroll	357,545	395,815	395,812	3
Revenue collection	372,500	351,805	351,803	2
Total finance	<u>910,555</u>	<u>926,650</u>	<u>926,641</u>	<u>9</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
General government:				
Planning:				
Administration	\$ 260,290	\$ 255,520	\$ 255,518	\$ 2
Planning	250,490	239,060	239,061	(1)
Grants	119,005	79,315	79,316	(1)
Economic development	-	-	-	-
Total planning	<u>629,785</u>	<u>573,895</u>	<u>573,895</u>	<u>-</u>
Human rights	<u>104,000</u>	<u>98,210</u>	<u>98,206</u>	<u>4</u>
Human resources	<u>317,365</u>	<u>313,550</u>	<u>313,548</u>	<u>2</u>
Inspection:				
Inspection administration	181,820	174,335	174,336	(1)
Construction	319,720	336,970	336,968	2
Code enforcement	432,475	422,550	422,546	4
Neighborhood redevelopment	75,390	75,440	75,437	3
Total inspection	<u>1,009,405</u>	<u>1,009,295</u>	<u>1,009,287</u>	<u>8</u>
Information systems	<u>330,510</u>	<u>277,820</u>	<u>277,819</u>	<u>1</u>
Risk management	<u>127,045</u>	<u>121,315</u>	<u>121,313</u>	<u>2</u>
Public safety:				
Police:				
Police administration	1,143,140	1,135,770	1,135,763	7
Patrol	5,559,510	5,218,060	5,218,059	1
Investigations	1,385,585	1,250,045	1,250,044	1
Total police	<u>8,088,235</u>	<u>7,603,875</u>	<u>7,603,866</u>	<u>9</u>
Fire:				
Fire administration	351,790	245,845	245,844	1
Suppression	5,158,355	5,263,140	5,263,135	5
Prevention	219,245	190,070	190,070	-
Training	131,385	127,450	127,444	6
Total fire	<u>5,860,775</u>	<u>5,826,505</u>	<u>5,826,493</u>	<u>12</u>
Public service:				
Public works:				
Public Works Administration	307,450	302,045	302,044	1
Street maintenance	2,320,990	1,980,415	1,980,412	3
Street lighting	445,000	463,280	463,280	-

CITY OF PADUCAH, KENTUCKY
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public service:				
Public works:				
Downtown maintenance	\$ 317,685	\$ 321,130	\$ 321,128	\$ 2
Landscape maintenance	2,061,045	2,055,015	2,055,011	4
Summer youth program	74,615	49,385	49,383	2
Total public works	<u>5,526,785</u>	<u>5,171,270</u>	<u>5,171,258</u>	<u>12</u>
Engineering services:				
Engineering services	705,125	610,530	610,527	3
Flood control	451,600	437,350	437,347	3
Total engineering services	<u>1,156,725</u>	<u>1,047,880</u>	<u>1,047,874</u>	<u>6</u>
Recreation:				
Recreation administration	619,250	627,680	627,677	3
Pools and recreation	631,880	565,055	565,050	5
Total recreation	<u>1,251,130</u>	<u>1,192,735</u>	<u>1,192,727</u>	<u>8</u>
Other:				
Cable authority	71,470	83,980	83,978	2
Leave expense	-	49,060	49,056	4
Intergovernmental expense	-	281,366	281,366	-
Miscellaneous property expense	137,460	111,840	111,838	2
Total other	<u>208,930</u>	<u>526,246</u>	<u>526,238</u>	<u>8</u>
Other financing uses:				
Operating transfers out	1,332,505	2,561,140	2,561,136	4
Total charges to appropriations	<u>28,592,685</u>	<u>28,693,521</u>	<u>28,693,431</u>	<u>90</u>
BUDGETARY FUND BALANCE, JUNE 30, 2007	<u><u>\$ 8,865,220</u></u>	<u><u>\$ 9,976,214</u></u>	<u><u>\$ 9,976,079</u></u>	<u><u>\$ (135)</u></u>

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

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

Sources/inflows of resources:

Actual amounts "available for appropriation" from the budgetary comparison schedule	\$ 38,669,510
---	---------------

Differences - budget to GAAP:

The beginning fund balance is a budgetary resource, but is not a current year revenue for financial reporting purposes	(9,157,310)
--	-------------

Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	<u>(91,668)</u>
--	-----------------

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u><u>\$ 29,420,532</u></u>
--	-----------------------------

Uses/outflows of resources:

Actual amounts "total charges to appropriations" from the budgetary comparison schedule	\$ 28,693,431
---	---------------

Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes	<u>(2,561,136)</u>
---	--------------------

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u><u>\$ 26,132,295</u></u>
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See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
SPECIAL REVENUE INVESTMENT FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning budgetary fund balance	\$ 719,801	\$ 719,801	\$ 719,801	\$ -
Resources (Inflows):				
Licenses:				
Employee earnings	3,900,000	3,946,685	3,946,685	-
Total licenses	3,900,000	3,946,685	3,946,685	-
Other financing sources:				
Operating transfers in	-	-	1	1
Total other financing sources	-	-	1	1
Amounts available for appropriation	4,619,801	4,666,486	4,666,487	1
Charges to Appropriations (Outflows):				
General government:				
Planning and development:				
Economic development	976,700	532,255	532,190	65
Total planning and development	976,700	532,255	532,190	65
Other financing uses:				
Operating transfers out	3,302,440	2,441,430	2,441,425	5
Total charges to appropriations	4,279,140	2,973,685	2,973,615	70
BUDGETARY FUND BALANCE, JUNE 30, 2007	\$ 340,661	\$ 1,692,801	\$ 1,692,872	\$ 71

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
SPECIAL REVENUE INVESTMENT FUND
FOR THE YEAR ENDED JUNE 30, 2007

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

Sources/inflows of resources:

Actual amounts "available for appropriation" from the budgetary comparison schedule	\$ 4,666,487
---	--------------

Differences - budget to GAAP:

The beginning fund balance is a budgetary resource, but is not a current year revenue for financial reporting purposes	(719,801)
--	-----------

Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	(1)
--	-----

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$ 3,946,685</u>
--	---------------------

Uses/outflows of resources:

Actual amounts "total charges to appropriations" from the budgetary comparison schedule	\$ 2,973,615
---	--------------

Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes	<u>(2,441,425)</u>
---	--------------------

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$ 532,190</u>
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See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
GENERAL CAPITAL IMPROVEMENTS FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning budgetary fund balance	\$ 1,970,003	1,970,003	1,970,003	\$ -
Resources (Inflows):				
Intergovernmental and grants				
Intergovernmental	-	283,755	283,755	-
Grants	-	3,451,660	3,451,663	3
Total intergovernmental and grants	-	3,735,415	3,735,418	3
Interest	-	-	-	-
Other:				
Miscellaneous	-	235,895	235,902	7
Total other	-	235,895	235,902	7
Other financing sources:				
Long-term debt issued	-	246,670	246,667	(3)
Operating transfers in	2,448,250	3,560,255	3,560,249	(6)
Total other financing sources	2,448,250	3,806,925	3,806,916	(9)
Amounts available for appropriation	4,418,253	9,748,238	9,748,239	1
Charges to Appropriations (Outflows):				
General government:				
Capital outlay	2,448,250	6,504,510	6,504,491	19
Total planning and development	2,448,250	6,504,510	6,504,491	19
Other financing uses:				
Operating transfers out	-	317,705	317,697	8
Total charges to appropriations	2,448,250	6,822,215	6,822,188	27
BUDGETARY FUND BALANCE, JUNE 30, 2007	\$ 1,970,003	\$ 2,926,023	\$ 2,926,051	\$ 28

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
GENERAL CAPITAL IMPROVEMENTS FUND
FOR THE YEAR ENDED JUNE 30, 2007

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

Sources/inflows of resources:

Actual amounts "available for appropriation" from the budgetary comparison schedule	\$ 9,748,239
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Differences - budget to GAAP:

The beginning fund balance is a budgetary resource, but is not a current year revenue for financial reporting purposes	(1,970,003)
--	-------------

Proceeds from issuance of long-term debt are inflows of budgetary resources, but are not revenues for financial reporting purposes	(246,667)
--	-----------

Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	<u>(3,560,249)</u>
--	--------------------

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$ 3,971,320</u>
--	---------------------

Uses/outflows of resources:

Actual amounts "total charges to appropriations" from the budgetary comparison schedule	\$ 6,822,188
---	--------------

Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes	<u>(317,697)</u>
---	------------------

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$ 6,504,491</u>
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See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

<u>ASSETS</u>	<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>
Current Assets:				
Cash and cash equivalents	\$ 318,670	\$ 91,170	\$ 409,840	\$1,166,918
Investments	1,480,000	-	1,480,000	2,322,767
Accounts receivable	136,070	72,246	208,316	-
Interest receivable	13,291	-	13,291	92,653
Prepaid expenses	-	15,095	15,095	1,047,118
Inventory	-	-	-	86,585
Total current assets	<u>1,948,031</u>	<u>178,511</u>	<u>2,126,542</u>	<u>4,716,041</u>
Noncurrent Assets:				
Net capital assets:				
Land	65,908	-	65,908	-
Depreciable capital assets	<u>1,163,799</u>	<u>261,816</u>	<u>1,425,615</u>	<u>1,808,391</u>
Total noncurrent assets	<u>1,229,707</u>	<u>261,816</u>	<u>1,491,523</u>	<u>1,808,391</u>
Total assets	<u>3,177,738</u>	<u>440,327</u>	<u>3,618,065</u>	<u>6,524,432</u>
	<u>LIABILITIES</u>			
Current Liabilities:				
Voucher and accounts payable	186,595	13,020	199,615	431,513
Accrued payroll and payroll taxes	30,766	-	30,766	8,186
Accrued compensated absences	70,451	-	70,451	12,713
Deferred revenue	-	-	-	22,335
Due to other funds	-	-	-	986,000
Total current liabilities	<u>287,812</u>	<u>13,020</u>	<u>300,832</u>	<u>1,460,747</u>
Noncurrent Liabilities:				
Landfill post-closure costs	2,062,500	-	2,062,500	-
Accrued compensated absences	<u>6,212</u>	<u>-</u>	<u>6,212</u>	<u>-</u>
Total noncurrent liabilities	<u>2,068,712</u>	<u>-</u>	<u>2,068,712</u>	<u>-</u>
Total liabilities	<u>2,356,524</u>	<u>13,020</u>	<u>2,369,544</u>	<u>1,460,747</u>
	<u>NET ASSETS</u>			
Invested in capital assets	1,229,707	261,816	1,491,523	1,808,391
Unrestricted	<u>(408,493)</u>	<u>165,491</u>	<u>(243,002)</u>	<u>3,255,294</u>
TOTAL NET ASSETS	<u>\$ 821,214</u>	<u>\$427,307</u>	1,248,521	<u>\$5,063,685</u>
Reconciliation to government-wide statements of net assets:				
Adjustment to reflect the consolidation of Internal Service Funds' activities related to Enterprise Funds			<u>95,716</u>	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES			<u>\$1,344,237</u>	

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, 2007

	Business-type Activities			Governmental
	Solid Waste	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Operating Revenues:				
Charges for services - internal	\$ 3,848,021	\$160,807	\$4,008,828	\$5,611,715
Charges for services - external	-	-	-	426,632
Miscellaneous	17,132	64,278	81,410	-
Total operating revenues	<u>3,865,153</u>	<u>225,085</u>	<u>4,090,238</u>	<u>6,038,347</u>
Operating Expenses:				
Cost of sales and service	3,791,225	257,146	4,048,371	5,180,443
Depreciation and amortization	288,458	64,609	353,067	497,404
Total operating expenses	<u>4,079,683</u>	<u>321,755</u>	<u>4,401,438</u>	<u>5,677,847</u>
Operating income (loss)	<u>(214,530)</u>	<u>(96,670)</u>	<u>(311,200)</u>	<u>360,500</u>
Nonoperating Revenues (Expenses):				
Interest and investment income	83,854	-	83,854	97,219
Gain (loss) on disposal of property and equipment	16,641	-	16,641	48,656
Total nonoperating revenues (expenses)	<u>100,495</u>	<u>-</u>	<u>100,495</u>	<u>145,875</u>
Income (loss) before contributions and transfers	<u>(114,035)</u>	<u>(96,670)</u>	<u>(210,705)</u>	<u>506,375</u>
Contributions and Transfers:				
Capital contributions	-	23,969	23,969	-
Transfers in	-	58,175	58,175	19,570
Total contributions and transfers	<u>-</u>	<u>82,144</u>	<u>82,144</u>	<u>19,570</u>
Change in net assets	(114,035)	(14,526)	(128,561)	525,945
Total net assets, July 1, 2006	<u>935,249</u>	<u>441,833</u>		<u>4,537,740</u>
TOTAL NET ASSETS - JUNE 30, 2007	<u><u>\$ 821,214</u></u>	<u><u>\$427,307</u></u>		<u><u>\$5,063,685</u></u>
Reconciliation to government-wide statements of net assets:				
Adjustment to reflect the consolidation of Internal Service Funds' activities related to Enterprise Funds			<u>62,988</u>	
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES			<u><u>\$ (65,573)</u></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, 2007

	Business-type Activities			Governmental
	Solid Waste	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Cash Flows from Operating Activities:				
Cash received from customers	\$ 3,810,046	\$ 157,230	\$ 3,967,276	\$ 6,208,087
Payments to suppliers	(2,572,618)	-	(2,572,618)	(224,921)
Payments to employees	(880,173)	-	(880,173)	(296,268)
Claims paid	-	-	-	(3,408,898)
Payments to internal service funds	(426,216)	(4,828)	(431,044)	-
Other receipts (payments)	17,132	(250,967)	(233,835)	(1,367,634)
Net cash provided (used) by operating activities	<u>(51,829)</u>	<u>(98,565)</u>	<u>(150,394)</u>	<u>910,366</u>
Cash Flows from Noncapital Financing Activities:				
Transfers (to) from other funds	-	58,175	58,175	19,570
Cash Flows from Capital and Related Financing Activities:				
Capital contributions	-	23,969	23,969	-
Purchase of capital assets	(549,180)	(17,690)	(566,870)	(671,190)
Proceeds from sale of capital assets	16,641	-	16,641	49,666
Net cash provided (used) by capital and related financing activities	<u>(532,539)</u>	<u>6,279</u>	<u>(526,260)</u>	<u>(621,524)</u>
Cash Flows from Investing Activities:				
Proceeds from sale of investment securities	1,462,354	-	1,462,354	1,474,806
Interest on cash and investments	98,631	-	98,631	70,756
Purchase of investments	(1,480,000)	-	(1,480,000)	(2,322,767)
Net cash provided (used) by investing activities	<u>80,985</u>	<u>-</u>	<u>80,985</u>	<u>(777,205)</u>
Net increase (decrease) in cash and cash equivalents	(503,383)	(34,111)	(537,494)	(468,793)
Cash and cash equivalents, July 1, 2006	822,053	125,281	947,334	1,635,711
CASH AND CASH EQUIVALENTS, JUNE 30, 2007	<u><u>\$ 318,670</u></u>	<u><u>\$ 91,170</u></u>	<u><u>\$ 409,840</u></u>	<u><u>\$ 1,166,918</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ (214,530)	\$ (96,670)	\$ (311,200)	\$ 360,500
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	288,458	64,609	353,067	497,404
Change in assets and liabilities:				
Receivables	(37,975)	(67,855)	(105,830)	180,399
Prepaid expenses	-	(1,665)	(1,665)	136,064
Inventories	-	-	-	(20,653)
Accounts payable	(87,782)	3,016	(84,766)	(243,348)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ (51,829)</u></u>	<u><u>\$ (98,565)</u></u>	<u><u>\$ (150,394)</u></u>	<u><u>\$ 910,366</u></u>

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

<u>ASSETS</u>	Primary Government		
	Pension Funds	Private- purpose Trusts	Agency Funds
Cash and cash equivalents	\$ 122,189	\$ 4,582	\$ 712,834
Receivables:			
Interest	68,180	-	-
Prepaid expenses	255	-	-
Investments at fair value			
Money market funds	-	5,594	-
Certificates of deposits	240,000	-	-
Common stock	5,723,490	-	-
Corporate bonds	1,029,907	-	-
U.S. agencies bonds	808,379	-	-
Mortgage backed securities	3,761,272	-	-
Mutual funds	3,034,198	140,373	-
Total assets	<u>14,787,870</u>	<u>150,549</u>	<u>712,834</u>
<u>LIABILITIES</u>			
Voucher and accounts payable	279	-	-
Due to other funds	-	100	-
Payroll taxes and withholdings payable	-	-	712,834
Total liabilities	<u>279</u>	<u>100</u>	<u>\$ 712,834</u>
<u>NET ASSETS</u>			
Held in trust for pension benefits and other purposes	<u>\$ 14,787,591</u>	<u>\$ 150,449</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements

CITY OF PADUCAH, KENTUCKY
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Pension Funds	Private- purpose Trusts
Additions:		
Contributions:		
Employer	\$ 234,221	\$ -
Plan members	12,386	-
Intergovernmental revenues	-	10,615
Total contributions	<u>246,607</u>	<u>10,615</u>
Investment income:		
Net increase (decrease) in fair value of investments	1,520,671	7,937
Interest and dividends	438,718	3,074
Net investment income	<u>1,959,389</u>	<u>11,011</u>
Interfund transfers	<u>-</u>	<u>50,000</u>
Total additions	<u>2,205,996</u>	<u>71,626</u>
Deductions:		
Benefits	1,840,165	-
Capital outlay	-	7,486
Administrative expenses	86,383	5,189
Total deductions	<u>1,926,548</u>	<u>12,675</u>
Change in net assets	279,448	58,951
Net assets, July 1, 2006	<u>14,508,143</u>	<u>91,498</u>
NET ASSETS, JUNE 30, 2007	<u>\$ 14,787,591</u>	<u>\$150,449</u>

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY

BASIC FINANCIAL STATEMENTS

COMPONENT UNITS FINANCIAL STATEMENTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2007

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2007

<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	\$ 581,532	\$ 4,086,775	\$ 47,085	\$ 4,715,392
Receivables, net:				
Accounts	339,096	2,551,308	50,730	2,941,134
Grants	-	-	614,512	614,512
Other	712,345	81,521	9,528	803,394
Inventories	415,268	1,312,167	62,035	1,789,470
Prepaid expenses	-	53,433	53,287	106,720
Other current assets	763,181	-	-	763,181
Total current assets	<u>2,811,422</u>	<u>8,085,204</u>	<u>837,177</u>	<u>11,733,803</u>
Noncurrent Assets:				
Investments, restricted	799,541	1,876,884	-	2,676,425
Net capital assets:				
Land and construction in progress	1,106,899	1,924,152	486,314	3,517,365
Depreciable capital assets	31,024,878	44,153,429	3,732,745	78,911,052
Restricted assets	1,745,444	-	-	1,745,444
Other assets	47,833	429,776	-	477,609
Total noncurrent assets	<u>34,724,595</u>	<u>48,384,241</u>	<u>4,219,059</u>	<u>87,327,895</u>
Total assets	<u>37,536,017</u>	<u>56,469,445</u>	<u>5,056,236</u>	<u>99,061,698</u>

<u>LIABILITIES</u>	Paducah Water Works	Paducah Power System	Paducah Transit Authority	All Component Unit Totals
Current Liabilities:				
Voucher and accounts payable	\$ 388,359	\$ 4,061,671	\$ 636,886	\$ 5,086,916
Cash deficit	-	-	-	-
Line of credit	-	1,568,014	-	1,568,014
Accrued payables	-	460,118	73,995	534,113
Deferred revenue	-	768,282	-	768,282
Accrued interest	-	156,375	-	156,375
Notes payable due within one year	25,000	-	30,171	55,171
Bonds payable due within one year	990,000	385,000	-	1,375,000
Other current liabilities	990,598	731,044	-	1,721,642
Total current liabilities	2,393,957	8,130,504	741,052	11,265,513
Noncurrent Liabilities:				
Bonds payable	911,580	4,109,368	-	5,020,948
Notes payable	140,000	6,000,000	339,382	6,479,382
Other liabilities	-	401,938	-	401,938
Total noncurrent liabilities	1,051,580	10,511,306	339,382	11,902,268
Total liabilities	3,445,537	18,641,810	1,080,434	23,167,781
<u>NET ASSETS</u>				
Net Assets:				
Invested in capital assets, net of related debt	30,113,030	35,583,213	3,659,649	69,355,892
Restricted for:				
Capital projects	-	-	-	-
Debt service	1,581,690	1,876,884	-	3,458,574
Unrestricted	2,395,760	367,538	316,153	3,079,451
TOTAL NET ASSETS	\$34,090,480	\$37,827,635	\$3,975,802	\$75,893,917

See accompanying notes to the basic financial statements

CITY OF PADUCAH, KENTUCKY
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2007

<u>FUNCTIONS/PROGRAMS</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Authorities:				
Business-type activities:				
Paducah Water Works	\$ 6,712,204	\$ 6,867,559	\$ -	\$ 520,355
Paducah Power System	48,905,522	49,733,519	-	-
Paducah Transit Authority	5,988,216	3,366,711	1,990,000	531,898
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL COMPONENT UNITS	<u>\$61,605,942</u>	<u>\$59,967,789</u>	<u>\$1,990,000</u>	<u>\$1,052,253</u>
General Revenues:				
Unrestricted investment earnings				
Gain (loss) on disposal of assets				
Miscellaneous general				
Total general revenues and transfers				
Change in net assets				
Net assets, July 1, 2006				
NET ASSETS, JUNE 30, 2007				

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
\$ 675,710	\$ -	\$ -	\$ 675,710
-	827,997	-	827,997
-	-	(99,607)	(99,607)
<u>675,710</u>	<u>827,997</u>	<u>(99,607)</u>	<u>1,404,100</u>
157,231	315,997	8,277	481,505
-	-	-	-
<u>266,784</u>	<u>38,705</u>	<u>25,625</u>	<u>331,114</u>
<u>424,015</u>	<u>354,702</u>	<u>33,902</u>	<u>812,619</u>
1,099,725	1,182,699	(65,705)	2,216,719
<u>32,990,755</u>	<u>36,644,936</u>	<u>4,041,507</u>	<u>73,677,198</u>
<u><u>\$34,090,480</u></u>	<u><u>\$37,827,635</u></u>	<u><u>\$3,975,802</u></u>	<u><u>\$75,893,917</u></u>

CITY OF PADUCAH, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2007

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

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 pronouncements 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

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 and the City is able to impose its will on the organizations.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

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
FOR THE YEAR ENDED JUNE 30, 2007

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.

Special Revenue Investment Fund – To account for restricted funds from employee license fee used for economic development, neighborhood redevelopment and infrastructure capital investments within Paducah.

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
FOR THE YEAR ENDED JUNE 30, 2007

Note 1 - Summary of Significant Account Policies:

Fiduciary funds report resources held in trust. Two of these funds are single-employer defined benefit funds and are administered by the City. These funds are Police and Firefighters' Pension Fund (PFPP) and Appointive Employee' Pension Fund (AEPF). Pension trust funds report the receipt, investment, and distribution of retirement contributions. The remaining funds are private-purpose trust funds which report the receipt and distribution of in accordance with maintenance trust agreements.

Agency fund accounts for the City's payroll wages, taxes and related withholdings.

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-type 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, pension and private-purpose trust funds, and financial statements of City component units utilize 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, pension and private-purpose trust 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-type activities are presented using the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). 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

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Note 1 - Summary of Significant Account Policies:

principal and interest which are reported when due. Agency funds are presented using the accrual basis of accounting.

All proprietary, pension and private-purpose 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.

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. Permit revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Deferred revenue

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

Allocation of Indirect Expenses

The City allocates indirect expenses primarily comprised of fleet management services and various self funded insurance coverage provided to departments and employees of the city not directly allocated. Allocations are charged to functions based on use by weighted-average methodology.

Budgets and Budgetary Accounting

The City legal adopts annual budgets for all governmental and proprietary funds except for Section Eight Housing Fund. The City follows these procedures in establishing the budgetary data reflected in these financial statements:

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Note 1 - Summary of Significant Accounting Policies:

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

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, 2007.

Cash and Investments

The City Council updated and adopted formal deposit and investment policies in January 2001. These policies apply to all City funds not contained in public trusts. Pension trust fund has investment policies separately approved by their oversight board. The private purpose trust has no adopted deposit and investment policy.

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. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the pension and private purpose trust funds not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Cash deposits and certificates of deposits are reported at carrying amount which reasonably estimates fair value. Additional cash and investment disclosures are presented in Note 3.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Note 1 - Summary of Significant Accounting Policies:

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, employee earnings taxes, business licenses, insurance premiums taxes, franchise taxes, grant revenue and interlocal note receivable. 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, employee earnings taxes, business licenses, insurance premiums taxes, 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.

Inventories

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

Capital Assets

The accounting treatment of property, plant, and equipment (capital 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, property, plant, and equipment are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital 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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Note 1 - Summary of Significant Accounting Policies:

Capital assets of the primary government are depreciated 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, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital 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 matured compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

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, notes 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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Note 1 - Summary of Significant Accounting Policies:

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

Interfund services provided and used 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.

All other interfund transactions are reported as 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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Note 1 - Summary of Significant Accounting Policies:

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 reallocations 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.

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.

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Note 1 - Summary of Significant Accounting Policies:

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
25% of Employee Earning Tax	Economic and Capital Development

For the year ended June 30, 2007, 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, 2007, 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.

The due dates and collection period for all property taxes, exclusive of vehicle taxes, for the fiscal year ended June 30, 2007, are as follows:

<u>Description</u>	<u>Date</u>
Assessment and enforceable lien	January 1, 2006
Levy	September 26, 2006
Face value amount payment dates	1 st half by November 1, 2006 2 nd half by February 1, 2007
Delinquent date - 10% penalty plus 1/2% per month	1 st half - November 30, 2006 2 nd half - February 28, 2007

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

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

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's investment policy requires all investments be made in accordance with applicable legal requirements with consideration of investment safety. Accordingly, the City maintains collateral agreements with its financial institutions. Deposits are 101% secured with collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). The City Council approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of an evaluation committee and/or Finance Director.

Deposits of the City's reporting entity are insured or collateralized with securities held by the City, its agent, or by the pledging financial institution's trust department or agent in the name of City. During the year ended June 30, 2007, the City's only cash and cash equivalents were demand deposits. At year end, the carrying amount and the bank balance of the City's cash and cash equivalents was \$9,358,924 and \$10,059,708, respectively.

Investments

As of June 30, 2007, the City's reporting entity had the following investments:

Types of Investments	Fair Value/ Carrying Amount	Average Credit Quality/ Rating (1)	Investment Maturities (In Years) (2)			
			Less Than 1	1-5	6-10	Greater Than 10
Primary Government						
Certificates of Deposits (3)	\$ 7,345,534	NA	\$7,345,534	\$ -	\$ -	\$ -
Component Units						
Money Market Funds	943,038	AAA	943,038	-	-	-
Certificates of Deposits	1,733,387	NA	1,733,387	-	-	-
	<u>2,676,425</u>					
Total Primary Government And Component Units	<u>\$10,021,959</u>					
Fiduciary and Private Purpose Trust Funds						
Money Market Funds	\$ 5,594	AAA	\$ -	\$ -	\$ -	\$ -
Certificates of Deposits (3)	240,000	NA	240,000	-	-	-
Common Stock	5,723,490	NA	NA	NA	NA	NA
Corporate Bonds	1,029,907	AAA/A-	297,791	197,212	534,904	-
U.S. Agencies	808,379	AAA	808,379	-	-	-
Mortgage Backed Securities (4)	3,761,272	AAA/AA-	114,341	851,237	2,795,694	-
Mutual Funds						
Equity	87,315	NA	NA	NA	NA	NA
Fixed	53,058	NA	NA	NA	NA	NA
Index	3,034,198	NA	NA	NA	NA	NA
Total Fiduciary and Private Purpose Trust Funds	<u>\$14,743,213</u>					

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Note 3 - Detail Notes on Transaction Classes/Accounts:

- (1) Ratings are provided where applicable to indicate associated Credit Risk. NA indicates not applicable. NR indicates that instrument is not rated.
- (2) Maturities are provided for debt instruments with maturity dates. NA indicates not applicable.
- (3) \$240,000 of the fiduciary's certificates of deposits is pooled with the primary government's certificates of deposits.
- (4) Includes \$502,294 of securities callable as of 6/30/07.

Investment Policies

City Policy

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the City's investing activities are managed under the custody of the City's Finance Director. Investing is performed in accordance with investment policies adopted by the City Council complying with State Statutes. In accordance with the City's investment policy and the State Statutes, the City may invest funds temporarily in excess of operating needs in the following:

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

1. Obligations of the U.S. Treasury, agencies, and instrumentalities, including obligations subject to repurchase agreements, provided delivery of obligations subject to repurchase agreements are held by the City or through an authorized agent;
2. Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency;
3. Obligations of any corporation of the United States government;
4. Bonds or certificates of indebtedness of the state of Kentucky and of its agencies and instrumentalities;
5. Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by section 41.240(4) of the Kentucky Revised Statutes;
6. Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a national recognized rating agency.

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Note 3 - Detail Notes on Transaction Classes/Accounts:

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. Unless matched to a specific cash flow, investments are not, in general, made in securities maturing more than five years from the date of purchase. Surplus cash may be invested in securities exceeding five years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the investment. **Concentration of credit risk** is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City policy does not specifically address concentration of credit risk.

Pension Trust Policy

The City's pension trust is the Police and Firefighters' Pension Fund (PFPF). Investment policy provide for investment manager(s) who have full discretion of assets allocated to them subject to the overall investment guidelines set out in the policy. Overall investment guidelines provide for diversification and allow investment in domestic and international common stocks, fixed income securities, and cash equivalents. **Custodial credit risk** is addressed by the policy providing for the engagement of a custodian who accepts possession of securities for safekeeping; collects and disburses income; collects principal of sold, matured, or called items; and provides periodic accounting to the pension board.

Asset allocation guideline for the plan is as follows:

	<u>PFPF Retirement Plan</u>		
	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Equities	35%	50%	65%
Fixed Income	35%	50%	65%

The retirement plan addresses **credit risk** and **concentration of credit risk** with a policy that prohibits investment of more than 5% of its assets in the securities of any one issuer with the exception of U.S. government. Policy further prohibits investment of more than 20% in any one market sector. No more than 10% of corporate debt securities in the fixed income portfolio may be rated below-investment grade. Commercial paper must be rated A1, P1.

Interest rate risk is addressed by the policy requiring the plan manager(s) to maintain both diversification and a predictable and dependent source of current income. Fixed income investments are flexibly allocated among maturities of different lengths.

Private Purpose Trust

The private purpose trust does not have a formal investment policy. The City established the trust in accordance with Kentucky Revised Statutes. The trust provides for an investment manager who has full discretion of assets allocated to him subject to the provisions of the trust agreement. The trust invests in domestic and international mutual funds, fixed income securities, U.S. treasury securities, and cash and equivalents.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Note 3 - Detail Notes on Transaction Classes/Accounts:

Capital Assets

Capital asset activity for the year ended June 30, 2007, was as follows:

<u>Primary Government</u>	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
<u>Capital assets, not being depreciated:</u>				
Land	\$ 5,320,275	\$ 1,197,941	\$ -	\$ 6,518,216
Construction in Progress	<u>3,945,451</u>	<u>4,236,941</u>	<u>7,380,215</u>	<u>802,177</u>
Total capital assets, not being depreciated:	<u>9,265,726</u>	<u>5,434,882</u>	<u>7,380,215</u>	<u>7,320,393</u>
<u>Capital assets, being depreciated:</u>				
Land improvements	1,954,953	719,589	-	2,674,542
Building and improvements	17,923,587	421,273	-	18,344,860
Infrastructure	29,556,136	5,007,666	-	34,563,802
Equipment	7,379,496	430,080	13,000	7,796,576
Furnishings and fixtures	241,855	-	-	241,855
Vehicles	<u>7,116,024</u>	<u>675,965</u>	<u>423,710</u>	<u>7,368,279</u>
Totals at historical cost	<u>64,172,051</u>	<u>7,254,573</u>	<u>436,710</u>	<u>70,989,914</u>
Less: Accumulated depreciation				
Land improvements	1,014,376	54,145	-	1,068,521
Buildings and improvements	10,819,836	329,165	13,000	11,136,001
Infrastructure	13,294,630	2,093,223	-	15,387,853
Equipment	5,795,893	540,681	-	6,336,574
Furnishings and fixtures	234,743	1,267	-	236,010
Vehicles	<u>5,491,923</u>	<u>500,795</u>	<u>422,700</u>	<u>5,570,018</u>
Total accumulated depreciation	<u>36,651,401</u>	<u>3,519,276</u>	<u>435,700</u>	<u>39,734,977</u>
Total capital assets, being depreciated, net:	<u>\$27,520,650</u>	<u>\$ 3,735,297</u>	<u>\$ 1,010</u>	<u>\$31,254,937</u>
Primary Government Activities Capital Assets – Net	<u>\$36,786,376</u>	<u>\$ 9,170,179</u>	<u>\$ 7,381,225</u>	<u>\$38,575,330</u>
<u>Business-type Activities:</u>	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
<u>Capital assets, not being depreciated:</u>				
Land	\$ 65,908	\$ -	\$ -	\$ 65,908

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Note 3 - Detail Notes on Transaction Classes/Accounts:

<u>Business-type Activities:</u>	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
<u>Capital assets, being depreciated:</u>				
Building and improvements	429,254	-	-	429,254
Equipment	2,133,452	17,690	-	2,151,142
Vehicles	2,164,751	549,180	86,633	2,627,298
Totals at historical cost	<u>4,727,457</u>	<u>566,870</u>	<u>86,633</u>	<u>5,207,694</u>
Less: Accumulated depreciation				
Buildings and improvements	162,164	13,420	-	175,584
Equipment	2,022,126	73,673	-	2,095,799
Vehicles	1,331,355	265,974	86,633	1,510,696
Total accumulated depreciation	<u>3,515,645</u>	<u>353,067</u>	<u>86,633</u>	<u>3,782,079</u>
Total capital assets, being depreciated, net:	<u>\$ 1,211,812</u>	<u>\$ 213,803</u>	<u>\$ -</u>	<u>\$ 1,425,615</u>
Business - Type Activities Capital Assets – Net	<u>\$ 1,277,720</u>	<u>\$ 213,803</u>	<u>\$ -</u>	<u>\$ 1,491,523</u>

Depreciation expense was charged to governmental activities as follows:

General government:		
General administration		\$ 184,416
Finance		2,332
Planning		6,700
Inspections		528
Personnel		1,188
Information systems		-
Fleet maintenance		<u>5,496</u>
Total general government		<u>200,660</u>
Public safety:		
Police		133,303
Fire		35,680
Grants		149,670
Emergency 911		52,383
Court awards		11,697
Fleet Lease Trust		<u>491,907</u>
Total public safety		<u>874,640</u>
Public service:		
Public works		88,350
Engineering		<u>167,125</u>
Total public service		<u>255,475</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Note 3 - Detail Notes on Transaction Classes/Accounts:

Parks and recreation	<u>\$ 93,407</u>
Planning and development:	
Infrastructure	2,093,223
Grants	<u>1,871</u>
Total planning and development	<u>2,095,094</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 3,519,276</u>

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

Solid Waste Fund	\$ 288,458
Civic Center	12,801
TISA Fund	<u>51,808</u>
Total Depreciation Expense – Business-Type Activities	<u>\$ 353,067</u>

Discretely Presented Component Units:	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	\$ 1,878,096	\$ 13,987	\$ -	\$ 1,892,083
Construction in Progress	<u>875,755</u>	<u>749,527</u>	-	<u>1,625,282</u>
Total capital assets, not being depreciated:	<u>2,753,851</u>	<u>763,514</u>	-	<u>3,517,365</u>
Capital assets, being depreciated:				
Building and improvements	1,672,826	-	-	1,672,826
Equipment	4,732,374	487,708	-	5,220,082
Utility Plant	<u>122,988,607</u>	<u>7,069,631</u>	<u>894,855</u>	<u>129,163,383</u>
Totals capital assets, being depreciated:	<u>129,393,807</u>	<u>7,557,339</u>	<u>894,855</u>	<u>136,056,291</u>
Less: Accumulated depreciation:				
Buildings and improvements	432,919	107,385	-	540,304
Equipment	1,885,319	734,540	-	2,619,859
Utility plant	<u>51,174,945</u>	<u>3,728,051</u>	<u>917,920</u>	<u>53,985,076</u>
Total accumulated depreciation	<u>53,493,183</u>	<u>4,569,976</u>	<u>917,920</u>	<u>57,145,239</u>
Total capital assets, being depreciated, net:	<u>75,900,624</u>	<u>2,987,363</u>	<u>(23,065)</u>	<u>78,911,052</u>
Component Units				
Capital Assets – Net	<u>\$78,654,475</u>	<u>\$ 3,750,877</u>	<u>\$ (23,065)</u>	<u>\$82,428,417</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Note 3 - Detail Notes on Transaction Classes/Accounts:

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

Paducah Water Works	\$ 1,246,302
Paducah Power System	2,481,749
Paducah Transit Authority	<u>841,925</u>
TOTAL DEPRECIATION EXPENSE BY ACTIVITY	<u>\$ 4,569,976</u>

Accounts Payable

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

Long-Term Debt (1)

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, 2007, the governmental long-term debt consisted of the following:

General obligation bonds:	
Current portion	\$ 630,000
Noncurrent portion	<u>17,680,000</u>
TOTAL GENERAL OBLIGATION BOND COSTS	<u>\$18,310,000</u>
Note payable:	
Current portion	\$ 294,220
Noncurrent portion	<u>3,026,303</u>
TOTAL NOTE PAYABLE PAYMENTS	<u>\$ 3,320,523</u>
Accrued compensated absences:	
Current portion	\$ 512,672
Noncurrent portion	<u>1,426,286</u>
TOTAL ACCRUED COMPENSATED ABSENCES	<u>\$ 1,938,958</u>

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Note 3 - Detail Notes on Transaction Classes/Accounts:

Business-type Activities

As of June 30, 2007, the long-term debt payable from proprietary fund resources consisted of the following:

Accrued compensated absences:	
Current portion	\$70,451
Noncurrent portion	<u>6,212</u>
TOTAL ACCRUED COMPENSATED ABSENCES	<u>\$76,663</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. Principal and interest payments prior to September 1, 2007, on the bonds are being split evenly between the City and the County. After September 1, 2007, the City and County will share 2.031% of the bond payments with the remaining amount being made from a sublease with Infiniti Plastic Technologies, Inc.

Series 2005 Bond Issue - The City of Paducah issued general obligation bonds of \$6,100,000 in November, 2005, to finance the police and firefighter's pension fund estimated actuary liability. Interest rate is fixed at 5.35%. 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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Note 3 - Detail Notes on Transaction Classes/Accounts:

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 capital 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.

Kentucky Association of Counties - The County of McCracken, Kentucky entered into an agreement in the amount of \$300,000 in May, 2005, with the Kentucky Association of Counties for purchase of a rail spur in the Industrial Park West. Interest rates range from 2.175% to 4.250%. This note is required to be fully paid within 5 years from the date of issue and is backed jointly by the full faith and credit of the City and the County. While this note is issued by the County, 50% of the principal amount of the note was issued on behalf of the City which intends to participate on an equal basis with the County in accordance with an Interlocal Cooperation Agreement between the City and McCracken County, Kentucky on June 1, 2004. This note was paid in full during the fiscal year by the County from a grant thru the Greater Paducah Economic Development Council.

Kentucky Association of Counties - The County of McCracken, Kentucky entered into an agreement in the amount of \$250,000 in August, 2004, with the Kentucky Association of Counties to assist the Paducah-McCracken County Industrial Development Authority finance construction of the new speculative building in Industrial Park West. Interest rate is 4.250%. This note is required to be fully paid within 5 years from the date of issue and is backed jointly by the full faith and credit of the City and the County. While this note is issued by the County, 50% of the principal amount of the note was issued on behalf of the City which intends to participate on an equal basis with the County in accordance with an Interlocal Cooperation Agreement between the City and McCracken County, Kentucky on June 1, 2004.

F. Burnham and Cynthia Jones - On September 6, 2006, the City entered into an agreement in the amount of \$375,000 with F. Burnham and Cynthia Jones to finance the acquisition of real property to be used for the development of an arts school in the community. Interest rate is New York prime, adjusted monthly. This note is required to be fully paid by January 8, 2009.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Note 3 - Detail Notes on Transaction Classes/Accounts:

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2007:

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	\$ 8,130,000	\$ -	\$ 260,000	\$ 7,870,000	\$ 270,000
Infiniti Media Building	4,680,000	-	165,000	4,515,000	175,000
Pension	6,100,000	-	175,000	5,925,000	185,000
Notes payable:					
Kentucky League of Cities	3,110,411	-	141,585	2,968,856	145,887
Kentucky Association of Counties	81,285	-	81,285	-	-
Kentucky Association of Counties	127,500	-	22,500	105,000	25,000
Jones Agreement	-	246,666	-	246,666	123,333
Accrued compensated absences	<u>1,854,481</u>	<u>1,199,342</u>	<u>1,114,865</u>	<u>1,938,958</u>	<u>512,672</u>
TOTAL GENERAL LONG- TERM DEBT	<u>\$24,083,707</u>	<u>\$1,446,008</u>	<u>\$1,960,235</u>	<u>\$23,569,480</u>	<u>\$1,436,892</u>
Business-type activities:					
Accrued compensated absences	<u>\$ 76,070</u>	<u>\$ 70,487</u>	<u>\$ 69,894</u>	<u>\$ 76,663</u>	<u>\$ 70,451</u>

- (1) To reconcile amounts in this schedule to the calculation of "net assets invested in capital assets, net of related debt", capital related debt includes 14.75% of the outstanding 2001 general obligation bonds - \$1,550,049 net of the portion on behalf of the County (\$775,024); 100% of the outstanding 2004 general obligation bonds - \$4,515,000 net of the portion on behalf of the County (\$2,257,500); 100% of the outstanding Kentucky League of Cities' note payable - \$2,968,856; 100% of the Jones Agreement - \$246,666 less unamortized bond costs - (\$230,288).

Annual Debt Service Requirements

The annual debt service requirements to maturity, excluding obligations associated with compensated absences, for long-term debt as of June 30, 2007, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 924,220	\$ 999,688
2009	953,653	966,929
2010	862,386	923,643
2011	902,092	886,485
2012	919,441	848,361
2013-2017	5,280,249	3,587,636
2018-2022	6,690,571	2,234,485
2023-2026	<u>5,097,911</u>	<u>563,883</u>
TOTALS	<u>\$21,630,523</u>	<u>\$11,011,110</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

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. Typically, the compensated absence obligations have been paid by the general fund, emergency communication service fund, section eight housing fund, solid waste fund and fleet maintenance fund. Amounts accrued at June 30, 2007, are as follows:

	Governmental Activities	Business-type Activities
Accrued sick leave	\$ 792,440	\$ 18,278
Accrued vacation leave	1,012,309	52,937
Applicable payroll taxes	<u>134,209</u>	<u>5,448</u>
Totals	1,938,958	76,663
Less current portion	<u>512,672</u>	<u>70,451</u>
LONG-TERM PORTION	<u>\$ 1,426,286</u>	<u>\$ 6,212</u>

Landfill Closure and Post-Closure Costs

The County of McCracken, Kentucky (County) closed the local landfill to the public on June 30, 1995. The County must comply with established state and federal landfill closure procedures and must perform maintenance and monitoring procedures at the site for thirty years after closure. The 30-year period will begin upon approval from the Commonwealth of Kentucky regarding the environmental condition of the landfill site. As of June 30, 2007, approval had not yet been granted. The County estimated post-closure care costs totaling \$4,125,000 or \$125,000 per year plus 10% for inflation. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. In the year ending June 30, 2001, the City entered into an inter-local agreement to share equally the costs for post-closure costs and accordingly, has recorded a long-term liability for 50% of the estimated closure expense. It is anticipated that post-closure costs will be paid out of the Solid Waste Fund to the extent that funds are available with any excess costs being funded using long-term borrowing.

Interfund Transactions and Balances

Interfund transfers during the year ended June 30, 2007, were as follows:

	Interfund Transfers In	Interfund Transfers Out
Governmental Funds:		
General Fund	\$ 91,668	\$ 2,561,136
Capital Project Fund	3,560,249	317,697
Capital Investment Fund	1	2,441,425
Nonmajor Governmental Funds	1,558,059	236,464
Internal Service Funds	19,570	-
Fiduciary Funds:		
Appointive Employee Pension Fund	25,000	-
Police and Firefighters' Pension Fund	194,000	-
Other trusts	50,000	-
Proprietary Funds:		
Nonmajor Proprietary Funds	<u>58,175</u>	<u>-</u>
TOTALS	<u>\$ 5,556,722</u>	<u>\$ 5,556,722</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Note 3 - Detail Notes on Transaction Classes/Accounts:

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, 2007:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$1,071,915	\$ 951,313
General Capital Improvements Fund	93,215	-
Special Revenue Investment Fund	951,313	93,215
Nonmajor Governmental Funds	-	85,815
Internal Service Funds	-	986,000
Fiduciary Funds	-	100
	<hr/>	<hr/>
TOTALS	<u>\$2,116,433</u>	<u>\$2,116,443</u>

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.

Administrative Costs - Administrative costs are funded from investment earnings.

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

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Note 4 - Pension Plans - City of Paducah:

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. PFPF does not issue a separate, stand-alone report. Accordingly, 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 June 30, 2007</u>	<u>Year Ended June 30, 2006</u>	<u>Year Ended June 30, 2005</u>
Beginning NPO balance	\$ (5,425,468)	\$ -	\$ -
ARC	46,948	719,348	953,044
Interest on NPO	(420,474)	-	-
Unfunded ARC adjustment	<u>455,664</u>	<u>-</u>	<u>-</u>
Pension cost	82,138	719,348	953,044
Less actual contribution	<u>209,221</u>	<u>6,144,816</u>	<u>953,044</u>
Net change in NPO	<u>(127,083)</u>	<u>(5,425,468)</u>	<u>-</u>
ENDING NPO BALANCE	<u>\$ (5,552,551)</u>	<u>\$ (5,425,468)</u>	<u>\$ -</u>
PERCENTAGE OF PENSION COST CONTRIBUTED	<u>446%</u>	<u>854%</u>	<u>100%</u>

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

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, 2007

Assets:	
Cash and cash equivalents	\$ 48,913
Receivables	64,133
Investment at fair value	<u>14,357,246</u>
Total assets	14,470,292
Liabilities:	
Voucher and accounts payable	<u>276</u>
Net Assets:	
Held in trust for pension benefits and other purposes	<u>\$ 14,470,016</u>

Statement of Changes in Net Assets
Police and Firefighters' Retirement Fund
For the Year Ended June 30, 2007

Additions:	
Employer contributions	\$ 209,221
Plan members' contributions	<u>12,386</u>
Total contributions	<u>221,607</u>
Investment earnings:	
Net increase in fair value of investments	1,520,671
Interest and dividends	<u>423,404</u>
Net investment earnings	<u>1,944,075</u>
Total additions	<u>2,165,682</u>
Deductions:	
Benefits	1,781,138
Administrative expenses	<u>78,028</u>
Total deductions	<u>1,859,166</u>
Change in net assets	306,516
Net assets, July 1, 2006	<u>14,163,500</u>
NET ASSETS, JUNE 30, 2007	<u>\$ 14,470,016</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

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, 2007. AEPF does not issue a separate, stand-alone report. Accordingly, 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, 2007</u>	<u>Year Ended June 30, 2006</u>	<u>Year Ended June 30, 2005</u>
Beginning NPO balance	\$(287,297)	\$(246,269)	\$(212,055)
ARC	13,883	17,182	26,328
Interest on NPO	(17,238)	(14,776)	(12,723)
Unfunded ARC adjustment	<u>36,825</u>	<u>31,566</u>	<u>27,181</u>
Pension cost	33,470	33,972	40,786
Less actual contribution	<u>25,000</u>	<u>75,000</u>	<u>75,000</u>
Net change in NPO	<u>8,470</u>	<u>(41,028)</u>	<u>(34,214)</u>
ENDING NPO BALANCE	<u>\$(278,827)</u>	<u>\$(287,297)</u>	<u>\$(246,269)</u>
PERCENTAGE OF PENSION COST CONTRIBUTED	<u>75%</u>	<u>221%</u>	<u>184%</u>

The financial statements for the Appointive Employees' Pension Fund are as follows:

Statement of Fiduciary Net Assets
Appointive Employees' Pension Fund
June 30, 2007

Assets:		
Cash and cash equivalents		\$ 73,276
Receivables		4,047
Prepaid expenses		255
Investment at fair value		<u>240,000</u>
Total assets		317,578
Liabilities:		
Voucher and accounts payable		<u>3</u>
Net Assets:		
Held in trust for pension benefits and other purposes		<u>\$ 317,575</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Note 4 - Pension Plans - City of Paducah:

Statement of Changes in Net Assets
Appointive Employees' Pension Fund
For the Year Ended June 30, 2007

Additions:

Interest and dividends	\$ 15,314
Employer contributions	<u>25,000</u>
 Total additions	 <u>40,314</u>

Deductions:

Benefits	59,027
Administrative expenses	<u>8,355</u>
 Total deductions	 <u>67,382</u>

Change in net assets	(27,068)
Net assets, July 1, 2006	<u>344,643</u>
 NET ASSETS, JUNE 30, 2007	 <u>\$ 317,575</u>

Contribution Information

A summary of actuarial assumptions at June 30, 2007, the date of the latest actuarial valuation is as follows:

	PFPF	AEPF
Valuation date	7/1/07	7/1/07
Actuarial cost method	Entry age normal	Aggregate (1)
Amortization method	Level dollar closed	Level dollar closed
Remaining amortization period	25 Years	10 Years
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return	8.00%	6.0%
Projected salary increases	4.00%	(2)
Inflation rates adjustments	3.00%	(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
FOR THE YEAR ENDED JUNE 30, 2007

Note 4 - Pension Plans - City of Paducah:

Membership Information

Membership of each plan consisted of the following at June 30, 2007:

	<u>PFPF</u>	<u>AEPF</u>
Active participants	3	-
Beneficiaries	39	6
Retired participants	<u>49</u>	<u>3</u>
TOTAL PARTICIPANTS	<u><u>91</u></u>	<u><u>9</u></u>

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, 2007, 2006 and 2005, the City contributed 28.21%, 25.01%, and 22.08%, respectively, of each hazardous employee's creditable compensation and 13.19%, 10.98%, and 8.48%, respectively, of each nonhazardous 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, 2007, 2006 and 2005, were \$3,849,611, \$3,460,797, and \$2,963,431, respectively, equal to the required contributions for each year.

Note 5 – Appropriations Deficit:

No departments that adopted budgets annually had excess expenditures over appropriations for the fiscal year ended June 30, 2007.

Note 6 - Component Unit Long-Term Debt:

Long-term debt of the discretely presented component units consists of the following at June 30, 2007:

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
FOR THE YEAR ENDED JUNE 30, 2007

Note 6 - Component Unit Long-Term Debt:

The following schedule summarizes the debt service requirements for the Refunding Revenue Bonds, Series of 1991, maturing July 1, 2009 bearing interest rates of 4.375% to 4.450%:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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>(118,420)</u>	<u>-</u>	<u>(118,420)</u>
TOTALS	<u>\$1,901,580</u>	<u>\$135,725</u>	<u>\$2,037,305</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 3.16% to 5.19%, with a .2% annual service fee. The annual requirements to amortize the outstanding debt as of June 30, 2007, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Fee (0.2%)</u>	<u>Total</u>
2008	\$ 25,000	\$ 7,769	\$ 330	\$ 33,099
2009	25,000	6,759	280	32,039
2010	25,000	5,673	230	30,903
2011	30,000	4,521	180	34,701
2012	30,000	3,069	120	33,189
2013	<u>30,000</u>	<u>1,557</u>	<u>60</u>	<u>31,617</u>
TOTALS	<u>\$165,000</u>	<u>\$29,348</u>	<u>\$1,200</u>	<u>\$195,548</u>

Paducah Electric Plant Board 1991 Bond Issue

On November 1, 1998, the System issued \$3.35 million in special revenue refunding bonds with interest rates between 3.75% and 4.20%. The System 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 System. The System 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 System 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
FOR THE YEAR ENDED JUNE 30, 2007

Note 6 - Component Unit Long-Term Debt:

The following schedule summarizes the remaining debt service requirements for the Paducah Electric Plant Board 2001 and 1998 Bond Issues:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2008	385,000	191,117	576,117
2009	400,000	175,533	575,533
2010	415,000	159,332	574,332
2011	435,000	142,083	577,083
2012	450,000	124,015	574,015
2013-2017	<u>2,550,000</u>	<u>330,980</u>	<u>2,880,980</u>
TOTALS	<u>\$4,635,000</u>	<u>\$1,123,060</u>	<u>\$5,758,060</u>

Bonds payable totaling \$4,494,368 are recorded net of \$140,632 unamortized bond discount and advance refunding deferred charges.

Note Payable, Bond Anticipation Notes (BANs) – Paducah Electric Plant Board

In August 2006, the System issued \$6 million in BANs with an interest rate of 4.31% maturing June 1, 2008. BANs will be used for capital construction and are secured by the System's assets. The System anticipated these interest-only BANs will be refinanced with the issuance of larger revenue bonds to complete the capital construction.

The following schedule summarizes the remaining debt service requirements for the Paducah Electric Plant Board's note payable:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2008	\$ -	129,300	129,300
2009	<u>6,000,000</u>	<u>129,300</u>	<u>6,129,300</u>
TOTALS	<u>\$ 6,000,000</u>	<u>\$ 258,600</u>	<u>\$6,258,600</u>

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Note 6 - Component Unit Long-Term Debt:

Notes Payable, Kentucky Association of Counties (KACO) – Paducah Transit Authority

On February 13, 2004 and October 24, 2006, the Transit Authority of the City of Paducah entered into agreements with the KACO in connection with grant match projects. Interest rates on these agreements are 4.25%. As of June 30, 2007, the outstanding balance was \$236,347 and \$133,206, respectively.

The following schedule summarizes the remaining debt service requirements for the Transit Authority of the City of Paducah notes payable:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2008	\$ 30,171	13,938	44,109
2009	73,877	12,272	86,149
2010	79,912	8,791	88,703
2011	84,185	5,318	89,503
2012	37,078	3,596	40,674
2013-2017	<u>64,330</u>	<u>2,417</u>	<u>66,747</u>
TOTALS	<u>\$ 369,553</u>	<u>\$ 46,332</u>	<u>\$ 415,885</u>

Note 7 - Commitments and Contingencies:

Grant Contingencies

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

Construction Commitments

The City has various on-going contracts for construction, renovations, paving materials, equipment, and labor. As of June 30, 2007, the construction commitments were as follows:

	<u>Cumulative Costs Incurred</u>	<u>Estimated Costs</u>
Stormwater Phase II	\$ 55,566	\$ 66,500
Floodwall Pipe Rehabilitation	-	163,800
Oliver Church Road Improvement Project	171,515	218,500
Riverfront – Ohio River Boat Launch Project	<u>151,095</u>	<u>210,275</u>
	<u>\$ 378,176</u>	<u>\$ 659,075</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Note 8 - Risk Management and Litigation:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains coverage from commercial insurance companies to handle the risk of loss. There have been no decreases in insurance coverage from the prior year. There have been no settlements in excess of insurance coverage during the prior three years.

An analysis of claims activity is presented below:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Actual Claim Payments	Balance at Fiscal Year End
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	-
2004 - 2005	-	1,004	1,004	-
2005 - 2006	-	23,829	23,829	-
2006 - 2007	-	57,168	57,168	-

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 \$386,326 at June 30, 2007.

The analysis of claims activity is presented below:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Actual Claim Payments	Balance at Fiscal Year End
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
2004 - 2005	350,000	2,994,673	2,931,673	413,000
2005 - 2006	413,000	2,853,645	2,812,645	454,000
2006 - 2007	454,000	2,601,505	2,669,179	386,326

During the fiscal year ending June 30, 2006, several current and former firefighters of the City of Paducah filed a lawsuit for unpaid compensation benefits and related pension obligations. The range of possible financial exposure for the City is zero to six million dollars. The City intends to vigorously defend the case.

In addition, 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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Note 9 - Lease Agreements:

The City is leasing land and building 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 is the property of the City, however, for financial reporting; the building is reported with the Luther F. Carson Four Rivers Center financial records. 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 may purchase the property during the term of lease by paying off the related indebtedness. In addition, at the end of the lease term, Infiniti Media may purchase the property for \$1. Infiniti Media has the option to cancel this lease at any time after the sixth year of the lease term by providing written notice 18 months prior to the date of termination.

The City also leases certain other property to various lessees under non-cancelable agreements that have various expiration dates through June 30, 2011. Rental revenue received from leased property during 2007 totaled \$421,954.

The following is an analysis of property leased under these leases at June 30, 2007:

Land	\$ 606,350
Buildings	3,422,262
Equipment	<u>110,126</u>
Total	4,138,738
Less: accumulated depreciation	<u>882,882</u>
NET BOOK VALUE	<u>\$ 3,255,855</u>

Depreciation expense for the year ended June 30, 2007, on leased property was \$71,755.

The following is a schedule of future minimum rental income from operating leases at June 30, 2007:

	<u>Lease</u>
	<u>Income</u>
2008	\$ 776,106
2009	843,739
2010	843,739
2011	<u>336,151</u>
TOTAL MINIMUM LEASE RECEIPTS	<u>\$ 2,799,735</u>

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Note 10 – Subsequent Event

Subsequent to the fiscal year ended June 30, 2007, the City donated real property valued at \$377,393 to the Paducah Junior College for the development of a community arts school.

CITY OF PADUCAH, KENTUCKY

REQUIRED SUPPLEMENTARY INFORMATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2007

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)						
7/1/2001	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
7/1/2005	9,150,861	15,310,380	6,159,519	59.8	198,307	3,106.05
7/1/2006	14,163,498	14,527,020	363,522	97.5	165,414	219.76
7/1/2007	14,470,016	14,463,785	(6,231)	100.0	100,986	(6.17)

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

PFPF			
<u>Year Ended June 30</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percent ARC Contributed</u>	<u>Ending Net Pension Obligation (NPO)</u>
2001	865,026	100	-
2002	806,632	100	-
2003	645,773	100	-
2004	811,401	100	-
2005	953,044	100	-
2006	719,348	854	(5,425,468)
2007	46,948	446	(5,552,551)

AEPF			
<u>Year Ended June 30</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percent ARC Contributed</u>	<u>Ending Net Pension Obligation (NPO)</u>
2001	62,029	121	(182,940)
2002	59,297	126	(186,170)
2003	50,112	150	(198,365)
2004	48,339	156	(212,055)
2005	26,328	285	(246,269)
2006	17,182	437	(287,297)
2007	13,883	180	(278,827)

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2007

**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.

CITY OF PADUCAH, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

<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>HOPE 3 Grant Fund</u>
Cash and cash equivalents	\$200,322	\$ 337,726	\$235,661	\$189,502	\$ -
Receivables, net:					
Accounts	-	105,663	-	-	-
Grants	-	-	-	-	-
TOTAL ASSETS	<u>\$200,322</u>	<u>\$ 443,389</u>	<u>\$235,661</u>	<u>\$189,502</u>	<u>\$ -</u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Voucher and accounts payable	\$197,034	\$ 15,791	\$156,846	\$ 3,148	\$ -
Accrued payroll and payroll taxes	-	24,709	-	-	-
Deferred revenues	-	-	-	176,760	-
Due to other funds	-	26,767	-	-	-
Total liabilities	<u>197,034</u>	<u>67,267</u>	<u>156,846</u>	<u>179,908</u>	<u>-</u>
Fund Balances:					
Reserved for:					
Program purposes	-	-	-	9,594	-
Unreserved	<u>3,288</u>	<u>376,122</u>	<u>78,815</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>3,288</u>	<u>376,122</u>	<u>78,815</u>	<u>9,594</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$200,322</u>	<u>\$ 443,389</u>	<u>\$235,661</u>	<u>\$189,502</u>	<u>\$ -</u>

See auditors report on pages 11-12.

Home Grant Fund	Special Revenue Funds			Debt Service	Total Nonmajor Governmental Funds
	HUD Revolving Grant Fund	PHA Police Grant Fund	Section Eight Housing	Debt Service Fund	
\$43,964	\$ 271,635	\$ 901	\$859,460	\$ 31,836	\$2,171,007
-	-	-	-	-	105,663
-	-	7,589	-	-	7,589
<u>\$43,964</u>	<u>\$ 271,635</u>	<u>\$8,490</u>	<u>\$859,460</u>	<u>\$ 31,836</u>	<u>\$2,284,259</u>
\$ -	\$ 704	\$ -	\$ 61,719	\$ -	\$ 435,242
-	-	-	18,185	-	42,894
-	-	-	-	-	176,760
-	-	8,490	50,559	-	85,816
-	704	8,490	130,463	-	740,712
-	270,931	-	728,997	-	1,009,522
<u>43,964</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,836</u>	<u>534,025</u>
<u>43,964</u>	<u>270,931</u>	<u>-</u>	<u>728,997</u>	<u>31,836</u>	<u>1,543,547</u>
<u>\$43,964</u>	<u>\$ 271,635</u>	<u>\$8,490</u>	<u>\$859,460</u>	<u>\$ 31,836</u>	<u>\$2,284,259</u>

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Special Revenue Funds				
	Municipal Aid Program	Emergency Communication Service Fund	Court Awards Fund	Small Grant Fund	HOPE 3 Grant Fund
Revenues:					
Taxes	\$ -	\$ 522,665	\$ -	\$ -	\$ -
Charges for services	-	222,729	-	-	-
Intergovernmental	583,493	-	-	-	-
Grants	-	-	-	4,344	-
Interest	14,051	13,236	9,778	-	-
Miscellaneous	177,033	240,577	26,038	30,980	-
Total revenues	<u>774,577</u>	<u>999,207</u>	<u>35,816</u>	<u>35,324</u>	<u>-</u>
Expenditures:					
Current operations:					
Public safety	-	1,260,856	33,575	-	-
Public service	1,007,410	-	-	-	-
Planning and development	-	-	-	27,684	-
Debt Service:					
Principal requirement	-	-	-	-	-
Interest and fiscal requirement	-	-	-	-	-
Total expenditures	<u>1,007,410</u>	<u>1,260,856</u>	<u>33,575</u>	<u>27,684</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(232,833)</u>	<u>(261,649)</u>	<u>2,241</u>	<u>7,640</u>	<u>-</u>
Other Financing Sources (Uses):					
Transfers in	-	276,867	-	-	-
Transfers out	(51,405)	(33,013)	-	(1,649)	(127,397)
Total other financing sources (uses)	<u>(51,405)</u>	<u>243,854</u>	<u>-</u>	<u>(1,649)</u>	<u>(127,397)</u>
Net change in fund balances	(284,238)	(17,795)	2,241	5,991	(127,397)
Fund balances, July 1, 2006	<u>287,526</u>	<u>393,917</u>	<u>76,574</u>	<u>3,603</u>	<u>127,397</u>
FUND BALANCES, JUNE 30, 2007	<u>\$ 3,288</u>	<u>\$ 376,122</u>	<u>\$ 78,815</u>	<u>\$ 9,594</u>	<u>\$ -</u>

See auditors report on pages 11-12.

Home Grant Fund	Special Revenue Funds			Debt Service	Total Nonmajor Governmental Funds
	HUD Revolving Grant Fund	PHA Police Grant Fund	Section Eight Housing	Debt Service Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 522,665
-	-	-	-	-	222,729
-	-	-	-	809,535	1,393,028
-	-	34,945	2,014,894	-	2,054,183
-	10,323	-	726	-	48,114
-	52,677	-	-	-	527,305
-	63,000	34,945	2,015,620	809,535	4,768,024
-	-	34,945	-	-	1,329,376
-	-	-	-	-	1,007,410
6,036	141,781	-	1,716,507	-	1,892,008
-	-	-	-	782,870	782,870
-	-	-	-	1,108,385	1,108,385
6,036	141,781	34,945	1,716,507	1,891,255	6,120,049
(6,036)	(78,781)	-	299,113	(1,081,720)	(1,352,025)
50,000	150,000	-	-	1,081,192	1,558,059
-	(23,000)	-	-	-	(236,464)
50,000	127,000	-	-	1,081,192	1,321,595
43,964	48,219	-	299,113	(528)	(30,430)
-	222,712	-	429,884	32,364	1,573,977
\$ 43,964	\$ 270,931	\$ -	\$ 728,997	\$ 31,836	\$ 1,543,547

CITY OF PADUCAH, KENTUCKY
MUNICIPAL AID PROGRAM FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 583,495	\$ 583,493	\$ (2)
Interest	14,050	14,051	1
Other	<u>177,035</u>	<u>177,033</u>	<u>(2)</u>
Total revenues	<u>774,580</u>	<u>774,577</u>	<u>(3)</u>
Expenditures:			
Public service	<u>1,007,410</u>	<u>1,007,410</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(232,830)	(232,833)	(3)
Other Financing Sources (Uses):			
Operating transfers out	<u>(51,405)</u>	<u>(51,405)</u>	<u>-</u>
Net change in fund balance	<u>\$ (284,235)</u>	<u>\$ (284,238)</u>	<u>\$ (3)</u>
Fund balance, July 1, 2006		<u>287,526</u>	
FUND BALANCE, JUNE 30, 2007		<u>\$ 3,288</u>	

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
EMERGENCY COMMUNICATION SERVICE FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Local contributions	\$ 522,665	\$ 522,665	\$ -
Telephone surcharges	222,730	222,729	(1)
Interest	13,235	13,236	1
Miscellaneous	<u>240,575</u>	<u>240,577</u>	<u>2</u>
Total revenues	<u>999,205</u>	<u>999,207</u>	<u>2</u>
Expenditures:			
Public safety	<u>1,260,860</u>	<u>1,260,856</u>	<u>4</u>
Excess (deficiency) of revenues over expenditures	(261,655)	(261,649)	6
Other Financing Sources (Uses):			
Operating transfers in	276,865	276,867	2
Operating transfers out	<u>(33,015)</u>	<u>(33,013)</u>	<u>2</u>
Net change in fund balance	<u>\$ (17,805)</u>	(17,795)	<u>\$ 10</u>
Fund balance, July 1, 2006		<u>393,917</u>	
FUND BALANCE, JUNE 30, 2007		<u>\$ 376,122</u>	

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
COURT AWARDS FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Court awarded forfeitures	\$ 26,040	\$ 26,038	\$ (2)
Interest	9,775	9,778	3
	<u>35,815</u>	<u>35,816</u>	<u>1</u>
Expenditures:			
Public safety	<u>33,575</u>	<u>33,575</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 2,240</u>	2,241	<u>\$ 1</u>
Fund balance, July 1, 2006		<u>76,574</u>	
FUND BALANCE, JUNE 30, 2007		<u>\$ 78,815</u>	

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
SMALL GRANT FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Grants	\$ 4,340	\$ 4,344	\$ 4
Other	30,980	30,980	-
	<hr/>	<hr/>	<hr/>
Total revenues	35,320	35,324	4
	<hr/>	<hr/>	<hr/>
Expenditures:			
Planning and development	27,680	27,684	(4)
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	7,640	7,640	-
	<hr/>	<hr/>	<hr/>
Other Financing Sources (Uses):			
Operating transfers out	(1,650)	(1,649)	1
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(1,650)	(1,649)	1
	<hr/>	<hr/>	<hr/>
Net change in fund balance	<u>\$ 5,990</u>	5,991	<u>\$ 1</u>
	<hr/>	<hr/>	<hr/>
Fund balance, July 1, 2006		3,603	
		<hr/>	
FUND BALANCE, JUNE 30, 2007		<u>\$ 9,594</u>	

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
HOPE 3 IMPLEMENTATION GRANT FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Other	\$ -	\$ -	\$ -
Expenditures:			
Planning and development	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-
Other Financing Sources (Uses):			
Operating transfers out	(127,400)	(127,397)	3
Net change in fund balance	<u>\$ (127,400)</u>	(127,397)	<u>\$ 3</u>
Fund balance, July 1, 2006		<u>127,397</u>	
FUND BALANCE, JUNE 30, 2007		<u><u>\$ -</u></u>	

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
HOME GRANT FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative) <u></u>
Revenues:			
Grants	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:			
Planning and development	<u>6,040</u>	<u>6,036</u>	<u>4</u>
Excess (deficiency) of revenues over expenditures	<u>(6,040)</u>	<u>(6,036)</u>	<u>4</u>
Other Financing Sources (Uses):			
Operating transfers in	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net change in fund balance	<u>\$ 43,960</u>	43,964	<u>\$ 4</u>
Fund balance, July 1, 2006		<u>-</u>	
FUND BALANCE, JUNE 30, 2007		<u>\$ 43,964</u>	

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
HUD REVOLVING GRANT FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Interest	\$ 10,320	\$ 10,323	\$ 3
Other	52,675	52,677	2
	<u>62,995</u>	<u>63,000</u>	<u>5</u>
Expenditures:			
Planning and development	141,785	141,781	4
Excess (deficiency) of revenues over expenditures	<u>(78,790)</u>	<u>(78,781)</u>	<u>9</u>
Other Financing Sources (Uses):			
Operating transfers in	150,000	150,000	-
Operating transfers out	<u>(23,000)</u>	<u>(23,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>127,000</u>	<u>127,000</u>	<u>-</u>
Net change in fund balance	<u>\$ 48,210</u>	48,219	<u>\$ 9</u>
Fund balance, July 1, 2006		<u>222,712</u>	
FUND BALANCE, JUNE 30, 2007		<u>\$270,931</u>	

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
PADUCAH HOUSING AUTHORITY POLICE GRANT FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Grants	<u>\$ 34,945</u>	<u>\$ 34,945</u>	<u>\$ -</u>
Expenditures:			
Public safety	<u>34,945</u>	<u>34,945</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, July 1, 2006		<u>-</u>	
FUND BALANCE, JUNE 30, 2007		<u>\$ -</u>	

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
DEBT SERVICE FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	<u>\$ 809,530</u>	<u>\$ 809,535</u>	<u>\$ 5</u>
Expenditures:			
Debt service:			
Principal requirement	782,870	782,870	-
Interest and fiscal requirement	<u>1,108,385</u>	<u>1,108,385</u>	<u>-</u>
Total expenditures	<u>1,891,255</u>	<u>1,891,255</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(1,081,725)	(1,081,720)	5
Other Financing Sources (Uses):			
Operating transfers in	<u>1,081,195</u>	<u>1,081,192</u>	<u>(3)</u>
Net change in fund balance	<u><u>\$ (530)</u></u>	(528)	<u><u>\$ 2</u></u>
Fund balance, July 1, 2006		<u>32,364</u>	
FUND BALANCE, JUNE 30, 2007		<u><u>\$ 31,836</u></u>	

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

NONMAJOR PROPRIETARY FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2007

**COMBINING FINANCIAL STATEMENTS
NONMAJOR PROPRIETARY FUNDS**

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 REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Civic Center Fund	TISA Fund	Total Nonmajor Enterprise Funds
Operating Revenues:			
Charges for services	\$ 31,372	\$129,435	\$160,807
Miscellaneous	-	64,278	64,278
	<u>31,372</u>	<u>193,713</u>	<u>225,085</u>
Operating Expenses:			
Cost of sales and service	41,759	215,387	257,146
Depreciation and amortization	12,801	51,808	64,609
	<u>54,560</u>	<u>267,195</u>	<u>321,755</u>
Total operating income	<u>31,372</u>	<u>193,713</u>	<u>225,085</u>
Operating income (loss)	<u>(23,188)</u>	<u>(73,482)</u>	<u>(96,670)</u>
Non-Operating Revenues (Expenses):			
Interest and investment income	-	-	-
Income (loss) before contributions and transfers	<u>(23,188)</u>	<u>(73,482)</u>	<u>(96,670)</u>
Contributions and Operating Transfers:			
Capital contributions	-	23,969	23,969
Transfers in	15,000	43,175	58,175
Transfers out	-	-	-
Total contributions and operating transfers	<u>15,000</u>	<u>67,144</u>	<u>82,144</u>
Change in net assets	<u>(8,188)</u>	<u>(6,338)</u>	<u>(14,526)</u>
Net assets, July 1, 2006	<u>231,952</u>	<u>209,881</u>	<u>441,833</u>
NET ASSETS, JUNE 30, 2007	<u><u>\$223,764</u></u>	<u><u>\$203,543</u></u>	<u><u>\$427,307</u></u>

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Civic Center Fund	TISA Fund	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities:			
Cash received from customers	\$ 30,784	\$ 126,446	\$ 157,230
Payments to internal service funds	(2,380)	(2,448)	(4,828)
Other receipts (payments)	(42,783)	(208,184)	(250,967)
Net cash provided (used) by operating activities	<u>(14,379)</u>	<u>(84,186)</u>	<u>(98,565)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers (to) from other funds	<u>15,000</u>	<u>43,175</u>	<u>58,175</u>
Cash Flows from Capital and Related Financing Activities:			
Capital contributions	-	23,969	23,969
Acquisition and construction of capital assets	<u>-</u>	<u>(17,690)</u>	<u>(17,690)</u>
Net cash used by capital and related financing activities	<u>-</u>	<u>6,279</u>	<u>6,279</u>
Net increase (decrease) in cash and cash equivalents	621	(34,732)	(34,111)
Cash and cash equivalents, July 1, 2006	<u>-</u>	<u>125,281</u>	<u>125,281</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2007	<u>\$ 621</u>	<u>\$ 90,549</u>	<u>\$ 91,170</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ (23,188)	\$ (73,482)	\$ (96,670)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	12,801	51,808	64,609
Change in assets and liabilities:			
Receivables	(588)	(67,267)	(67,855)
Prepaid expense	-	(1,665)	(1,665)
Accounts payable and accrued expenses	<u>(3,404)</u>	<u>6,420</u>	<u>3,016</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (14,379)</u>	<u>\$ (84,186)</u>	<u>\$ (98,565)</u>

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

INTERNAL SERVICE FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2007

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 coverage on a continuing basis be financed primarily through user charges.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2007

<u>ASSETS</u>	<u>Fleet Maintenance</u>	<u>Fleet Lease Trust</u>	<u>Insurance Fund</u>	<u>Health Insurance Fund</u>	<u>Combined Total</u>
Current Assets:					
Cash and cash equivalents	\$ 15,013	\$ 466,072	\$ 14,905	\$670,928	\$1,166,918
Investments	-	2,322,767	-	-	2,322,767
Receivables, net	-	55,781	-	36,872	92,653
Prepaid expense	-	-	1,032,868	14,250	1,047,118
Inventories	86,585	-	-	-	86,585
Total current assets	101,598	2,844,620	1,047,773	722,050	4,716,041
Noncurrent Assets:					
Net depreciable capital assets	22,377	1,786,014	-	-	1,808,391
Total assets	123,975	4,630,634	1,047,773	722,050	6,524,432
<u>LIABILITIES</u>					
Current Liabilities:					
Voucher and accounts payable	7,793	-	20,309	403,411	431,513
Accrued payroll and payroll taxes	8,186	-	-	-	8,186
Accrued compensated absences	12,713	-	-	-	12,713
Deferred revenue	-	-	-	22,335	22,335
Due to other funds	-	-	986,000	-	986,000
Total current liabilities	28,692	-	1,006,309	425,746	1,460,747
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	22,377	1,786,014	-	-	1,808,391
Unrestricted	72,906	2,844,620	41,464	296,304	3,255,294
TOTAL NET ASSETS	\$ 95,283	\$4,630,634	\$ 41,464	\$296,304	\$5,063,685

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<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	\$535,902	\$ 716,599	\$1,294,534	\$3,064,680	\$5,611,715
Charges for services - external	-	-	-	426,632	426,632
Total operating revenues	<u>535,902</u>	<u>716,599</u>	<u>1,294,534</u>	<u>3,491,312</u>	<u>6,038,347</u>
Operating Expenses:					
Vehicle maintenance	482,957	135	-	-	483,092
Administrative	-	5,600	-	62,700	68,300
Insurance	-	-	1,304,131	3,338,143	4,642,274
Leave expense	(13,223)	-	-	-	(13,223)
Depreciation	5,497	491,907	-	-	497,404
Total operating expenses	<u>475,231</u>	<u>497,642</u>	<u>1,304,131</u>	<u>3,400,843</u>	<u>5,677,847</u>
Operating income (loss)	<u>60,671</u>	<u>218,957</u>	<u>(9,597)</u>	<u>90,469</u>	<u>360,500</u>
Nonoperating Revenues and (Expenses):					
Interest and investment income	-	97,219	-	-	97,219
Gain (loss) on disposal of property and equipment	-	48,656	-	-	48,656
Total nonoperating revenues (expenses)	<u>-</u>	<u>145,875</u>	<u>-</u>	<u>-</u>	<u>145,875</u>
Income (loss) before transfers	<u>60,671</u>	<u>364,832</u>	<u>(9,597)</u>	<u>90,469</u>	<u>506,375</u>
Contributions and Transfers:					
Transfers in	-	-	19,570	-	19,570
Change in net assets	60,671	364,832	9,973	90,469	525,945
Net assets, July 1, 2006	<u>34,612</u>	<u>4,265,802</u>	<u>31,491</u>	<u>205,835</u>	<u>4,537,740</u>
NET ASSETS, JUNE 30, 2007	<u>\$ 95,283</u>	<u>\$4,630,634</u>	<u>\$ 41,464</u>	<u>\$ 296,304</u>	<u>\$5,063,685</u>

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Fleet Maintenance	Fleet Lease Trust	Insurance Fund	Health Insurance Fund	Combined Total
Cash Flows from Operating Activities:					
Receipts from other funds for services	\$ 535,902	\$ 716,599	\$ 1,294,534	\$3,661,052	\$ 6,208,087
Payments to suppliers	(224,921)	-	-	-	(224,921)
Payments to employees	(296,268)	-	-	-	(296,268)
Claims paid	-	-	-	(3,408,898)	(3,408,898)
Other receipts (payments)	-	(5,735)	(1,299,199)	(62,700)	(1,367,634)
	<u>14,713</u>	<u>710,864</u>	<u>(4,665)</u>	<u>189,454</u>	<u>910,366</u>
Net cash provided (used) by operating activities					
Cash Flows from Noncapital Financing Activities:					
Transfers from other funds	-	-	19,570	-	19,570
	<u>-</u>	<u>-</u>	<u>19,570</u>	<u>-</u>	<u>19,570</u>
Cash Flows from Capital and Related Financing Activities:					
Proceeds from sale of capital assets	-	49,666	-	-	49,666
Purchase of capital assets	-	(671,190)	-	-	(671,190)
	<u>-</u>	<u>(671,190)</u>	<u>-</u>	<u>-</u>	<u>(671,190)</u>
Net cash used by capital and related financing					
	<u>-</u>	<u>(621,524)</u>	<u>-</u>	<u>-</u>	<u>(621,524)</u>
Cash Flows from Investing Activities:					
Proceeds from sales and maturities of investments	-	1,474,806	-	-	1,474,806
Interest and dividends	-	70,756	-	-	70,756
Purchase of investments	-	(2,322,767)	-	-	(2,322,767)
	<u>-</u>	<u>(777,205)</u>	<u>-</u>	<u>-</u>	<u>(777,205)</u>
Net cash used by investing activities					
	<u>-</u>	<u>(777,205)</u>	<u>-</u>	<u>-</u>	<u>(777,205)</u>
Net increase (decrease) in cash and cash equivalents					
	14,713	(687,865)	14,905	189,454	(468,793)
Cash and cash equivalents, July 1, 2006	300	1,153,937	-	481,474	1,635,711
CASH AND CASH EQUIVALENTS, JUNE 30, 2007	<u>\$ 15,013</u>	<u>\$ 466,072</u>	<u>\$ 14,905</u>	<u>\$ 670,928</u>	<u>\$ 1,166,918</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating income (loss)	\$ 60,671	\$ 218,957	\$ (9,597)	\$ 90,469	\$ 360,500
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	5,497	491,907	-	-	497,404
Change in assets and liabilities:					
Receivables	-	-	-	180,399	180,399
Prepaid expense	-	-	150,314	(14,250)	136,064
Inventories	(20,653)	-	-	-	(20,653)
Accounts payable and accrued expenses	(30,802)	-	(145,382)	(67,164)	(243,348)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 14,713</u>	<u>\$ 710,864</u>	<u>\$ (4,665)</u>	<u>\$ 189,454</u>	<u>\$ 910,366</u>

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

FIDUCIARY FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2007

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, 2007

<u>ASSETS</u>	<u>Police and Firefighters' Retirement Fund</u>	<u>Appointive Employees' Pension Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ 48,913	\$ 73,276	\$ 122,189
Receivables:			
Interest	64,133	4,047	68,180
Prepaid expenses	-	255	255
Investments at fair value			
Certificates of deposits	-	240,000	240,000
Common stock	5,723,490	-	5,723,490
Corporate bonds	1,029,907	-	1,029,907
U.S. agencies bonds	808,379	-	808,379
Mortgage backed securities	3,761,272	-	3,761,272
Mutual funds	3,034,198	-	3,034,198
Total assets	<u>14,470,292</u>	<u>317,578</u>	<u>14,787,870</u>
<u>LIABILITIES</u>			
Voucher and accounts payable	<u>276</u>	<u>3</u>	<u>279</u>
<u>NET ASSETS</u>			
Held in trust for pension benefits and other purposes	<u>\$ 14,470,016</u>	<u>\$ 317,575</u>	<u>\$ 14,787,591</u>

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS - PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

Additions:	Police and Firefighters' Retirement Fund	Appointive Employees' Pension Fund	Totals
Contributions:			
Employer	\$ 209,221	\$ 25,000	\$ 234,221
Plan members	12,386	-	12,386
Total contributions	<u>221,607</u>	<u>25,000</u>	<u>246,607</u>
Investment earnings:			
Net increase in fair value of investments	1,520,671	-	1,520,671
Interest and dividends	423,404	15,314	438,718
Net investment earnings	<u>1,944,075</u>	<u>15,314</u>	<u>1,959,389</u>
Total additions	<u>2,165,682</u>	<u>40,314</u>	<u>2,205,996</u>
Deductions:			
Benefits	1,781,138	59,027	1,840,165
Administrative expenses	78,028	8,355	86,383
Total deductions	<u>1,859,166</u>	<u>67,382</u>	<u>1,926,548</u>
Change in net assets	306,516	(27,068)	279,448
Net assets, July 1, 2006	<u>14,163,500</u>	<u>344,643</u>	<u>14,508,143</u>
NET ASSETS, JUNE 30, 2007	<u><u>\$14,470,016</u></u>	<u><u>\$317,575</u></u>	<u><u>\$14,787,591</u></u>

See auditors report on pages 11-12.

FIDUCIARY FUNDS

Private-purpose Trust Funds

Other Trusts 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, 2007

<u>ASSETS</u>	<u>Other Trusts</u>	<u>Maintenance and Rehab Trust</u>	<u>Total</u>
Cash and cash equivalents	\$ -	\$ 4,582	\$ 4,582
Investments at fair value			
Money market funds	5,594	-	5,594
Mutual funds	<u>140,373</u>	<u>-</u>	<u>140,373</u>
Total assets	<u>145,967</u>	<u>4,582</u>	<u>150,549</u>
	<u>LIABILITIES</u>		
Due to other funds	<u>100</u>	<u>-</u>	<u>100</u>
	<u>NET ASSETS</u>		
Held in trust for other purposes	<u>\$ 145,867</u>	<u>\$ 4,582</u>	<u>\$ 150,449</u>

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS - PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Other Trusts</u>	<u>Maintenance and Rehab Trust</u>	<u>Totals</u>
Additions:			
Contributions:			
Intergovernmental revenues	\$ 2,615	\$ 8,000	\$ 10,615
Private donations	-	-	-
Total contributions	<u>2,615</u>	<u>8,000</u>	<u>10,615</u>
Investment earnings:			
Net increase in fair value of investments	7,937	-	7,937
Interest and dividends	3,074	-	3,074
Net investment earnings	<u>11,011</u>	<u>-</u>	<u>11,011</u>
Interfund transfers	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total additions	<u>63,626</u>	<u>8,000</u>	<u>71,626</u>
Deductions:			
Capital outlay	2,152	5,334	7,486
Administrative expenses	1,367	3,822	5,189
Total deductions	<u>3,519</u>	<u>9,156</u>	<u>12,675</u>
Change in net assets	60,107	(1,156)	58,951
Net assets, July 1, 2006	<u>85,760</u>	<u>5,738</u>	<u>91,498</u>
NET ASSETS, JUNE 30, 2007	<u><u>\$ 145,867</u></u>	<u><u>\$ 4,582</u></u>	<u><u>\$150,449</u></u>

See auditors report on pages 11-12.

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, 2007

Payroll Fund:	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
Assets:				
Cash and cash equivalents	<u>\$606,178</u>	<u>\$12,541,425</u>	<u>\$12,434,769</u>	<u>\$712,834</u>
Liabilities:				
Payroll taxes and withholdings payable	<u>\$606,178</u>	<u>\$12,541,425</u>	<u>\$12,434,769</u>	<u>\$712,834</u>

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

STATISTICAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2007

STATISTICAL SECTION

This part of the City of Paducah's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being changed over time.	115-119
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and employee taxes.	120-125
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	126-130
Economic and Demographic Information These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	131-133
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	134-135

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented the new reporting model in the fiscal year ending June 30, 2003. Schedules presenting government-wide information include information beginning in that year.

TABLE 1
CITY OF PADUCAH, KENTUCKY
NET ASSETS BY COMPONENT
Last Five Fiscal Years (1)
(accrual basis of accounting)

	Fiscal Year				
	2007	2006	2005 (2)	2004	2003
Governmental activities:					
Invested in Capital Assets, Net of Related Debt	\$ 32,557,572	\$ 30,664,671	\$ 29,492,197	\$ 27,826,117	\$ 27,955,839
Restricted for:					
Program purposes	1,904,321	1,018,231	727,699	714,538	713,766
Capital projects	4,618,923	2,689,804	940,323	4,031,802	3,583,589
Unrestricted	9,057,641	7,718,198	7,419,037	(406,042)	1,571,120
Total governmental activities net assets	<u>48,138,457</u>	<u>42,090,904</u>	<u>38,579,256</u>	<u>32,166,415</u>	<u>33,824,314</u>
Business-type activities:					
Invested in Capital Assets, Net of Related Debt	1,491,523	1,277,720	1,463,118	1,463,668	1,425,753
Unrestricted	(147,286)	132,090	(27,648)	1,979,494	1,565,100
Total business-type activities net assets	<u>1,344,237</u>	<u>1,409,810</u>	<u>1,435,470</u>	<u>3,443,162</u>	<u>2,990,853</u>
Primary government:					
Invested in Capital Assets, Net of Related Debt	34,049,095	31,942,391	30,955,315	29,289,785	29,381,592
Restricted for:					
Program purposes	1,904,321	1,018,231	727,699	714,538	713,766
Capital projects	4,618,923	2,689,804	940,323	4,031,802	3,583,589
Unrestricted	8,910,355	7,850,288	7,391,389	1,573,452	3,136,220
Total primary government net assets	<u>\$ 49,482,694</u>	<u>\$ 43,500,714</u>	<u>\$ 40,014,726</u>	<u>\$ 35,609,577</u>	<u>\$ 36,815,167</u>

- (1) The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003. Therefore, ten years of data is not available but will be accumulated over time.
- (2) Significant change in governmental and business-type net assets due to reclassification for prior year omitted receivables, capital assets and post-closure landfill expenses.

TABLE 2
CITY OF PADUCAH, KENTUCKY
CHANGES IN NET ASSETS
Last Four Fiscal Years (1)
(accrual basis of accounting)

	Fiscal Year				
	2007	2006	2005 (2)	2004	2003
Expenses					
<i>Governmental activities:</i>					
General government	\$ 9,462,543	\$ 9,057,295	\$ 8,431,994	\$ 7,969,027	\$ 7,396,882
Public safety	15,182,704	14,592,756	14,620,938	13,243,912	12,964,120
Public service	8,299,658	8,486,662	6,249,860	8,618,901	7,376,791
Parks and recreation	1,197,072	1,044,361	1,045,024	1,026,293	975,362
Planning and development	1,891,725	2,404,636	2,521,412	5,330,393	3,108,192
Interest on long-term debt	1,134,898	974,101	775,122	496,049	428,578
Total governmental activities expenses	<u>37,168,600</u>	<u>36,559,811</u>	<u>33,644,350</u>	<u>36,684,575</u>	<u>32,249,925</u>
<i>Business-type activities:</i>					
Solid Waste	4,079,684	3,893,013	3,683,954	3,419,464	3,359,731
Civic Center	54,562	45,894	39,008	33,181	46,509
TISA	267,192	269,781	170,264	184,166	123,719
Total business-type activities expenses	<u>4,401,438</u>	<u>4,208,688</u>	<u>3,893,226</u>	<u>3,636,811</u>	<u>3,529,959</u>
Total primary government expenses	<u>\$ 41,570,038</u>	<u>\$ 40,768,499</u>	<u>\$ 37,537,576</u>	<u>\$ 40,321,386</u>	<u>\$ 35,779,884</u>
Program Revenues					
<i>Governmental activities:</i>					
Charges for services:					
General government	\$ 1,730,046	\$ 1,618,903	\$ 1,485,005	\$ 1,601,414	\$ 1,445,383
Public safety	1,024,610	767,086	794,814	1,134,386	94,386
Public service	1,150,507	942,355	895,155	986,618	683,119
Parks and recreation	122,929	103,932	117,317	132,388	131,355
Planning and development	10,810	20,602	13,501	12,893	15,867
Operating grants and contributions	2,797,216	2,988,612	2,452,694	3,290,134	4,176,548
Capital grants and contributions	3,681,490	3,302,568	1,100,064	3,221,637	2,213,757
Total governmental activities program revenues	<u>10,517,608</u>	<u>9,744,058</u>	<u>6,858,550</u>	<u>10,379,470</u>	<u>8,760,415</u>
<i>Business-type activities:</i>					
Solid Waste	3,928,140	3,696,609	3,583,417	3,790,132	3,298,964
Civic Center	31,372	26,378	32,828	36,455	20,825
TISA	193,713	106,697	104,087	100,778	93,383
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	23,969	22,894	14,735	24,990	3,666
Total business-type activities program revenues	<u>4,177,194</u>	<u>3,852,578</u>	<u>3,735,067</u>	<u>3,952,355</u>	<u>3,416,838</u>
Total primary government program revenues	<u>\$ 14,694,802</u>	<u>\$ 13,596,636</u>	<u>\$ 10,593,617</u>	<u>\$ 14,331,825</u>	<u>\$ 12,177,253</u>
Net (Expense)/Revenue					
<i>Governmental activities</i>	\$ (26,650,992)	\$ (26,815,753)	\$ (26,785,800)	\$ (26,305,105)	\$ (23,489,510)
<i>Business-type activities</i>	(224,244)	(356,110)	(158,159)	315,544	(113,121)
Total primary government net (expense)	<u>\$ (26,875,236)</u>	<u>\$ (27,171,863)</u>	<u>\$ (26,943,959)</u>	<u>\$ (25,989,561)</u>	<u>\$ (23,602,631)</u>

	Fiscal Year				
	2007	2006	2005 (2)	2004	2003
General Revenues and Other Changes in Net Assets					
<i>Governmental activities:</i>					
Taxes and licenses:					
Property taxes, levied for general purposes	\$ 4,122,538	\$ 4,107,934	\$ 3,919,113	\$ 4,012,168	\$ 3,893,211
Insurance premium tax	4,414,672	3,863,953	3,957,289	3,767,864	3,580,964
Gross receipts license tax	4,050,057	3,899,432	3,720,784	3,496,438	3,404,338
Employee license tax	16,273,966	14,794,217	11,192,445	10,616,223	10,301,231
Other taxes	1,964,101	2,105,014	2,116,403	1,764,140	1,893,064
Intergovernmental revenue	1,243,028	1,201,973	955,645	871,273	836,132
Unrestricted investment earnings	639,702	462,292	290,647	220,992	325,811
Gain on sale of capital assets	48,656	8,340	-	(1,972)	125,714
Transfers	(58,175)	(115,754)	(133,959)	(68,964)	18,666
Total governmental activities	<u>32,698,545</u>	<u>30,327,401</u>	<u>26,018,367</u>	<u>24,678,162</u>	<u>24,379,131</u>
<i>Business-type activities:</i>					
Unrestricted investment earnings	83,854	85,786	51,508	32,826	39,530
Gain on sale of capital assets	16,641	55,337	27,500	34,975	24,238
Transfers	58,176	115,754	133,959	68,964	(18,666)
Total business-type activities	<u>158,671</u>	<u>256,877</u>	<u>212,967</u>	<u>136,765</u>	<u>45,102</u>
Change in Net Assets					
<i>Governmental activities:</i>	6,047,553	3,511,648	(767,433)	(1,626,943)	889,621
<i>Business-type activities:</i>	(65,573)	(99,233)	54,808	452,309	(68,019)
Total primary government	<u>\$ 5,981,980</u>	<u>\$ 3,412,415</u>	<u>\$ (712,625)</u>	<u>\$ (1,174,634)</u>	<u>\$ 821,602</u>

- (1) The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003. Therefore, ten years of data is not available but will be accumulated over time.
- (2) Significant change in governmental and business-type net assets due to reclassification for prior year omitted receivables, capital assets and post-closure landfill expenses.

TABLE 3
CITY OF PADUCAH, KENTUCKY
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2007	2006	2005 (1)	2004	2003	2002	2001 (2)	2000	1999	1998
General Fund										
Reserved for:										
Encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 81,043
Unreserved	9,976,079	9,157,310	8,303,702	4,642,073	4,925,982	4,441,662	4,229,377	3,930,807	4,498,239	5,514,441
Total general fund	<u>\$ 9,976,079</u>	<u>\$ 9,157,310</u>	<u>\$ 8,303,702</u>	<u>\$ 4,642,073</u>	<u>\$ 4,925,982</u>	<u>\$ 4,441,662</u>	<u>\$ 4,229,377</u>	<u>\$ 3,930,807</u>	<u>\$ 4,498,239</u>	<u>\$ 5,595,484</u>
All Other Governmental Funds										
Reserved for:										
Program purposes	\$ 1,009,522	\$ 783,596	\$ 498,423	\$ 483,423	\$ 695,213	\$ 567,096	\$ 604,021	\$ 327,925	\$ 411,956	\$ 520,769
Capital improvements	4,618,923	2,689,804	940,323	3,886,391	3,583,589	4,211,718	9,834,405	1,520,510	1,342,071	467,765
Encumbrances	-	-	-	-	-	-	-	-	-	9,537
Unreserved, reported in:										
Special revenue funds	502,189	758,017	1,039,854	770,453	1,080,043	714,972	1,247,619	1,402,554	825,094	1,254,083
Debt service funds	31,836	32,364	9,805	30,243	46,051	244,724	232,640	935,605	1,050,400	1,127,758
Total all other governmental funds	<u>\$ 6,162,470</u>	<u>\$ 4,263,781</u>	<u>\$ 2,488,405</u>	<u>\$ 5,170,510</u>	<u>\$ 5,404,896</u>	<u>\$ 5,738,510</u>	<u>\$ 11,918,685</u>	<u>\$ 4,186,594</u>	<u>\$ 3,629,521</u>	<u>\$ 3,379,912</u>

(1) Significant increase in general fund balance due to reclassification for prior year omitted license and tax receivables in the amount of \$3,870,992.

(2) Significant increase in capital improvements fund balance due to \$9,290,000 bond issue for convention and arts center construction.

TABLE 4
CITY OF PADUCAH, KENTUCKY
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2007	2006	2005	2004	2003 (1)	2002	2001 (2)	2000	1999	1998
Revenues:										
Taxes	\$ 6,044,069	\$ 6,204,686	\$ 6,016,570	\$ 5,871,229	\$ 5,773,871	\$ 5,377,865	\$ 4,881,408	\$ 4,659,202	\$ 4,770,784	\$ 4,582,205
Licenses	25,140,615	23,432,565	19,368,765	18,423,244	17,900,739	17,299,400	16,705,030	15,970,996	15,584,674	14,985,551
Charges for services	783,018	654,059	625,281	668,659	743,826	1,452,732	1,332,280	1,073,577	1,167,741	1,154,319
Intergovernmental	1,676,783	1,529,879	1,192,724	1,029,307	1,186,306	590,372	450,412	428,698	449,686	458,006
Grants	6,089,711	5,797,500	3,758,041	4,002,721	4,900,775	3,990,245	3,761,900	3,736,837	3,182,544	4,217,395
Interest	540,204	402,943	251,302	190,350	316,794	541,277	515,299	485,883	503,275	553,341
Miscellaneous	1,832,161	1,844,285	1,377,175	3,781,034	1,803,408	963,956	1,110,447	942,077	1,503,984	1,055,444
Total revenues	42,106,561	39,865,917	32,589,858	33,966,544	32,625,719	30,215,847	28,756,776	27,297,270	27,162,688	27,006,261
Expenditures:										
General government	4,763,839	4,286,431	4,171,662	3,891,251	3,943,031	3,446,408	3,386,330	3,436,701	4,296,935	3,531,033
Public safety	14,759,735	14,366,846	14,376,161	12,963,685	12,535,382	12,293,481	11,579,654	11,499,408	11,475,934	11,178,439
Public service	7,226,542	7,418,656	5,947,105	6,914,523	5,995,396	7,163,787	5,923,130	4,260,125	5,209,051	4,009,198
Parks and recreation	1,192,727	1,044,299	1,045,024	1,026,297	975,361	897,060	738,401	1,661,562	1,661,119	1,476,446
Planning and development	2,424,198	2,545,227	2,267,774	2,570,473	2,204,395	2,231,628	2,784,725	2,208,864	2,292,407	2,839,121
Other	526,238	481,690	462,099	2,343,844	645,653	323,844	99,657	95,082	90,459	141,436
Capital outlay	6,504,491	5,003,091	4,870,136	10,987,184	4,172,978	7,579,179	3,850,565	2,785,069	2,202,828	1,977,737
Debt service:										
Principal requirement	782,870	594,047	552,938	428,613	379,229	362,275	140,636	134,295	170,615	150,709
Interest and fiscal requirement	1,108,385	949,537	745,676	471,625	428,578	413,364	25,752	30,536	35,891	46,829
Total expenditures	39,289,025	36,689,824	34,438,575	41,597,495	31,280,003	34,711,026	28,528,850	26,111,642	27,435,239	25,350,948
Other Financing Sources (Uses):										
Bonds issued	-	6,100,000	-	5,000,000	-	-	9,104,211	-	-	-
Long-term debt issued	246,667	-	275,000	3,500,000	-	-	-	-	-	-
Transfers in	5,209,977	6,034,070	3,394,420	3,939,188	2,074,459	1,788,462	3,632,867	3,473,339	3,924,453	2,866,960
Transfers out	(5,556,722)	(12,681,180)	(4,712,171)	(5,295,576)	(3,167,686)	(3,062,056)	(4,966,004)	(4,064,491)	(4,500,135)	(3,816,173)
Total other financing sources (uses)	(100,078)	(547,110)	(1,042,751)	7,143,612	(1,093,227)	(1,273,594)	7,771,074	(591,152)	(575,682)	(949,213)
Net change in fund balances	\$ 2,717,458	\$ 2,628,983	\$ (2,891,468)	\$ (487,339)	\$ 252,489	\$ (5,768,773)	\$ 7,999,000	\$ 594,476	\$ (848,233)	\$ 706,100
Capital outlay (2)	\$ 4,638,045	\$ 3,779,542	\$ 3,981,143	\$ 9,144,907	\$ 1,907,998	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service as a percentage of noncapital expenditures	5.46%	4.69%	4.26%	2.77%	2.75%	2.86%	0.67%	0.71%	0.82%	0.85%

(1) The City implemented GASB 34, the new reporting standard, in fiscal year 2003.

(2) For reports after fiscal year 2002, capital outlay is reported on the *Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities*.

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

Fiscal Year	Assessed Value					Estimated Actual Value	Total Direct Tax Rate	Percent Assessed To Estimated Value	Exemptions
	Real Estate		Personal Property	Franchise	Total				
	Commercial	Residential							
1998	447,773,935	366,046,353	399,909,183	49,442,125	1,263,171,596	1,318,865,740	0.348	95.8%	55,694,144
1999	467,467,471	419,904,322	394,507,049	90,087,831	1,371,966,673	1,430,510,601	0.340	95.9%	58,258,356
2000	522,210,835	418,704,093	429,763,712	66,465,568	1,437,144,208	1,497,446,385	0.328	95.9%	59,328,314
2001	558,387,762	435,879,813	479,928,323	69,737,433	1,543,933,331	1,603,816,189	0.329	96.3%	58,908,995
2002	575,900,884	448,383,787	466,849,195	71,286,784	1,562,420,650	1,623,844,461	0.328	96.2%	60,449,948
2003	592,033,879	461,336,810	453,327,389	79,952,984	1,586,651,062	1,647,809,422	0.327	96.3%	60,184,497
2004	602,788,179	484,958,897	438,024,336	73,121,063	1,598,892,475	1,661,522,546	0.326	96.2%	61,656,208
2005	622,478,658	500,350,485	425,304,684	74,460,202	1,622,594,029	1,684,469,469	0.325	96.3%	60,901,557
2006	636,606,837	525,613,365	452,475,748	74,683,129	1,689,379,079	1,750,930,676	0.325	96.5%	61,551,597
2007	692,018,288	561,151,216	462,481,332	51,455,112	1,767,105,948	1,827,595,428	0.324	96.7%	60,489,480

Source: McCracken County Property Valuation Administrator

Notes: Property in McCracken County is reassessed once every four years on average.

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

Fiscal Year	City Direct Rates			Overlapping Rates									
	General Fund			Public Library		McCracken Co. School Districts		City of Paducah School Districts		Paducah Junior College		McCracken County	
	Real Estate	Personal	Total Direct Rate	Real Estate	Personal	Real Estate	Personal	Real Estate	Personal	Real Estate	Personal	Real Estate	Personal
1998	0.327	0.390	0.348	0.043	0.050	0.372	0.372	0.585	0.607	0.032	0.034	0.103	0.123
1999	0.318	0.390	0.340	0.041	0.050	0.372	0.372	0.598	0.598	0.030	0.034	0.146	0.187
2000	0.300	0.390	0.328	0.040	0.050	0.385	0.385	0.590	0.599	0.029	0.034	0.146	0.187
2001	0.300	0.390	0.329	-	-	0.385	0.385	0.597	0.597	0.022	0.022	0.195	0.223
2002	0.300	0.390	0.328	-	-	0.385	0.385	0.600	0.603	0.022	0.022	0.196	0.237
2003	0.300	0.390	0.327	-	-	0.396	0.396	0.598	0.605	0.022	0.022	0.196	0.221
2004	0.300	0.390	0.326	-	-	0.394	0.394	0.617	0.617	0.021	0.021	0.190	0.199
2005	0.300	0.390	0.325	-	-	0.448	0.448	0.618	0.619	0.021	0.021	0.196	0.226
2006	0.300	0.390	0.325	-	-	0.433	0.433	0.631	0.631	0.020	0.021	0.197	0.236
2007	0.300	0.390	0.324	-	-	0.433	0.433	0.631	0.631	0.020	0.021	0.197	0.236

Source: McCracken County Property Valuation Administrator and City Tax Levy Ordinance.

**TABLE 7
CITY OF PADUCAH, KENTUCKY
PRINCIPAL TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

<u>Taxpayer</u>	<u>2007</u>		<u>1998</u>	
	<u>(1) Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>	<u>(2) Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Kentucky Oaks Mall	\$ 50,900,262	2.88%	\$ 44,131,900	3.49%
Wal-Mart	34,849,607	1.97%	40,690,682	3.22%
Olivet Church 1031 LLC	23,261,290	1.32%	38,791,383	3.07%
South Central Bell	16,221,600	0.92%	29,562,907	2.34%
Lourdes Medical Pavilion	15,982,400	0.90%	-	
Computer Services, Inc.	15,362,263	0.87%	6,812,185	0.54%
Ducmall LLC	14,374,800	0.81%	-	
Lowe's	14,201,793	0.80%	13,891,595	1.01%
Amerisource	13,672,196	0.77%		
Paducah Medical Investors	13,440,090	0.76%	-	
H.B. Fuller			11,767,766	0.93%
Drury Inns, Inc.			16,237,036	1.29%
VMV			6,700,900	0.53%
Citizens Bank & Turst Co.			11,603,141	0.92%
TOTALS	<u><u>\$212,266,301</u></u>	<u><u>12.03%</u></u>	<u><u>\$ 220,189,495</u></u>	<u><u>17.34%</u></u>

(1) Source - Property Valuation Administration; Assessed value as of January 1, 2007.

(2) Source - Property Valuation Administration; Assessed value as of January 1, 1998.

**TABLE 8
CITY OF PADUCAH, KENTUCKY
SECURED TAX LEVIES AND COLLECTIONS*
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	(1) Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		(1) Amount of Collections	Percent of Levy Collected		Total Collections	Percent of Levy Collected
1998	4,417,910	4,373,272	99.0%	312	\$ 4,373,584	99.0%
1999	4,614,749	4,602,800	99.7%	489	\$ 4,603,289	99.8%
2000	4,428,970	4,384,681	99.0%	998	\$ 4,385,679	99.0%
2001	4,549,413	4,406,600	96.9%	3,420	\$ 4,410,020	96.9%
2002	4,679,795	4,532,885	96.9%	6,019	\$ 4,538,904	97.0%
2003	4,653,264	4,631,782	99.5%	8,935	\$ 4,640,717	99.7%
2004	4,890,723	4,866,871	99.5%	22,199	\$ 4,889,070	100.0%
2005	4,765,051	4,725,999	99.2%	39,052	\$ 4,765,051	100.0%
2006	4,962,311	4,887,983	98.5%	74,328	\$ 4,962,311	100.0%
2007	4,902,924	4,850,651	98.9%	-	\$ 4,850,651	98.9%

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

* Source - City of Paducah Finance Department.

**TABLE 9
CITY OF PADUCAH, KENTUCKY
EMPLOYEE LICENSE TAX COLLECTIONS
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>(1) Taxes Collected</u>	<u>Direct Tax Rate</u>
1998	\$ 8,657,001	1.50%
1999	8,911,588	1.50%
2000	9,451,473	1.50%
2001	9,603,106	1.50%
2002	9,873,201	1.50%
2003	10,301,231	1.50%
2004	10,616,222	1.50%
2005	11,183,157	1.50%
2006	14,947,835	2.00% (2)
2007	<u>16,258,946</u>	2.00%
	<u>\$109,803,760</u>	

(1) Source - City of Paducah Finance Department - Actual collections during the fiscal year.

(2) Effective October 1, 2005, employee license tax rate increased from 1.5% to 2.0%.

**TABLE 10
CITY OF PADUCAH, KENTUCKY
PRINCIPAL EMPLOYEE LICENSE TAXPAYERS
CURRENT YEAR AND ONE YEAR AGO***

Taxpayers By Range	Number of Filers	Percentage of Total	2007	
			(1) Taxes Collected	Percentage of Total Employee License Tax
\$0 - \$50,000	2,264	98.18%	\$ 8,747,840	53.80%
\$50,001 - \$100,000	22	0.95%	1,602,865	9.86%
\$100,001 - \$500,000	18	0.78%	3,681,440	22.64%
Greater than \$500,000	2	0.09%	2,226,801	13.70%
TOTALS	2,306	100.00%	\$ 16,258,946	100.00%
Taxpayers By Range	Number of Filers	Percentage of Total	2006	
			(1) Taxes Collected	Percentage of Total Employee License Tax
\$0 - \$50,000	1,603	97.80%	\$ 7,462,359	54.97%
\$50,001 - \$100,000	19	1.16%	1,326,451	9.77%
\$100,001 - \$500,000	15	0.92%	2,907,406	21.42%
Greater than \$500,000	2	0.12%	1,879,464	13.84%
TOTALS	1,639	100.00%	\$ 13,575,680	100.00%

(1) Source - City of Paducah Finance Department - Actual collections during the fiscal year.

* Comparative taxpayers by range information is only available after fiscal year 2006.

TABLE 11
CITY OF PADUCAH, KENTUCKY
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business Activities		Total Primary Government	(1) Ratio of Net Debt to Actual Value	(2) Net Debt Per Capita
	Net General Obligation Bonds	Public Improvement Debt	Capital Lease	Net Public Improvement Debt	Net Refunding Revenue Bonds			
1998	\$ -	\$ -	\$ -	\$ 1,435,581	\$ 792,924	\$ 2,228,505	0.17	\$ 82
1999	-	-	-	1,331,220	701,819	2,033,039	0.14	75
2000	-	-	-	-	-	-	-	-
2001	9,057,359	-	381,330	-	-	9,438,689	0.59	359
2002	8,830,276	-	234,054	-	-	9,064,330	0.56	345
2003	8,803,949	-	79,825	-	-	8,883,774	0.54	338
2004	13,589,757	3,428,855	-	-	-	17,018,612	1.02	647
2005	13,210,195	3,503,274	-	-	-	16,713,469	0.99	635
2006	18,877,636	3,319,227	-	-	-	22,196,863	1.27	844
2007	18,278,164	3,320,522	-	-	-	21,598,686	1.18	821

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) See Table 5 for estimated actual property value. This ratio is calculated using estimated property value for the prior year.

(2) See Table 16 for population data.

TABLE 12
CITY OF PADUCAH, KENTUCKY
RATIO OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding			Less Resources Restricted for Debt Service	Total	(1) Ratio of Net Bonds to Actual Value	(2) Net Bonds Per Capita
	Convention and Art Center Bonds	Police and Fire Pension Fund Bonds	Infiniti Media Building Bonds				
1998	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -
1999	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-
2001	9,290,000	-	-	232,641	9,057,359	0.56	344
2002	9,075,000	-	-	244,724	8,830,276	0.54	336
2003	8,850,000	-	-	46,051	8,803,949	0.53	335
2004	8,620,000	-	5,000,000	30,243	13,589,757	0.82	517
2005	8,380,000	-	4,840,000	9,805	13,210,195	0.78	502
2006	8,130,000	6,100,000	4,680,000	32,364	18,877,636	1.08	718
2007	7,870,000	5,925,000	4,515,000	31,836	18,278,164	1.00	695

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) See Table 5 for estimated actual property value. This ratio is calculated using estimated property value for the prior year.

(2) See Table 16 for population data.

TABLE 13
CITY OF PADUCAH, KENTUCKY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2007

	<u>Net Debt Outstanding</u>	<u>(1) Percentage Applicable to the City</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
City of Paducah	<u>\$ 21,598,686</u>	<u>100.0%</u>	<u>\$ 21,598,686</u>
Paducah Independent School District	10,480,000 *	100.0%	10,480,000
McCracken County	12,145,651 *	45.3%	5,501,980
McCracken County Board of Education	<u>25,416,145 *</u>	<u>22.7%</u>	<u>5,769,465</u>
Overlapping Debt	<u>48,041,796</u>		<u>21,751,445</u>
Total direct and overlapping debt	<u><u>\$ 69,640,482</u></u>		<u><u>\$ 43,350,131</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.

* Information from finance office at each location.

**TABLE 14
CITY OF PADUCAH, KENTUCKY
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

Net assessed value		\$ 1,767,105,948
Add exemption		<u>60,489,480</u>
Total assessed value		<u>\$ 1,827,595,428</u>
Debt limit - 10% of total assessed value (1)		\$ 182,759,543
Debt outstanding:		
General obligation bonds outstanding	18,310,000	
Notes payable	3,320,522	
Less debt not subject to limit	<u>-</u>	
Gross bonded debt	21,630,522	
Less amount available in debt service funds	<u>31,836</u>	
Net bonded indebtedness subject to limit		<u>21,598,686</u>
Legal Debt Margin		<u>\$ 161,160,857</u>

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Debt Limit	\$ 182,759,543	\$ 175,093,068	\$ 168,349,559	\$ 166,054,868	\$ 164,683,556	\$ 162,287,060	\$ 160,284,233	\$ 149,647,252	\$ 143,022,503	\$ 131,886,574
Total net debt applicable to limit	<u>21,598,686</u>	<u>22,196,863</u>	<u>16,713,469</u>	<u>17,018,612</u>	<u>8,883,774</u>	<u>9,064,330</u>	<u>9,438,689</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 161,160,857</u>	<u>\$ 152,896,205</u>	<u>\$ 151,636,090</u>	<u>\$ 149,036,256</u>	<u>\$ 155,799,782</u>	<u>\$ 153,222,730</u>	<u>\$ 150,845,544</u>	<u>\$ 149,647,252</u>	<u>\$ 143,022,503</u>	<u>\$ 131,886,574</u>
Total net debt applicable to the limit as a percentage of debt limit	11.82%	12.68%	9.93%	10.25%	5.39%	5.59%	5.89%	0.00%	0.00%	0.00%

(1) "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 15
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	
1998	\$ 3,382,994	\$ 1,873,558	\$ 1,509,436	\$ 210,000	\$ 45,190	\$ 255,190	5.91x
1999	3,369,358	2,081,507	1,287,851	110,000	37,105	147,105	8.75x
2000	*	*	*	*	*	*	*
2001	*	*	*	*	*	*	*
2002	*	*	*	*	*	*	*
2003	*	*	*	*	*	*	*
2004	*	*	*	*	*	*	*
2005	*	*	*	*	*	*	*
2006	*	*	*	*	*	*	*
2007	*	*	*	*	*	*	*

(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 after 1999 as 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 16
CITY OF PADUCAH, KENTUCKY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	(1) Population	(1) Personal Income	(1) Per Capita Income	(1) Median Age	(2) School Enrollment	(3) Unemployment Rate
1997-1998	27,256	324,837,008	11,918	36.6	3,244	4.6%
1998-1999	27,256	324,837,008	11,918	36.6	3,195	4.1%
1999-2000	27,256	324,837,008	11,918	36.6	3,289	4.4%
2000-2001	26,307	324,837,008	11,918	39.9	3,037	5.0%
2001-2002	26,307	484,496,019	18,417	39.9	2,909	6.3%
2002-2003	26,307	484,496,019	18,417	39.9	2,887	7.2%
2003-2004	26,307	484,496,019	18,417	39.9	2,977	5.8%
2004-2005	26,307	484,496,019	18,417	39.9	2,819	6.4%
2005-2006	26,307	484,496,019	18,417	39.9	2,834	5.7%
2006-2007	26,307	484,496,019	18,417	39.9	2,804	5.6%

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 17
CITY OF PADUCAH, KENTUCKY
PRINCIPAL EMPLOYERS
CURRENT YEAR AND ONE YEAR AGO***

<u>Employer (1)</u>	<u>2007</u>		<u>2006</u>	
	<u>Employees</u>	<u>Percentage of Total Employment (2)</u>	<u>Employees</u>	<u>Percentage of Total Employment (2)</u>
Western Baptist Hospital	1,660	5.55%	1,660	5.55%
Lourdes Hospital	1,500	5.01%	1,500	5.01%
Paducah Public Schools	600	2.01%	600	2.01%
Wal Mart	570	1.91%	570	1.91%
LYNX Services	390	1.30%	390	1.30%
State of Kentucky	390	1.30%	390	1.30%
City of Paducah	380	1.27%	380	1.27%
Paxton Media Group	285	0.95%	285	0.95%
NRE Acquisitions	270	0.90%	280	0.94%
West KY Community & Technical College	270	0.90%	270	0.90%
TOTALS	<u><u>6,315</u></u>	<u><u>21.11%</u></u>	<u><u>6,325</u></u>	<u><u>21.14%</u></u>

(1) Source – Paducah Area Chamber of Commerce

(2) State of Kentucky - Office of Employment and Training. Ratio based on employment within the County of McCracken.

* Comparative information was unavailable prior to fiscal year 2006.

TABLE 18
CITY OF PADUCAH, KENTUCKY
CITY FULL-TIME EMPLOYEES BY FUNCTION**
Last Ten Fiscal Years

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<u>Governmental Activities</u>										
General government										
General administration	9	8	7	7	7	5	7	7	8	8
Finance	14	14	14	13	13	13	12	12	12	12
Human resources	3	3	4	3	3	3	4	4	4	3
Inspection	13	13	12	12	12	11	14	12	12	11
Information Systems	4	3	3	3	3	2	1	1	1	
Risk Management	1	1	1							
Public safety										
Police	93	93	96	94	95	94	95	94	94	83
Fire	71	76	75	76	76	77	81	86	86	96
Public service										
Streets	31	31	31	30	30	25	29	29	29	30
Facilities	33	34	34	34	34	31	29	30	24	25
Engineering	9	9	9	8	7	7	8	8	5	4
Other	6	5	5	5	5	8	5	5	5	5
Parks and recreation										
	9	5	5	5	5	8	7	5	5	4
Planning and development										
	11	11	11	11	11	11	11	12	11	11
Other										
Fleet maintenance	6	7	7	6	6	6	7	6	8	10
<u>Business-type Activities</u>										
Solid waste	29	29	29	29	29	27	30	29	29	31
Sewer/wastewater	*	*	*	*	*	*	*	*	23	24
Total Primary Government	<u>342</u>	<u>342</u>	<u>343</u>	<u>336</u>	<u>336</u>	<u>328</u>	<u>340</u>	<u>340</u>	<u>356</u>	<u>357</u>

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

**Information from city departments.

TABLE 19
CITY OF PADUCAH, KENTUCKY
OPERATING INDICATORS BY FUNCTION**
Last Ten Fiscal Years

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General government										
Building and electrical permits issued	1,411	1,362	1,376	*	*	*	*	*	*	*
Business licenses issued	3,500	3,700	*	*	*	*	*	*	*	*
Public safety										
Police										
Adult arrests	5,012	3,827	*	*	*	*	*	*	*	*
Murder	1	-	*	*	*	*	*	*	*	*
Rape	18	15	*	*	*	*	*	*	*	*
Robberies	42	35	*	*	*	*	*	*	*	*
Burglary	208	211	*	*	*	*	*	*	*	*
Auto theft	117	104	*	*	*	*	*	*	*	*
Arson	16	7	*	*	*	*	*	*	*	*
Traffic accidents	1,949	1,815	*	*	*	*	*	*	*	*
Traffic violations	7,323	7,468	*	*	*	*	*	*	*	*
Fire										
Emergency responses	2,456	2,546	3,219	3,638	3,569	2,845	1,665	1,651	937	*
Fires extinguished	163	181	176	189	198	194	177	247	131	*
Structure fires	40	53	49	64	70	72	66	69	52	*
Incidents with reported losses	80	91	97	106	111	129	102	94	60	*
Medical/rescue	1,369	1,589	1,997	2,266	2,290	1,551	370	319	40	*
Tours/in-services/training hours	485	485	485	485	485	468	558	430	*	*
Inspections	1,183	1,418	1,188	965	1,058	804	1,619	1,625	*	*
Refuse collection										
Residential										
Refuse collected (tons per day)	45	34	*	*	*	*	*	*	*	*
Customers served	9,388	9,368	*	*	*	*	*	*	*	*
Commercial										
Customers served	832	801	*	*	*	*	*	*	*	*
Public service										
911 calls received	122,340	167,847	168,712	168,427	173,536	164,661	*	*	*	*
Police	59,887	76,144	103,500	104,622	110,310	106,244	*	*	*	*
Fire	3,107	4,168	3,537	3,305	3,387	4,045	*	*	*	*
Other	59,346	87,535	61,675	60,500	59,839	54,372	*	*	*	*

* Information not available.

**Information from city departments.

TABLE 20
CITY OF PADUCAH, KENTUCKY
CAPITAL ASSET STATISTICS BY FUNCTION**
Last Ten Fiscal Years

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Stations	5	5	5	5	5	5	5	5	5	5
Refuse collection										
Collection trucks										
Residential	9	8	8	#	#	#	#	#	#	#
Commercial	5	4	4	#	#	#	#	#	#	#
Other public works										
Sanitary sewers (miles)	*	*	*	*	*	*	*	*	125	125
Combination sewers (miles)	*	*	*	*	*	*	*	*	56	56
Storm sewers (miles)	*	*	*	*	*	*	*	*	36	36
Streets (miles paved)	216	214	214	213	209	209	209	209	209	209
Sidewalks (miles)	45	45	45	45	45	45	45	45	45	41
Traffic signals	11	11	11	10	0	0	0	0	0	0
Parks and recreation										
Parks	27	18	18	18	18	18	18	18	18	18
Acreage	960	325	325	325	325	325	325	230	230	230
Community centers	1	1	1	1	1	1	1	1	1	1
Swimming pools	1	1	1	1	3	3	3	3	3	3
Public tennis courts	6	6	6	6	6	6	6	10	10	10
Public golf courses	2	2	2	2	2	2	2	2	2	2

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

Information not available.

**Information from city departments.

CITY OF PADUCAH, KENTUCKY

SINGLE AUDIT SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2007

CITY OF PADUCAH, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

<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	14.871	N/A	\$ 1,716,507
Passed-through Kentucky Housing Corporation:			
Public Housing Capital Fund	14.872	N/A	35,842
Economic Development Initiative - Special Project	14.251	B-06-NI-KY0016	<u>88</u>
Total Department of Housing and Urban Development			<u>1,752,437</u>
Department of Justice:			
Direct Programs:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-DJBX-0259	87
Assistance Grant Program	16.738	2006-F1115-KY-DJ	<u>18,321</u>
Total Department of Justice			<u>18,408</u>
Department of Agriculture:			
Passed-through Kentucky Department of Forestry:			
Urban and Community Forestry Program	10.675	600001509	5,000
Passed-through Kentucky Department of Education:			
Summer Food Service Program for Children	10.559	N/A	<u>36,594</u>
Total Department of Agriculture			<u>41,594</u>
Department of Homeland Security:			
Passed-through Division of Disaster and Emergency Services:			
Assistance to Firefighters Grant	97.044	EMW-2005-FG-15498	103,547
	97.044	EMW-2005-FG-03666	39,235
Passed-through Kentucky Department of Military Affairs:			
Buffer Zone Protection Program	97.078	2005-GR-T5-0022	<u>6,600</u>
Total Department of Homeland Security			<u>149,382</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

<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 the Interior:			
Passed-through Kentucky Governor's Office of Local Development Outdoor Recreation_Acquisition, Development and Planning	15.916	LWCF-21-2350	<u>56,711</u>
Total Department of the Interior			<u>56,711</u>
Department of Transportation:			
Passed-through Kentucky Department of State Police: State and Community Highway Safety	20.600	N/A	34,236
Passed-through Kentucky Governor's Office of Local Development Recreational Trails Program	20.219	RTP 156-01	1,078
Recreational Trails Program	20.219	RTP 187-02	1,246
Recreational Trails Program	20.219	N/A	11,520
Passed-through to River Heritage Museum Highway Planning and Construction	20.205	C05024679	<u>17,698</u>
Total Department of Transportation			<u>65,778</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 2,084,310</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, 2007

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>
Paducah Board of Education	10.559	36,594
River Heritage Museum	20.205	<u>17,698</u>
		<u>\$ 54,292</u>



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

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, 2007, which collectively comprise the City of Paducah, Kentucky's basic financial statements and have issued our report thereon dated December 17, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Paducah, Kentucky's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Paducah, Kentucky's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Paducah, Kentucky's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Paducah, Kentucky's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Paducah, Kentucky's financial statements that is more than inconsequential will not be prevented or detected by the City of Paducah, Kentucky's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs (reference # 2007-1) to be significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Paducah, Kentucky's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of the City of Paducah, Kentucky, in a separate letter dated December 17, 2007.

The City of Paducah, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Paducah, Kentucky's response and, accordingly, we express no opinion on it.

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.

Kempire CPA Group, LLP

Certified Public Accountants and Consultants
Paducah, Kentucky
December 17, 2007

**Report on Compliance with Requirements Applicable
to Each Major Program and On 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, 2007. 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, 2007.

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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Paducah, Kentucky's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.

Kemper CPA Group LLP

Certified Public Accountants and Consultants
Paducah, Kentucky
December 17, 2007

CITY OF PADUCAH, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

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. One significant control deficiency was 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 instances of significant deficiencies were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the City of Paducah, Kentucky expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards program to be reported.
7. The programs tested as major programs included:

<u>Name</u>	<u>CFDA #</u>
Section 8 Housing Choice Vouchers	14.871
Assistance to Firefighters Grant	97.044

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:

Reference # 2007-1

Testing of payroll related to termination of employment noted seven discrepancies.

Cause

Untimely communication between department managers, human resource and finance department-payroll.

Effect

Untimely communication resulted in two instances of overpayment of wages (both recovered); two instances of late payment of final wages; two instances overpayment of state incentive pay (one recovered); and one instance of improper remittance of timesheet during leave resulting in overpayment of wages (recovered).

Recommendation

We recommend the City review controls governing employment termination and implement guidelines to improve the timely communication of employee' termination and/or on leave to insure the finance department-payroll is aware of status changes prior to preparing payroll for each period.

CITY OF PADUCAH, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

Management Response

Staff review of these incidents shows that each of these system failures resulted from a communication time lag in the flow of personnel information from the employing department to Human Resources and then to Finance payroll staff. Staff will strengthen the system controls and explore replacing paper forms with electronic forms, which can be communicated instantaneously. The erroneous state incentive payment, which was not recovered, was a \$48 amount involved in a difficult termination, which staff chose not to reopen.

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

None