

**CITY OF PADUCAH,  
KENTUCKY**

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT**



*Pen and ink rendering*

*Old First National Bank*

*Janice Hosmer*

**YEAR ENDED JUNE 30, 2008**

**FINANCE DEPARTMENT  
CITY OF PADUCAH,  
KENTUCKY**

**City of Paducah**  
**Paducah, Kentucky**  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2008**



**Issued by the  
Finance Department**

**CITY OF PADUCAH, KENTUCKY**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2008**

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**CITY OF PADUCAH, KENTUCKY**

**INTRODUCTORY SECTION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2008**



## **CITY OF PADUCAH**

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

December 17, 2008

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, 2008. 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, 2008, 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 FY2008, as the following table indicates, there were 186 jobs created and retained, and \$6.75 million capital invested not to mention the added fiscal impact from the jobs created and capital invested. Additionally, numerous other retail shops opened, creating several dozen more service industry jobs, further strengthening Paducah's retail market.

<b>Summary of Capital Investment and New/Retained Jobs FY2008</b>			
<b>Company</b>	<b>Capital Investment In Millions</b>	<b>Jobs</b>	
		<b>New</b>	<b>Retained</b>
Hunter Marine Transport	\$ 1.50	7	4
Atlas Roofing	\$.75	6	12
Kentucky Publishing	\$.50	10	7
Federal Express	\$4.00	100	40
Total	\$6.75	123	63

**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. In 2008, WKCTC opened a Paducah School of Art, which held classes this fall in its temporary location, while the permanent facility is under construction

**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 2008.

Started in 2004, the 'Rivers Edge International Film Festival' is a four-day event built around the showing of independent film from around the world. The festival is held in multiple venues including Maiden Alley Cinema, Market House Theatre, and Yeiser Art Center. In addition to appealing to the film lover, the festival also provides filmmakers opportunities for exhibition, education, and networking.

Paducah is the site of the Museum of the American Quilter's Society. In May 2008, a congressional designation was passed naming the museum as the National Quilt Museum of the United States. 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 '8<sup>th</sup> of August Emancipation Celebration', which features African American family reunions, or a homecoming. It is a time for African Americans to pay tribute to their heritage and roots, and a time of reconciliation.

The 'Barbecue on the River' event was started in 1995, as a way for local charities to raise funds. It attracts in excess of 70,000 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'.

Paducah Power sponsors the annual 'Christmas in the Park' lighting display at Noble Park. The public is invited to a special lighting ceremony the Friday after Thanksgiving. This is the eleventh year for the event. Although the event is free, volunteers collect more than \$30,000 in cash and thousands of pounds of canned food annually.

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 339 full-time employees as of June 30, 2008. 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 FY2008, 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 2009 budget process, the Commission reviewed numerous decision packages proposed for the Investment Fund Budget; expenditures totaling \$4.36 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 30,029 persons employed (McCracken County) as of June 30, 2008.

The June 2008 unemployment rate was 6.1% (McCracken County), which is 11% higher than the federal rate of 5.5%. Both local and federal unemployment rates increased, compared to 5.6 and 4.7 in the prior year, respectively. 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 1,203 for fiscal year 2008 valued at \$47.7 million, which is \$23.7 million down from fiscal year 2007.

## 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 were invested in either obligations of the United States or its agencies, or collateralized Certificates of Deposit. Interest income totaling approximately \$615 thousand was earned in all 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 decreasing approximately \$171,000 or 13% to \$1.13 million for fiscal year 2008 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 decrease of \$2.373 million, with net assets valued at \$12.1 million on June 30, 2008. 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 was 1 active member and 86 retirees and/or beneficiaries in this fund as of June 30, 2008. The most recent actuarial report prepared for the PFPF was as of July 1, 2008.

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 16.17% for non-hazardous and 33.87% for hazardous duty employees in fiscal year 2008.

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 7 retirees and/or beneficiaries receiving benefits from the fund as of June 30, 2008. 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 \$45,874 in fiscal year 2008, with net assets valued as of June 30, 2008, of \$271,701.

## 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, 2007. This was the seventeenth consecutive year that the City achieved this prestigious award.

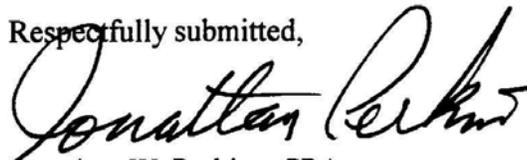
In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

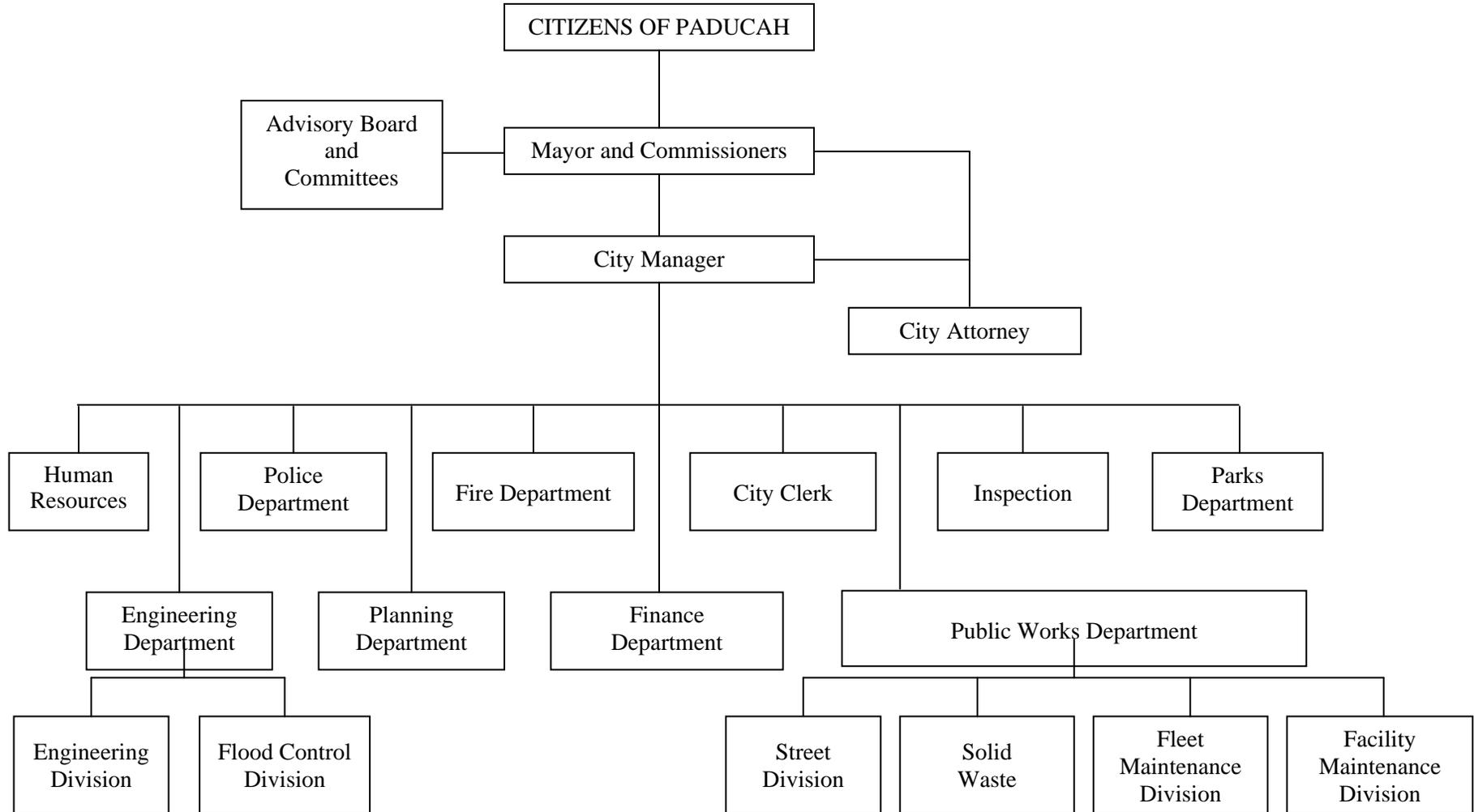
The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We wish to express our appreciation to all members of the Finance Department who assisted and contributed to its preparation, and special 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	Steve Kyle
City Engineer	Richard Murphy
Planning	Stephen Ervin
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, 2007

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.



*Charles S. Cox*

President

*Jeffrey R. Emer*

Executive Director

**CITY OF PADUCAH, KENTUCKY**

**FINANCIAL SECTION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2008**

## **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, 2008, 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, based on our audit and the reports of other auditors, 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and Special Revenue Investment 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, 2008, 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, 2008, 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 important for assessing the results of our audit.

The Management's Discussion and Analysis and Pension Trust Fund Schedules on pages 13 through 25 and 88, 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.

*Kempner CPA Group LLP*

Certified Public Accountants and Consultants  
Paducah, Kentucky  
December 17, 2008

**CITY OF PADUCAH, KENTUCKY**

**REQUIRED SUPPLEMENTARY INFORMATION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2008**

**CITY OF PADUCAH, KENTUCKY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2008**

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, 2008. 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 26-87) 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 \$50.4 million at the close of the 2007-2008 fiscal year. Of this amount, \$9.4 million (unrestricted net assets) may be used to meet City government's ongoing obligations to citizens and creditors.
- Total net assets increased \$647,137.
- At fiscal year end, City governmental funds reported a combined ending fund balance of \$15.6 million. Approximately 65% of this total amount, \$10.1 million, is unreserved and available for spending at the City's discretion. Of the \$10.1 million, \$631,677 is in various special funds, which are earmarked for specific purposes.
- At the end of the current fiscal year, unreserved general fund balance was \$9.4 million, of which cash makes up approximately \$4.2 million. When compared to actual total appropriations, the general fund cash balance is 13%.

**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, Section Eight Housing, 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 eleven (11) 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, Investment, and Debt Service Funds, all of which are considered to be major funds. Data from the other seven (7) 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 89-99.

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 four enterprise funds to account for Solid Waste, Section Eight Housing, 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 enterprise fund financial statements can be found on pages 45-47.

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 50-53.

- 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 100-102 of this report. Individual data for the internal service funds is likewise presented in the form of combining statements on pages 103-105 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 four (4) fiduciary funds (Appointive Employees' Pension, Police and Firefighters' Retirement, Other Trust Funds, and Maintenance and Rehabilitation Trust) are presented in the form of combining statements on pages 106-110 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 54-87 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 89-110 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 \$50.4 million as of June 30, 2008.

The largest portion of the City's net assets (67%) 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 (14%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (19%) may be used to meet the City's ongoing obligations to citizens and creditors.

As of June 30, 2008, the City reports positive balances 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>2008</u>	<u>2007</u> <u>(Restated)</u>	<u>2008</u>	<u>2007</u> <u>(Restated)</u>	<u>2008</u>	<u>2007</u> <u>(Restated)</u>
Current Assets	\$ 32,855,949	\$ 32,471,637	\$ 2,989,156	\$ 3,261,224	\$ 35,845,105	\$ 35,732,861
Capital Assets	35,123,258	38,575,330	1,863,975	1,505,323	36,987,233	40,080,653
Other noncurrent assets	8,620,763	6,520,288	-	-	8,620,763	6,520,288
<b>Total Assets</b>	<b>76,599,970</b>	<b>77,567,255</b>	<b>4,853,131</b>	<b>4,766,547</b>	<b>81,453,101</b>	<b>82,333,802</b>
Current Liabilities	8,082,282	7,914,656	351,399	431,296	8,433,681	8,345,952
Noncurrent liabilities	20,507,471	22,132,588	2,078,262	2,068,712	22,585,733	24,201,300
<b>Total liabilities</b>	<b>28,589,753</b>	<b>30,047,244</b>	<b>2,429,661</b>	<b>2,500,008</b>	<b>31,019,414</b>	<b>32,547,252</b>
Net assets:						
Invested in capital assets, net of related debt	31,766,783	32,557,572	1,863,975	1,505,323	33,630,758	34,062,895
Restricted	6,810,671	5,794,248	579,460	728,996	7,390,131	6,523,244
Unrestricted	9,432,763	9,168,191	(19,965)	32,220	9,412,798	9,200,411
<b>TOTAL NET ASSETS</b>	<b>\$ 48,010,217</b>	<b>\$ 47,520,011</b>	<b>\$ 2,423,470</b>	<b>\$ 2,266,539</b>	<b>\$ 50,433,687</b>	<b>\$ 49,786,550</b>

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

The following table provides a summary of the City's operations for the years ended June 30, 2008 and 2007. Governmental activities increased the City's net assets by \$490,206. Business-type activities increased the City's net assets by \$156,931.

**City of Paducah, Kentucky**

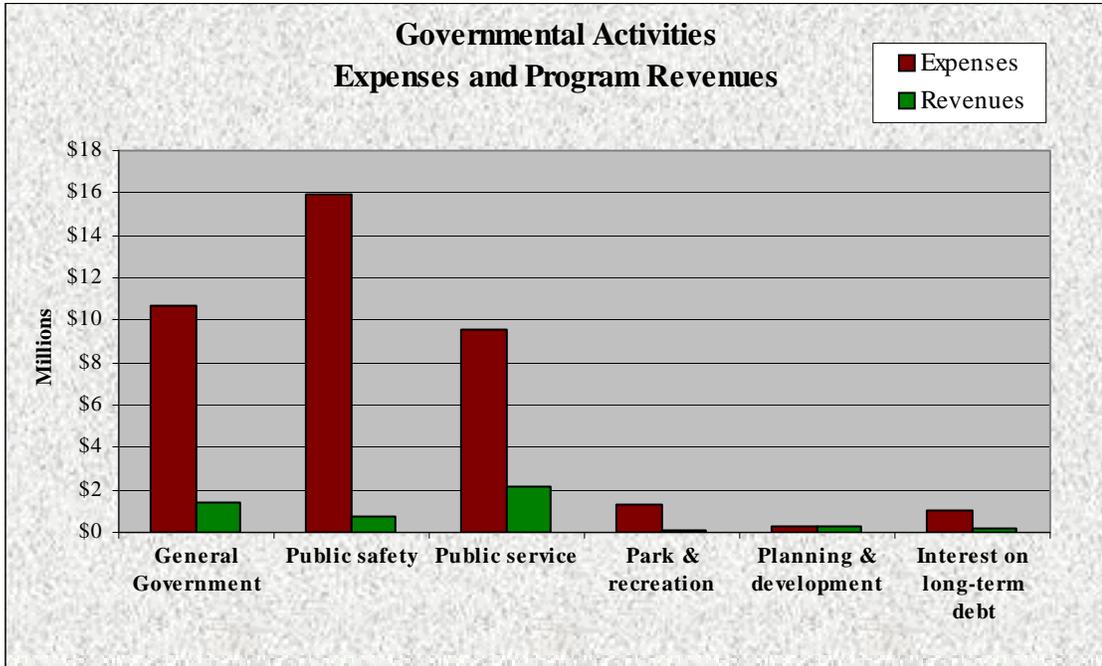
Changes in Net Assets

June 30

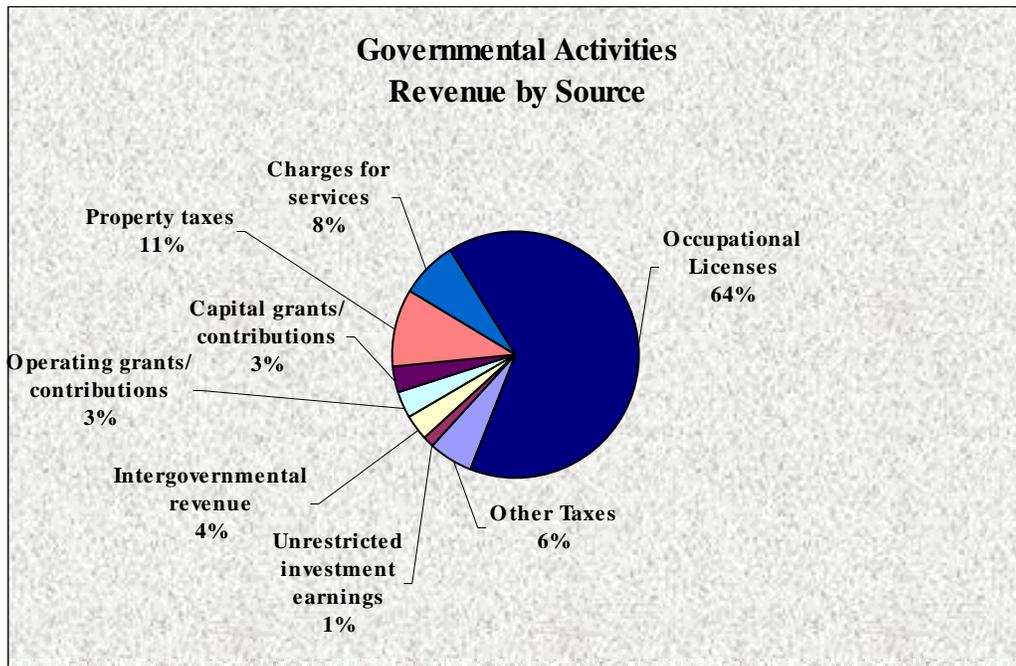
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
		(Restated)		(Restated)		(Restated)
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,951,203	\$ 4,038,902	\$ 4,341,859	\$ 4,332,732	\$ 7,293,062	\$ 8,371,634
Operating grants/ contributions	1,340,261	782,322	1,785,809	2,014,894	3,126,070	2,797,216
Capital grants/ contributions	1,297,900	3,681,490	9,480	23,969	1,307,380	3,705,459
General Revenues:						
Property taxes	4,221,957	4,122,538	-	-	4,221,957	4,122,538
Franchise taxes	137,816	183,736	-	-	137,816	183,736
Telecommunications tax	826,379	522,665	-	-	826,379	522,665
Insurance premium tax	4,699,458	4,414,672	-	-	4,699,458	4,414,672
Vehicle tax	597,239	594,585	-	-	597,239	594,585
Bank tax	177,011	163,930	-	-	177,011	163,930
Gross receipts license tax	4,061,587	4,050,057	-	-	4,061,587	4,050,057
Employee license tax	16,520,523	16,273,966	-	-	16,520,523	16,273,966
Other taxes	521,511	499,185	-	-	521,511	499,185
Intergovernmental revenue	1,401,400	1,243,028	-	-	1,401,400	1,243,028
Unrestricted investment earnings	540,620	638,976	73,985	84,580	614,605	723,556
Gain on sale of capital assets	119,200	48,656	127,131	16,641	246,331	65,297
<b>Total revenues</b>	<b>39,414,065</b>	<b>41,258,708</b>	<b>6,338,264</b>	<b>6,472,816</b>	<b>45,752,329</b>	<b>47,731,524</b>
<b>Expenses:</b>						
General Government	10,709,641	9,462,543	-	-	10,709,641	9,462,543
Public safety	15,938,831	15,182,704	-	-	15,938,831	15,182,704
Public service	9,543,714	8,299,658	-	-	9,543,714	8,299,658
Park & recreation	1,286,955	1,197,072	-	-	1,286,955	1,197,072
Planning & development	282,042	64,670	-	-	282,042	64,670
Interest on long-term debt	1,066,067	1,134,898	-	-	1,066,067	1,134,898
Solid Waste	-	-	4,086,747	4,079,684	4,086,747	4,079,684
Section Eight Housing	-	-	1,949,899	1,716,507	1,949,899	1,716,507
Civic Center	-	-	84,908	54,560	84,908	54,560
TISA	-	-	156,388	267,194	156,388	267,194
<b>Total expenses</b>	<b>38,827,250</b>	<b>35,341,542</b>	<b>6,277,942</b>	<b>6,117,945</b>	<b>45,105,192</b>	<b>41,459,487</b>
Increase (decrease) in Net assets before transfers	586,815	5,917,166	60,322	354,871	647,137	6,272,037
Transfers	(96,609)	(58,175)	96,609	58,175	-	-
<b>Change in net assets</b>	<b>490,206</b>	<b>5,858,991</b>	<b>156,931</b>	<b>413,046</b>	<b>647,137</b>	<b>6,272,037</b>
Net assets, July 1, restated	47,520,011	41,661,020	2,266,539	1,853,493	49,786,550	43,514,513
<b>NET ASSETS, JUNE 30</b>	<b>\$ 48,010,217</b>	<b>\$ 47,520,011</b>	<b>\$ 2,423,470</b>	<b>\$ 2,266,539</b>	<b>\$ 50,433,687</b>	<b>\$ 49,786,550</b>

## 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 2008.



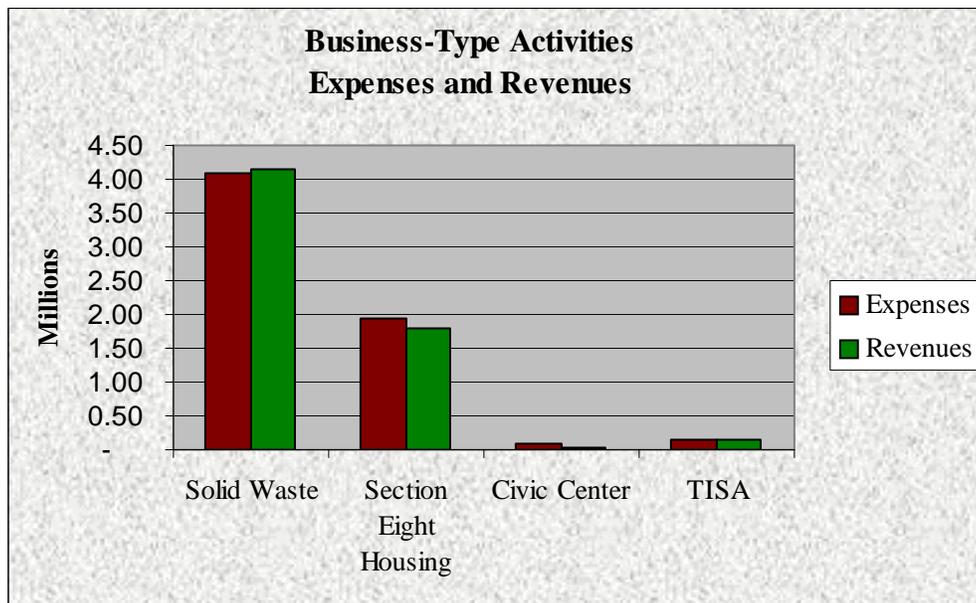
In fiscal year 2008, the City derived 81% of its revenue from taxes/licenses. Occupational licenses, which include payroll withholding tax, business licenses, and insurance premium tax is the largest source of income to the City, totaling approximately \$25.2 million. This category of revenue increased 2% from fiscal year 2007, which is modest compared to the 10% increase experienced in 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 increased the City’s net assets by \$156,931.

The chart below shows the operating results for each of the City’s business-type activities. These activities should break-even; that is, the charges for services should be large enough to sustain operations. For fiscal year 2008, business-type activities as a whole had an increase in net assets of \$156,931. This was primarily due to the performance of the Solid Waste fund.



The Solid Waste fund, a major fund of the organization, experienced a positive change in net assets for the first time since fiscal year 2004. During 2008, efforts were made to improve the performance of this function, including a rate increase as well as efficiency measures through equipment and route reorganization.

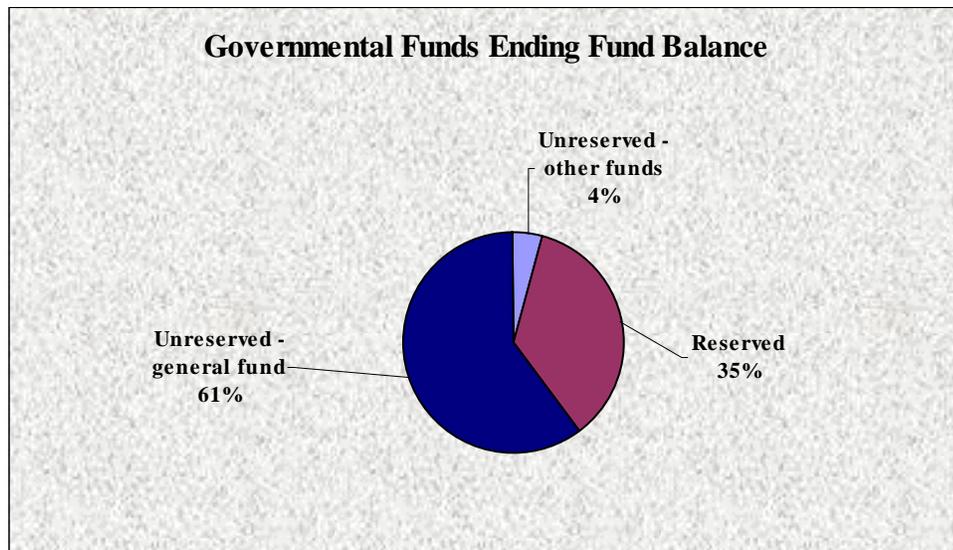
Section Eight Housing had a decrease in net assets of \$163,337. Annual HUD grant funding is based on expected rentals for the year. During fiscal year 2008, actual rentals exceeded what had been projected.

#### 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 \$15.6 million (see Exhibit 3). Approximately 65% of this total amount, \$10.1 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 \$10.1 million, \$696,725 is in the debt service fund and various special revenue funds, which are earmarked for specific purposes. The remaining \$5.5 million of fund balance is reserved for specific future uses. The allocation of fund balances among the categories (shown below) is consistent with prior years.



The general fund is the chief operating fund of the City. At the end of the 2007-2008 fiscal year, the general fund unreserved fund balance was \$9.4 million. City fiscal policy (ordinance 2007-6-7288) required that an amount not less than 8% of the General Fund's budgeted expenditures remain undesignated in the fund balance, or \$2.5 million, which leaves \$6.9 million as unreserved for fiscal year 2008. While \$6.9 million represents unreserved fund balance, it is worth noting here that at year-end there was only \$4.2 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's fund balance represents approximately 30% of expenditures and transfers out (\$31 million). When compared to total appropriations (\$31 million), the general fund cash balance (\$4.2 million) is 13%.

The General Fund's fund balance decreased by \$825 thousand during the 2007-2008 fiscal year. This was due to the Commission's approval of a mid-year appropriations package that took cash down to the 8% required reserve. The appropriation amendment totaled \$2.1 million.

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 \$21 thousand over last year. Fund balance remained virtually unchanged because the funding allocated to capital projects during the year were expended, leaving little on hand at year-end.

The Investment Fund had a fund balance of \$2.1 million, all of which is reserved for capital projects. The Investment Fund's fund balance increased \$388 thousand. 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	\$1,255,494
Section Eight Housing	579,460
Civic Center	210,923
TISA	257,740

Combined total net asset change for the four funds was an increase of \$133 thousand, broken down as follows: Solid Waste (\$255 thousand increase), Section Eight Housing (\$163 thousand decrease), Civic Center (\$13 thousand decrease), and TISA (\$54 thousand increase). 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 \$1.693 million increase 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	\$ 128	\$ -
Downtown development	104	-
Finance	4	-
Planning	-	78
Human rights	-	11
Human resources	3	-
Inspection	-	126
Information systems	-	26
Risk management	-	6
Police	-	566
Fire	160	-
Public works	-	211
Engineering services	-	3
Recreation	3	-
Other	2,318	-

Transfers out were increased by over \$2.0 million. This increase is due to the mid-year budget appropriation designating \$2.1 million for capital projects and other projects such as an operating subsidy to the Barkley Regional Airport, a loan to the local economic development council, and various incentives paid to new and relocating businesses in the community.

## 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, 2008, is \$37.0 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 2008, projects and equipment expenditures totaled nearly \$4.8 million. The largest capital-type projects, in terms of dollars in fiscal year 2008, are shown in the following table:

Olivet Church Road Improvements	\$ 544,142
Riverfront Development & Boat Launch	510,943
Noble Park Improvements & Recreation Trail	518,919
Neighborhood Redevelopment	279,002

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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 6,236,574	\$ 6,518,216	\$ 65,908	\$ 65,908	\$ 6,302,482	\$ 6,584,124
Land improvements	1,909,420	1,606,021	-	-	1,909,420	1,606,021
Construction in progress	2,511,350	802,177	-	-	2,511,350	802,177
Buildings and improvements	3,894,226	7,208,859	240,292	253,670	4,134,518	7,462,529
Infrastructure	17,023,648	19,175,949	-	-	17,023,648	19,175,949
Equipment	1,587,880	1,460,002	343,176	55,343	1,931,056	1,515,345
Furnishings and fixtures	7,130	5,845	-	-	7,130	5,845
Vehicles	1,953,030	1,798,261	1,214,599	1,116,602	3,167,629	2,914,863
<b>TOTALS</b>	<u>\$ 35,123,258</u>	<u>\$ 38,575,330</u>	<u>\$ 1,863,975</u>	<u>\$ 1,491,523</u>	<u>\$ 36,987,233</u>	<u>\$ 40,066,853</u>

Additional information on City capital assets can be found in Note 3 in the notes to financial statements on pages 68-70.

### B. Long-Term Debt

At year-end, the City had \$22,432,196 in outstanding bonds, accrued compensated absences and notes payable, compared to \$23,569,480 at June 30, 2007 with maturities extending through 2026. During the year, the City's total debt decreased by \$1,137,284, as shown in the following table:

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Convention and Performing Arts Center – 2001	\$ 7,600,000	\$ 7,870,000
Kentucky League of Cities – 2003	2,822,970	2,968,856
Infiniti Media Building – 2004	4,340,000	4,515,000
General Fund accrued compensated absences	1,805,893	1,938,958
KACO – 2005	-	105,000
Police/Firefighter Pension Fund Liability – 2006	5,740,000	5,925,000
Jones Agreement (Art School) -- 2007	<u>123,333</u>	<u>246,666</u>
TOTALS	<u>\$22,432,196</u>	<u>\$23,569,480</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.

**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 \$197,015,689. 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 2008, less than 6.2% 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 71-74.

## 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 2008. It is estimated that nearly 200 jobs were created or retained in fiscal year 2008 along with \$6.7 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. During fiscal year 2008, the newly hired Downtown Development Director, along with Paducah Main Street, launched an incentive program designed for the placement of retail establishments in the downtown/riverfront area. Beginning in fiscal year 2009, the efforts of the Lowertown project coordinator, Downtown Development director, and Paducah Main Street will be combined with the creation of Paducah Renaissance Alliance (PRA). PRA has been 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 2008 was 6.1%.
- 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 two-thirds of the City's annual operating 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 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 decreased the rates slightly for FY2008, the rates are back up for FY2009, and 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 2008, 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, 2008**

**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

<u><b>ASSETS</b></u>	<u><b>Primary Government</b></u>			<b>Component Units</b>
	<u><b>Governmental Activities</b></u>	<u><b>Business-type Activities</b></u>	<u><b>Total</b></u>	
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 4,269,873	\$1,027,031	\$ 5,296,904	\$ 2,741,214
Investments	8,450,036	1,250,036	9,700,072	-
Receivables, net:				
Notes	923,784	-	923,784	-
Lease	160,845		160,845	
Accounts	5,794,746	535,475	6,330,221	4,878,529
Grants	284,002	9,634	293,636	271,439
Interest	205,338	28,792	234,130	-
Property tax	4,513,846	-	4,513,846	-
Other	-	-	-	1,399,326
Internal balances	(119,853)	119,853	-	-
Inventory	1,285,008	-	1,285,008	2,023,126
Prepaid pension obligation	5,797,633	-	5,797,633	-
Prepaid expenses	1,243,044	18,335	1,261,379	43,900
Other current assets	47,647	-	47,647	911,975
<b>Total current assets</b>	<u>32,855,949</u>	<u>2,989,156</u>	<u>35,845,105</u>	<u>12,269,509</u>
<b>Noncurrent Assets:</b>				
Investments, restricted	-	-	-	1,905,327
Notes receivable	3,984,270	-	3,984,270	-
Lease receivable	3,991,461		3,991,461	
Bond issuance costs, net	216,974	-	216,974	-
Net capital assets:				
Land and construction in progress	8,747,924	65,908	8,813,832	4,759,783
Depreciable capital assets	26,375,334	1,798,067	28,173,401	81,783,922
Restricted assets	-	-	-	2,637,436
Other assets	428,058	-	428,058	378,549
<b>Total noncurrent assets</b>	<u>43,744,021</u>	<u>1,863,975</u>	<u>45,607,996</u>	<u>91,465,017</u>
<b>Total assets</b>	<u>\$76,599,970</u>	<u>\$4,853,131</u>	<u>\$81,453,101</u>	<u>\$103,734,526</u>

<b><u>LIABILITIES</u></b>	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Current Liabilities:</b>				
Voucher and accounts payable	\$ 1,141,830	\$ 242,938	\$ 1,384,768	\$ 5,511,148
Line of credit	-	-	-	2,119,695
Accrued payables	576,420	34,373	610,793	605,065
Due to other taxing agencies	124,529	-	124,529	-
Unearned revenue	4,214,963	-	4,214,963	775,110
Accrued compensated absences	996,072	74,088	1,070,160	-
Accrued interest	99,815	-	99,815	157,502
Notes payable due within one year	273,653	-	273,653	98,877
Bonds payable due within one year	655,000	-	655,000	1,370,790
Other current liabilities	-	-	-	1,611,270
<b>Total current liabilities</b>	<b>8,082,282</b>	<b>351,399</b>	<b>8,433,681</b>	<b>12,249,457</b>
<b>Noncurrent Liabilities:</b>				
Accrued compensated absences	809,821	15,762	825,583	-
Landfill post-closure costs	-	2,062,500	2,062,500	-
Other liabilities	-	-	-	342,661
Notes payable	2,672,650	-	2,672,650	6,380,504
Bonds payable	17,025,000	-	17,025,000	3,742,084
<b>Total noncurrent liabilities</b>	<b>20,507,471</b>	<b>2,078,262</b>	<b>22,585,733</b>	<b>10,465,249</b>
<b>Total liabilities</b>	<b>28,589,753</b>	<b>2,429,661</b>	<b>31,019,414</b>	<b>22,714,706</b>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	31,766,783	1,863,975	33,630,758	74,859,144
Restricted for:				
Program purposes	1,782,251	579,460	2,361,711	-
Capital projects	5,028,420	-	5,028,420	-
Debt service	-	-	-	3,487,017
Unrestricted	9,432,763	(19,965)	9,412,798	2,673,659
<b>TOTAL NET ASSETS</b>	<b>\$48,010,217</b>	<b>\$2,423,470</b>	<b>\$50,433,687</b>	<b>\$ 81,019,820</b>

See accompanying notes to the basic financial statements.

**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

<u><b>FUNCTIONS/PROGRAMS</b></u>	<u><b>Expenses</b></u>	<u><b>Program Revenues</b></u>		
		<u><b>Charges for Services</b></u>	<u><b>Operating Grants and Contributions</b></u>	<u><b>Capital Grants and Contributions</b></u>
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ 10,709,641	\$ 1,415,943	\$ -	\$ -
Public safety	15,938,831	268,839	635,808	450,812
Public service	9,543,714	1,111,188	199,254	838,846
Parks and recreation	1,286,955	124,606	-	-
Planning and development	282,042	30,627	283,852	8,242
Interest on long-term debt	1,066,067	-	221,347	-
Total governmental activities (See Note 1)	<u>38,827,250</u>	<u>2,951,203</u>	<u>1,340,261</u>	<u>1,297,900</u>
Business-type activities:				
Solid Waste	4,086,747	4,165,094	-	-
Section Eight Housing	1,949,899	-	1,785,809	-
Civic Center	84,908	32,932	-	-
TISA	156,388	143,833	-	9,480
Total business-type activities	<u>6,277,942</u>	<u>4,341,859</u>	<u>1,785,809</u>	<u>9,480</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 45,105,192</u>	<u>\$ 7,293,062</u>	<u>\$ 3,126,070</u>	<u>\$ 1,307,380</u>
<b>Component Units:</b>				
Authorities:				
Paducah Water Works	\$ 7,036,580	\$ 7,589,839	\$ -	\$ 1,728,126
Paducah Power System	51,961,317	54,267,380	-	-
Paducah Transit Authority	6,643,730	3,768,194	2,159,614	693,218
<b>TOTAL COMPONENT UNITS</b>	<u>\$ 65,641,627</u>	<u>\$ 65,625,413</u>	<u>\$ 2,159,614</u>	<u>\$ 2,421,344</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, 2007
Adjustment to beginning net assets (See Note 10)
<b>NET ASSETS, JUNE 30, 2008</b>

See accompanying notes to the basic financial statements.

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

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (9,293,698)	\$ -	\$ (9,293,698)	\$ -
(14,583,372)	-	(14,583,372)	-
(7,394,426)	-	(7,394,426)	-
(1,162,349)	-	(1,162,349)	-
40,679	-	40,679	-
(844,720)	-	(844,720)	-
<u>(33,237,886)</u>	<u>-</u>	<u>(33,237,886)</u>	<u>-</u>
-	78,347	78,347	-
-	(164,090)	(164,090)	-
-	(51,976)	(51,976)	-
-	(3,075)	(3,075)	-
<u>-</u>	<u>(140,794)</u>	<u>(140,794)</u>	<u>-</u>
<u>(33,237,886)</u>	<u>(140,794)</u>	<u>(33,378,680)</u>	<u>-</u>
-	-	-	2,281,385
-	-	-	2,306,063
-	-	-	(22,704)
<u>-</u>	<u>-</u>	<u>-</u>	<u>4,564,744</u>
4,221,957	-	4,221,957	-
137,816	-	137,816	-
826,379	-	826,379	-
4,699,458	-	4,699,458	-
597,239	-	597,239	-
177,011	-	177,011	-
4,061,587	-	4,061,587	-
16,520,523	-	16,520,523	-
521,511	-	521,511	-
1,401,400	-	1,401,400	-
540,620	73,985	614,605	355,018
119,200	127,131	246,331	6,590
-	-	-	199,551
<u>33,824,701</u>	<u>201,116</u>	<u>34,025,817</u>	<u>561,159</u>
<u>(96,609)</u>	<u>96,609</u>	<u>-</u>	<u>-</u>
<u>33,728,092</u>	<u>297,725</u>	<u>34,025,817</u>	<u>561,159</u>
490,206	156,931	647,137	5,125,903
48,138,457	1,344,237	49,482,694	75,893,917
<u>(618,446)</u>	<u>922,302</u>	<u>303,856</u>	<u>-</u>
<u>\$ 48,010,217</u>	<u>\$ 2,423,470</u>	<u>\$ 50,433,687</u>	<u>\$ 81,019,820</u>

**CITY OF PADUCAH, KENTUCKY**

**BASIC FINANCIAL STATEMENTS**

***FUND FINANCIAL STATEMENTS***

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2008**

**CITY OF PADUCAH, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

<u>ASSETS</u>	<u>General Fund</u>	<u>General Capital Improvements</u>	<u>Special Revenue Investment Fund</u>
Cash and cash equivalents	\$ 180,790	\$ 1,746,693	\$ 794,382
Investments	3,970,036	1,250,000	-
Accounts receivable:			
Accounts	6,237,703	53,724	320,000
Lease			
Grants	91,522	173,280	-
Interest	105,118	779	-
Property taxes (net of allowances for uncollectibles)	4,329,630	-	-
Due from other funds	907,782	6,900	985,860
<b>TOTAL ASSETS</b>	<b>\$ 15,822,581</b>	<b>\$ 3,231,376</b>	<b>\$ 2,100,242</b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>  			
<b>Liabilities:</b>			
Voucher and accounts payable	\$ 409,181	\$ 284,236	\$ 12,062
Accrued payroll and payroll taxes	541,903	-	-
Due to other funds	985,860	-	6,900
Due to other taxing agencies	124,529	-	-
Deferred revenue	4,198,687	-	-
Accrued compensated absences	145,994	-	-
<b>Total liabilities</b>	<b>6,406,154</b>	<b>284,236</b>	<b>18,962</b>
<b>Fund Balances:</b>			
Reserved for:			
Program purposes	-	-	-
Capital improvements	-	2,947,140	2,081,280
Unreserved:			
General Fund	9,416,427	-	-
Special Revenue Funds	-	-	-
Debt Service Fund	-	-	-
<b>Total fund balances</b>	<b>9,416,427</b>	<b>2,947,140</b>	<b>2,081,280</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 15,822,581</b>	<b>\$ 3,231,376</b>	<b>\$ 2,100,242</b>

See accompanying notes to the basic financial statements.

<b>Debt Service Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 65,048	\$ 1,190,648	\$ 3,977,561
-	50,000	5,270,036
-	189,238	6,800,665
4,152,306		4,152,306
-	19,200	284,002
-	31	105,928
-	-	4,329,630
-	-	1,900,542
<u>\$4,217,354</u>	<u>\$ 1,449,117</u>	<u>\$ 26,820,670</u>
\$ -	\$ 291,589	\$ 997,068
-	27,030	568,933
-	-	992,760
-	-	124,529
4,152,306	1,578	8,352,571
-	-	145,994
<u>4,152,306</u>	<u>320,197</u>	<u>11,181,855</u>
	497,243	497,243
	-	5,028,420
	-	9,416,427
	631,677	631,677
65,048	-	65,048
<u>65,048</u>	<u>1,128,920</u>	<u>15,638,815</u>
<u>\$4,217,354</u>	<u>\$ 1,449,117</u>	<u>\$ 26,820,670</u>

**CITY OF PADUCAH, KENTUCKY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

Total fund balance - total governmental fund: \$ 15,638,815

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

Delinquent property taxes receivable are not reported in the governmental funds balance sheet since they are not considered "available" revenues. 184,216

The long-term notes receivable are not reported in the governmental funds balance sheet since they are not available to pay current period expenditures. 3,902,135

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. 978

Inventory is not a current financial resource and, therefore, is not reported in the governmental funds balance sheet. 1,208,749

A prepaid pension obligation is not a current financial resource, and therefore, is not reported in the governmental funds balance sheet. 5,797,633

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. 35,123,258

Governmental funds report losses on direct financing leases when incurred, whereas the loss of direct financing leases are deferred and amortized over the live of the lease in the Statement of Net Assets. 428,058

Bond issuance costs used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. 216,974

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

Receivables from direct financing leases are not available in the current period and, therefore, are deferred in the governmental funds balance sheet.

\$ 4,152,306

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.

(99,815)

Long-term liabilities of (\$20,626,303) 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 (\$1,645,617). The long-term liabilities are:

Due within one year	\$ 1,924,725	
Due after one year	<u>20,347,196</u>	(22,271,921)

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	\$ 4,890,045	
Current liabilities	(1,041,361)	
Net amount allocated to business-type activities	<u>(119,853)</u>	<u>3,728,831</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 48,010,217

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, 2008**

	<b>General Fund</b>	<b>General Capital Improvements</b>	<b>Special Revenue Investment Fund</b>
<b>Revenues:</b>			
Taxes	\$ 5,595,128	\$ -	\$ -
Licenses	21,836,041	-	4,088,521
Charges for services	641,404	-	-
Intergovernmental	-	-	-
Grants	612,586	1,021,489	-
Interest	394,502	779	-
Miscellaneous	1,169,355	162,040	-
Total revenues	<u>30,249,016</u>	<u>1,184,308</u>	<u>4,088,521</u>
<b>Expenditures:</b>			
Current operations:			
General government	5,085,374	-	-
Public safety	14,252,895	-	-
Public service	6,747,011	-	-
Parks and recreation	1,298,329	-	-
Planning and development	-	-	580,034
Other	520,611	-	-
Capital outlay	-	4,826,983	-
Debt service:			
Principal requirement	-	-	-
Interest and fiscal requirement	-	-	-
Total expenditures	<u>27,904,220</u>	<u>4,826,983</u>	<u>580,034</u>
Excess (deficiency) of revenues over expenditures	<u>2,344,796</u>	<u>(3,642,675)</u>	<u>3,508,487</u>
<b>Other Financing Sources (Uses):</b>			
Capital lease			
Transfers in	141,763	3,989,328	203,916
Transfers out	(3,311,682)	(325,564)	(3,323,995)
Total other financing sources (uses)	<u>(3,169,919)</u>	<u>3,663,764</u>	<u>(3,120,079)</u>
Net change in fund balances	(825,123)	21,089	388,408
Fund balances, July 1, 2007	9,976,079	2,926,051	1,692,872
Adjustment to beginning fund balance (See Note 10)	265,471	-	-
<b>FUND BALANCES, JUNE 30, 2008</b>	<u><u>\$ 9,416,427</u></u>	<u><u>\$ 2,947,140</u></u>	<u><u>\$2,081,280</u></u>

See accompanying notes to the basic financial statements.

<b>Debt Service Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 544,036	\$ 6,139,164
-	-	25,924,562
-	193,701	835,105
644,736	920,612	1,565,348
-	39,861	1,673,936
-	23,822	419,103
-	612,915	1,944,310
<u>644,736</u>	<u>2,334,947</u>	<u>38,501,528</u>
-	-	5,085,374
-	1,443,833	15,696,728
-	1,188,177	7,935,188
-	-	1,298,329
-	223,942	803,976
-	-	520,611
-	-	4,826,983
880,887	-	880,887
<u>1,051,008</u>	<u>-</u>	<u>1,051,008</u>
<u>1,931,895</u>	<u>2,855,952</u>	<u>38,099,084</u>
<u>(1,287,159)</u>	<u>(521,005)</u>	<u>402,444</u>
371,979	-	371,979
948,392	958,487	6,241,886
-	(91,276)	(7,052,517)
<u>1,320,371</u>	<u>867,211</u>	<u>(438,652)</u>
33,212	346,206	(36,208)
31,836	782,714	15,409,552
-	-	265,471
<u>\$ 65,048</u>	<u>\$ 1,128,920</u>	<u>\$ 15,638,815</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, 2008**

Net change in fund balances - total governmental fund	\$ (36,208)
<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.	361,493
Inventory sales provide current financial resources and are reported as revenues in governmental funds.	(143,307)
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.	2,857,186
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.	(314,581)
Governmental funds report the effect of direct financing leases when incurred, whereas the effect of direct financing leases are deferred and amortized over the live of the lease in the Statement of Activities.	(22,295)
Delinquent property taxes receivable are not considered "available" revenues in the governmental funds.	14,409
Tax revenues that provide current financial resources are 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.	(33,745)
Capital assest acquired in previous years donated in the current year do not require the use of current financial resources. Donation of capital assets with historical cost of \$747,393 less depreciaton of \$39,056 is reported as an expenditure in the government-wide Statement of Activities.	(708,337)

(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, 2008**

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 \$505,499. (3,604,343)

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. 1,004,220

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. 6,635

Long-term accrued compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 46,139

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	\$ 764,931	
Net of amount allocated to business-type activities	(24,137)	
Depreciation expense	505,499	1,246,293

<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 490,206</b>
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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, 2008**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Beginning budgetary fund balance	\$ 9,976,079	\$ 10,241,550	\$ 10,241,550	\$ -
<b>Resources (Inflows):</b>				
Taxes:				
Real and personal, current year	4,619,000	4,663,090	4,663,101	11
Real and personal, prior year	98,000	138,250	138,254	4
Franchise	273,000	141,600	141,601	1
Bank taxes	164,000	177,010	177,011	1
In lieu of tax payment	170,000	179,100	179,101	1
Penalty, interest and advertising	32,000	3,125	3,126	1
Paducah Junior College tax collections	-	292,930	292,934	4
Total taxes	5,356,000	5,595,105	5,595,128	23
Licenses:				
Business licenses	3,970,000	4,212,220	4,212,222	2
Employee earnings	12,659,515	12,447,020	12,447,020	-
Comcast fees	307,000	307,535	307,541	6
Penalties	65,000	58,755	58,758	3
Alcoholic beverages	118,000	134,000	134,000	-
Insurance premium tax	4,380,000	4,703,845	4,703,845	-
Building permits	150,000	109,765	109,765	-
Electrical permits	30,500	29,190	29,194	4
Zoning change fees	4,500	10,125	10,128	3
Miscellaneous building and electrical fees	500	230	231	1
KJDA payroll rebate	(173,500)	(176,660)	(176,663)	(3)
Total licenses	21,511,515	21,836,025	21,836,041	16
Charges for services:				
Tax collection fee	117,000	137,640	137,643	3
Administrative charge	253,440	252,960	252,960	-
Base court revenue	57,000	126,195	126,195	-
Recreation fees	115,000	124,595	124,606	11
Total charges for services	542,440	641,390	641,404	14

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Grants:				
Police State Incentive	\$ 327,500	\$ 272,345	\$ 272,348	\$ 3
Fire State Incentive	282,200	267,540	267,544	4
Paducah Housing Authority after school program	30,000	38,160	38,164	4
Police supplemental grants	-	34,530	34,530	-
Total grants	<u>639,700</u>	<u>612,575</u>	<u>612,586</u>	<u>11</u>
Interest	<u>474,000</u>	<u>394,490</u>	<u>394,502</u>	<u>12</u>
Other:				
Property rent and sales	649,645	653,050	653,062	12
Property upkeep and maintenance	183,525	212,440	212,448	8
Contractual programs	5,000	9,110	9,114	4
E911 - GIS	22,515	22,515	22,515	-
Miscellaneous	198,915	272,185	272,216	31
Total other	<u>1,059,600</u>	<u>1,169,300</u>	<u>1,169,355</u>	<u>55</u>
Other financing sources:				
Operating transfers in	-	141,765	141,763	(2)
Total other financing sources	<u>-</u>	<u>141,765</u>	<u>141,763</u>	<u>(2)</u>
Amounts available for appropriation	<u>39,559,334</u>	<u>40,632,200</u>	<u>40,632,329</u>	<u>129</u>
<b>Charges to Appropriations (Outflows):</b>				
General government:				
General administration:				
Mayor and Commissioners	209,785	205,315	205,267	48
City Manager	352,910	358,640	358,582	58
City Clerk	177,525	177,460	177,405	55
Corporate Counsel	168,705	197,880	197,849	31
Non-departmental	442,500	592,500	592,500	-
Memberships and contingency	79,450	27,555	27,549	6
Civic beautification	3,585	3,310	3,291	19
Total general administration	<u>1,434,460</u>	<u>1,562,660</u>	<u>1,562,443</u>	<u>217</u>
Downtown Development	<u>-</u>	<u>104,180</u>	<u>104,164</u>	<u>16</u>

**CITY OF PADUCAH, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
General government:				
Finance:				
Finance administration	\$ 186,130	\$ 258,425	\$ 258,382	\$ 43
Accounting and payroll	428,520	373,445	373,365	80
Revenue collection	374,460	361,460	361,348	112
Total finance	989,110	993,330	993,095	235
Planning:				
Administration	276,505	287,075	287,010	65
Planning	257,370	190,355	190,286	69
Grants	129,615	108,335	107,603	732
Total planning	663,490	585,765	584,899	866
Human rights	107,825	96,320	96,140	180
Human resources	324,805	327,825	327,778	47
Inspection:				
Inspection administration	173,670	169,110	169,033	77
Construction	354,170	310,685	310,647	38
Code enforcement	484,165	417,470	417,467	3
Neighborhood redevelopment	79,260	68,425	68,368	57
Total inspection	1,091,265	965,690	965,515	175
Information systems	351,470	325,755	325,709	46
Risk management	131,875	125,705	125,631	74
Public safety:				
Police:				
Police administration	1,212,140	1,113,750	1,113,648	102
Patrol	5,790,210	5,461,530	5,461,529	1
Investigations	1,477,105	1,336,900	1,336,790	110
Total police	8,479,455	7,912,180	7,911,967	213
Fire:				
Fire administration	305,355	258,665	258,594	71
Suppression	5,444,165	5,651,045	5,650,987	58
Prevention	302,285	308,995	308,950	45
Training	129,765	122,400	122,397	3
Total fire	6,181,570	6,341,105	6,340,928	177

**CITY OF PADUCAH, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Public service:				
Public works:				
Public Works Administration	\$ 365,760	\$ 380,055	\$ 379,983	\$ 72
Street maintenance	2,192,805	2,069,505	2,069,553	(48)
Street lighting	465,000	471,390	471,390	-
Downtown maintenance	332,400	315,540	315,682	(142)
Landscape maintenance	2,342,485	2,270,185	2,270,078	107
Summer youth program	84,925	65,710	65,693	17
Total public works	<u>5,783,375</u>	<u>5,572,385</u>	<u>5,572,379</u>	<u>6</u>
Engineering services:				
Engineering services	720,245	620,320	620,150	170
Flood control	457,345	554,540	554,482	58
Total engineering services	<u>1,177,590</u>	<u>1,174,860</u>	<u>1,174,632</u>	<u>228</u>
Recreation:				
Recreation administration	677,345	719,770	719,768	2
Pools and recreation	618,260	578,660	578,561	99
Total recreation	<u>1,295,605</u>	<u>1,298,430</u>	<u>1,298,329</u>	<u>101</u>
Other:				
Cable authority	95,550	95,945	95,934	11
Leave expense	-	(88,495)	(88,494)	(1)
Intergovernmental expense	-	292,935	292,934	1
Miscellaneous property expense	143,780	220,280	220,237	43
Total other	<u>239,330</u>	<u>520,665</u>	<u>520,611</u>	<u>54</u>
Other financing uses:				
Operating transfers out	1,274,805	3,311,695	3,311,682	13
Total charges to appropriations	<u>29,526,030</u>	<u>31,218,550</u>	<u>31,215,902</u>	<u>2,648</u>
<b>BUDGETARY FUND BALANCE, JUNE 30, 2008</b>	<u><u>\$ 10,033,304</u></u>	<u><u>\$ 9,413,650</u></u>	<u><u>\$ 9,416,427</u></u>	<u><u>\$ 2,777</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, 2008**

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	\$ 40,632,329
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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	(10,241,550)
--	--------------

Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	<u>(141,763)</u>
--	------------------

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u><u>\$ 30,249,016</u></u>
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Uses/outflows of resources:

Actual amounts "total charges to appropriations" from the budgetary comparison schedule	\$ 31,215,902
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Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes	<u>(3,311,682)</u>
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Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u><u>\$ 27,904,220</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, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
Beginning budgetary fund balance	\$ 1,692,872	\$ 1,692,872	\$ 1,692,872	\$ -
<b>Resources (Inflows):</b>				
Licenses:				
Employee earnings	4,125,000	4,088,520	4,088,521	1
Total licenses	4,125,000	4,088,520	4,088,521	1
Other financing sources:				
Operating transfers in	-	203,915	203,916	1
Total other financing sources	-	203,915	203,916	1
Amounts available for appropriation	5,817,872	5,985,307	5,985,309	2
<b>Charges to Appropriations (Outflows):</b>				
General government:				
Planning and development:				
Economic development	848,000	580,040	580,034	6
Total planning and development	848,000	580,040	580,034	6
Other financing uses:				
Operating transfers out	3,027,000	3,323,995	3,323,995	-
Total charges to appropriations	3,875,000	3,904,035	3,904,029	6
<b>BUDGETARY FUND BALANCE, JUNE 30, 2008</b>	<u>\$ 1,942,872</u>	<u>\$ 2,081,272</u>	<u>\$ 2,081,280</u>	<u>\$ 8</u>

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, 2008**

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	\$ 5,985,309
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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	(1,692,872)
--	-------------

Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	<u>(203,916)</u>
--	------------------

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u><u>\$ 4,088,521</u></u>
--	----------------------------

Uses/outflows of resources:

Actual amounts "total charges to appropriations" from the budgetary comparison schedule	\$ 3,904,029
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Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes	<u>(3,323,995)</u>
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Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u><u>\$ 580,034</u></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, 2008**

<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>
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 147,399	\$ 879,632	\$ 1,027,031	\$ 292,309
Investments	1,250,036	-	1,250,036	3,180,000
Accounts receivable	528,896	16,213	545,109	-
Interest receivable	28,792	-	28,792	98,432
Prepaid expenses	-	18,335	18,335	1,243,044
Inventory	-	-	-	76,260
Total current assets	<u>1,955,123</u>	<u>914,180</u>	<u>2,869,303</u>	<u>4,890,045</u>
<b>Noncurrent Assets:</b>				
Net capital assets:				
Land	65,908	-	65,908	-
Depreciable capital assets	1,540,832	257,235	1,798,067	1,979,932
Total noncurrent assets	<u>1,606,740</u>	<u>257,235</u>	<u>1,863,975</u>	<u>1,979,932</u>
Total assets	<u>3,561,863</u>	<u>1,171,415</u>	<u>4,733,278</u>	<u>6,869,977</u>
<u>LIABILITIES</u>				
<b>Current Liabilities:</b>				
Voucher and accounts payable	137,159	58,132	195,291	144,760
Accrued payroll and payroll taxes	34,373	-	34,373	7,487
Accrued compensated absences	72,337	1,751	74,088	14,281
Deferred revenue	-	-	-	14,698
Due to other funds	-	47,647	47,647	860,135
Total current liabilities	<u>243,869</u>	<u>107,530</u>	<u>351,399</u>	<u>1,041,361</u>
<b>Noncurrent Liabilities:</b>				
Landfill post-closure costs	2,062,500	-	2,062,500	-
Accrued compensated absences	-	15,762	15,762	-
Total noncurrent liabilities	<u>2,062,500</u>	<u>15,762</u>	<u>2,078,262</u>	<u>-</u>
Total liabilities	<u>2,306,369</u>	<u>123,292</u>	<u>2,429,661</u>	<u>1,041,361</u>
<u>NET ASSETS</u>				
Invested in capital assets	1,606,740	257,235	1,863,975	1,979,932
Unrestricted	(351,246)	790,888	439,642	3,848,684
TOTAL NET ASSETS	<u>\$ 1,255,494</u>	<u>\$ 1,048,123</u>	<u>2,303,617</u>	<u>\$ 5,828,616</u>
Reconciliation to government-wide statements of net assets:				
Adjustment to reflect the consolidation of Internal Service Funds' activities related to Enterprise Funds			<u>119,853</u>	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES			<u>\$ 2,423,470</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, 2008**

	<b>Business-type Activities</b>			<b>Governmental</b>
	<b>Solid Waste</b>	<b>Nonmajor Enterprise Funds</b>	<b>Totals</b>	<b>Internal Service Funds</b>
<b>Operating Revenues:</b>				
Charges for services - internal	\$ -	\$ 1,960,900	\$ 1,960,900	\$ 5,566,518
Charges for services - external	4,109,197	-	4,109,197	415,605
Miscellaneous	37,497	1,674	39,171	-
Total operating revenues	<u>4,146,694</u>	<u>1,962,574</u>	<u>6,109,268</u>	<u>5,982,123</u>
<b>Operating Expenses:</b>				
Cost of sales and service	3,764,798	2,157,848	5,922,646	5,674,257
Depreciation and amortization	321,949	33,349	355,298	505,499
Total operating expenses	<u>4,086,747</u>	<u>2,191,197</u>	<u>6,277,944</u>	<u>6,179,756</u>
Operating income (loss)	<u>59,947</u>	<u>(228,623)</u>	<u>(168,676)</u>	<u>(197,633)</u>
<b>Nonoperating Revenues (Expenses):</b>				
Interest and investment income	73,432	553	73,985	121,518
Gain (loss) on disposal of property and equipment	127,131	-	127,131	119,200
Total nonoperating revenues (expenses)	<u>200,563</u>	<u>553</u>	<u>201,116</u>	<u>240,718</u>
Income (loss) before contributions and transfers	<u>260,510</u>	<u>(228,070)</u>	<u>32,440</u>	<u>43,085</u>
<b>Contributions and Transfers:</b>				
Capital contributions	-	9,480	9,480	-
Transfers in	-	112,099	112,099	731,700
Transfers out	(5,736)	(15,490)	(21,226)	(9,854)
Total contributions and transfers	<u>(5,736)</u>	<u>106,089</u>	<u>100,353</u>	<u>721,846</u>
Change in net assets	254,774	(121,981)	132,793	764,931
Total net assets, July 1, 2007	821,214	1,156,304		5,063,685
Adjustment to beginning net assets (See Note 10)	<u>179,506</u>	<u>13,800</u>		<u>-</u>
<b>TOTAL NET ASSETS - JUNE 30, 2008</b>	<u><u>\$ 1,255,494</u></u>	<u><u>\$ 1,048,123</u></u>		<u><u>\$ 5,828,616</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>24,137</u>	
<b>CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES</b>			<u><u>\$ 156,930</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, 2008**

	<b>Business-type Activities</b>			<b>Governmental Activities</b>
	<b>Solid Waste</b>	<b>Nonmajor Enterprise Funds</b>	<b>Totals</b>	<b>Internal Service Funds</b>
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers	\$3,895,877	\$ 2,018,607	\$5,914,484	\$ -
Cash received from interfund services provided	-	-	-	5,997,277
Payments to suppliers	(2,487,861)	-	(2,487,861)	(210,698)
Payments to employees	(897,032)	(128,521)	(1,025,553)	(240,101)
Claims paid	-	-	-	(4,560,255)
Payments to internal service funds	(430,059)	(4,798)	(434,857)	-
Other receipts (payments)	37,497	(2,047,961)	(2,010,464)	(1,260,554)
Net cash provided (used) by operating activities	<u>118,422</u>	<u>(162,673)</u>	<u>(44,251)</u>	<u>(274,331)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers (to) from other funds	(5,736)	96,609	90,873	721,846
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Capital contributions	-	9,480	9,480	-
Purchase of capital assets	(734,514)	(14,967)	(749,481)	(695,002)
Proceeds from sale of capital assets	162,661	-	162,661	137,163
Net cash provided (used) by capital and related financing activities	<u>(571,853)</u>	<u>(5,487)</u>	<u>(577,340)</u>	<u>(557,839)</u>
<b>Cash Flows from Investing Activities:</b>				
Proceeds from sale of investment securities	1,480,000	-	1,480,000	2,322,767
Interest on cash and investments	57,932	553	58,485	92,948
Purchase of investments	(1,250,036)	-	(1,250,036)	(3,180,000)
Net cash provided (used) by investing activities	<u>287,896</u>	<u>553</u>	<u>288,449</u>	<u>(764,285)</u>
Net increase (decrease) in cash and cash equivalents	(171,271)	(70,998)	(242,269)	(874,609)
Cash and cash equivalents, July 1, 2007	<u>318,670</u>	<u>950,630</u>	<u>1,269,300</u>	<u>1,166,918</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2008</b>	<u>\$ 147,399</u>	<u>\$ 879,632</u>	<u>\$ 1,027,031</u>	<u>\$ 292,309</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating income (loss)	\$ 59,947	\$ (228,621)	\$ (168,674)	\$ (197,633)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	321,949	33,349	355,298	505,499
Change in assets and liabilities:				
Receivables	(213,320)	56,033	(157,287)	22,791
Prepaid expenses	-	(3,244)	(3,244)	(195,926)
Inventories	-	-	-	10,325
Accounts payable	(50,154)	(20,190)	(70,344)	(419,387)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 118,422</u>	<u>\$ (162,673)</u>	<u>\$ (44,251)</u>	<u>\$ (274,331)</u>

See accompanying notes to the basic financial statements.

**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2008**

<b><u>ASSETS</u></b>	<b>Primary Government</b>		
	<b>Pension Funds</b>	<b>Private- purpose Trusts</b>	<b>Agency Funds</b>
Cash and cash equivalents	\$ 42,464	\$ 7,009	\$ 459,094
Receivables:			
Interest	61,032	-	-
Prepaid expenses	275	-	-
Investments at fair value			
Money market funds	109,562	3,733	-
Certificates of deposits	240,000	-	-
Common stock	3,828,565	-	-
Corporate bonds	906,664	-	-
U.S. agencies bonds	2,552,301	-	-
Mortgage backed securities	306	-	-
Mutual funds	4,628,579	1,001,054	-
Total assets	<u>12,369,748</u>	<u>1,011,796</u>	<u>459,094</u>
<b><u>LIABILITIES</u></b>			
Voucher and accounts payable	993	1,217	-
Due to other funds	-	-	-
Payroll taxes and withholdings payable	-	-	459,094
Total liabilities	<u>993</u>	<u>1,217</u>	<u>459,094</u>
<b><u>NET ASSETS</u></b>			
Held in trust for pension benefits and other purposes	<u>\$ 12,368,755</u>	<u>\$ 1,010,579</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, 2008**

	<b>Pension Funds</b>	<b>Private- purpose Trusts</b>
<b>Additions:</b>		
Contributions:		
Employer	\$ 44,498	\$ -
Plan members	10,318	-
Intergovernmental revenues	-	10,110
	54,816	900,409
 Investment income:		
Net increase (decrease) in fair value of investments	(938,045)	(44,014)
Interest and dividends	421,799	17,691
	(516,246)	(26,323)
 Interfund transfers	-	(2,087)
 Total additions	(461,430)	871,999
 <b>Deductions:</b>		
Benefits	1,886,554	-
Capital outlay	-	4,247
Administrative expenses	70,852	7,622
	1,957,406	11,869
 Change in net assets	(2,418,836)	860,130
 Net assets, July 1, 2007	14,787,591	150,449
 NET ASSETS, JUNE 30, 2008	\$ 12,368,755	\$ 1,010,579

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, 2008**

**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
**JUNE 30, 2008**

<u>ASSETS</u>	<u>Paducah Water Works</u>	<u>Paducah Power System</u>	<u>Paducah Transit Authority</u>	<u>All Component Unit Totals</u>
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 888,164	\$ 1,466,762	\$ 386,288	\$ 2,741,214
Receivables, net:				
Accounts	364,411	4,446,807	67,311	4,878,529
Grants	-	-	271,439	271,439
Other	691,705	695,156	12,465	1,399,326
Inventories	493,467	1,507,698	21,961	2,023,126
Prepaid expenses	-	8,052	35,848	43,900
Other current assets	911,975	-	-	911,975
<b>Total current assets</b>	<u>3,349,722</u>	<u>8,124,475</u>	<u>795,312</u>	<u>12,269,509</u>
<b>Noncurrent Assets:</b>				
Investments, restricted	-	1,905,327	-	1,905,327
Net capital assets:				
Land and construction in progress	2,054,046	2,219,423	486,314	4,759,783
Depreciable capital assets	31,365,189	46,925,041	3,493,692	81,783,922
Restricted assets	2,637,436	-	-	2,637,436
Other assets	28,957	349,592	-	378,549
<b>Total noncurrent assets</b>	<u>36,085,628</u>	<u>51,399,383</u>	<u>3,980,006</u>	<u>91,465,017</u>
<b>Total assets</b>	<u>39,435,350</u>	<u>59,523,858</u>	<u>4,775,318</u>	<u>103,734,526</u>

<b><u>LIABILITIES</u></b>	<b>Paducah Water Works</b>	<b>Paducah Power System</b>	<b>Paducah Transit Authority</b>	<b>All Component Unit Totals</b>
<b>Current Liabilities:</b>				
Voucher and accounts payable	\$ 722,119	\$ 4,542,152	\$ 246,877	\$ 5,511,148
Cash deficit	-	-	-	-
Line of credit	-	2,039,362	80,333	2,119,695
Accrued payables	-	512,251	92,814	605,065
Deferred revenue	-	775,110	-	775,110
Accrued interest	-	157,502	-	157,502
Notes payable due within one year	25,000	-	73,877	98,877
Bonds payable due within one year	970,790	400,000	-	1,370,790
Other current liabilities	994,574	616,696	-	1,611,270
Total current liabilities	<u>2,712,483</u>	<u>9,043,073</u>	<u>493,901</u>	<u>12,249,457</u>
<b>Noncurrent Liabilities:</b>				
Bonds payable	-	3,742,084	-	3,742,084
Notes payable	115,000	6,000,000	265,504	6,380,504
Other liabilities	-	342,661	-	342,661
Total noncurrent liabilities	<u>115,000</u>	<u>10,084,745</u>	<u>265,504</u>	<u>10,465,249</u>
Total liabilities	<u>2,827,483</u>	<u>19,127,818</u>	<u>759,405</u>	<u>22,714,706</u>
<b><u>NET ASSETS</u></b>				
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	32,337,402	39,002,380	3,519,362	74,859,144
Restricted for:				
Capital projects	-	-	-	-
Debt service	1,581,690	1,905,327	-	3,487,017
Unrestricted	2,688,775	(511,667)	496,551	2,673,659
TOTAL NET ASSETS	<u><u>\$36,607,867</u></u>	<u><u>\$40,396,040</u></u>	<u><u>\$4,015,913</u></u>	<u><u>\$81,019,820</u></u>

See accompanying notes to the basic financial statements

**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

<u><b>FUNCTIONS/PROGRAMS</b></u>	<u><b>Program Revenues</b></u>			
	<u><b>Expenses</b></u>	<u><b>Charges for Services</b></u>	<u><b>Operating Grants and Contributions</b></u>	<u><b>Capital Grants and Contributions</b></u>
<b>Authorities:</b>				
Business-type activities:				
Paducah Water Works	\$ 7,036,580	\$ 7,589,839	\$ -	\$1,728,126
Paducah Power System	51,961,317	54,267,380	-	-
Paducah Transit Authority	<u>6,643,730</u>	<u>3,768,194</u>	<u>2,159,614</u>	<u>693,218</u>
<b>TOTAL COMPONENT UNITS</b>	<u><u>\$65,641,627</u></u>	<u><u>\$65,625,413</u></u>	<u><u>\$2,159,614</u></u>	<u><u>\$2,421,344</u></u>
<b>General Revenues:</b>				
Unrestricted investment earnings				
Gain (loss) on disposal of assets				
Miscellaneous general				
Total general revenues and transfers				
Change in net assets				
Net assets, July 1, 2007				
<b>NET ASSETS, JUNE 30, 2008</b>				

See accompanying notes to the basic financial statements

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

<b>Paducah Water Works</b>	<b>Paducah Power System</b>	<b>Paducah Transit Authority</b>	<b>Totals</b>
\$ 2,281,385	\$ -	\$ -	\$ 2,281,385
-	2,306,063	-	2,306,063
-	-	(22,704)	(22,704)
<u>2,281,385</u>	<u>2,306,063</u>	<u>(22,704)</u>	<u>4,564,744</u>
126,229	216,270	12,519	355,018
-	-	6,590	6,590
<u>109,773</u>	<u>46,072</u>	<u>43,706</u>	<u>199,551</u>
<u>236,002</u>	<u>262,342</u>	<u>62,815</u>	<u>561,159</u>
2,517,387	2,568,405	40,111	5,125,903
<u>34,090,480</u>	<u>37,827,635</u>	<u>3,975,802</u>	<u>75,893,917</u>
<u><u>\$36,607,867</u></u>	<u><u>\$40,396,040</u></u>	<u><u>\$4,015,913</u></u>	<u><u>\$81,019,820</u></u>

**CITY OF PADUCAH, KENTUCKY**

**NOTES TO THE FINANCIAL STATEMENTS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2008**

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**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, 2008

**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, 2008**

**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.

Debt Service Fund – To account for the accumulation of resources and payment of bond and note principal and interest, and capital lease activity.

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, 2008**

**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, 2008**

**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/unearned revenue*

The City reports unearned revenue on its government-wide statement of net assets and deferred revenue on the fund financial statements. Deferred/unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred/unearned revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred/unearned revenue is removed 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, 2008**

**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, 2008.

**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, 2008**

**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. Inventory consists of expendable supplies of \$76,260 held for consumption and real property of \$1,208,748 held for urban development.

**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, 2008**

**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. Qualified participants in the County Employee's Retirement System, under certain circumstances, are eligible to convert accrued sick pay benefits into additional credit for years of service upon retirement

**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, 2008**

**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, 2008**

**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, 2008**

**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, Neighborhood and Capital Development

For the year ended June 30, 2008, 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, 2008, 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, 2008, are as follows:

<u>Description</u>	<u>Date</u>
Assessment and enforceable lien	January 1, 2007
Levy	September 25, 2007
Face value amount payment dates	1 <sup>st</sup> half by November 1, 2007 2 <sup>nd</sup> half by February 1, 2008
Delinquent date - 10% penalty plus 1/2% per month	1 <sup>st</sup> half - November 30, 2007 2 <sup>nd</sup> half - February 28, 2008

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**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, 2008, 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 \$5,805,473 and \$7,013,753, respectively.

**Investments**

As of June 30, 2008, 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
<b>Primary Government</b>						
Certificates of Deposits (3)	\$ 9,700,072	NA	\$7,400,072	\$2,300,000	\$ -	\$ -
<b>Component Units</b>						
Money Market Funds	945,133	AAA	945,133	-	-	-
Certificates of Deposits	960,194	NA	960,194	-	-	-
	<u>1,905,327</u>					
Total Primary Government And Component Units	<u>\$11,605,399</u>					
<b>Fiduciary and Private Purpose Trust Funds</b>						
Money Market Funds	\$ 113,296	AAA	\$ 113,296	\$ -	\$ -	\$ -
Certificates of Deposits (3)	240,000	NA	240,000	-	-	-
Common Stock	3,828,565	NA	NA	NA	NA	NA
Corporate Bonds	906,664	AAA/A-	-	402,402	504,262	-
U.S. Agencies (4)	2,552,301	AAA	-	1,742,848	809,454	-
Mortgage Backed Securities	306	AAA/AA-	114,341	851,237	2,795,694	-
<b>Mutual Funds</b>						
Equity	691,600	NA	NA	NA	NA	NA
Bond	260,539	AAA				
Fixed	911,422	NA	NA	NA	NA	NA
Index	<u>3,766,072</u>	NA	NA	NA	NA	NA
Total Fiduciary and Private Purpose Trust Funds	<u>\$13,270,764</u>					

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**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 \$198,688 of securities callable as of 6/30/08.

**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.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**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, 2008**

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

**Capital Assets**

Capital asset activity for the year ended June 30, 2008, was as follows:

<b><u>Primary Government</u></b>	<b><u>Balance July 1, 2007</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b><u>Balance June 30, 2008</u></b>
<b><u>Capital assets, not being depreciated:</u></b>				
Land	\$ 6,518,216	\$ 10,000	\$ 291,642	\$ 6,236,574
Construction in Progress	<u>802,177</u>	<u>2,762,700</u>	<u>1,053,527</u>	<u>2,511,350</u>
Total capital assets, not being depreciated:	<u>7,320,393</u>	<u>2,772,700</u>	<u>1,345,169</u>	<u>8,747,924</u>
<b><u>Capital assets, being depreciated:</u></b>				
Land improvements	2,674,542	387,430	-	3,061,972
Building and improvements	18,344,860	68,489	3,392,889	15,020,460
Infrastructure	34,563,802	18,746	-	34,582,548
Equipment	7,796,576	678,789	791,152	7,684,213
Furnishings and fixtures	241,855	2,574	14,117	230,312
Vehicles	<u>7,368,279</u>	<u>667,139</u>	<u>599,833</u>	<u>7,435,585</u>
Totals at historical cost	<u>70,989,914</u>	<u>1,823,167</u>	<u>4,797,991</u>	<u>68,015,090</u>
Less: Accumulated depreciation				
Land improvements	1,068,521	84,031	-	1,152,552
Buildings and improvements	11,149,001	279,806	302,573	11,126,234
Infrastructure	15,387,853	2,171,047	-	17,558,900
Equipment	6,323,574	563,911	791,152	6,096,333
Furnishings and fixtures	236,010	1,289	14,117	223,182
Vehicles	<u>5,570,018</u>	<u>504,259</u>	<u>591,722</u>	<u>5,482,555</u>
Total accumulated depreciation	<u>39,734,977</u>	<u>3,604,343</u>	<u>1,699,564</u>	<u>41,639,756</u>
Total capital assets, being depreciated, net:	<u>\$31,254,937</u>	<u>\$ (1,781,176)</u>	<u>\$ 3,098,427</u>	<u>\$26,375,334</u>
Primary Government Activities				
Capital Assets – Net	<u>\$38,575,330</u>	<u>\$ 991,524</u>	<u>\$ 4,443,596</u>	<u>\$35,123,258</u>
<b><u>Business-type Activities:</u></b>	<b><u>Balance July 1, 2007</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b><u>Balance June 30, 2008</u></b>
<b><u>Capital assets, not being depreciated:</u></b>				
Land	\$ 65,908	\$ -	\$ -	\$ 65,908

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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

<b><u>Business-type Activities:</u></b>	<b><u>Balance</u></b> <b><u>July 1, 2007</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2008</u></b>
<u>Capital assets, being depreciated:</u>				
Building and improvements	429,254	-	-	429,254
Equipment	2,151,142	376,567	1,249,468	1,278,241
Vehicles	<u>2,627,298</u>	<u>429,771</u>	<u>336,579</u>	<u>2,720,490</u>
Totals at historical cost	<u>5,207,694</u>	<u>806,338</u>	<u>1,586,047</u>	<u>4,427,985</u>
Less: Accumulated depreciation				
Buildings and improvements	175,584	13,378	-	188,962
Equipment	2,095,799	61,991	1,222,725	935,065
Vehicles	<u>1,510,696</u>	<u>279,929</u>	<u>284,734</u>	<u>1,505,891</u>
Total accumulated depreciation	<u>3,782,079</u>	<u>355,298</u>	<u>1,507,459</u>	<u>2,629,918</u>
Total capital assets, being depreciated, net:	<u>\$ 1,425,615</u>	<u>\$ 451,040</u>	<u>\$ 78,588</u>	<u>\$ 1,798,067</u>
Business - Type Activities				
Capital Assets – Net	<u>\$ 1,491,523</u>	<u>\$ 451,040</u>	<u>\$ 78,588</u>	<u>\$ 1,863,975</u>

Depreciation expense was charged to governmental activities as follows:

General government:		
General administration		\$ 142,059
Finance		2,332
Planning		4,000
Inspections		528
Personnel		1,119
Information systems		-
Fleet maintenance		<u>8,842</u>
Total general government		<u>158,880</u>
Public safety:		
Police		115,282
Fire		35,983
Grants		111,945
Emergency 911		83,138
Court awards		12,163
Fleet Lease Trust		<u>496,657</u>
Total public safety		<u>855,168</u>
Public service:		
Public works		89,701
Engineering		<u>203,156</u>
Total public service		<u>292,857</u>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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

Parks and recreation	<u>\$ 124,520</u>
Planning and development:	
Infrastructure	2,171,047
Grants	<u>1,871</u>
Total planning and development	<u>2,172,918</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 3,604,343</u>

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

Solid Waste Fund	\$ 321,949
Section Eight Housing	3,897
Civic Center	11,254
TISA Fund	<u>18,198</u>
Total Depreciation Expense – Business-Type Activities	<u>\$ 355,298</u>

<b>Discretely Presented</b>	<b>Balance</b>			<b>Balance</b>
<b>Component Units:</b>	<b>July 1, 2007</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2008</b>
Capital assets, not being depreciated:				
Land	\$ 1,892,083	\$ 300	\$ -	\$ 1,892,383
Construction in Progress	<u>1,625,282</u>	<u>294,971</u>	<u>1,106,899</u>	<u>813,354</u>
Total capital assets, not being depreciated:	<u>3,517,365</u>	<u>295,271</u>	<u>1,106,899</u>	<u>2,705,737</u>
Capital assets, being depreciated:				
Building and improvements	1,672,826	-	-	1,672,826
Equipment	5,220,082	702,224	172,438	5,749,868
Utility Plant	<u>129,163,383</u>	<u>9,078,324</u>	<u>2,244,593</u>	<u>135,997,114</u>
Totals capital assets, being depreciated:	<u>136,056,291</u>	<u>9,780,548</u>	<u>2,417,031</u>	<u>143,419,808</u>
Less: Accumulated depreciation:				
Buildings and improvements	540,304	107,385	-	647,689
Equipment	2,619,859	828,331	166,877	3,281,313
Utility plant	<u>53,985,076</u>	<u>3,945,773</u>	<u>2,278,011</u>	<u>55,652,838</u>
Total accumulated depreciation	<u>57,145,239</u>	<u>4,881,489</u>	<u>2,444,888</u>	<u>59,581,840</u>
Total capital assets, being depreciated, net:	<u>78,911,052</u>	<u>4,899,059</u>	<u>(27,857)</u>	<u>83,837,968</u>
Component Units				
Capital Assets – Net	<u>\$82,428,417</u>	<u>\$ 5,194,330</u>	<u>\$ 1,079,042</u>	<u>\$86,543,705</u>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**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	\$ 1,261,618
Paducah Power System	2,684,155
Paducah Transit Authority	<u>935,716</u>
 TOTAL DEPRECIATION EXPENSE BY ACTIVITY	 <u>\$ 4,881,489</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, 2008, the governmental long-term debt consisted of the following:

General obligation bonds:	
Current portion	\$ 655,000
Noncurrent portion	<u>17,025,000</u>
 TOTAL GENERAL OBLIGATION BOND COSTS	 <u>\$17,680,000</u>
Note payable:	
Current portion	\$ 273,653
Noncurrent portion	<u>2,672,650</u>
 TOTAL NOTE PAYABLE PAYMENTS	 <u>\$ 2,946,303</u>
Accrued compensated absences:	
Current portion	\$ 996,072
Noncurrent portion	<u>809,821</u>
 TOTAL ACCRUED COMPENSATED ABSENCES	 <u>\$ 1,805,893</u>

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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

*Business-type Activities*

As of June 30, 2008, the long-term debt payable from proprietary fund resources consisted of the following:

Accrued compensated absences:	
Current portion	\$74,088
Noncurrent portion	<u>15,762</u>
<b>TOTAL ACCRUED COMPENSATED ABSENCES</b>	<b><u>\$89,850</u></b>

*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 sale-lease 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, 2008**

**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.

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**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, 2008:

<b>Type of Debt:</b>	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Amounts Due within One Year</u></b>
Governmental activities:					
General obligation bonds:					
Convention and Arts Center	\$ 7,870,000	\$ -	\$ 270,000	\$ 7,600,000	\$ 280,000
Infiniti Media Building	4,515,000	-	175,000	4,340,000	180,000
Pension	5,925,000	-	185,000	5,740,000	195,000
Notes payable:					
Kentucky League of Cities	2,968,856	-	145,886	2,822,970	150,319
Kentucky Association of Counties	105,000	-	105,000	-	-
Jones Agreement	246,666	-	123,333	123,333	123,333
Accrued compensated absences	<u>1,938,958</u>	<u>1,156,913</u>	<u>1,289,978</u>	<u>1,805,893</u>	<u>996,072</u>
<b>TOTAL GENERAL LONG- TERM DEBT</b>	<b><u>\$23,569,480</u></b>	<b><u>\$1,156,913</u></b>	<b><u>\$2,375,482</u></b>	<b><u>\$22,432,196</u></b>	<b><u>\$1,924,724</u></b>
Business-type activities:					
Accrued compensated absences	<u>\$ 76,663</u>	<u>\$ 150,128</u>	<u>\$ 136,941</u>	<u>\$ 89,850</u>	<u>\$ 74,088</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 19.75% of the outstanding 2001 general obligation bonds - \$1,500,961 net of the portion on behalf of the County (\$750,480); 100% of the outstanding Kentucky League of Cities’ note payable - \$2,822,969; less unamortized bond costs - (\$216,974).

*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, 2008, are as follows:

<b><u>Year Ending June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2009	\$ 928,653	\$ 964,002
2010	834,886	922,091
2011	874,592	886,363
2012	919,441	848,361
2013	954,437	807,990
2014-2018	5,542,600	3,346,482
2019-2023	7,017,337	1,915,586
2024-2026	<u>3,554,357</u>	<u>315,946</u>
<b>TOTALS</b>	<b><u>\$20,626,303</u></b>	<b><u>\$10,006,821</u></b>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**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, 2008, are as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Accrued sick leave	\$ 657,468	\$ 17,115
Accrued vacation leave	1,020,092	66,350
Applicable payroll taxes	128,333	6,385
Totals	1,805,893	89,850
Less current portion	996,072	74,088
<b>LONG-TERM PORTION</b>	<b>\$ 809,821</b>	<b>\$ 15,762</b>

**Termination Benefits**

Seven employees, through employment contracts, are entitled to certain termination benefits upon involuntary termination of employment by the City Commission. These benefits include provision for salary payments for three to six months, as well as, certain health, life, dental, and disability insurance coverage for same period of time. As these benefits are only provided for involuntary termination of employment, no provision has been made for these benefits. The City funds these benefits on a pay-as-you-go basis in the period incurred. For the year ended June 30, 2008, no payments were made for termination benefits.

In addition, qualified participants in the County Employee's Retirement System (CERS), under certain circumstances are eligible to convert accrued sick pay benefits into additional credit for years of service upon retirement. Costs and notification of payment for these benefits are not calculated by the CERS actuary until a qualified participant submits application for retirement benefits. Accordingly, no provision has been made for these benefits and the City funds these benefits in the period of notification for payment by the CERS. For the year ended June 30, 2008, payments of \$29,213 were made for these benefits.

**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.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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

**Interfund Transactions and Balances**

Interfund transfers during the year ended June 30, 2008, were as follows:

	<b><u>Interfund Transfers In</u></b>	<b><u>Interfund Transfers Out</u></b>
Governmental Funds:		
General Fund	\$ 141,763	\$ 3,331,682
Capital Project Fund	3,989,328	325,564
Special Revenue Investment Fund	203,916	3,323,995
Debt Service Fund	948,392	-
Nonmajor Governmental Funds	958,486	91,276
Internal Service Funds	731,700	9,854
Fiduciary Funds:		
Other trusts	150	2,237
Proprietary Funds:		
Solid Waste Fund	-	5,736
Nonmajor Proprietary Funds	112,099	15,490
<b>TOTALS</b>	<b><u>\$ 7,085,834</u></b>	<b><u>\$ 7,085,834</u></b>

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, 2008:

	<b><u>Due From</u></b>	<b><u>Due To</u></b>
General Fund	\$ 907,782	\$ 985,860
General Capital Improvements Fund	6,900	-
Special Revenue Investment Fund	985,860	6,900
Nonmajor Proprietary Funds	-	47,647
Internal Service Funds	-	860,135
Fiduciary Funds	-	-
<b>TOTALS</b>	<b><u>\$1,900,542</u></b>	<b><u>\$1,900,542</u></b>

**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:

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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

**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.

**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:

<b>Component</b>	<b><u>Year Ended June 30, 2008</u></b>	<b><u>Year Ended June 30, 2007</u></b>	<b><u>Year Ended June 30, 2006</u></b>
Beginning NPO balance	\$ (5,552,551)	\$ (5,425,468)	\$ -
ARC	12,887	46,948	719,348
Interest on NPO	(444,204)	(420,474)	-
Unfunded ARC adjustment	<u>481,626</u>	<u>455,664</u>	<u>-</u>
Pension cost	50,309	82,138	719,348
Less actual contribution	<u>44,498</u>	<u>209,221</u>	<u>6,144,816</u>
Net change in NPO	<u>5,811</u>	<u>(127,083)</u>	<u>(5,425,468)</u>
ENDING NPO BALANCE	<u>\$ (5,546,740)</u>	<u>\$ (5,552,551)</u>	<u>\$ (5,425,468)</u>
PERCENTAGE OF PENSION COST CONTRIBUTED	<u>88%</u>	<u>255%</u>	<u>854%</u>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**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, 2008

<b>Assets:</b>	
Cash and cash equivalents	\$ 13,164
Receivables	58,667
Investment at fair value	<u>12,025,977</u>
Total assets	12,097,808
<b>Liabilities:</b>	
Voucher and accounts payable	<u>754</u>
<b>Net Assets:</b>	
Held in trust for pension benefits and other purposes	<u>\$ 12,097,054</u>

Statement of Changes in Net Assets  
Police and Firefighters' Retirement Fund  
For the Year Ended June 30, 2008

<b>Additions:</b>	
Employer contributions	\$ 44,498
Plan members' contributions	<u>10,318</u>
Total contributions	<u>54,816</u>
Investment earnings:	
Net decrease in fair value of investments	(938,045)
Interest and dividends	<u>409,597</u>
Net investment earnings	<u>(528,448)</u>
Total additions	<u>(473,632)</u>
<b>Deductions:</b>	
Benefits	1,837,688
Administrative expenses	<u>61,642</u>
Total deductions	<u>1,899,330</u>
Change in net assets	(2,372,962)
Net assets, July 1, 2007	<u>14,470,016</u>
NET ASSETS, JUNE 30, 2008	<u>\$ 12,097,054</u>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**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, 2008. 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:

<b>Component</b>	<b>Year Ended June 30, 2008</b>	<b>Year Ended June 30, 2007</b>	<b>Year Ended June 30, 2006</b>
Beginning NPO balance	<u>\$(287,297)</u>	<u>\$(287,297)</u>	<u>\$(246,269)</u>
ARC	8,925	13,883	17,182
Interest on NPO	(16,730)	(17,238)	(14,776)
Unfunded ARC adjustment	<u>35,739</u>	<u>36,825</u>	<u>31,566</u>
Pension cost	27,934	33,470	33,972
Less actual contribution	<u>-</u>	<u>25,000</u>	<u>75,000</u>
Net change in NPO	<u>27,934</u>	<u>8,470</u>	<u>(41,028)</u>
ENDING NPO BALANCE	<u>\$(250,893)</u>	<u>\$(278,827)</u>	<u>\$(287,297)</u>
PERCENTAGE OF PENSION COST CONTRIBUTED	<u>0%</u>	<u>75%</u>	<u>221%</u>

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

Statement of Fiduciary Net Assets  
Appointive Employees' Pension Fund  
June 30, 2008

<b>Assets:</b>		
Cash and cash equivalents		\$ 29,300
Receivables		2,365
Prepaid expenses		275
Investment at fair value		<u>240,000</u>
Total assets		271,940
<b>Liabilities:</b>		
Voucher and accounts payable		<u>239</u>
<b>Net Assets:</b>		
Held in trust for pension benefits and other purposes		<u>\$ 271,701</u>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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

Statement of Changes in Net Assets  
Appointive Employees' Pension Fund  
For the Year Ended June 30, 2008

**Additions:**

Interest and dividends	\$ 12,202
Employer contributions	<u>          -</u>
 Total additions	 <u>12,202</u>

**Deductions:**

Benefits	48,866
Administrative expenses	<u>9,210</u>
 Total deductions	 <u>58,076</u>

Change in net assets	(45,874)
Net assets, July 1, 2007	<u>317,575</u>

NET ASSETS, JUNE 30, 2008 \$ 271,701

**Contribution Information**

A summary of actuarial assumptions at June 30, 2008, the date of the latest actuarial valuation is as follows:

	<b>PFPF</b>	<b>AEPF</b>
Valuation date	7/1/08	7/1/08
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, 2008**

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

**Membership Information**

Membership of each plan consisted of the following at June 30, 2008:

	<u>PFPF</u>	<u>AEPF</u>
Active participants	1	-
Beneficiaries	39	4
Retired participants	<u>47</u>	<u>3</u>
<b>TOTAL PARTICIPANTS</b>	<u><u>87</u></u>	<u><u>7</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. Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. 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, 2008, 2007 and 2006, the City contributed 33.87%, 28.21%, and 25.01%, respectively, of each hazardous employee's creditable compensation and 16.17%, 13.19%, and 10.98%, 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, 2008, 2007 and 2006, were \$4,533,944, \$3,849,611, and \$3,460,797, 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, 2008.

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

Long-term debt of the discretely presented component units consists of the following at June 30, 2008:

**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, 2008**

**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 4.40% to 4.45%:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2009	1,030,000	45,835	1,075,835
Less deferred debit arising from advanced refunding	<u>(59,210)</u>	<u>-</u>	<u>(59,210)</u>
<b>TOTALS</b>	<b><u>\$ 970,790</u></b>	<b><u>\$ 45,835</u></b>	<b><u>\$1,016,625</u></b>

**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 3.59% 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>
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>
<b>TOTALS</b>	<b><u>\$ 140,000</u></b>	<b><u>\$ 21,579</u></b>	<b><u>\$ 870</u></b>	<b><u>\$162,449</u></b>

**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.

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**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>
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	470,000	106,465	576,465
2014-2018	<u>2,080,000</u>	<u>224,515</u>	<u>2,304,515</u>
<b>TOTALS</b>	<u>\$4,250,000</u>	<u>\$ 931,943</u>	<u>\$5,181,943</u>

Bonds payable totaling \$4,142,084 are recorded net of \$107,916 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	\$ -	94,200	94,200
2009	<u>6,000,000</u>	<u>94,200</u>	<u>6,094,200</u>
<b>TOTALS</b>	<u>\$ 6,000,000</u>	<u>\$ 188,400</u>	<u>\$6,188,400</u>

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**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>
2009	\$ 73,877	11,640	85,517
2010	79,912	8,414	88,326
2011	84,185	4,852	89,037
2012	37,078	3,295	40,373
2013	38,210	1,882	40,092
2014	<u>26,119</u>	<u>450</u>	<u>26,569</u>
<b>TOTALS</b>	<b><u>\$ 339,381</u></b>	<b><u>\$ 30,533</u></b>	<b><u>\$ 369,914</u></b>

**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, 2008, the significant construction commitments were as follows:

	<u>Cumulative Costs Incurred</u>	<u>Estimated Costs</u>
Floodwall Survey Modification	\$ 67,255	\$ 186,700
Floodwall Pipe Rehabilitation	80,960	163,800
Oliver Church Road Improvement Project	171,515	218,500
Riverfront Development – Phase I	452,549	579,840
Riverfront – Ohio River Boat Launch Project	<u>207,265</u>	<u>230,075</u>
	<b><u>\$ 979,544</u></b>	<b><u>\$1,378,915</u></b>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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

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

An analysis of claims activity is presented below:

	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Actual Claim Payments</b>	<b>Balance at Fiscal Year End</b>
2005 - 2006	\$ -	23,829	23,829	\$ -
2006 - 2007	-	57,168	57,168	-
2007 - 2008	-	69,572	69,572	-

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 \$106,364 at June 30, 2008.

The analysis of claims activity is presented below:

	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Actual Claim Payments</b>	<b>Balance at Fiscal Year End</b>
2005 - 2006	\$ 413,000	2,853,645	2,812,645	\$ 454,000
2006 - 2007	454,000	2,601,505	2,669,179	386,326
2007 - 2008	386,326	2,726,811	3,006,773	106,364

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, 2008**

**Note 9 - Lease Agreements:**

**Operating Leases:**

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 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 2008 totaled \$434,185.

The following is an analysis of property leased under these leases at June 30, 2008:

Land	\$ 270,000
Buildings	873,250
Equipment	<u>110,126</u>
Total	1,253,376
Less: accumulated depreciation	<u>754,965</u>
<b>NET BOOK VALUE</b>	<b><u>\$ 498,411</u></b>

Depreciation expense for the year ended June 30, 2008, on leased property was \$20,775.

The following is a schedule of future minimum rental income from operating leases at June 30, 2008:

	<b><u>Lease Income</u></b>
2009	\$ 437,943
2010	437,943
2011	<u>268,519</u>
<b>TOTAL MINIMUM LEASE RECEIPTS</b>	<b><u>\$ 1,144,405</u></b>

**Direct Financing Lease:**

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 was required during the first three years of the lease term which resulted in a loss of \$450,353. For the government-wide statement, the loss is amortized over the life of the lease. Rental payments commenced on September 1, 2007, at a monthly payment of \$33,816 and end with the final payment due August 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 lease payments received coincide with debt service payments the City is required to make on bonds maturing annually through year ending June 30, 2024.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**Note 9 - Lease Agreements:**

**Direct Financing Lease:**

Future minimum lease payments to be received under the lease agreement for the fiscal year ending June 30 are as follows:

	<b><u>Lease Income</u></b>
2009	\$ 371,980
2010	405,796
2011	405,796
2012	405,796
2013	405,796
2014 through 2024	<u>4,463,752</u>
Net minimum lease payments	6,458,916
Less amount representing interest	<u>(2,306,610)</u>
Present value of minimum lease payments	<u>\$ 4,152,306</u>

**Note 10 – Restatement of Net Assets**

During the year, the City converted its Section Eight Housing Fund from a governmental fund to a proprietary fund, which is the preferred reporting by the US Department of Housing and Urban Development. In addition, certain errors in the prior year were corrected during the current year, resulting in the following change to net assets as of June 30, 2007:

	<b><u>Net Assets, As Previously Reported</u></b>	<b><u>Restatement</u></b>	<b><u>Net Assets As Restated</u></b>
Governmental Funds:			
General Fund (1)	<u>\$ 9,976,079</u>	<u>\$ 265,471</u>	<u>\$ 10,241,550</u>
Proprietary Funds:			
Solid Waste Fund (2)	\$ 821,214	\$ 179,506	\$ 1,000,720
Nonmajor Proprietary Funds (3)	<u>1,156,304</u>	<u>13,800</u>	<u>1,170,104</u>
Total Proprietary Funds	<u>\$ 1,977,518</u>	<u>\$ 193,306</u>	<u>\$ 2,170,824</u>
Government-Wide Statements:			
Government Type Funds (4)	\$48,138,457	\$ (618,446)	\$47,520,011
Business Type Funds (5)	<u>1,344,237</u>	<u>922,302</u>	<u>2,266,539</u>
Total	<u>\$49,482,694</u>	<u>\$ 303,856</u>	<u>\$49,786,550</u>

- (1) Correction of overstatement of current accrued leave liability estimate.
- (2) Correction of understatement of service receivables estimate due to a change of remittance method to the City by their billing party.
- (3) Conversion of Section Eight Housing Fund from modified accrual basis to accrual basis for capital assets.
- (4) Net effect of converting a governmental fund to a proprietary fund of (\$728,996) and correction of understatement of inventory of real property held for urban development of \$110,550.
- (5) Net effect of converting a governmental fund to a proprietary fund of \$742,796 and correction of understatement of service receivables of \$179,506.

**CITY OF PADUCAH, KENTUCKY**

**REQUIRED SUPPLEMENTARY INFORMATION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2008**

**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>
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**Police and Firefighters' Pension Fund (PFPF)** (Using Entry Age Normal Method)

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)
7/1/2008	12,097,054	14,076,843	1,979,789	85.9	56,475	3,505.60

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

7/1/2006	344,644	443,207	98,563	77.8	n/a*	n/a*
7/1/2007	317,575	382,916	65,341	82.9	n/a*	n/a*
7/1/2008	271,701	317,849	46,148	85.5	n/a*	n/a*

\*There are no active participants.

**Schedules of Employer Contributions**

<b>PFPF</b>			
<u>Year Ended June 30</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percent ARC Contributed</u>	<u>Ending Net Pension Obligation (NPO)</u>
2006	719,348	854	(5,425,468)
2007	46,948	446	(5,552,551)
2008	12,887	345	(5,546,740)

<b>AEPF</b>			
<u>Year Ended June 30</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percent ARC Contributed</u>	<u>Ending Net Pension Obligation (NPO)</u>
2006	17,182	437	(287,297)
2007	13,883	180	(278,827)
2008	8,925	280	(250,893)

**CITY OF PADUCAH, KENTUCKY**

**SUPPLEMENTARY INFORMATION**

***NONMAJOR GOVERNMENTAL FUNDS***

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2008**

**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.

**CITY OF PADUCAH, KENTUCKY**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

<u><b>ASSETS</b></u>	<u><b>Special Revenue Funds</b></u>			
	<u><b>Municipal Aid Program</b></u>	<u><b>Emergency Communication Service Fund</b></u>	<u><b>Court Awards Fund</b></u>	<u><b>Small Grant Fund</b></u>
Cash and cash equivalents	\$302,106	\$ 285,375	\$ 72,514	\$233,382
Investments	-	-	50,000	-
Receivables, net:				
Accounts	56,948	132,290	-	-
Grants	-	-	-	19,200
Interest	-	-	31	-
<b>TOTAL ASSETS</b>	<u><u>\$359,054</u></u>	<u><u>\$ 417,665</u></u>	<u><u>\$122,545</u></u>	<u><u>\$252,582</u></u>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities:</b>				
Voucher and accounts payable	\$194,242	\$ 11,212	\$ 85,911	\$ 90
Accrued payroll and payroll taxes	-	27,030	-	-
Deferred revenues	-	-	-	1,578
<b>Total liabilities</b>	<u>194,242</u>	<u>38,242</u>	<u>85,911</u>	<u>1,668</u>
<b>Fund Balances:</b>				
Reserved for:				
Program purposes	-	-	-	250,914
Unreserved	164,812	379,423	36,634	-
<b>Total fund balances</b>	<u>164,812</u>	<u>379,423</u>	<u>36,634</u>	<u>250,914</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$359,054</u></u>	<u><u>\$ 417,665</u></u>	<u><u>\$122,545</u></u>	<u><u>\$252,582</u></u>

See auditors report on pages 11-12.

<b>Special Revenue Funds</b>			
<b>Home Grant Fund</b>	<b>HUD Revolving Grant Fund</b>	<b>PHA Police Grant Fund</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 50,808	\$ 246,463	\$ -	\$ 1,190,648
-	-	-	50,000
-	-	-	189,238
-	-	-	19,200
-	-	-	31
<u>\$ 50,808</u>	<u>\$ 246,463</u>	<u>\$ -</u>	<u>\$ 1,449,117</u>
\$ -	\$ 134	\$ -	\$ 291,589
-	-	-	27,030
-	-	-	1,578
<u>-</u>	<u>134</u>	<u>-</u>	<u>320,197</u>
-	246,329	-	497,243
50,808	-	-	631,677
<u>50,808</u>	<u>246,329</u>	<u>-</u>	<u>1,128,920</u>
<u>\$ 50,808</u>	<u>\$ 246,463</u>	<u>\$ -</u>	<u>\$ 1,449,117</u>

**CITY OF PADUCAH, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Special Revenue Funds</b>			
	<b>Municipal Aid Program</b>	<b>Emergency Communication Service Fund</b>	<b>Court Awards Fund</b>	<b>Small Grant Fund</b>
<b>Revenues:</b>				
Taxes	\$ -	\$ 544,036	\$ -	\$ -
Charges for services	-	193,701	-	-
Intergovernmental	920,612	-	-	-
Grants	-	-	-	36,874
Interest	3,009	7,949	4,648	-
Miscellaneous	-	276,410	58,398	277,605
Total revenues	<u>923,621</u>	<u>1,022,096</u>	<u>63,046</u>	<u>314,479</u>
<b>Expenditures:</b>				
Current operations:				
Public safety	-	1,335,619	105,227	-
Public service	1,188,177	-	-	-
Planning and development	-	-	-	94,159
Total expenditures	<u>1,188,177</u>	<u>1,335,619</u>	<u>105,227</u>	<u>94,159</u>
Excess (deficiency) of revenues over expenditures	<u>(264,556)</u>	<u>(313,523)</u>	<u>(42,181)</u>	<u>220,320</u>
<b>Other Financing Sources (Uses):</b>				
Capital lease				
Transfers in	509,056	316,824	-	21,000
Transfers out	(82,976)	-	-	-
Total other financing sources (uses)	<u>426,080</u>	<u>316,824</u>	<u>-</u>	<u>21,000</u>
Net change in fund balances	161,524	3,301	(42,181)	241,320
Fund balances, July 1, 2007	<u>3,288</u>	<u>376,122</u>	<u>78,815</u>	<u>9,594</u>
<b>FUND BALANCES, JUNE 30, 2008</b>	<u><u>\$ 164,812</u></u>	<u><u>\$ 379,423</u></u>	<u><u>\$ 36,634</u></u>	<u><u>\$ 250,914</u></u>

See auditors report on pages 11-12.

<b>Special Revenue Funds</b>			
<b>Home Grant Fund</b>	<b>HUD Revolving Grant Fund</b>	<b>PHA Police Grant Fund</b>	<b>Total Nonmajor Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 544,036
-	-	-	193,701
-	-	-	920,612
-	-	2,987	39,861
-	8,216	-	23,822
-	502	-	612,915
-	8,718	2,987	2,334,947
-	-	2,987	1,443,833
-	-	-	1,188,177
4,763	125,020	-	223,942
4,763	125,020	2,987	2,855,952
(4,763)	(116,302)	-	(521,005)
11,607	100,000	-	958,487
-	(8,300)	-	(91,276)
11,607	91,700	-	867,211
6,844	(24,602)	-	346,206
43,964	270,931	-	782,714
<u>\$ 50,808</u>	<u>\$ 246,329</u>	<u>\$ -</u>	<u>\$ 1,128,920</u>

**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, 2008**

	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>			
Intergovernmental	\$ 920,610	\$ 920,612	\$ 2
Interest	3,000	3,009	9
Other	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>923,610</u>	<u>923,621</u>	<u>11</u>
<b>Expenditures:</b>			
Public service	<u>1,188,180</u>	<u>1,188,177</u>	<u>3</u>
Excess (deficiency) of revenues over expenditures	(264,570)	(264,556)	14
<b>Other Financing Sources (Uses):</b>			
Operating transfers out	<u>(82,980)</u>	<u>(82,976)</u>	<u>4</u>
Net change in fund balance	<u>\$ 161,505</u>	\$ 161,524	<u>\$ 19</u>
Fund balance, July 1, 2007		<u>3,288</u>	
FUND BALANCE, JUNE 30, 2008		<u>\$ 164,812</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, 2008**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>			
Local contributions	\$ 544,035	\$ 544,036	\$ 1
Telephone surcharges	193,700	193,701	1
Interest	7,945	7,949	4
Miscellaneous	276,410	276,410	-
Total revenues	<u>1,022,090</u>	<u>1,022,096</u>	<u>6</u>
<b>Expenditures:</b>			
Public safety	<u>1,335,620</u>	<u>1,335,619</u>	<u>1</u>
Excess (deficiency) of revenues over expenditures	(313,530)	(313,523)	7
<b>Other Financing Sources (Uses):</b>			
Operating transfers in	316,820	316,824	4
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ 3,290</u>	3,301	<u>\$ 11</u>
Fund balance, July 1, 2007		<u>376,122</u>	
FUND BALANCE, JUNE 30, 2008		<u>\$ 379,423</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, 2008**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Court awarded forfeitures	\$ 58,395	\$ 58,398	\$ 3
Interest	4,650	4,648	(2)
	<u>63,045</u>	<u>63,046</u>	<u>1</u>
<b>Expenditures:</b>			
Public safety	<u>105,235</u>	<u>105,227</u>	<u>8</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (42,190)</u>	(42,181)	<u>\$ 9</u>
Fund balance, July 1, 2007		<u>78,815</u>	
FUND BALANCE, JUNE 30, 2008		<u>\$ 36,634</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, 2008**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Grants	\$ 36,870	\$ 36,874	\$ 4
Other	277,600	277,605	5
	<hr/>	<hr/>	<hr/>
Total revenues	314,470	314,479	9
	<hr/>	<hr/>	<hr/>
<b>Expenditures:</b>			
Planning and development	94,170	94,159	11
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	220,300	220,320	20
	<hr/>	<hr/>	<hr/>
<b>Other Financing Sources (Uses):</b>			
Operating transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	21,000	21,000	-
	<hr/>	<hr/>	<hr/>
Net change in fund balance	<u>\$ 241,300</u>	241,320	<u>\$ 20</u>
	<hr/>	<hr/>	<hr/>
Fund balance, July 1, 2007		9,594	
		<hr/>	
FUND BALANCE, JUNE 30, 2008		<u>\$ 250,914</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, 2008**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Grants	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>			
Planning and development	<u>4,765</u>	<u>4,763</u>	<u>2</u>
Excess (deficiency) of revenues over expenditures	<u>(4,765)</u>	<u>(4,763)</u>	<u>2</u>
<b>Other Financing Sources (Uses):</b>			
Operating transfers in	<u>11,610</u>	<u>11,607</u>	<u>(3)</u>
Total other financing sources (uses)	<u>11,610</u>	<u>11,607</u>	<u>(3)</u>
Net change in fund balance	<u>\$ 6,845</u>	6,844	<u>\$ (1)</u>
Fund balance, July 1, 2007		<u>43,964</u>	
FUND BALANCE, JUNE 30, 2008		<u>\$ 50,808</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, 2008**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>			
Interest	\$ 8,215	\$ 8,216	\$ 1
Other	500	502	2
Total revenues	<u>8,715</u>	<u>8,718</u>	<u>3</u>
<b>Expenditures:</b>			
Planning and development	<u>125,025</u>	<u>125,020</u>	<u>5</u>
Excess (deficiency) of revenues over expenditures	<u>(116,310)</u>	<u>(116,302)</u>	<u>8</u>
<b>Other Financing Sources (Uses):</b>			
Operating transfers in	100,000	100,000	-
Operating transfers out	<u>(8,300)</u>	<u>(8,300)</u>	<u>-</u>
Total other financing sources (uses)	<u>91,700</u>	<u>91,700</u>	<u>-</u>
Net change in fund balance	<u>\$ (24,610)</u>	<u>(24,602)</u>	<u>\$ 8</u>
Fund balance, July 1, 2007		<u>270,931</u>	
FUND BALANCE, JUNE 30, 2008		<u>\$246,329</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, 2008**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Grants	<u>\$ 2,990</u>	<u>\$ 2,987</u>	<u>\$ (3)</u>
<b>Expenditures:</b>			
Public safety	<u>3,025</u>	<u>2,987</u>	<u>38</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (35)</u>	-	<u>\$ 35</u>
Fund balance, July 1, 2007		<u>-</u>	
FUND BALANCE, JUNE 30, 2008		<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, 2008**

**COMBINING FINANCIAL STATEMENTS  
NONMAJOR PROPRIETARY FUNDS**

Section Eight Housing Fund – to account for the housing choice voucher program grant governed by the United States Department of Housing and Urban Development.

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

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

**CITY OF PADUCAH, KENTUCKY**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
**JUNE 30, 2008**

<b><u>ASSETS</u></b>	<b>Section Eight Housing</b>	<b>Civic Center Fund</b>	<b>TISA Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 674,422	\$ 3,981	\$201,229	\$ 879,632
Receivables, net	9,634	-	6,579	16,213
Prepaid expense	-	-	18,335	18,335
Total current assets	<u>684,056</u>	<u>3,981</u>	<u>226,143</u>	<u>914,180</u>
<b>Noncurrent Assets:</b>				
Net depreciable capital assets	<u>9,903</u>	<u>211,510</u>	<u>35,822</u>	<u>257,235</u>
Total assets	<u>693,959</u>	<u>215,491</u>	<u>261,965</u>	<u>1,171,415</u>
<b><u>LIABILITIES</u></b>				
<b>Current Liabilities:</b>				
Voucher and accounts payable	49,339	4,568	4,225	58,132
Accrued compensated absences	1,751	-	-	1,751
Due to other funds	<u>47,647</u>	<u>-</u>	<u>-</u>	<u>47,647</u>
Total current liabilities	<u>98,737</u>	<u>4,568</u>	<u>4,225</u>	<u>107,530</u>
<b>Noncurrent Liabilities:</b>				
Accrued compensated absences	<u>15,762</u>	<u>-</u>	<u>-</u>	<u>15,762</u>
Total liabilities	<u>114,499</u>	<u>4,568</u>	<u>4,225</u>	<u>123,292</u>
<b><u>NET ASSETS</u></b>				
Invested in capital assets	9,903	211,510	35,822	257,235
Unrestricted	<u>569,557</u>	<u>(587)</u>	<u>221,918</u>	<u>790,888</u>
TOTAL NET ASSETS	<u>\$ 579,460</u>	<u>\$210,923</u>	<u>\$257,740</u>	<u>\$1,048,123</u>

See auditors report on pages 11-12.

**CITY OF PADUCAH, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Section Eight Housing</b>	<b>Civic Center Fund</b>	<b>TISA Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Operating Revenues:</b>				
Charges for services	\$ 1,784,241	\$ 32,932	\$143,727	\$ 1,960,900
Miscellaneous	1,568	-	106	1,674
Total operating income	<u>1,785,809</u>	<u>32,932</u>	<u>143,833</u>	<u>1,962,574</u>
<b>Operating Expenses:</b>				
Cost of sales and service	1,946,002	73,654	138,192	2,157,848
Depreciation and amortization	3,897	11,254	18,198	33,349
Total operating expenses	<u>1,949,899</u>	<u>84,908</u>	<u>156,390</u>	<u>2,191,197</u>
Operating income (loss)	<u>(164,090)</u>	<u>(51,976)</u>	<u>(12,557)</u>	<u>(228,623)</u>
<b>Non-Operating Revenues (Expenses):</b>				
Interest and investment income	753	(200)	-	553
Income (loss) before contributions and transfers	<u>(163,337)</u>	<u>(52,176)</u>	<u>(12,557)</u>	<u>(228,070)</u>
<b>Contributions and Operating Transfers:</b>				
Capital contributions	-	-	9,480	9,480
Transfers in	-	39,335	72,764	112,099
Transfers out	-	-	(15,490)	(15,490)
Total contributions and operating transfers	<u>-</u>	<u>39,335</u>	<u>66,754</u>	<u>106,089</u>
Change in net assets	(163,337)	(12,841)	54,197	(121,981)
Net assets, July 1, 2007, as previously reported	728,997	223,764	203,543	1,156,304
Adjustment to beginning net assets (See Note 10)	<u>13,800</u>	<u>-</u>	<u>-</u>	<u>13,800</u>
NET ASSETS, JUNE 30, 2008	<u>\$ 579,460</u>	<u>\$210,923</u>	<u>\$257,740</u>	<u>\$ 1,048,123</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, 2008**

	<b>Section Eight Housing</b>	<b>Civic Center Fund</b>	<b>TISA Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers	\$1,776,175	\$ 33,520	\$ 208,912	\$ 2,018,607
Payments to employees	(128,521)	-	-	(128,521)
Payments to internal service funds	-	(1,976)	(2,822)	(4,798)
Other receipts (payments)	(1,833,445)	(67,319)	(147,197)	(2,047,961)
Net cash provided (used) by operating activities	(185,791)	(35,775)	58,893	(162,673)
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers (to) from other funds	-	39,335	57,274	96,609
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Capital contributions	-	-	9,480	9,480
Acquisition and construction of capital assets	-	-	(14,967)	(14,967)
Net cash used by capital and related financing activities	-	-	(5,487)	(5,487)
<b>Cash Flows from Investing Activities:</b>				
Interest on cash and investments	753	(200)	-	553
Net increase (decrease) in cash and cash equivalents	(185,038)	3,360	110,680	(70,998)
Cash and cash equivalents, July 1, 2007	859,460	621	90,549	950,630
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2008</b>	<b>\$ 674,422</b>	<b>\$ 3,981</b>	<b>\$ 201,229</b>	<b>\$ 879,632</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating income (loss)	\$ (164,090)	\$ (51,975)	\$ (12,556)	\$ (228,621)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	3,897	11,254	18,198	33,349
Change in assets and liabilities:				
Receivables	(9,634)	588	65,079	56,033
Prepaid expense	-	-	(3,244)	(3,244)
Accounts payable and accrued expenses	(15,964)	4,358	(8,584)	(20,190)

NET CASH PROVIDED (USED) BY

See auditors report on pages 11-12.

**CITY OF PADUCAH, KENTUCKY**

**SUPPLEMENTARY INFORMATION**

***INTERNAL SERVICE FUNDS***

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2008**

## **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, 2008**

<u><b>ASSETS</b></u>	<u><b>Fleet Maintenance</b></u>	<u><b>Fleet Lease Trust</b></u>	<u><b>Insurance Fund</b></u>	<u><b>Health Insurance Fund</b></u>	<u><b>Combined Total</b></u>
<b>Current Assets:</b>					
Cash and cash equivalents	\$143,253	\$ 84,411	\$ 3	\$ 64,642	\$ 292,309
Investments	-	3,180,000	-	-	3,180,000
Receivables, net	-	84,351	-	14,081	98,432
Prepaid expense	-	-	968,823	274,221	1,243,044
Inventories	76,260	-	-	-	76,260
Total current assets	219,513	3,348,762	968,826	352,944	4,890,045
<b>Noncurrent Assets:</b>					
Net depreciable capital assets	41,399	1,938,533	-	-	1,979,932
Total assets	260,912	5,287,295	968,826	352,944	6,869,977
<b><u>LIABILITIES</u></b>					
<b>Current Liabilities:</b>					
Voucher and accounts payable	5,361	21,589	4,379	113,431	144,760
Accrued payroll and payroll taxes	7,487	-	-	-	7,487
Accrued compensated absences	14,281	-	-	-	14,281
Deferred revenue	-	-	-	14,698	14,698
Due to other funds	-	-	860,135	-	860,135
Total current liabilities	27,129	21,589	864,514	128,129	1,041,361
<b><u>NET ASSETS</u></b>					
Invested in capital assets, net of related debt	41,399	1,938,533	-	-	1,979,932
Unrestricted	192,384	3,327,173	104,312	224,815	3,848,684
<b>TOTAL NET ASSETS</b>	<u>\$233,783</u>	<u>\$5,265,706</u>	<u>\$ 104,312</u>	<u>\$224,815</u>	<u>\$5,828,616</u>

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, 2008**

	<u>Fleet Maintenance</u>	<u>Fleet Lease Trust</u>	<u>Insurance Fund</u>	<u>Health Insurance Fund</u>	<u>Combined Total</u>
<b>Operating Revenues:</b>					
Charges for services - internal	\$588,953	\$ 765,039	\$1,174,636	\$ 3,037,890	\$ 5,566,518
Charges for services - external	-	-	-	415,605	415,605
Total operating revenues	<u>588,953</u>	<u>765,039</u>	<u>1,174,636</u>	<u>3,453,495</u>	<u>5,982,123</u>
<b>Operating Expenses:</b>					
Vehicle maintenance	457,992	-	-	-	457,992
Administrative	-	6,850	-	64,680	71,530
Insurance	-	-	1,132,863	4,010,304	5,143,167
Leave expense	1,568	-	-	-	1,568
Depreciation	8,842	496,657	-	-	505,499
Total operating expenses	<u>468,402</u>	<u>503,507</u>	<u>1,132,863</u>	<u>4,074,984</u>	<u>6,179,756</u>
Operating income (loss)	<u>120,551</u>	<u>261,532</u>	<u>41,773</u>	<u>(621,489)</u>	<u>(197,633)</u>
<b>Nonoperating Revenues and (Expenses):</b>					
Interest and investment income	384	121,134	-	-	121,518
Gain (loss) on disposal of property and equipment	<u>7,711</u>	<u>111,489</u>	<u>-</u>	<u>-</u>	<u>119,200</u>
Total nonoperating revenues (expenses)	<u>8,095</u>	<u>232,623</u>	<u>-</u>	<u>-</u>	<u>240,718</u>
Income (loss) before transfers	<u>128,646</u>	<u>494,155</u>	<u>41,773</u>	<u>(621,489)</u>	<u>43,085</u>
<b>Contributions and Transfers:</b>					
Transfers in	9,854	150,771	21,075	550,000	731,700
Transfers in	<u>-</u>	<u>(9,854)</u>	<u>-</u>	<u>-</u>	<u>(9,854)</u>
Total contributions and operating transfers	<u>9,854</u>	<u>140,917</u>	<u>21,075</u>	<u>550,000</u>	<u>721,846</u>
Change in net assets	138,500	635,072	62,848	(71,489)	764,931
Net assets, July 1, 2007	<u>95,283</u>	<u>4,630,634</u>	<u>41,464</u>	<u>296,304</u>	<u>5,063,685</u>
NET ASSETS, JUNE 30, 2008	<u>\$233,783</u>	<u>\$5,265,706</u>	<u>\$ 104,312</u>	<u>\$ 224,815</u>	<u>\$ 5,828,616</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, 2008**

	<b>Fleet Maintenance</b>	<b>Fleet Lease Trust</b>	<b>Insurance Fund</b>	<b>Health Insurance Fund</b>	<b>Combined Total</b>
<b>Cash Flows from Operating Activities:</b>					
Receipts from other funds for services	\$ 588,953	\$ 765,039	\$ 1,174,636	\$ 3,468,649	\$ 5,997,277
Payments to suppliers	(210,698)	-	-	-	(210,698)
Payments to employees	(240,101)	-	-	-	(240,101)
Claims paid	-	-	-	(4,560,255)	(4,560,255)
Other receipts (payments)	-	14,739	(1,210,613)	(64,680)	(1,260,554)
Net cash provided (used) by operating activities	<u>138,154</u>	<u>779,778</u>	<u>(35,977)</u>	<u>(1,156,286)</u>	<u>(274,331)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>					
Transfers from other funds	<u>9,854</u>	<u>140,917</u>	<u>21,075</u>	<u>550,000</u>	<u>721,846</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Proceeds from sale of capital assets	7,711	129,452	-	-	137,163
Purchase of capital assets	<u>(27,863)</u>	<u>(667,139)</u>	<u>-</u>	<u>-</u>	<u>(695,002)</u>
Net cash used by capital and related financing	<u>(20,152)</u>	<u>(537,687)</u>	<u>-</u>	<u>-</u>	<u>(557,839)</u>
<b>Cash Flows from Investing Activities:</b>					
Proceeds from sales and maturities of investments	-	2,322,767	-	-	2,322,767
Interest and dividends	384	92,564	-	-	92,948
Purchase of investments	<u>-</u>	<u>(3,180,000)</u>	<u>-</u>	<u>-</u>	<u>(3,180,000)</u>
Net cash used by investing activities	<u>384</u>	<u>(764,669)</u>	<u>-</u>	<u>-</u>	<u>(764,285)</u>
Net increase (decrease) in cash and cash equivalents	128,240	(381,661)	(14,902)	(606,286)	(874,609)
Cash and cash equivalents, July 1, 2007	<u>15,013</u>	<u>466,072</u>	<u>14,905</u>	<u>670,928</u>	<u>1,166,918</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2008</b>	<u><u>\$ 143,253</u></u>	<u><u>\$ 84,411</u></u>	<u><u>\$ 3</u></u>	<u><u>\$ 64,642</u></u>	<u><u>\$ 292,309</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>					
Operating income (loss)	\$ 120,551	\$ 261,532	\$ 41,773	\$ (621,489)	\$ (197,633)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Change in assets and liabilities:					
Receivables	-	-	-	22,791	22,791
Prepaid expense	-	-	64,045	(259,971)	(195,926)
Inventories	10,325	-	-	-	10,325
Accounts payable and accrued expenses	<u>(1,564)</u>	<u>21,589</u>	<u>(141,795)</u>	<u>(297,617)</u>	<u>(419,387)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ 129,312</u></u>	<u><u>\$ 283,121</u></u>	<u><u>\$ (35,977)</u></u>	<u><u>\$ (1,156,286)</u></u>	<u><u>\$ (779,830)</u></u>

See auditors report on pages 11-12.

**CITY OF PADUCAH, KENTUCKY**

**SUPPLEMENTARY INFORMATION**

***FIDUCIARY FUNDS***

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2008**

## **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, 2008**

<b><u>ASSETS</u></b>	<b><u>Police and Firefighters' Retirement Fund</u></b>	<b><u>Appointive Employees' Pension Fund</u></b>	<b><u>Total</u></b>
Cash and cash equivalents	\$ 13,164	\$ 29,300	\$ 42,464
Receivables:			
Interest	58,667	2,365	61,032
Prepaid expenses	-	275	275
Investments at fair value			
Money market funds	109,562	-	109,562
Certificates of deposits	-	240,000	240,000
Common stock	3,828,565	-	3,828,565
Corporate bonds	906,664	-	906,664
U.S. agencies bonds	2,552,301	-	2,552,301
Mortgage backed securities	306	-	306
Mutual funds	4,628,579	-	4,628,579
Total assets	<u>12,097,808</u>	<u>271,940</u>	<u>12,369,748</u>
<b><u>LIABILITIES</u></b>			
Voucher and accounts payable	<u>754</u>	<u>239</u>	<u>993</u>
<b><u>NET ASSETS</u></b>			
Held in trust for pension benefits and other purposes	<u>\$ 12,097,054</u>	<u>\$ 271,701</u>	<u>\$ 12,368,755</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, 2008**

<b>Additions:</b>	<b>Police and Firefighters' Retirement Fund</b>	<b>Appointive Employees' Pension Fund</b>	<b>Totals</b>
Contributions:			
Employer	\$ 44,498	\$ -	\$ 44,498
Plan members	10,318	-	10,318
Total contributions	<u>54,816</u>	<u>-</u>	<u>54,816</u>
Investment earnings:			
Net decrease in fair value of investments	(938,045)	-	(938,045)
Interest and dividends	409,597	12,202	421,799
Net investment earnings	<u>(528,448)</u>	<u>12,202</u>	<u>(516,246)</u>
Total additions	<u>(473,632)</u>	<u>12,202</u>	<u>(461,430)</u>
<b>Deductions:</b>			
Benefits	1,837,688	48,866	1,886,554
Administrative expenses	61,642	9,210	70,852
Total deductions	<u>1,899,330</u>	<u>58,076</u>	<u>1,957,406</u>
Change in net assets	(2,372,962)	(45,874)	(2,418,836)
Net assets, July 1, 2007	<u>14,470,016</u>	<u>317,575</u>	<u>14,787,591</u>
NET ASSETS, JUNE 30, 2008	<u><u>\$12,097,054</u></u>	<u><u>\$271,701</u></u>	<u><u>\$12,368,755</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, 2008**

<u><b>ASSETS</b></u>	<u><b>Other Trusts</b></u>	<u><b>Maintenance and Rehab Trust</b></u>	<u><b>Total</b></u>
Cash and cash equivalents	\$ -	\$ 7,009	\$ 7,009
Investments at fair value			
Money market funds	3,733	-	3,733
Mutual funds	<u>1,001,054</u>	<u>-</u>	<u>1,001,054</u>
Total assets	<u>1,004,787</u>	<u>7,009</u>	<u>1,011,796</u>
<u><b>LIABILITIES</b></u>			
Accounts payable	<u>-</u>	<u>1,217</u>	<u>1,217</u>
<u><b>NET ASSETS</b></u>			
Held in trust for other purposes	<u>\$ 1,004,787</u>	<u>\$ 5,792</u>	<u>\$ 1,010,579</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, 2008**

	<u>Other Trusts</u>	<u>Maintenance and Rehab Trust</u>	<u>Totals</u>
<b>Additions:</b>			
Contributions:			
Intergovernmental revenues	\$ 2,110	\$ 8,000	\$ 10,110
Private donations	890,299	-	890,299
Total contributions	<u>892,409</u>	<u>8,000</u>	<u>900,409</u>
Investment earnings:			
Net decrease in fair value of investments	(44,014)	-	(44,014)
Interest and dividends	17,691	-	17,691
Net investment earnings	<u>(26,323)</u>	<u>-</u>	<u>(26,323)</u>
Interfund transfers	<u>(2,087)</u>	<u>-</u>	<u>(2,087)</u>
Total additions	<u>863,999</u>	<u>8,000</u>	<u>871,999</u>
<b>Deductions:</b>			
Capital outlay	2,391	1,856	4,247
Administrative expenses	2,688	4,934	7,622
Total deductions	<u>5,079</u>	<u>6,790</u>	<u>11,869</u>
Change in net assets	858,920	1,210	860,130
Net assets, July 1, 2007	<u>145,867</u>	<u>4,582</u>	<u>150,449</u>
NET ASSETS, JUNE 30, 2008	<u>\$ 1,004,787</u>	<u>\$ 5,792</u>	<u>\$ 1,010,579</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, 2008**

<b>Payroll Fund:</b>	<u><b>Balance</b></u> <u><b>July 1, 2007</b></u>	<u><b>Additions</b></u>	<u><b>Deductions</b></u>	<u><b>Balance</b></u> <u><b>June 30, 2008</b></u>
Assets:				
Cash and cash equivalents	<u>\$712,834</u>	<u>\$13,333,365</u>	<u>\$13,587,105</u>	<u>\$459,094</u>
Liabilities:				
Payroll taxes and withholdings payable	<u>\$712,834</u>	<u>\$13,333,365</u>	<u>\$13,587,105</u>	<u>\$459,094</u>

See auditors report on pages 11-12.

**CITY OF PADUCAH, KENTUCKY**

**STATISTICAL SECTION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2008**

## **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.*

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being changed over time.	<b>111-115</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and employee taxes.	<b>116-121</b>
<b>Debt Capacity</b> 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.	<b>122-126</b>
<b>Economic and Demographic Information</b> These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	<b>127-128</b>
<b>Operating Information</b> 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.	<b>129-131</b>

**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					
	2008	2007	2006	2005 (2)	2004	2003
<b>Governmental activities:</b>						
Invested in Capital Assets, Net of Related Debt	\$ 31,766,783	\$ 32,557,572	\$ 30,664,671	\$ 29,492,197	\$ 27,826,117	\$ 27,955,839
Restricted for:						
Program purposes	1,782,251	1,904,321	1,018,231	727,699	714,538	713,766
Capital projects	5,028,420	4,618,923	2,689,804	940,323	4,031,802	3,583,589
Unrestricted	9,432,763	9,057,641	7,718,198	7,419,037	(406,042)	1,571,120
Total governmental activities net assets	<u>48,010,217</u>	<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>
<b>Business-type activities:</b>						
Invested in Capital Assets, Net of Related Debt	1,863,975	1,491,523	1,277,720	1,463,118	1,463,668	1,425,753
Restricted for:						
Program purposes	579,460	-	-	-	-	-
Unrestricted	(19,965)	(147,286)	132,090	(27,648)	1,979,494	1,565,100
Total business-type activities net assets	<u>2,423,470</u>	<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>
<b>Primary government:</b>						
Invested in Capital Assets, Net of Related Debt	33,630,758	34,049,095	31,942,391	30,955,315	29,289,785	29,381,592
Restricted for:						
Program purposes	2,361,711	1,904,321	1,018,231	727,699	714,538	713,766
Capital projects	5,028,420	4,618,923	2,689,804	940,323	4,031,802	3,583,589
Unrestricted	9,412,798	8,910,355	7,850,288	7,391,389	1,573,452	3,136,220
Total primary government net assets	<u>\$ 50,433,687</u>	<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					
	2008 (3)	2007	2006	2005 (2)	2004	2003
<b>Expenses</b>						
<i>Governmental activities:</i>						
General government	\$ 10,709,641	\$ 9,462,543	\$ 9,057,295	\$ 8,431,994	\$ 7,969,027	\$ 7,396,882
Public safety	15,938,831	15,182,704	14,592,756	14,620,938	13,243,912	12,964,120
Public service	9,543,714	8,299,658	8,486,662	6,249,860	8,618,901	7,376,791
Parks and recreation	1,286,955	1,197,072	1,044,361	1,045,024	1,026,293	975,362
Planning and development	282,042	1,891,725	2,404,636	2,521,412	5,330,393	3,108,192
Interest on long-term debt	1,066,067	1,134,898	974,101	775,122	496,049	428,578
Total governmental activities expenses	<u>38,827,250</u>	<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	4,086,747	4,079,684	3,893,013	3,683,954	3,419,464	3,359,731
Section Eight Housing	1,949,899	-	-	-	-	-
Civic Center	84,908	54,562	45,894	39,008	33,181	46,509
TISA	156,388	267,192	269,781	170,264	184,166	123,719
Total business-type activities expenses	<u>6,277,942</u>	<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>\$ 45,105,192</u>	<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>
<b>Program Revenues</b>						
<i>Governmental activities:</i>						
Charges for services:						
General government	1,415,943	\$ 1,730,046	\$ 1,618,903	\$ 1,485,005	\$ 1,601,414	\$ 1,445,383
Public safety	268,839	1,024,610	767,086	794,814	1,134,386	94,386
Public service	1,111,188	1,150,507	942,355	895,155	986,618	683,119
Parks and recreation	124,606	122,929	103,932	117,317	132,388	131,355
Planning and development	30,627	10,810	20,602	13,501	12,893	15,867
Operating grants and contributions	1,340,261	2,797,216	2,988,612	2,452,694	3,290,134	4,176,548
Capital grants and contributions	1,297,900	3,681,490	3,302,568	1,100,064	3,221,637	2,213,757
Total governmental activities program revenues	<u>5,589,364</u>	<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	4,165,094	3,928,140	3,696,609	3,583,417	3,790,132	3,298,964
Section Eight Housing	-	-	-	-	-	-
Civic Center	32,932	31,372	26,378	32,828	36,455	20,825
TISA	143,833	193,713	106,697	104,087	100,778	93,383
Operating grants and contributions	1,785,809	-	-	-	-	-
Capital grants and contributions	9,480	23,969	22,894	14,735	24,990	3,666
Total business-type activities program revenues	<u>6,137,148</u>	<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>\$ 11,726,512</u>	<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>

	Fiscal Year					
	2008 (3)	2007	2006	2005 (2)	2004	2003
<b>Net (Expense)/Revenue</b>						
<i>Governmental activities</i>	\$ (33,237,886)	\$ (26,650,992)	\$ (26,815,753)	\$ (26,785,800)	\$ (26,305,105)	\$ (23,489,510)
<i>Business-type activities</i>	(140,794)	(224,244)	(356,110)	(158,159)	315,544	(113,121)
Total primary government net (expense)	<u>\$ (33,378,680)</u>	<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>
<b>General Revenues and Other Changes in Net Assets</b>						
<i>Governmental activities:</i>						
Taxes and licenses:						
Property taxes, levied for general purposes	4,221,957	\$ 4,122,538	\$ 4,107,934	\$ 3,919,113	\$ 4,012,168	\$ 3,893,211
Insurance premium tax	4,699,458	4,414,672	3,863,953	3,957,289	3,767,864	3,580,964
Gross receipts license tax	4,061,587	4,050,057	3,899,432	3,720,784	3,496,438	3,404,338
Employee license tax	16,520,523	16,273,966	14,794,217	11,192,445	10,616,223	10,301,231
Other taxes	2,259,956	1,964,101	2,105,014	2,116,403	1,764,140	1,893,064
Intergovernmental revenue	1,401,400	1,243,028	1,201,973	955,645	871,273	836,132
Unrestricted investment earnings	540,620	639,702	462,292	290,647	220,992	325,811
Gain on sale of capital assets	119,200	48,656	8,340	-	(1,972)	125,714
Transfers	(96,609)	(58,175)	(115,754)	(133,959)	(68,964)	18,666
Total governmental activities	<u>33,728,092</u>	<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	73,985	83,854	85,786	51,508	32,826	39,530
Gain on sale of capital assets	127,131	16,641	55,337	27,500	34,975	24,238
Transfers	96,609	58,176	115,754	133,959	68,964	(18,666)
Total business-type activities	<u>297,725</u>	<u>158,671</u>	<u>256,877</u>	<u>212,967</u>	<u>136,765</u>	<u>45,102</u>
<b>Change in Net Assets</b>						
<i>Governmental activities:</i>	490,206	6,047,553	3,511,648	(767,433)	(1,626,943)	889,621
<i>Business-type activities:</i>	156,931	(65,573)	(99,233)	54,808	452,309	(68,019)
Total primary government	<u>\$ 647,137</u>	<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.
- (3) The City began reporting Section Eight Housing fund as a business-type activity previously reported as a governmental fund. Prior years have not been restated.

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

	<b>Fiscal Year</b>									
	<b>2008 (3)</b>	<b>2007</b>	<b>2006</b>	<b>2005 (1)</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001 (2)</b>	<b>2000</b>	<b>1999</b>
<b>General Fund</b>										
Reserved for:										
Encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	9,416,427	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
<b>Total general fund</b>	<u>\$ 9,416,427</u>	<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>
<b>All Other Governmental Funds</b>										
Reserved for:										
Program purposes	\$ 497,243	\$ 1,009,522	\$ 783,596	\$ 498,423	\$ 483,423	\$ 695,213	\$ 567,096	\$ 604,021	\$ 327,925	\$ 411,956
Capital improvements	5,028,420	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
Encumbrances	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	631,677	502,189	758,017	1,039,854	770,453	1,080,043	714,972	1,247,619	1,402,554	825,094
Debt service funds	65,048	31,836	32,364	9,805	30,243	46,051	244,724	232,640	935,605	1,050,400
<b>Total all other governmental funds</b>	<u>\$ 6,222,388</u>	<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>

(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.

(3) Significant decrease in reserve for program purpose due to converting governmental fund to proprietary fund.

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

	Fiscal Year									
	2008	2007	2006	2005	2004	2003 (1)	2002	2001 (2)	2000	1999
<b>Revenues:</b>										
Taxes	\$ 6,139,164	\$ 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
Licenses	25,924,562	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
Charges for services	835,105	783,018	654,059	625,281	668,659	743,826	1,452,732	1,332,280	1,073,577	1,167,741
Intergovernmental	1,565,348	1,676,783	1,529,879	1,192,724	1,029,307	1,186,306	590,372	450,412	428,698	449,686
Grants	1,673,936	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
Interest	419,103	540,204	402,943	251,302	190,350	316,794	541,277	515,299	485,883	503,275
Miscellaneous	1,944,310	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
<b>Total revenues</b>	<b>38,501,528</b>	<b>42,106,561</b>	<b>39,865,917</b>	<b>32,589,858</b>	<b>33,966,544</b>	<b>32,625,719</b>	<b>30,215,847</b>	<b>28,756,776</b>	<b>27,297,270</b>	<b>27,162,688</b>
<b>Expenditures:</b>										
General government	5,051,374	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
Public safety	15,696,728	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
Public service	7,935,188	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
Parks and recreation	1,298,329	1,192,727	1,044,299	1,045,024	1,026,297	975,361	897,060	738,401	1,661,562	1,661,119
Planning and development	803,976	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
Other	520,611	526,238	481,690	462,099	2,343,844	645,653	323,844	99,657	95,082	90,459
Capital outlay	4,826,983	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
Debt service:										
Principal requirement	880,887	782,870	594,047	552,938	428,613	379,229	362,275	140,636	134,295	170,615
Interest and fiscal requirement	1,051,008	1,108,385	949,537	745,676	471,625	428,578	413,364	25,752	30,536	35,891
<b>Total expenditures</b>	<b>38,065,084</b>	<b>39,289,025</b>	<b>36,689,824</b>	<b>34,438,575</b>	<b>41,597,495</b>	<b>31,280,003</b>	<b>34,711,026</b>	<b>28,528,850</b>	<b>26,111,642</b>	<b>27,435,239</b>
<b>Other Financing Sources (Uses):</b>										
Bonds issued	-	-	6,100,000	-	5,000,000	-	-	9,104,211	-	-
Long-term debt issued	-	246,667	-	275,000	3,500,000	-	-	-	-	-
Capital lease	371,979	-	-	-	-	-	-	-	-	-
Transfers in	6,241,886	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
Transfers out	(7,086,517)	(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)
<b>Total other financing sources (uses)</b>	<b>(472,652)</b>	<b>(100,078)</b>	<b>(547,110)</b>	<b>(1,042,751)</b>	<b>7,143,612</b>	<b>(1,093,227)</b>	<b>(1,273,594)</b>	<b>7,771,074</b>	<b>(591,152)</b>	<b>(575,682)</b>
<b>Net change in fund balances</b>	<b>\$ (36,208)</b>	<b>\$ 2,717,458</b>	<b>\$ 2,628,983</b>	<b>\$ (2,891,468)</b>	<b>\$ (487,339)</b>	<b>\$ 252,489</b>	<b>\$ (5,768,773)</b>	<b>\$ 7,999,000</b>	<b>\$ 594,476</b>	<b>\$ (848,233)</b>
<b>Capital outlay (2)</b>	<b>\$ 2,857,189</b>	<b>\$ 4,638,045</b>	<b>\$ 3,779,542</b>	<b>\$ 3,981,143</b>	<b>\$ 9,144,907</b>	<b>\$ 1,907,998</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Debt service as a percentage of noncapital expenditures	5.49%	5.46%	4.69%	4.26%	2.77%	2.75%	2.86%	0.67%	0.71%	0.82%

(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							
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	482,481,332	51,455,112	1,787,105,948	1,847,595,428	0.307	96.7%	60,489,480
2008	748,189,877	603,688,455	481,049,523	74,068,797	1,906,996,652	1,970,156,891	0.287	96.8%	63,160,239

**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
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	0.275	0.390	0.307	-	-	0.433	0.433	0.628	0.635	0.019	0.019	0.197	0.236
2008	0.250	0.390	0.287	-	-	0.488	0.488	0.672	0.695	0.018	0.018	0.189	0.219

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**

<b>Taxpayer</b>	<b>2008</b>		<b>1999</b>	
	<b>(1) Assessed Valuation</b>	<b>Percentage of Total Assessed Valuation</b>	<b>(2) Assessed Valuation</b>	<b>Percentage of Total Assessed Valuation</b>
Kentucky Oaks Mall	\$ 50,900,262	2.88%	\$ 44,131,900	3.22%
South Central Bell	16,221,600	0.92%	31,715,185	2.31%
Lourdes Medical Pavilion	15,982,400	0.90%		
Olivet Church 1031 LLC	15,493,200	0.88%		
Ducmall LLC	14,374,800	0.81%		
Paducah Medical Investors	13,440,090	0.76%		
Wal Mart Real Estate Trust	10,646,400	0.60%		
Sams Real Estate Bus Trust	9,222,955	0.52%		
Computer Services Inc	9,083,185	0.51%	17,868,598	1.30%
Wal Mart Store	9,000,000	0.51%		
Amerisource			41,268,209	3.01%
Wal Mart			35,800,729	2.61%
Lowes			14,351,530	1.05%
H.B. Fuller			12,977,836	0.95%
Mercantile Bank			12,593,591	0.92%
Drury Inns, Inc.			11,416,170	0.83%
Union Planters			8,059,941	0.59%
<b>TOTALS</b>	<b><u>\$164,364,892</u></b>	<b><u>9.32%</u></b>	<b><u>\$ 230,183,689</u></b>	<b><u>16.79%</u></b>

(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
1999	4,614,749	4,602,800	99.7%	830	\$ 4,603,630	99.8%
2000	4,413,808	4,384,681	99.0%	1,303	\$ 4,385,984	99.4%
2001	4,549,413	4,406,600	96.9%	4,457	\$ 4,411,057	97.0%
2002	4,679,657	4,532,885	96.9%	7,401	\$ 4,540,286	97.0%
2003	4,674,301	4,631,782	99.5%	11,198	\$ 4,642,980	99.3%
2004	4,939,114	4,866,871	99.5%	26,578	\$ 4,893,449	99.1%
2005	4,831,463	4,725,999	97.8%	51,957	\$ 4,777,956	98.9%
2006	5,139,294	4,887,983	95.1%	175,333	\$ 5,063,316	98.5%
2007	5,343,009	4,850,651	90.8%	338,541	\$ 5,189,192	97.1%
2008	5,085,799	4,912,358	96.6%	-	\$ 4,912,358	96.6%

(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**

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<b>Fiscal Year</b>	<b>(1) Taxes Collected</b>	<b>Direct Tax Rate</b>
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	16,258,946	2.00%
2008	16,535,542	2.00%
	<b>\$117,682,301</b>	

(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\***

<b>Taxpayers By Range</b>	<b>Number of Filers</b>	<b>Percentage of Total</b>	<b>2008</b>	
			<b>(1) Taxes Collected</b>	<b>Percentage of Total Employee License Tax</b>
\$0 - \$50,000	2,052	97.81%	\$ 8,707,672	52.66%
\$50,001 - \$100,000	27	1.29%	1,791,822	10.84%
\$100,001 - \$500,000	17	0.81%	3,595,858	21.75%
Greater than \$500,000	2	0.10%	2,440,190	14.76%
<b>TOTALS</b>	<b>2,098</b>	<b>100.00%</b>	<b>\$ 16,535,542</b>	<b>100.00%</b>
<b>Taxpayers By Range</b>	<b>Number of Filers</b>	<b>Percentage of Total</b>	<b>2006</b>	
			<b>(1) Taxes Collected</b>	<b>Percentage of Total Employee License Tax</b>
\$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%
<b>TOTALS</b>	<b>1,639</b>	<b>100.00%</b>	<b>\$ 13,575,680</b>	<b>100.00%</b>

(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			
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	1.17	821
2008	17,614,952	2,946,303	-	-	-	20,561,255	1.04	782

**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					
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	0.99	695	
2008	7,600,000	5,740,000	4,340,000	65,048	17,614,952	0.89	670	

**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, 2008**

	<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	\$ 20,561,255	100.0%	\$ 20,561,255
Paducah Independent School District	9,845,000 *	100.0%	9,845,000
McCracken County	11,375,000 *	46.9%	5,334,875
McCracken County Board of Education	<u>28,324,449 *</u>	<u>31.5%</u>	<u>8,922,201</u>
Overlapping Debt	<u>49,544,449</u>		<u>24,102,076</u>
Total direct and overlapping debt	<u><u>\$ 70,105,704</u></u>		<u><u>\$ 44,663,331</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		\$ 1,906,996,652
Add exemption		<u>63,160,239</u>
Total assessed value		<u>\$ 1,970,156,891</u>
Debt limit - 10% of total assessed value (1)		\$ 197,015,689
Debt outstanding:		
General obligation bonds outstanding	17,680,000	
Notes payable	2,946,303	
Less debt not subject to limit		<u>-</u>
Gross bonded debt	20,626,303	
Less amount available in debt service funds		<u>65,048</u>
Net bonded indebtedness subject to limit		<u>20,561,255</u>
Legal Debt Margin		<u>\$ 176,454,434</u>

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Debt Limit	\$ 197,015,689	\$ 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
Total net debt applicable to limit	<u>20,561,255</u>	<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>
Legal debt margin	<u>\$ 176,454,434</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	10.44%	11.82%	12.68%	9.93%	10.25%	5.39%	5.59%	5.89%	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	
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	*	*	*	*	*	*	*
2008	*	*	*	*	*	*	*

(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**

<b>Fiscal Year</b>	<b>(1) Population</b>	<b>(1) Personal Income</b>	<b>(1) Per Capita Income</b>	<b>(1) Median Age</b>	<b>(2) School Enrollment</b>	<b>(3) Unemployment Rate</b>
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%
2007-2008	26,307	484,496,019	18,417	39.9	2,832	6.1%

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</u>	<u>2008</u>		<u>2006</u>	
	<u>Employees (1)</u>	<u>Percentage of Total Employment (2)</u>	<u>Employees (1)</u>	<u>Percentage of Total Employment (2)</u>
Western Baptist Hospital	1,700	5.66%	1,660	5.55%
Lourdes Hospital	1,400	4.66%	1,500	5.01%
Wal Mart	1,200	4.00%	1,120	3.74%
Paducah Public Schools	600	2.00%	600	2.01%
LYNX Services	360	1.20%	390	1.30%
State of Kentucky	390	1.30%	390	1.30%
City of Paducah	340	1.13%	380	1.27%
Paxton Media Group	290	0.97%	285	0.95%
NRE Acquisitions	220	0.73%	280	0.94%
West KY Community & Technical College	380	1.27%	270	0.90%
<b>TOTALS</b>	<u><u>6,880</u></u>	<u><u>22.91%</u></u>	<u><u>6,875</u></u>	<u><u>22.98%</u></u>

(1) Source - City of Paducah Finance Department

(2) State of Kentucky - Office of Employment and Training. Ratio based on employment within 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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b><i>Governmental Activities</i></b>										
<b>General government</b>										
General administration	12	12	12	11	11	11	12	13	13	13
Finance	14	14	14	13	13	13	13	13	12	12
Human resources	3	3	3	4	3	3	3	4	4	4
Inspection	13	13	12	12	12	12	13	14	12	12
Information Systems	4	4	3	3	3	3	2	1	0	0
Risk Management	1	1	1							
<b>Public safety</b>										
Police	93	93	93	96	94	95	94	94	94	94
Fire	69	71	76	75	76	76	77	81	86	86
<b>Public service</b>										
Streets	29	30	31	28	28	28	28	29	29	29
Facilities	34	34	35	38	39	39	38	36	36	35
Engineering	9	9	9	9	8	8	8	8	8	4
Other	6	5	4	4	2	2	2	0	0	0
<b>Parks and recreation</b>										
	7	7	7	9	9	8	8	7	5	5
<b>Planning and development</b>										
	11	11	11	11	11	11	10	10	12	11
<b>Other</b>										
Fleet maintenance	7	7	7	7	6	6	6	6	7	8
<b><i>Business-type Activities</i></b>										
Solid waste	27	27	29	29	29	29	29	30	29	29
Sewer/wastewater	*	*	*	*	*	*	*	*	*	23
<b>Total Primary Government</b>	339	341	347	349	344	344	343	346	347	365

\* 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.

\*\*Employee budget census.

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

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>General government</b>										
Building and electrical permits issued	1,203	1,411	1,362	1,376	*	*	*	*	*	*
Business licenses issued	3,507	3,500	3,700	*	*	*	*	*	*	*
<b>Public safety</b>										
Police										
Adult arrests	4,170	5,012	3,827	*	*	*	*	*	*	*
Murder	-	1	-	*	*	*	*	*	*	*
Rape	15	18	15	*	*	*	*	*	*	*
Robberies	49	42	35	*	*	*	*	*	*	*
Burglary	203	208	211	*	*	*	*	*	*	*
Auto theft	60	117	104	*	*	*	*	*	*	*
Arson	8	16	7	*	*	*	*	*	*	*
Traffic accidents	1,519	1,949	1,815	*	*	*	*	*	*	*
Traffic violations	7,109	7,323	7,468	*	*	*	*	*	*	*
Fire										
Emergency responses	2,603	2,456	2,546	3,219	3,638	3,569	2,845	1,665	1,651	937
Fires extinguished	102	163	181	176	189	198	194	177	247	131
Structure fires	49	40	53	49	64	70	72	66	69	52
Incidents with reported losses	70	80	91	97	106	111	129	102	94	60
Medical/rescue	1,506	1,369	1,589	1,997	2,266	2,290	1,551	370	319	40
Tours/in-services/Car Seats	699	485	485	485	485	485	468	558	430	*
Training Man Hours	4,344	1,183	1,418	1,188	965	1,058	804	1,619	1,625	*
Inspections	1,449	*	*	*	*	*	*	*	*	*
<b>Refuse collection</b>										
Residential										
Refuse collected (tons per day)	25	28	34	*	*	*	*	*	*	*
Customers served	9,446	9,388	9,368	*	*	*	*	*	*	*
Commercial										
Refuse collected (tons per day)	83	85	84	*	*	*	*	*	*	*
Customers served	821	832	801	*	*	*	*	*	*	*
<b>Public service</b>										
911 calls received	144,290	122,340	167,847	168,712	168,427	173,536	164,661	*	*	*
Police	79,386	59,887	76,144	103,500	104,622	110,310	106,244	*	*	*
Fire	3,320	3,107	4,168	3,537	3,305	3,387	4,045	*	*	*
Other	61,584	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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Public safety</b>										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Stations	5	5	5	5	5	5	5	5	5	5
<b>Refuse collection</b>										
Collection trucks										
Residential	10	9	8	8	#	#	#	#	#	#
Commercial	5	5	4	4	#	#	#	#	#	#
<b>Other public works</b>										
Sanitary sewers (miles)	*	*	*	*	*	*	*	*	*	125
Combination sewers (miles)	*	*	*	*	*	*	*	*	*	56
Storm sewers (miles)	*	*	*	*	*	*	*	*	*	36
Streets (miles paved)	216	216	214	214	213	209	209	209	209	209
Sidewalks (miles)	45	45	45	45	45	45	45	45	45	45
Traffic signals	11	11	11	11	10	0	0	0	0	0
<b>Parks and recreation</b>										
Parks	27	27	18	18	18	18	18	18	18	18
Acreage	960	960	325	325	325	325	325	325	230	230
Community centers	1	1	1	1	1	1	1	1	1	1
Swimming pools	1	1	1	1	1	3	3	3	3	3
Public tennis courts	6	6	6	6	6	6	6	6	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, 2008**

**CITY OF PADUCAH, KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

<u>Federal Grantor/Pass-Through Grantor/ Program Title:</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Expenditures</u>
<b>Department of Housing and Urban Development:</b>			
Direct Programs:			
Section 8 Housing Choice Vouchers	14.871	N/A	\$ 1,946,002
Passed-through Kentucky Housing Corporation:			
Public Housing Capital Fund	14.872	N/A	<u>2,987</u>
Total Department of Housing and Urban Development			<u>1,948,989</u>
<b>Department of Justice:</b>			
Direct Programs:			
Bulletproof Vest Partnership Program	16.607	N/A	1,815
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006-F1115-KY-DJ	2,257
Assistance Grant Program	16.738	207-DJ-BX-1012	<u>30,584</u>
Total Department of Justice			<u>34,656</u>
<b>Department of Agriculture:</b>			
Passed-through Kentucky Department of Education:			
Summer Food Service Program for Children	10.559	N/A	<u>38,164</u>
Total Department of Agriculture			<u>38,164</u>
<b>Department of Homeland Security:</b>			
Direct Programs:			
Commercial Equipment Direct Assistance Program	97.096	C06-01591	<u>45,000</u>
Total Department of Homeland Security			<u>45,000</u>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

<u>Federal Grantor/Pass-Through Grantor/ Program Title:</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Expenditures</u>
<b>Department of Transportation:</b>			
Passed-through Kentucky Department of State Police:			
State and Community Highway Safety	20.600	AL-07-31	13,076
State and Community Highway Safety	20.600	AL-08-35	36,267
	20.205	P02-628-0600003374	32,000
Passed-through Kentucky Governor's Office of Local Development			
Recreational Trails Program	20.219	RTP 293-06	50,000
Passed-through to River Heritage Museum			
Highway Planning and Construction	20.205	C05024679	<u>279,366</u>
Total Department of Transportation			<u>410,709</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 2,477,518</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, 2008**

**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	38,164
River Heritage Museum	20.205	<u>279,366</u>
		<u>\$317,530</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, 2008, which collectively comprise the City of Paducah, Kentucky's basic financial statements and have issued our report thereon dated December 17, 2008. 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 # 2008-1 and 2008-2) to be significant deficiencies 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, 2008.

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.

*Kemper CPA Group LLP*

Certified Public Accountants and Consultants  
Paducah, Kentucky  
December 17, 2008

**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, 2008. 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, 2008.

**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, 2008

**CITY OF PADUCAH, KENTUCKY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**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. Two significant control deficiencies were disclosed during the audit of the basic financial statements of the City of Paducah, Kentucky.
3. No instances of noncompliance material to the basic financial statements of the City of Paducah, Kentucky were disclosed during the audit.
4. No 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
Highway Planning and Construction	20.205

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

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

*Reference # 2008-1*

Testing of City's provided schedule of current year capital asset additions noted ten additions not identified.

*Cause*

Control procedures to capture information of capital assets additions failed to identify all capital asset additions.

*Effect*

Expenditures of governmental and business type activity were overstated. Accordingly, an audit adjustment was necessary.

*Recommendation*

We recommend the City review controls governing identifying and capturing information necessary to properly record all capital asset additions for governmental and business activity. In addition, we recommend additional training of those responsible for documenting capital additions, as well as, implementing review procedures to insure all capital asset additions have been properly recorded for financial reporting.

**CITY OF PADUCAH, KENTUCKY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Management Response

The classification of these purchases into the improper expense accounts led to a failure to identify them as capital assets for capitalization purposes in the financial statements. In the future, we will ensure that purchases of capital assets are properly placed into the '4000' accounts so that they are capitalized at year-end.

Reference # 2008-2

Control deficiency in collection of compost revenues.

Cause

Lack of segregation of duties for recording and collections of compost revenues. Person responsible for logging revenues also handles cash receipts.

Effect

Due to lack of segregation of duties, the City is at risk of misappropriation of cash receipts.

Recommendation

We recommend the City review controls governing handling of cash receipts at the compost yard. We recommend the City consider requesting customers to stop at the Public Works office to purchase compost where adequate personnel are present to properly segregate duties of recording and handling cash receipts. Customers would then provide personnel at the compost yard a receipt of purchase to pickup compost material.

Management Response

The practice of compost operators collecting revenues reduces the need for additional personnel and allows a one-stop process for customers. Because customer service is paramount, it would not be feasible to have people stop at one place to pay and then go to the compost yard. Customers often change their minds on what they want, or the product they want is not available. However, to ensure accountability strict guidelines will be enforced:

- Each operator will sign for a cash box each day.
- At the end of an operator's shift, a supervisor will balance the receipts, and confirm money received against the amount of products used.

The long-term plan is to install a set of scales that will calculate load sizes, provide weight tickets, and show cost/sales.

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

None