

**CITY OF PADUCAH,  
KENTUCKY**

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2009**

**FINANCE DEPARTMENT  
CITY OF PADUCAH,  
KENTUCKY**

**City of Paducah**  
**Paducah, Kentucky**  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2009**



**Issued by the  
Finance Department**

**CITY OF PADUCAH, KENTUCKY**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2009**

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**CITY OF PADUCAH, KENTUCKY**

**INTRODUCTORY SECTION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2009**



## **CITY OF PADUCAH**

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

December 22, 2009

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, 2009. 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, 2009, 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.

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 FY2009, as the following table indicates, there were 483 jobs created and retained, and \$4 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 FY2009</b>			
<b>Company</b>	<b>Capital Investment In Millions</b>	<b>Jobs</b>	
		<b>New</b>	<b>Retained</b>
AEP River Operations	\$4.00	75	13
LYNX (temp jobs)	\$0	30	250
America's Assisted Living Pharmacy	N/A	15	25
Thoroughbred Opinion Research	N/A	75	0
<b>Total</b>	<b>\$4.00</b>	<b>195</b>	<b>288</b>
Source: Greater Paducah Economic Development Council			

### **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 7<sup>th</sup> year. The weekend includes jazz, salsa, zydeco and blues music, as well as food from area restaurants. Over 8,000 people attended in 2009.

Started in 2004, the 'Rivers Edge International Film Festival' is a four-day event built around the showing of independent films 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 343 full-time employees as of June 30, 2009. 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 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.

During FY2009, some of the City's financial policies did have a significant impact on the financial statements:

*Pension Obligation Costs.* In FY2006, the City issued general obligation bonds of \$6,100,000 to finance the police and firefighters' pension fund actuary liability. Since the issuance of these bonds, the City has made its policy to contribute the normal cost annually as well as make the necessary contribution to eliminate any unfunded liability that would arise from the fund being in a deficit position as of the actuarial date. For FY2009, the required contribution was \$230,530. This amount is up from \$54,816 in FY2008 and is expected to double to \$460,000 for FY2010.

*FEMA Reimbursements.* In FY2009, the City experienced two separate storms that qualified for FEMA reimbursement. This is the first time the City has received federal disaster assistance since severe flooding in 1993. Neither the expenses nor the related revenues were anticipated and, therefore, were not included in the City's budget.

In September 2008, the City and surrounding area experienced extensive wind damage due to Hurricane Ike. The City incurred over \$450 thousand in clean-up costs, with the federal share being \$342 thousand.

In late January 2009, the region experienced a historical ice storm, with nearly 2 inches of catastrophic icing in the Paducah/McCracken County area. By the evening of January 27, over 90 percent of southwestern Kentucky was without power. Trees fell on many homes and cars, numerous trees and power lines blocked roads and caused major travel hazards in the days following the storm, and communication outages impacted many homes and businesses. As a result of the storm, the City incurred clean-up costs of over \$3 million dollars, with \$2.6 million dollars in federally reimbursable expenses through FEMA.

*Fund Balance Reserve.* The City's operating budget policy states that the General Fund's minimum undesignated cash balance shall be 8% of the General Fund's budgeted expenditures. Any year-end operating surpluses in excess of the required reserve may be kept as additional reserve or made available for capital projects and/or "one-time only" General Fund expenditures as determined by the Board of Commissioners. In the fall of 2008, the Commission approved \$1.082 million in additional appropriations. The most significant of these included vehicle acquisitions, mobile data terminal replacement, and installation of efficiency improvements as a result of the City's energy audit.

As part of the City's annual budget process, financial policies are reviewed and amended as necessary. In FY2009, 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 2010 budget process, the Commission reviewed

numerous decision packages proposed for the Investment Fund Budget; expenditures totaling \$4.58 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. In FY2009, the City proceeded with making the most seriously needed repairs by borrowing around \$2 million. This phase of repairs should be completed during FY2010.

*Riverfront Redevelopment Plan.* The City's Riverfront Redevelopment Plan includes proposed improvements that will provide public amenities, recreational facilities and public spaces that will tie the City's downtown to the Ohio River. The plan includes a public marina, boat ramp, recreational trails and shoreline enhancements, and a steamboat landing, just to name a few. Completion of Phase I and Phase II of the entire riverfront redevelopment plan will cost an estimated \$46.2 million. In FY2007, the City was allocated \$5.3 million in federal funds for construction of Phase 1 and the Ohio River Boat Launch Project. Environmental assessment and remediation procedures required by the permitting process have temporarily stalled the construction of this phase of the project. Once all permits are secured, construction will be able to begin. Operating costs will be a long-term planning consideration.

*Sports Park.* The City is in negotiations for a land purchase that will be used to develop a sports park. If the purchase goes through, a plan will be developed which will likely include soccer fields, softball/baseball fields, trails, shelters, and ancillary buildings. Depending on possible partnerships and construction phasing, development costs may range between \$2 million and \$6 million dollars. Operating costs of the facility will be a long-term planning consideration and is estimated at build-out to be \$150,000 to \$200,000 annually.

### **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 fairly steady considering the nation's recent economic struggles. It is expected that the economy will continue to hold over the near term. Area employment decreased only slightly with 29,254 persons employed (McCracken County) as of June 30, 2009.

The June 2009 unemployment rate was 9.3% (McCracken County), which is almost equal to the federal rate of 9.7%. Both local and federal unemployment rates increased, compared to 6.1 and 5.5 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 1,179 for fiscal year 2009 valued at \$37.7 million, which is \$10 million down from fiscal year 2008.

### **INDEPENDENT AUDIT**

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

### **CERTIFICATE OF ACHIEVEMENT**

The Government Finance Officers Association 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, 2008. This was the eighteenth consecutive year that the City achieved this prestigious award.

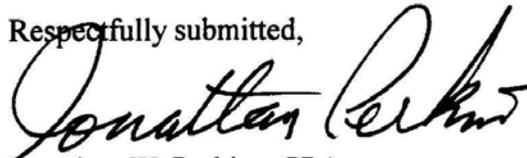
In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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**

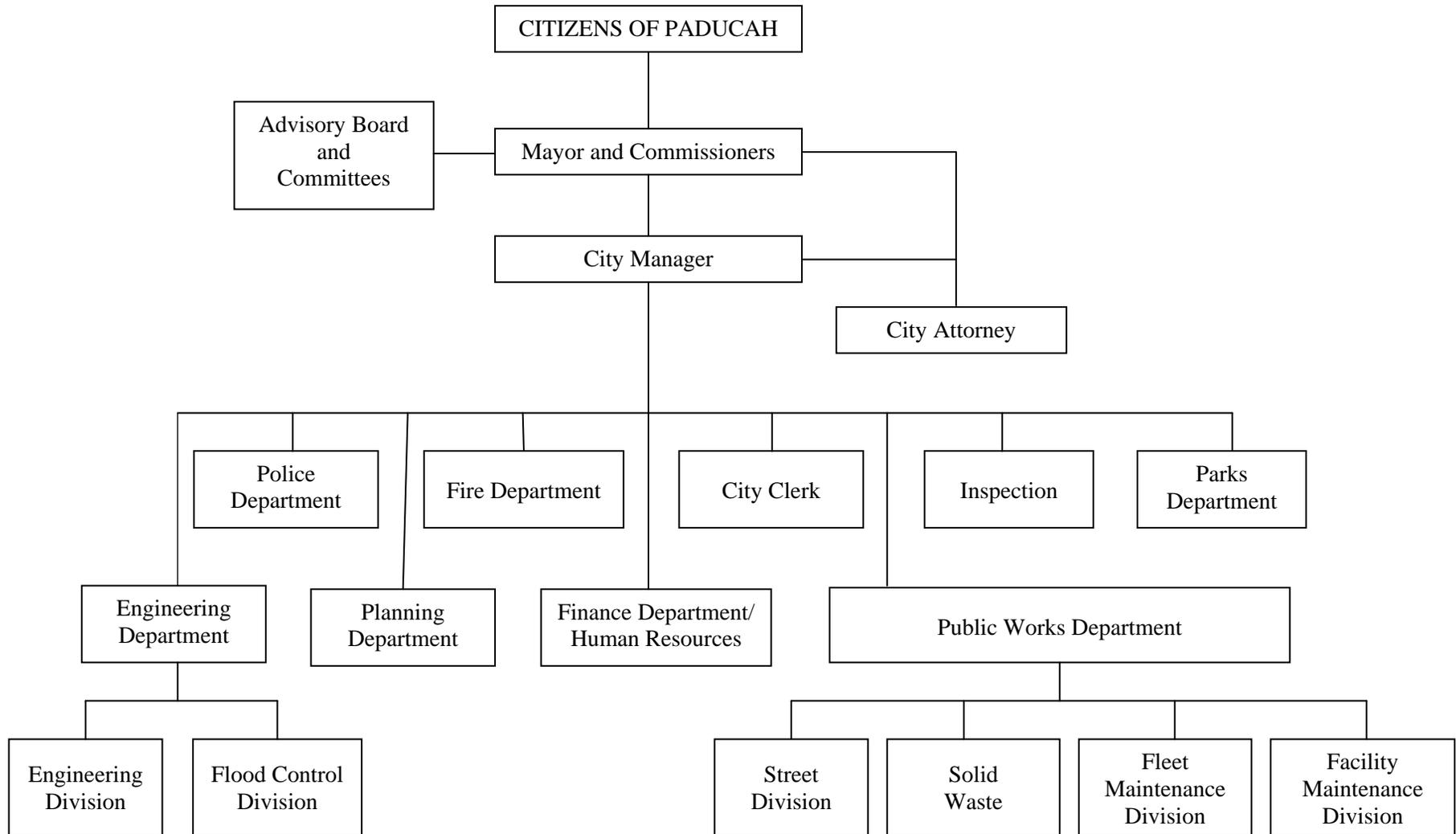
The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We wish to express our appreciation to all members of the Finance Department who assisted and contributed to its preparation, and special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

Respectfully submitted,



Jonathan W. Perkins, CPA  
Finance Director/Treasurer

**CITY OF PADUCAH, KENTUCKY  
ORGANIZATIONAL CHART**



**CITY OF PADUCAH, KENTUCKY  
PRINCIPAL OFFICIALS**

**BOARD OF COMMISSIONERS**

Mayor	William F. Paxton
Mayor Pro tem	Gayle Kaler
Commissioner	Gerald Watkins
Commissioner	Carol Gault
Commissioner	Richard Abraham

**CITY MANAGER**

James Zumwalt

Finance/Human Resources	Jonathan Perkins, C.P.A.
Police Chief	James Berry
Fire Chief	Steve Kyle
City Engineer/Public Works	Richard Murphy
Planning	Stephen Ervin
Parks Services	Mark Thompson
Inspections	Joel Scarbrough
Information Services	Greg Mueller
City Clerk	Tammy Brock
Risk Manager	Cindy Medford
Public Information	Pam Spencer
Paducah Renaissance Alliance	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, 2008

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.



President

Executive Director

**CITY OF PADUCAH, KENTUCKY**

**FINANCIAL SECTION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2009**

WILLIAMS, WILLIAMS & LENTZ, LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
601 JEFFERSON  
PADUCAH, KENTUCKY 42001

J. RICHARD WALKER  
ROBERT R. ROBERTSON  
C. SUZETTE CRONCH  
MICHAEL F. KARNES  
MARK A. THOMAS  
ROGER G. HARRIS  
J. DAVID BAILEY, III

G. LEON WILLIAMS, 1926-2004  
H. WILLIAM LENTZ, 1925-2007  
JERRY G. SEVERNS

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## 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, 2009, 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 Transit Authority of the City of Paducah, a component unit, which represents eight percent of the assets and revenues of the Component Units column. Those financial statements were audited by another auditor whose reports have been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the Transit Authority of the City of Paducah, a discretely presented component unit, is based on the report of another auditor.

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 report of another auditor, 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, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Capital Improvements, Debt Service Fund and 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 22, 2009, 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, Pension Trust Fund Schedules on pages 13 through 27 and 90, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Paducah, Kentucky's basic financial statements. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Paducah, Kentucky. The 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.

*Williams, Williams & Lentz, LLP*

December 22, 2009

**CITY OF PADUCAH, KENTUCKY**

**REQUIRED SUPPLEMENTARY INFORMATION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2009**

**CITY OF PADUCAH, KENTUCKY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2009**

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, 2009. 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 28-89) provided in this document.

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

**I. Financial Highlights**

- Assets exceeded liabilities by \$49.5 million at the close of the 2008-2009 fiscal year. Of this amount, \$9.7 million (unrestricted net assets) may be used to meet City government's ongoing obligations to citizens and creditors.
- Total net assets decreased \$965,199.
- At fiscal year end, City governmental funds reported a combined ending fund balance of \$16.3 million. Approximately 70% of this total amount, \$11.5 million, is unreserved and available for spending at the City's discretion. Of the \$11.5 million, \$1.1 is in various special funds, which are earmarked for specific purposes.
- At the end of the current fiscal year, unreserved General Fund fund balance was \$10.3 million, of which cash makes up approximately \$4.2 million. When compared to actual total appropriations, the General Fund cash balance is 14%.

**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, parks 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 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.

It should be noted that Paducah Power System was not included as a component unit of the City for FY2009. The Electric Plant Board of the City of Paducah (Paducah Power) was established under Kentucky Revised Statutes; which provide for the establishment of municipal electric plants to own and operate electric utilities in Kentucky. Paducah Power is a political and corporate body with perpetual succession and may contract and be contracted within and by its corporate name. The operations of Paducah Power are governed by their four-member board that is independent of the City Commission of the City of Paducah. The City of Paducah is not legally bound by any of the actions of Paducah Power and has no financial interest in Paducah Power. Based on these facts, Paducah Power is not deemed to be a component unit of the City of Paducah and has been excluded from the financial statements.

The government-wide financial statements can be found on pages 28-31 of this report.

## **B. Fund Financial Statements**

A fund is a grouping of related accounts that are 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 twelve (12) 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 eight (8) funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining and individual fund statements elsewhere in this report on pages 91-104.

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 34-35) and Exhibit 6 (pages 38-40) 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 32-40 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 water and public transit. TISA and Civic Center receive subsidy from the General Fund.

The City's component unit enterprises include the Paducah Water Works and Paducah Transit Authority, which provide water and public transportation. These component units, each of which has their own board of directors, are also enterprise funds and are shown on pages 53-56.

**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 105-107 of this report. Individual data for the internal service funds is likewise presented in the form of combining statements on pages 108-110 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 111-115 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 57-89 of this report.

### **D. Other Information**

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

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor proprietary funds, internal service funds and fiduciary funds are presented immediately following the required supplementary information on pensions and budgetary comparisons. Combining fund statements and schedules can be found on pages 93-115 of this report.

### III. Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. City assets exceeded liabilities by \$49.5 million as of June 30, 2009.

For FY2009, 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, 2009, 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.

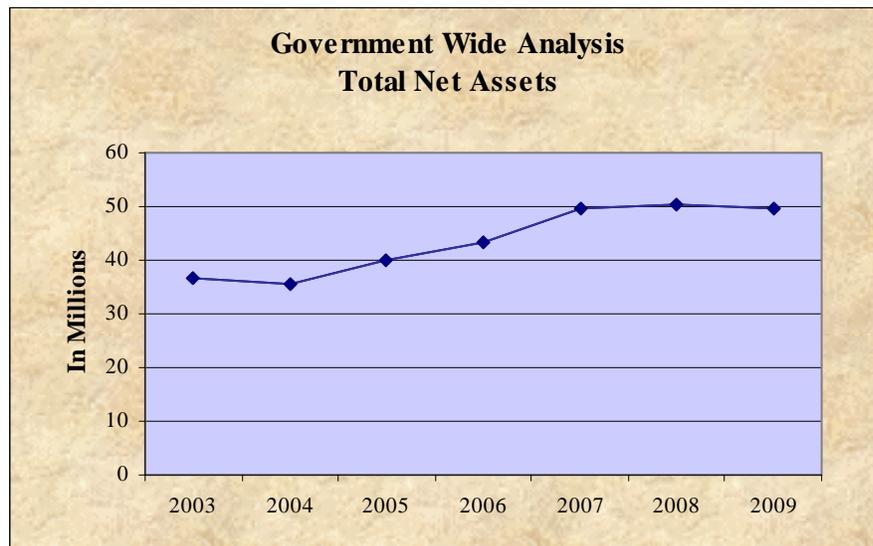
#### City of Paducah, Kentucky

##### Net Assets

June 30

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
				<u>Restated</u>		<u>Restated</u>
Current assets	\$40,118,092	\$32,855,949	\$3,769,371	\$2,989,156	\$43,887,463	\$35,845,105
Capital assets	34,407,092	35,123,258	1,721,419	1,906,168	36,128,511	37,029,426
Other noncurrent assets	<u>8,093,792</u>	<u>8,620,763</u>	-	-	<u>8,093,792</u>	<u>8,620,763</u>
Total assets	<u>82,618,976</u>	<u>76,599,970</u>	<u>5,490,790</u>	<u>4,895,324</u>	<u>88,109,766</u>	<u>81,495,294</u>
Current liabilities	11,410,186	8,082,282	287,449	351,399	11,697,635	8,433,681
Noncurrent liabilities	<u>24,824,989</u>	<u>20,507,471</u>	<u>2,076,461</u>	<u>2,078,262</u>	<u>26,901,450</u>	<u>22,585,733</u>
Total liabilities	<u>36,235,175</u>	<u>28,589,753</u>	<u>2,363,910</u>	<u>2,429,661</u>	<u>38,599,085</u>	<u>31,019,414</u>
Net assets:						
Invested in capital assets, net of related debt	31,215,252	31,766,783	1,721,419	1,906,168	32,936,671	33,672,951
Restricted	6,547,472	6,810,671	369,367	579,460	6,916,839	7,390,131
Unrestricted	<u>8,621,077</u>	<u>9,432,763</u>	<u>1,036,094</u>	<u>(19,965)</u>	<u>9,657,171</u>	<u>9,412,798</u>
TOTAL NET ASSETS	<u>\$46,383,801</u>	<u>\$48,010,217</u>	<u>\$3,126,880</u>	<u>\$2,465,663</u>	<u>\$49,510,681</u>	<u>\$50,475,880</u>

The exhibit below charts the City's total net assets from the implementation of GASB 34 through the present.



Annual increases to total net assets began in FY2005 primarily due to the increase of the City's payroll tax and the creation of the Investment Fund. The additional tax generates an additional \$4 million in revenue each year, which is used mostly for capital investment. Increases have leveled off for the past few years due to mid-year appropriations made by the Commission, reducing the City's unreserved cash balance at June 30 to the minimum requirement of 8% each time. Additionally, several categories of revenue were either flat or decreased due to the economic downturn.

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

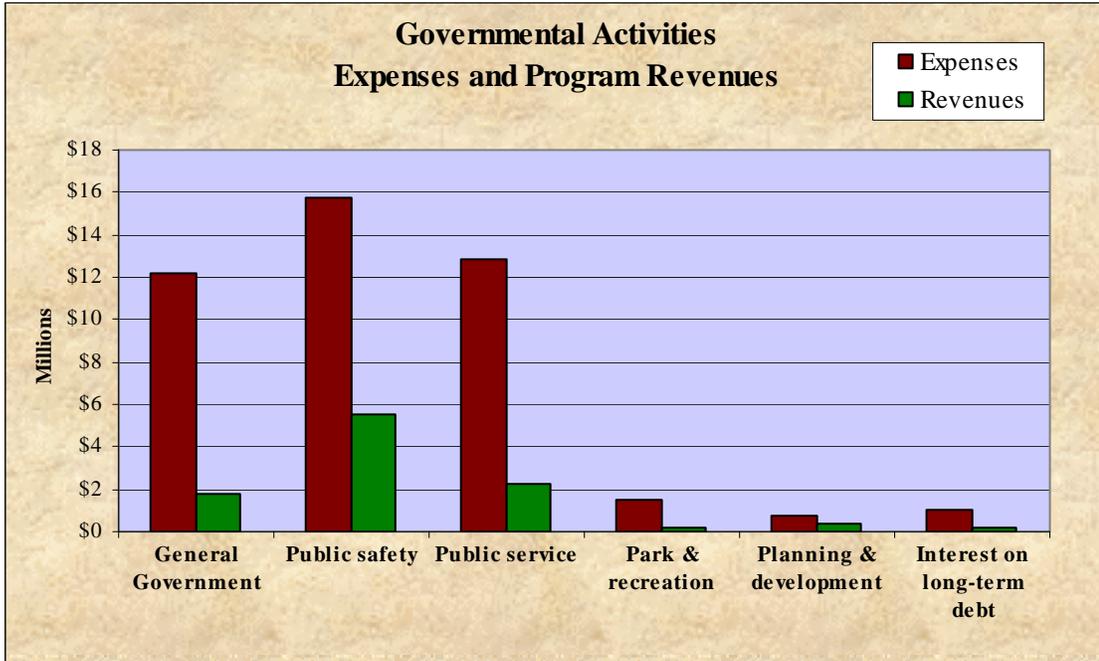
The following table provides a summary of the City's operations for the years ended June 30, 2009 and 2008. Governmental activities decreased the City's net assets by \$1,626,416. Business-type activities increased the City's net assets by \$661,217.

**City of Paducah, Kentucky**  
**Changes in Net Assets**  
**June 30**

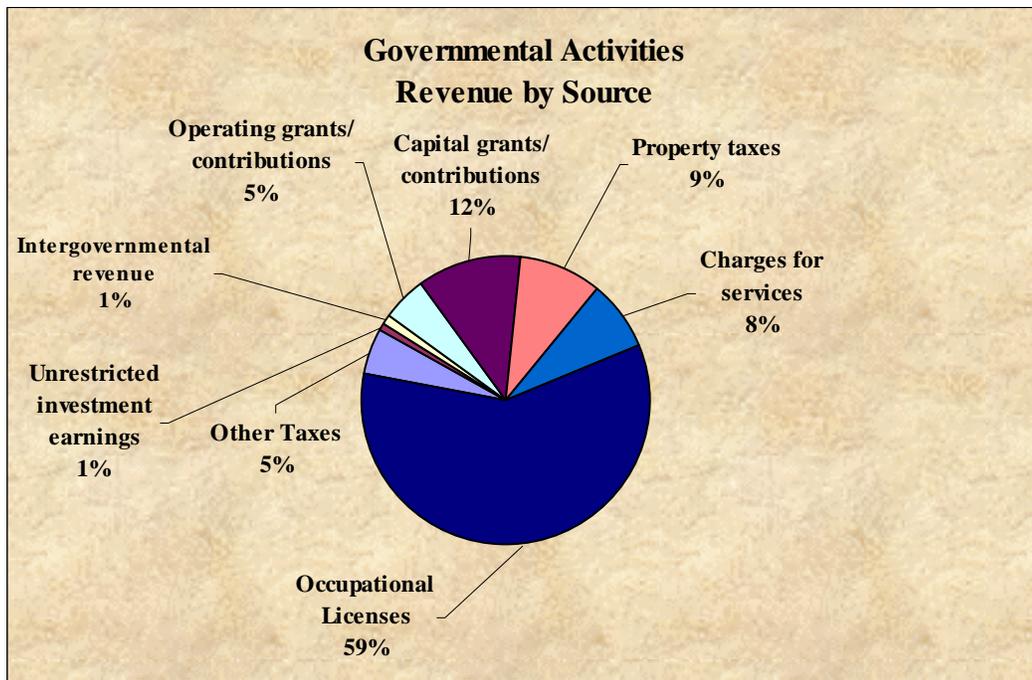
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2009</u>	<u>2008</u> <u>(Restated)</u>	<u>2009</u>	<u>2008</u> <u>(Restated)</u>	<u>2009</u>	<u>2008</u> <u>(Restated)</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 3,308,948	\$ 2,951,203	\$4,734,827	\$4,341,859	\$ 8,043,775	\$ 7,293,062
Operating grants/ contributions	2,119,845	1,340,261	1,965,936	1,785,809	4,085,781	3,126,070
Capital grants/ contributions	4,889,520	1,297,900	129,032	9,480	5,018,552	1,307,380
General revenues:						
Property taxes	3,986,760	4,221,957	-	-	3,986,760	4,221,957
Franchise taxes	134,552	137,816	-	-	134,552	137,816
Telecommunications tax	815,859	826,379	-	-	815,859	826,379
Insurance premium tax	4,055,228	4,699,458	-	-	4,055,228	4,699,458
Vehicle tax	576,876	597,239	-	-	576,876	597,239
Bank tax	186,531	177,011	-	-	186,531	177,011
Gross receipts license tax	4,320,850	4,061,587	-	-	4,320,850	4,061,587
Employee license tax	16,584,636	16,520,523	-	-	16,584,636	16,520,523
Other taxes	533,506	521,511	-	-	533,506	521,511
Intergovernmental revenue	529,083	1,401,400	-	-	529,083	1,401,400
Unrestricted investment earnings	336,960	540,620	52,961	73,985	389,921	614,605
Gain on sale of capital assets	<u>68,530</u>	<u>119,200</u>	<u>98,369</u>	<u>127,131</u>	<u>166,899</u>	<u>246,331</u>
Total revenues	<u>42,447,684</u>	<u>39,414,065</u>	<u>6,981,125</u>	<u>6,338,264</u>	<u>49,428,809</u>	<u>45,752,329</u>
<b>Expenses:</b>						
General government	12,148,118	10,709,641	-	-	12,148,118	10,709,641
Public safety	15,734,557	15,938,831	-	-	15,734,557	15,938,831
Public service	12,849,566	9,543,714	-	-	12,849,566	9,543,714
Parks and recreation	1,492,306	1,286,955	-	-	1,492,306	1,286,955
Planning and development	708,827	282,042	-	-	708,827	282,042
Interest on long-term debt	1,029,888	1,066,067	-	-	1,029,888	1,066,067
Solid Waste	-	-	4,037,845	4,086,747	4,037,845	4,086,747
Section Eight Housing	-	-	2,154,360	1,949,899	2,154,360	1,949,899
Civic Center	-	-	75,692	84,908	75,692	84,908
TISA	<u>-</u>	<u>-</u>	<u>162,849</u>	<u>156,388</u>	<u>162,849</u>	<u>156,388</u>
Total expenses	<u>43,963,262</u>	<u>38,827,250</u>	<u>6,430,746</u>	<u>6,277,942</u>	<u>50,394,008</u>	<u>45,105,192</u>
Increase (decrease) in net assets before transfers	(1,515,578)	586,815	550,379	60,322	(965,199)	647,137
Transfers	<u>(110,838)</u>	<u>(96,609)</u>	<u>110,838</u>	<u>96,609</u>	<u>-</u>	<u>-</u>
Change in net assets	(1,626,416)	490,206	661,217	156,931	(965,199)	647,137
Net assets, July 1, restated	<u>48,010,217</u>	<u>47,520,011</u>	<u>2,465,663</u>	<u>2,308,732</u>	<u>50,475,880</u>	<u>49,828,743</u>
NET ASSETS, JUNE 30	<u>\$46,383,801</u>	<u>\$48,010,217</u>	<u>\$3,126,880</u>	<u>\$2,465,663</u>	<u>\$49,510,681</u>	<u>\$50,475,880</u>

## 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 2009.



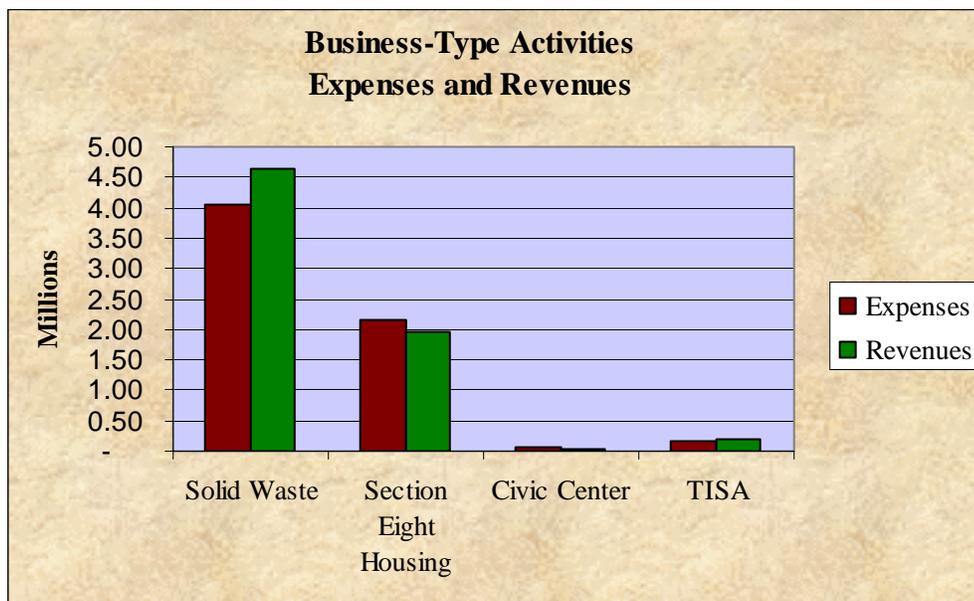
In fiscal year 2009, the City derived 73% of its revenue from taxes/licenses. Occupational licenses, which includes payroll withholding tax, business licenses, and insurance premium tax, is the largest source of income to the City totaling approximately \$25 million. This category of revenue decreased 1.3% from fiscal year 2008. Insurance premium tax collections have been extremely unpredictable over the past few years. This tax experienced a 14% increase from FY06 to FY07, a 7% increase from FY07 to FY08, and a 14% decrease from FY08 to FY09. Fluctuations similar to this have occurred in other areas across Kentucky partially due to a lack of regulation. Legislation was passed during the 2008 session which imposes new requirements on insurance companies with regard to risk allocation methods, strengthens penalties against insurance companies who don't comply with the law, and imposes new requirements on insurance companies to inform policyholders/citizens of tax rates and jurisdictions. In addition, City staff conducted its own research and found that there were several significant "one-time" life insurance policies that the City had received tax revenue for in the past few years. The large decrease in this tax along with the relatively flat collections in other areas of occupational licenses (due to economic downturn) contributed heavily to the overall decrease in general revenues from the prior year.

Another noteworthy comment regarding revenue is the increase in capital grants/contributions from prior year. This category of revenue increased from \$1.3 million in fiscal year 2008 to \$4.9 million in fiscal year 2009. This is due to federal disaster assistance received as a result of the Hurricane Ike Windstorm and the 2009 Ice Storm.

**C. Business-Type Activities**

Business-type activities increased the City's net assets by \$661,217.

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 2009, business-type activities as a whole had an increase in net assets of \$661,217. 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 in fiscal year 2008 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. In 2009, another rate increase was implemented. In addition, the entire Public Works department was reorganized, which led to the selling off of unnecessary equipment and reduced spending.

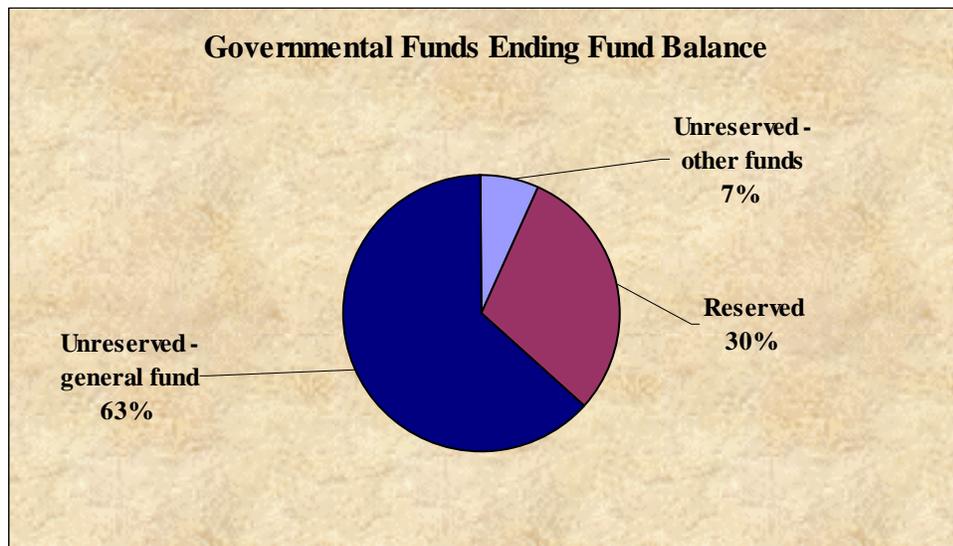
#### IV. Financial Analysis of the City's Funds

##### A. Governmental Funds

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

At the end of the fiscal year, the City governmental funds reported combined ending fund balances of \$16.3 million. Approximately 70% of this total amount, \$11.5 million, is unreserved fund balance, which is available for spending at the government's discretion but only up to the amount represented by cash. Of the \$11.5 million, \$1.2 million is in the Debt Service Fund and various special revenue funds which are earmarked for specific purposes. The remaining \$4.8 million of fund balance is reserved for specific future uses.

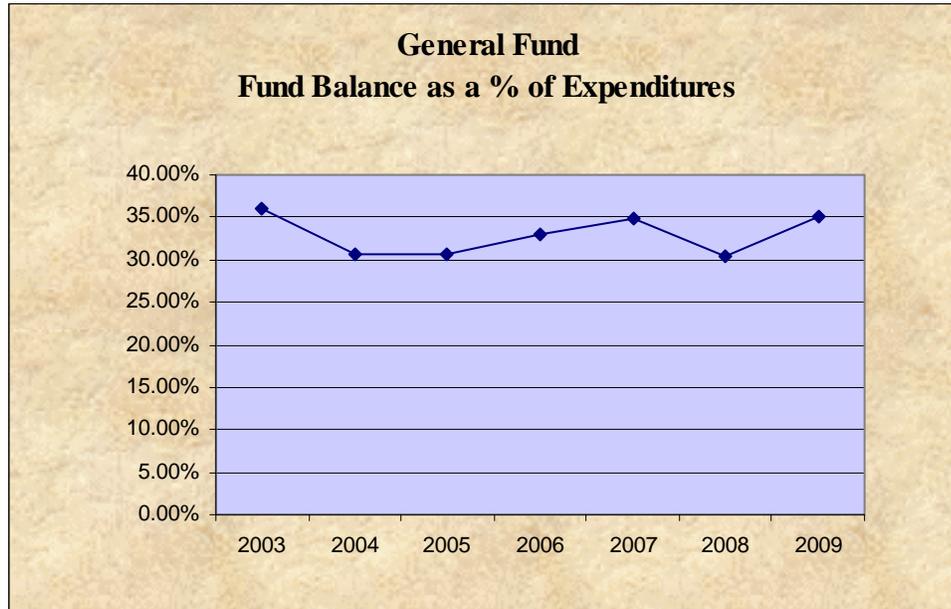
The allocation of fund balances among the categories (shown below) is fairly consistent with prior years. There was a slight decrease in reserved fund balance. At the end of fiscal year 2008, there was \$2.9 million in reserved fund balance for capital improvements. Several capital projects funded in 2008 were completed or in progress at the end of fiscal year 2009, including various community development/housing projects, floodwall repairs, and riverfront development work. This brought the balance to \$1.7 million.



The General Fund is the chief operating fund of the City. At the end of the 2008-2009 fiscal year, the General Fund unreserved fund balance was \$10.3 million. City fiscal policy (ordinance 2008-6-7431) required that an amount not less than 8% of the General Fund's budgeted expenditures remain

undesignated in the fund balance, or \$2.4 million, which leaves \$7.9 million as unreserved for fiscal year 2009. While \$7.9 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 unreserved fund balance to total General Fund expenditures. Unreserved General Fund fund balance represents approximately 35% of expenditures and transfers out (\$29 million). This has remained stable since the implementation of GASB 34, staying between approximately 30 and 35% since fiscal year 2003.



The General Fund fund balance increased by \$895 thousand during the 2008-2009 fiscal year. Revenues and expenditures were flat from 2008 to 2009. However, there were significant transfers made out of the General Fund in fiscal year 2008 that did not repeat in 2009. In 2008, a transfer in the amount of \$550,000 was made out of the General Fund to subsidize the Health Insurance Fund. Also, a transfer was made to the Capital Improvements Fund in the amount of approximately \$580,000 to fund design work on the riverfront redevelopment project.

The Investment Fund had a fund balance of \$2.6 million, all of which is reserved for capital projects. The Investment Fund's fund balance increased \$537 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. Payroll tax revenue was virtually flat from fiscal year 2008 to 2009. The increase in fund balance is due to a few projects that were put on hold or cancelled altogether because of the economic downturn.

## 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	\$1,970,974
Section Eight Housing	391,361
Civic Center	198,921
TISA	362,375

Combined total net asset change for the four funds was an increase of \$578 thousand, broken down as follows: Solid Waste (\$673 thousand increase), Section Eight Housing (\$188 thousand decrease), Civic Center (\$12 thousand decrease), and TISA (\$105 thousand increase). The most significant change, Solid Waste, was discussed under Business Type Activities (Section III-C). Section Eight experienced a decrease in fund balance of over 20% for the second year in a row in fiscal year 2009. Annual HUD grant funding is based on expected rentals for the year. During fiscal year 2008 and 2009, rental costs exceeded what had been projected. For fiscal year 2010, the Section Eight department has implemented a plan to reduce program expenditures so that reserves may be replenished. Expenditures equaled funding received for the first time in November 2009, indicating that the plan may be working and a loss will not be experienced for fiscal year 2010.

#### V. General Fund Budgetary Highlights

Differences between the original budget and the final actual amounts resulted in a \$759 thousand decrease in appropriations and can be briefly summarized as follows:

<u>Department</u>	<u>Appropriations</u>	
	<u>Increase</u>	<u>Decrease</u>
	<u>(In Thousands)</u>	
General administration	\$ -	\$ 150
Finance	300	-
Planning	-	79
Human rights	91	-
Human resources	-	366
Inspection	-	274
Information systems	9	-
Risk management	-	14
Police	-	391
Fire	-	439
Public works	-	338
Engineering services	-	49
Recreation	-	38
Other	979	-

Transfers out increased by almost \$1 million. This is due to the mid-year budget appropriation designating just over \$1 million for capital projects. The Finance Department's budget increased by \$300,000 because of its absorption of the Human Resources Department. This increase is countered by the decrease in the Human Resources Department of \$366,000. Many of the other large departments within the City experienced a decrease in their appropriations. This typically happens for departments such as Fire and Police due to salary slippage. However, more departments than usual had significant decreases due to the economic downturn. Budgetary analysis tools were used throughout the year to monitor each department's spending. Some positions were not filled as they were vacated, departmental projects were put on hold, and a general sense of frugality was applied throughout much of the year.

## 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, 2009, is \$36.0 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 2009, projects and equipment expenditures totaled nearly \$8.6 million. Some of the largest capital-type projects, in terms of dollars in fiscal year 2009, are shown in the following table:

Floodwall Rehabilitation	\$1,108,329
Neighborhood Redevelopment	716,282
J. Carroll Convention Center Rehab	670,670
Fire Truck Purchase	279,907
Riverfront Redevelopment	238,053

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, 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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 6,239,585	\$ 6,236,574	\$ 65,908	\$ 65,908	\$ 6,305,493	\$ 6,302,482
Land improvements	1,814,848	1,909,420	-	-	1,814,848	1,909,420
Construction in progress	3,610,527	2,511,350	-	-	3,610,527	2,511,350
Buildings and improvements	4,034,368	3,894,226	227,378	240,292	4,261,746	4,134,518
Infrastructure	15,185,098	17,023,648	-	-	15,185,098	17,023,648
Equipment	1,675,022	1,587,880	408,977	343,176	2,083,999	1,931,056
Furnishings and fixtures	5,605	7,130	-	-	5,605	7,130
Vehicles	<u>1,842,039</u>	<u>1,953,030</u>	<u>1,019,156</u>	<u>1,214,599</u>	<u>2,861,195</u>	<u>3,167,629</u>
<b>TOTALS</b>	<u>\$34,407,092</u>	<u>\$35,123,258</u>	<u>\$1,721,419</u>	<u>\$1,863,975</u>	<u>\$36,128,511</u>	<u>\$ 36,987,233</u>

Additional information on City capital assets can be found in Note 3 in the notes to financial statements on pages 71-73.

## B. Long-Term Debt

At year end, the City had \$26,849,142 in outstanding bonds, accrued compensated absences, and notes payable, compared to \$22,432,196 at June 30, 2008, with maturities extending through 2029.

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Convention and Performing Arts Center – 2001	\$ 7,320,000	\$ 7,600,000
Kentucky League of Cities – 2003	2,672,649	2,822,970
Infiniti Media Building – 2004	4,160,000	4,340,000
General Fund accrued compensated absences	1,862,242	1,805,893
Police/Firefighter Pension Fund Liability – 2006	5,545,000	5,740,000
Floodwall Rehabilitation – 2008	2,774,638	-
Convention Center Renovation – 2008	2,500,000	-
HOME grant – 2009	14,613	-
Jones Agreement (Art School) – 2007	-	123,333
	<u>                    -</u>	<u>                    -</u>
TOTALS	<u>\$26,849,142</u>	<u>\$22,432,196</u>

During the year, the City had two major new debt issues:

**Floodwall Rehabilitation.** In March 2009, a \$2.8 million general obligation was issued to finance significant repairs to the City's 60 year-old floodwall. The first stage of a \$6 million project, this money was used to fund the relining of the pipes, which have deteriorated with age. 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.

**Convention Center Renovation.** In March 2009, the City entered into an agreement in the amount \$5,000,000 with the Kentucky Association of Counties to finance renovations to the Julian Carroll Convention Center. The note was issued by McCracken County; however, the City is obligated for 50% of the principal amount through an Interlocal Cooperative Agreement between the City and McCracken County. The note is required to be fully paid within 20 years from the date of issue and is backed jointly by the full faith and credit of the City and the County.

Debt issues prior to July 1, 2008, are described below:

**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.

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 \$206,945,061. 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 2009, less than 6.2% of the General Fund budget was 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 74-77.

## **VII. Other Potentially Significant Matters.**

- A. Post-employment Benefits.** Personal service costs make up over 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 increased by 57%, from approximately \$2.1 million in fiscal year 2005 to \$3.3 million in fiscal year 2009. The rates for FY2010 have increased, causing budgeted figures for the upcoming year to increase another \$400,000 compared to what was incurred in FY2009. Based on trends and projections provided by the Retirement System, the long-term outlook on funding requirements is of utmost concern.
- B. 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. The City continues to work on the \$6.5 million Olivet Church Road Project. This project will relieve traffic congestion and improve traffic safety for Interstate 24 at Exit 3 and 4. During fiscal year 2010, the City plans to complete right-of-way acquisition and begin construction. The onset of construction will be determined by the availability of state funding. An appropriation of \$4.5 million is included in the state's 6-year plan; however, we are unsure when the funds will be released.
- C. Operating Efficiency Plan.** In the spring of 2009, the City Commission adopted an "Operational Efficiency Plan" in response to the national economic crisis. This plan assumed that the full impact of the recession had not yet been felt in Paducah and that recovery would take two years. The total impact of the Plan is an annual cost reduction of about \$2 million. There were several organizational changes including: Public Works and Engineering Departments were merged; Finance and Human Resources Departments were merged; and GIS was moved from Engineering to Information Services. Fourteen employees were laid off (including two directors), and 19 additional positions were eliminated either by leaving vacant positions unfilled or by attrition. Other changes were made during annual budget discussions to meet the City's goal of reducing General Fund expenditures by at least 10% or \$3 million. Even though positions were cut and reorganization began in April 2009, severance pay and transition time lead to most of the effects of the Plan not being realized until fiscal year 2010.
- D. Upcoming Debt Issue.** The City plans to issue general obligation bonds in January 2010 in order to acquire and raze a former hotel complex in downtown Paducah, purchase a pavilion, and acquire real estate for the future development of a sports park. The bond issue will likely range from \$5.5 million to \$6.0 million.

**E. Police and Fire Pension Fund (PFPF) Unfunded Liability.** In fiscal year 2006, the City issued \$6.1 million in general obligation bonds to eliminate the unfunded pension liability. With the sharp decline in value of the national stock market in 2009, the PFPF's equity investment dropped accordingly. PFPF net assets dropped in 2009 by nearly \$3.5 million or 28.5% of the beginning net assets (July 1, 2008). The City will contribute \$460,000 in fiscal year 2010, the actuary's recommended amount, toward the PFPF unfunded pension liability.

### **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, 2009**

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**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
 JUNE 30, 2009

<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	\$ 3,789,629	\$1,566,792	\$ 5,356,421	\$ 804,926
Investments	9,096,239	1,250,000	10,346,239	-
Receivables, net:				
Notes	1,228,176	-	1,228,176	-
Lease	1,819,597	-	1,819,597	-
Accounts	6,411,244	598,480	7,009,724	420,305
Grants	4,019,630	98,247	4,117,877	82,439
Interest	186,282	24,891	211,173	-
Property tax	4,590,937	-	4,590,937	-
Other	-	-	-	753,293
Internal balances	(203,249)	203,249	-	-
Inventory	2,093,235	-	2,093,235	411,688
Prepaid pension obligation	5,779,263	-	5,779,263	-
Prepaid expenses	1,281,647	27,712	1,309,359	10,658
Other current assets	25,462	-	25,462	824,903
Total current assets	<u>40,118,092</u>	<u>3,769,371</u>	<u>43,887,463</u>	<u>3,308,212</u>
<b>Noncurrent Assets:</b>				
Notes receivable	3,676,034	-	3,676,034	-
Lease receivable	3,812,932	-	3,812,932	-
Bond issuance costs, net	203,661	-	203,661	-
Net capital assets:				
Land and construction in progress	9,850,112	65,908	9,916,020	1,278,859
Depreciable capital assets	24,556,980	1,655,511	26,212,491	36,472,403
Other assets	401,165	-	401,165	2,153,849
Total noncurrent assets	<u>42,500,884</u>	<u>1,721,419</u>	<u>44,222,303</u>	<u>39,905,111</u>
Total assets	<u>82,618,976</u>	<u>5,490,790</u>	<u>88,109,766</u>	<u>43,213,323</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	\$ 4,252,240	\$ 144,603	\$ 4,396,843	\$ 752,812
Accrued payables	684,308	39,562	723,870	92,100
Due to other taxing agencies	63,397	-	63,397	-
Unearned revenue	4,285,917	-	4,285,917	-
Accrued compensated absences	988,956	77,822	1,066,778	-
Accrued interest	100,171	-	100,171	-
Notes payable due within one year	251,999	-	251,999	104,912
Bonds payable due within one year	783,198	-	783,198	-
Other current liabilities	-	25,462	25,462	1,022,289
<b>Total current liabilities</b>	<b>11,410,186</b>	<b>287,449</b>	<b>11,697,635</b>	<b>1,972,113</b>
<b>Noncurrent Liabilities:</b>				
Accrued compensated absences	873,286	13,961	887,247	-
Landfill post-closure costs	-	2,062,500	2,062,500	-
Notes payable	4,935,263	-	4,935,263	275,592
Bonds payable	19,016,440	-	19,016,440	-
<b>Total noncurrent liabilities</b>	<b>24,824,989</b>	<b>2,076,461</b>	<b>26,901,450</b>	<b>275,592</b>
<b>Total liabilities</b>	<b>36,235,175</b>	<b>2,363,910</b>	<b>38,599,085</b>	<b>2,247,705</b>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	31,215,252	1,721,419	32,936,671	37,228,686
Restricted for:				
Housing and development projects	1,914,679	369,368	2,284,047	-
Other program purposes	268,880	-	268,880	-
Capital projects	4,363,913	-	4,363,913	-
Unrestricted	8,621,077	1,036,093	9,657,170	3,736,932
<b>TOTAL NET ASSETS</b>	<b>\$46,383,801</b>	<b>\$3,126,880</b>	<b>\$49,510,681</b>	<b>\$40,965,618</b>

See accompanying notes to the basic financial statements.

**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

<b><u>FUNCTIONS/PROGRAMS</u></b>	<b><u>Expenses</u></b>	<b><u>Program Revenues</u></b>		
		<b><u>Charges for Services</u></b>	<b><u>Operating Grants and Contributions</u></b>	<b><u>Capital Grants and Contributions</u></b>
<b>Primary Government:</b>				
Governmental activities:				
General government	\$12,148,118	\$1,303,667	\$ 441,561	\$ -
Public safety	15,734,557	602,262	605,284	4,331,804
Public service	12,849,566	1,220,999	471,865	557,716
Parks and recreation	1,492,306	180,420	-	-
Planning and development	708,827	1,600	375,123	-
Interest on long-term debt	1,029,888	-	226,012	-
Total governmental activities (See Note 1)	<u>43,963,262</u>	<u>3,308,948</u>	<u>2,119,845</u>	<u>4,889,520</u>
Business-type activities:				
Solid Waste	4,037,845	4,547,959	-	95,569
Section Eight Housing	2,154,360	-	1,965,936	-
Civic Center	75,692	38,577	-	-
TISA	162,849	148,291	-	33,463
Total business-type activities	<u>6,430,746</u>	<u>4,734,827</u>	<u>1,965,936</u>	<u>129,032</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u><u>\$50,394,008</u></u>	<u><u>\$8,043,775</u></u>	<u><u>\$4,085,781</u></u>	<u><u>\$5,018,552</u></u>
<b>Component Units:</b>				
Authorities:				
Paducah Water Works	\$ 7,308,857	\$7,425,085	\$ -	\$ 734,919
Paducah Transit Authority	3,946,609	1,367,303	1,738,389	142,394
<b>TOTAL COMPONENT UNITS</b>	<u><u>\$11,255,466</u></u>	<u><u>\$8,792,388</u></u>	<u><u>\$1,738,389</u></u>	<u><u>\$ 877,313</u></u>

## General revenues:

## Taxes and licenses:

Property taxes, levied for general purposes  
Franchise tax  
Telecommunications tax  
Insurance premium tax  
Vehicle tax  
Bank tax  
Gross receipts license tax  
Employee license tax  
Other taxes  
Transient room tax  
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, 2008

Adjustment to beginning net assets (See Note 10)

NET ASSETS, JUNE 30, 2009

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>
\$ (10,402,890)	\$ -	\$ (10,402,890)	\$ -
(10,195,207)	-	(10,195,207)	-
(10,598,986)	-	(10,598,986)	-
(1,311,886)	-	(1,311,886)	-
(332,104)	-	(332,104)	-
(803,876)	-	(803,876)	-
<u>(33,644,949)</u>	<u>-</u>	<u>(33,644,949)</u>	<u>-</u>
-	605,683	605,683	-
-	(188,424)	(188,424)	-
-	(37,115)	(37,115)	-
-	18,905	18,905	-
<u>-</u>	<u>399,049</u>	<u>399,049</u>	<u>-</u>
<u>(33,644,949)</u>	<u>399,049</u>	<u>(33,245,900)</u>	<u>-</u>
-	-	-	851,147
-	-	-	(698,523)
<u>-</u>	<u>-</u>	<u>-</u>	<u>152,624</u>
3,986,760	-	3,986,760	-
134,552	-	134,552	-
815,859	-	815,859	-
4,055,228	-	4,055,228	-
576,876	-	576,876	-
186,531	-	186,531	-
4,320,850	-	4,320,850	-
16,584,636	-	16,584,636	-
533,506	-	533,506	-
529,083	-	529,083	-
336,960	52,961	389,921	38,834
68,530	98,369	166,899	12,938
-	-	-	137,442
<u>32,129,371</u>	<u>151,330</u>	<u>32,280,701</u>	<u>189,214</u>
<u>(110,838)</u>	<u>110,838</u>	<u>-</u>	<u>-</u>
<u>32,018,533</u>	<u>262,168</u>	<u>32,280,701</u>	<u>189,214</u>
(1,626,416)	661,217	(965,199)	341,838
48,010,217	2,423,470	50,433,687	40,623,780
<u>-</u>	<u>42,193</u>	<u>42,193</u>	<u>-</u>
<u>\$ 46,383,801</u>	<u>\$3,126,880</u>	<u>\$ 49,510,681</u>	<u>\$40,965,618</u>

**CITY OF PADUCAH, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

<u>ASSETS</u>	<u>General Fund</u>	<u>General Capital Improvements</u>	<u>Special Revenue Investment Fund</u>
Cash and cash equivalents	\$ 841,001	\$ 282	\$ 915,861
Investments	3,350,000	1,550,000	500,000
Accounts receivable:			
Accounts	6,342,036	652,893	240,000
Grants	875,509	3,110,453	-
Interest	21,410	55,475	116
Property taxes (net of allowances for uncollectibles)	4,381,303	-	-
Due from other funds	1,160,818	-	985,860
<b>TOTAL ASSETS</b>	<b><u><u>\$16,972,077</u></u></b>	<b><u><u>\$5,369,103</u></u></b>	<b><u><u>\$2,641,837</u></u></b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>  			
<b>Liabilities:</b>			
Voucher and accounts payable	\$ 497,465	\$3,470,337	\$ -
Accrued payroll and payroll taxes	629,257	-	-
Due to other funds	985,859	153,000	23,690
Due to other taxing agencies	63,397	-	-
Deferred revenue	4,285,917	-	-
Accrued compensated absences	198,692	-	-
 Total liabilities	 <u>6,660,587</u>	 <u>3,623,337</u>	 <u>23,690</u>
<b>Fund Balances:</b>			
Reserved for:			
Program purposes	-	-	-
Capital improvements	-	1,745,766	2,618,147
Unreserved:			
General Fund	10,311,490	-	-
Special Revenue Funds	-	-	-
Debt Service Fund	-	-	-
 Total fund balances	 <u>10,311,490</u>	 <u>1,745,766</u>	 <u>2,618,147</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u><u>\$16,972,077</u></u></b>	<b><u><u>\$5,369,103</u></u></b>	<b><u><u>\$2,641,837</u></u></b>

See accompanying notes to the basic financial statements.

<b>Debt Service Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$93,244	\$1,115,980	\$ 2,966,368
-	496,239	5,896,239
-	299,059	7,533,988
-	33,667	4,019,629
-	7,359	84,360
-	-	4,381,303
-	-	2,146,678
<u>\$93,244</u>	<u>\$1,952,304</u>	<u>\$27,028,565</u>

\$ -	\$ 207,316	\$ 4,175,118
-	45,235	674,492
-	157,667	1,320,216
-	-	63,397
-	-	4,285,917
-	783	199,475
<u>-</u>	<u>411,001</u>	<u>10,718,615</u>

-	479,362	479,362
-	-	4,363,913
-	-	10,311,490
-	1,061,941	1,061,941
93,244	-	93,244
<u>93,244</u>	<u>1,541,303</u>	<u>16,309,950</u>
<u>\$93,244</u>	<u>\$1,952,304</u>	<u>\$27,028,565</u>

**CITY OF PADUCAH, KENTUCKY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

Total fund balance - total governmental funds \$ 16,309,950

*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. 209,634

The long-term notes receivable are not reported in the governmental funds balance sheet since they are not available to pay current period expenditures. 3,744,270

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. 33,712

Inventory is not a current financial resource and, therefore, is not reported in the governmental funds balance sheet. 2,019,630

A prepaid pension obligation is not a current financial resource, and therefore, is not reported in the governmental funds balance sheet. 5,779,263

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. 34,407,092

Governmental funds report losses on direct financing leases when incurred, whereas the loss of direct financing leases are deferred and amortized over the life of the lease in the Statement of Net Assets. 401,165

Bond issuance costs used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. 203,661

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

Receivables from direct financing leases are not available in the current period and, therefore, are deferred in the governmental funds balance sheet.		\$ 5,632,529
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.		(100,171)
The portion of accrued compensated absences not due and payable in the current period and, therefore, not reported in the governmental funds balance sheet.		(1,629,404)
Long-term debts of (\$24,986,899) 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. The long-term debts are:		
Due within one year	\$ 1,035,197	
Due after one year	<u>23,951,703</u>	(24,986,900)
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	\$ 5,483,923	
Current liabilities	(921,304)	
Net amount allocated to business-type activities	<u>(203,249)</u>	<u>4,359,370</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>		<b><u><u>\$ 46,383,801</u></u></b>

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, 2009**

	<b>General Fund</b>	<b>General Capital Improvements</b>	<b>Special Revenue Investment Fund</b>
<b>Revenues:</b>			
Taxes	\$ 5,334,311	\$ -	\$ -
Licenses	21,351,093	-	4,060,019
Charges for services	629,592	-	-
Intergovernmental	-	9,543	-
Grants	1,704,929	3,473,552	-
Interest	144,032	60,490	116
Miscellaneous	1,100,067	432,205	-
	<hr/>	<hr/>	<hr/>
Total revenues	30,264,024	3,975,790	4,060,135
<b>Expenditures:</b>			
Current operations:			
General government	4,726,435	-	-
Public safety	14,174,470	-	-
Public service	6,775,013	-	-
Parks and recreation	1,490,732	-	-
Planning and development	-	-	637,958
Other	514,488	-	-
Capital outlay	-	8,580,910	-
Debt service:			
Principal requirement	-	-	-
Interest and fiscal requirement	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	27,681,138	8,580,910	637,958
Excess (deficiency) of revenues over expenditures	<hr/>	<hr/>	<hr/>
	2,582,886	(4,605,120)	3,422,177
<b>Other Financing Sources (Uses):</b>			
Capital lease	-	-	-
Long-term debt issued	-	1,718,605	54,419
Transfers in	408,678	2,450,548	316,710
Transfers out	(2,096,501)	(765,407)	(3,256,439)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(1,687,823)	3,403,746	(2,885,310)
Net change in fund balances	895,063	(1,201,374)	536,867
Fund balances, July 1, 2008	<hr/>	<hr/>	<hr/>
	9,416,427	2,947,140	2,081,280
FUND BALANCES, JUNE 30, 2009	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$10,311,490	\$ 1,745,766	\$ 2,618,147

See accompanying notes to the basic financial statements.

<b>Debt Service Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 533,471	\$ 5,867,782
-	-	25,411,112
-	237,096	866,688
614,132	462,702	1,086,377
-	227,329	5,405,810
-	20,613	225,251
-	718,072	2,250,344
<u>614,132</u>	<u>2,199,283</u>	<u>41,113,364</u>
-	-	4,726,435
-	1,425,143	15,599,613
-	1,080,833	7,855,846
-	-	1,490,732
-	1,173,125	1,811,083
-	-	514,488
-	-	8,580,910
830,682	-	830,682
<u>1,003,439</u>	<u>-</u>	<u>1,003,439</u>
<u>1,834,121</u>	<u>3,679,101</u>	<u>42,413,228</u>
<u>(1,219,989)</u>	<u>(1,479,818)</u>	<u>(1,299,864)</u>
405,796	-	405,796
-	14,613	1,787,637
842,389	1,910,088	5,928,413
-	(32,500)	(6,150,847)
<u>1,248,185</u>	<u>1,892,201</u>	<u>1,970,999</u>
28,196	412,383	671,135
<u>65,048</u>	<u>1,128,920</u>	<u>15,638,815</u>
<u>\$ 93,244</u>	<u>\$ 1,541,303</u>	<u>\$ 16,309,950</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, 2009**

Net change in fund balances - total governmental funds \$ 671,135

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

Inventory purchases require the use of current financial resources and, therefore, are reported as expenditures in governmental funds. 1,128,387

Inventory sales provide current financial resources and are reported as revenues in governmental funds. (317,505)

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. This amount includes Internal Service Fund's capital outlays of \$438,960. 2,850,717

Proceeds from the disposal of capital assets are reported gross in the governmental funds because the related assets were recorded as expenditures when purchased. However, the proceeds are netted with the book value in the government-wide statement of activities. This amount includes Internal Service Fund's book value of \$4,409. (4,409)

Collections on long-term notes receivable and related interest receivable are revenues in the governmental funds when collected. (125,131)

Delinquent property taxes receivable are not considered "available" revenues in the governmental funds. 25,416

Direct financing leases receivable are not considered "available" revenues in the governmental funds. 1,480,223

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. (18,370)

(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, 2009

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 \$475,802.	\$(3,562,476)
Proceeds from the issuance of debt provides current financial resources and is reported as an other financing source in governmental funds.	(1,787,637)
Debt of other governments which is assumed by the City decreases the net assets in the government-wide Statement of Activities. However, the amount of the debt assumed has no effect on the fund balance of the governmental funds.	(2,500,000)
New debt obligations of the City for which proceeds have not yet been received are not reported as changes in fund balances. However, the amount of new debt obligations incurred does decrease the net assets in the government-wide Statement of Activities.	(1,026,974)
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.	830,682
Repayment of debt incurred to finance intergovernmental grants is reported as an expenditure in the governmental funds. However, debt repayment does not affect net assets in the government-wide Statement of Activities.	123,332
Accrued interest payments on debt do not require the use of current financial resources. Accrued interest is reported as an expenditure in the government-wide Statement of Activities.	(27,248)
Long-term accrued compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	16,214
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)

(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, 2009**

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	\$ 672,686	
Net of amount allocated to business-type activities	(83,396)	
Capital Outlays	(438,960)	
Book value of disposals	4,409	
Depreciation expense	<u>475,802</u>	<u>\$ 630,541</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ (1,626,416)</u></u>
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See accompanying notes to the basic financial statements.

**CITY OF PADUCAH, KENTUCKY**  
**BUDGETARY COMPARISON STATEMENT (BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning budgetary fund balance	\$10,033,304	\$ 9,413,650	\$ 9,416,427	\$ 2,777
<b>Resources (Inflows):</b>				
Taxes:				
Real and personal, current year	4,748,000	4,550,435	4,550,445	10
Real and personal, prior year (net of refunds)	108,000	(109,295)	(109,292)	3
Franchise	213,000	172,295	172,298	3
Bank taxes	178,000	186,530	186,531	1
In lieu of tax payment	185,500	201,785	201,787	2
Penalty, interest and advertising	52,000	48,405	48,410	5
Paducah Junior College tax collections	-	284,130	284,132	2
Total taxes	<u>5,484,500</u>	<u>5,334,285</u>	<u>5,334,311</u>	<u>26</u>
Licenses:				
Business licenses	4,017,000	4,320,850	4,320,850	-
Employee earnings	12,875,500	12,524,595	12,524,617	22
Comcast fees	307,000	307,385	307,527	142
Penalties	60,000	148,640	148,644	4
Alcoholic beverages	118,000	117,105	117,105	-
Insurance premium tax	5,000,000	4,055,225	4,055,228	3
Building permits	125,000	96,615	96,617	2
Electrical permits	30,500	23,570	23,571	1
Zoning change fees	7,500	8,070	8,074	4
Miscellaneous building and electrical fees	500	420	423	3
KJDA payroll rebate	(220,000)	(251,565)	(251,563)	2
Total licenses	<u>22,321,000</u>	<u>21,350,910</u>	<u>21,351,093</u>	<u>183</u>
Charges for services:				
Tax collection fee	118,000	134,515	134,516	1
Administrative charge	252,900	252,900	252,900	-
Base court revenue	80,000	61,755	61,756	1
Recreation fees	111,000	180,400	180,420	20
Total charges for services	<u>561,900</u>	<u>629,570</u>	<u>629,592</u>	<u>22</u>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<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	\$ 323,000	\$ 274,405	\$ 274,405	\$ -
FEMA Disaster grants	-	1,078,205	1,078,212	7
Fire State Incentive	274,000	258,595	258,599	4
Kentucky League of Counties grants	-	2,980	2,985	5
Waste management grants	-	16,335	16,337	2
Paducah Housing Authority after school program	37,200	35,130	35,134	4
Police supplemental grants	-	39,255	39,257	2
Total grants	<u>634,200</u>	<u>1,704,905</u>	<u>1,704,929</u>	<u>24</u>
Interest	<u>357,500</u>	<u>144,020</u>	<u>144,032</u>	<u>12</u>
Other:				
Property rent and sales	657,310	714,540	714,644	104
Property upkeep and maintenance	186,900	189,820	189,828	8
Contractual programs	5,000	7,805	7,808	3
E911 - GIS	23,190	23,190	23,190	-
Miscellaneous	250,415	164,580	164,597	17
Total other	<u>1,122,815</u>	<u>1,099,935</u>	<u>1,100,067</u>	<u>132</u>
Other financing sources:				
Operating transfers in	<u>126,345</u>	<u>408,665</u>	<u>408,678</u>	<u>13</u>
Amounts available for appropriation	<u>40,641,564</u>	<u>40,085,940</u>	<u>40,089,129</u>	<u>3,189</u>
<b>Charges to Appropriations (Outflows):</b>				
General government:				
General administration:				
Mayor and Commissioners	221,960	212,790	212,700	90
City Manager	375,310	342,065	341,646	419
City Clerk	188,820	177,135	176,652	483
Corporate Counsel	179,020	98,640	98,605	35
Non-departmental	271,240	598,310	598,285	25
Memberships and contingency	379,750	38,260	38,255	5
Civic beautification	4,010	3,320	3,303	17
Total general administration	<u>1,620,110</u>	<u>1,470,520</u>	<u>1,469,446</u>	<u>1,074</u>

**CITY OF PADUCAH, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<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	\$ 268,155	\$ 248,560	\$ 248,289	\$ 271
Accounting and payroll	360,455	346,320	346,056	264
Budget and human resources	-	353,990	353,544	446
Revenue collection	389,080	368,635	367,710	925
Total finance	1,017,690	1,317,505	1,315,599	1,906
Planning:				
Administration	274,755	244,275	243,637	638
Planning	185,600	135,555	135,439	116
Grants	136,245	137,985	137,713	272
Total planning	596,600	517,815	516,789	1,026
Human rights	10,000	100,510	99,623	887
Human resources	365,870	-	-	-
Inspection:				
Inspection administration	177,650	157,395	157,058	337
Construction	359,545	283,270	282,853	417
Code enforcement	503,185	377,445	376,745	700
Neighborhood redevelopment	81,130	29,515	29,017	498
Total inspection	1,121,510	847,625	845,673	1,952
Information technology	346,560	355,345	355,185	160
Risk management	138,350	124,455	124,119	336
Public safety:				
Police:				
Police administration	1,173,640	1,134,415	1,133,262	1,153
Patrol	5,958,625	5,788,755	5,787,834	921
Investigations	1,525,355	1,343,170	1,342,600	570
Total police	8,657,620	8,266,340	8,263,696	2,644
Fire:				
Fire administration	269,275	184,970	184,467	503
Suppression	5,610,310	5,387,355	5,386,966	389
Prevention	318,190	228,665	228,300	365
Training	153,300	111,330	111,041	289
Total fire	6,351,075	5,912,320	5,910,774	1,546

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<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	\$ 378,240	\$ 391,935	\$ 391,388	\$ 547
Street maintenance	2,264,925	2,128,070	2,127,287	783
Street lighting	490,000	540,360	540,358	2
Maintenance	2,472,405	2,253,630	2,253,569	61
Downtown landscaping	332,350	314,760	314,477	283
Summer youth program	52,300	23,330	23,296	34
Total public works	<u>5,990,220</u>	<u>5,652,085</u>	<u>5,650,375</u>	<u>1,710</u>
Engineering services:				
Engineering services	521,620	466,870	466,367	503
GIS operation	185,700	175,380	175,143	237
Flood control	468,270	484,285	483,129	1,156
Total engineering services	<u>1,175,590</u>	<u>1,126,535</u>	<u>1,124,639</u>	<u>1,896</u>
Parks and recreation				
Parks administration	748,605	737,510	737,222	288
Pool	130,440	132,920	132,763	157
Recreation programs	650,910	621,020	620,747	273
Total recreation	<u>1,529,955</u>	<u>1,491,450</u>	<u>1,490,732</u>	<u>718</u>
Other:				
Cable authority	95,710	95,860	95,808	52
Leave expense	-	52,700	52,698	2
Intergovernmental expense	-	284,135	284,132	3
Miscellaneous property expense	218,950	82,015	81,850	165
Total other	<u>314,660</u>	<u>514,710</u>	<u>514,488</u>	<u>222</u>
Other financing uses:				
Operating transfers out	1,317,135	2,096,525	2,096,501	24
Total charges to appropriations	<u>30,552,945</u>	<u>29,793,740</u>	<u>29,777,639</u>	<u>16,101</u>
<b>BUDGETARY FUND BALANCE, JUNE 30, 2009</b>	<u><u>\$10,088,619</u></u>	<u><u>\$10,292,200</u></u>	<u><u>\$10,311,490</u></u>	<u><u>\$19,290</u></u>

See accompanying notes to the basic financial statements.

**CITY OF PADUCAH, KENTUCKY**  
**BUDGETARY COMPARISON STATEMENT**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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

	<u><b>General Fund</b></u>
Sources/inflows of resources:	
Actual amounts "available for appropriation" from the budgetary comparison schedule	\$40,089,129
Differences - budget to GAAP:	
The beginning fund balance is a budgetary resource, but is not a current year revenue for financial reporting purposes	(9,416,427)
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	<u>(408,678)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	<u><u>\$30,264,024</u></u>
Uses/outflows of resources:	
Actual amounts "total charges to appropriations" from the budgetary comparison schedule	\$29,777,639
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes	<u>(2,096,501)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	<u><u>\$27,681,138</u></u>

See accompanying notes to the basic financial statements.

**CITY OF PADUCAH, KENTUCKY**  
**BUDGETARY COMPARISON STATEMENT (BUDGETARY BASIS)**  
**SPECIAL REVENUE INVESTMENT FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<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	<u>\$1,942,872</u>	<u>\$2,081,272</u>	<u>\$2,081,280</u>	<u>\$ 8</u>
<b>Resources (Inflows):</b>				
Licenses:				
Employee earnings	4,292,000	4,060,015	4,060,019	4
Interest	-	-	116	116
Total licenses	<u>4,292,000</u>	<u>4,060,015</u>	<u>4,060,135</u>	<u>120</u>
Other financing sources:				
Long-term debt issued	-	54,415	54,419	4
Operating transfers in	-	316,710	316,710	-
Total licenses	<u>-</u>	<u>371,125</u>	<u>371,129</u>	<u>4</u>
Amounts available for appropriation	<u>6,234,872</u>	<u>6,512,412</u>	<u>6,512,544</u>	<u>132</u>
<b>Charges to Appropriations (Outflows):</b>				
General government:				
Planning and development:				
Economic development	<u>986,500</u>	<u>637,960</u>	<u>637,958</u>	<u>2</u>
Other financing uses:				
Operating transfers out	<u>3,374,420</u>	<u>3,256,445</u>	<u>3,256,439</u>	<u>6</u>
Total charges to appropriations	<u>4,360,920</u>	<u>3,894,405</u>	<u>3,894,397</u>	<u>8</u>
<b>BUDGETARY FUND BALANCE, JUNE 30, 2009</b>	<u><u>\$1,873,952</u></u>	<u><u>\$2,618,007</u></u>	<u><u>\$2,618,147</u></u>	<u><u>\$ 140</u></u>

See accompanying notes to the basic financial statements.

**CITY OF PADUCAH, KENTUCKY**  
**BUDGETARY COMPARISON STATEMENT**  
**SPECIAL REVENUE INVESTMENT FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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	\$ 6,512,544
Differences - budget to GAAP:	
The beginning fund balance is a budgetary resource, but is not a current year revenue for financial reporting purposes	(2,081,280)
Proceeds from the issuance of debt are inflows of budgetary resources, but are not revenues for financial reporting purposes	(54,419)
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	<u>(316,710)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u><u>\$ 4,060,135</u></u>

Uses/outflows of resources:

Actual amounts "total charges to appropriations" from the budgetary comparison schedule	\$ 3,894,397
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes	<u>(3,256,439)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u><u>\$ 637,958</u></u>

See accompanying notes to the basic financial statements.

**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2009**

<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	\$ 806,104	\$ 760,688	\$1,566,792	\$ 823,262
Investments	1,250,000	-	1,250,000	3,200,000
Accounts receivable	580,993	17,487	598,480	-
Grants receivable	95,569	2,678	98,247	-
Interest receivable	24,891	-	24,891	105,409
Prepaid expenses	-	27,712	27,712	1,281,647
Inventory	-	-	-	73,605
Total current assets	<u>2,757,557</u>	<u>808,565</u>	<u>3,566,122</u>	<u>5,483,923</u>
<b>Noncurrent Assets:</b>				
Net capital assets:				
Land	65,908	-	65,908	-
Depreciable capital assets	<u>1,400,538</u>	<u>254,973</u>	<u>1,655,511</u>	<u>1,938,683</u>
Total noncurrent assets	<u>1,466,446</u>	<u>254,973</u>	<u>1,721,419</u>	<u>1,938,683</u>
Total assets	<u>4,224,003</u>	<u>1,063,538</u>	<u>5,287,541</u>	<u>7,422,606</u>
<u>LIABILITIES</u>				
<b>Current Liabilities:</b>				
Voucher and accounts payable	74,696	69,907	144,603	77,124
Accrued payroll and payroll taxes	39,562	-	39,562	9,817
Accrued compensated absences	76,271	1,551	77,822	-
Deferred revenue	-	-	-	-
Due to other funds	-	25,462	25,462	801,000
Total current liabilities	<u>190,529</u>	<u>96,920</u>	<u>287,449</u>	<u>887,941</u>
<b>Noncurrent Liabilities:</b>				
Landfill post-closure costs	2,062,500	-	2,062,500	-
Accrued compensated absences	-	13,961	13,961	33,363
Total noncurrent liabilities	<u>2,062,500</u>	<u>13,961</u>	<u>2,076,461</u>	<u>33,363</u>
Total liabilities	<u>2,253,029</u>	<u>110,881</u>	<u>2,363,910</u>	<u>921,304</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	1,466,447	254,973	1,721,420	1,938,683
Restricted for:				
Housing development projects	-	369,368	369,368	-
Unrestricted	<u>504,527</u>	<u>328,316</u>	<u>832,843</u>	<u>4,562,619</u>
TOTAL NET ASSETS	<u>\$1,970,974</u>	<u>\$ 952,657</u>	<u>2,923,631</u>	<u>\$6,501,302</u>
Reconciliation to government-wide statements of net assets:				
Adjustment to reflect the consolidation of Internal Service Funds' activities related to Enterprise Funds			<u>203,249</u>	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES			<u>\$3,126,880</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, 2009**

	<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>Funds</u>		<u>Funds</u>
<b>Operating Revenues:</b>				
Charges for services - internal	\$ -	\$ 148,291	\$ 148,291	\$5,959,497
Charges for services - external	4,448,274	2,002,824	6,451,098	279,479
Miscellaneous	111,857	1,689	113,546	-
Total operating revenues	<u>4,560,131</u>	<u>2,152,804</u>	<u>6,712,935</u>	<u>6,238,976</u>
<b>Operating Expenses:</b>				
Cost of sales and service	3,660,219	2,363,408	6,023,627	5,385,567
Depreciation and amortization	377,626	29,492	407,118	475,802
Total operating expenses	<u>4,037,845</u>	<u>2,392,900</u>	<u>6,430,745</u>	<u>5,861,369</u>
Operating income (loss)	<u>522,286</u>	<u>(240,096)</u>	<u>282,190</u>	<u>377,607</u>
<b>Nonoperating Revenues (Expenses):</b>				
Interest and investment income	52,632	329	52,961	111,710
Gain (loss) on disposal of property and equipment	98,369	-	98,369	68,530
Total nonoperating revenues (expenses)	<u>151,001</u>	<u>329</u>	<u>151,330</u>	<u>180,240</u>
Income (loss) before contributions and transfers	<u>673,287</u>	<u>(239,767)</u>	<u>433,520</u>	<u>557,847</u>
<b>Contributions and Transfers:</b>				
Capital contributions	-	33,463	33,463	-
Transfers in	-	110,838	110,838	114,839
Transfers out	-	-	-	-
Total contributions and transfers	<u>-</u>	<u>144,301</u>	<u>144,301</u>	<u>114,839</u>
Change in net assets	673,287	(95,466)	577,821	672,686
Total net assets, July 1, 2008	1,255,494	1,048,123		5,828,616
Adjustment to beginning net assets (See Note 10)	<u>42,193</u>	<u>-</u>		<u>-</u>
<b>TOTAL NET ASSETS - JUNE 30, 2009</b>	<u><u>\$1,970,974</u></u>	<u><u>\$ 952,657</u></u>		<u><u>\$6,501,302</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>83,396</u>	
<b>CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES</b>			<u><u>\$ 661,217</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, 2009**

	<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>Cash Flows from Operating Activities:</b>				
Cash received from customers	\$ 4,400,078	\$ 2,147,163	\$ 6,547,241	\$ -
Cash received from interfund services provided	-	-	-	6,217,301
Payments to suppliers	(1,729,980)	-	(1,729,980)	(146,526)
Payments to employees	(1,414,690)	(153,854)	(1,568,544)	(318,788)
Claims paid	-	-	-	(3,602,083)
Payments to internal service funds	(568,889)	(4,268)	(573,157)	-
Other receipts	16,288	1,689	17,977	-
Other payments	-	(2,227,074)	(2,227,074)	(1,459,477)
Net cash provided (used) by operating activities	<u>702,807</u>	<u>(236,344)</u>	<u>466,463</u>	<u>690,427</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers (to) from other funds	-	110,838	110,838	114,839
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Capital contributions	-	33,463	33,463	-
Purchase of capital assets	(256,595)	(27,230)	(283,825)	(438,960)
Proceeds from sale of capital assets	159,825	-	159,825	72,937
Net cash provided (used) by capital and related financing activities	<u>(96,770)</u>	<u>6,233</u>	<u>(90,537)</u>	<u>(366,023)</u>
<b>Cash Flows from Investing Activities:</b>				
Proceeds from sale of investment securities	770,036	-	770,036	1,850,000
Interest on cash and investments	52,632	329	52,961	111,710
Purchase of investments	(770,000)	-	(770,000)	(1,870,000)
Net cash provided (used) by investing activities	<u>52,668</u>	<u>329</u>	<u>52,997</u>	<u>91,710</u>
Net increase (decrease) in cash and cash equivalents	658,705	(118,944)	539,761	530,953
Cash and cash equivalents, July 1, 2008	147,399	879,632	1,027,031	292,309
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2009</b>	<u><u>\$ 806,104</u></u>	<u><u>\$ 760,688</u></u>	<u><u>\$ 1,566,792</u></u>	<u><u>\$ 823,262</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ 522,286	\$ (240,096)	\$ 282,190	\$ 377,607
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	377,626	29,492	407,118	475,802
Change in assets and liabilities:				
Receivables	(143,765)	(3,952)	(147,717)	(6,977)
Prepaid expenses	-	(9,377)	(9,377)	(38,603)
Inventories	-	-	-	2,655
Accrued expenses	9,123	(2,001)	-	6,714
Accounts payable	(62,463)	(10,410)	(72,873)	(126,771)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ 702,807</u></u>	<u><u>\$ (236,344)</u></u>	<u><u>\$ 459,341</u></u>	<u><u>\$ 690,427</u></u>

See accompanying notes to the basic financial statements.

**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2009**

<u><b>ASSETS</b></u>	<u><b>Primary Government</b></u>		
	<u><b>Pension Funds</b></u>	<u><b>Private- purpose Trusts</b></u>	<u><b>Agency Funds</b></u>
Cash and cash equivalents	\$ 93,996	\$ 7,372	\$427,615
Receivables:			
Interest	22,818	-	-
Prepaid expenses	296	-	-
Investments at fair value:			
Money market funds	526,994	4,092	-
Certificates of deposit	200,000	-	-
Common stock	1,557,626	-	-
Corporate bonds	275,248	-	-
U.S. agencies bonds	1,162,128	-	-
Mutual funds	5,034,632	835,501	-
Total assets	<u>8,873,738</u>	<u>846,965</u>	<u>427,615</u>
 <u><b>LIABILITIES</b></u> 			
Voucher and accounts payable	203	-	-
Due to other funds	-	-	-
Payroll taxes and withholdings payable	-	-	427,615
Total liabilities	<u>203</u>	<u>-</u>	<u>\$427,615</u>
 <u><b>NET ASSETS</b></u> 			
Held in trust for pension benefits and other purposes	<u>\$8,873,535</u>	<u>\$ 846,965</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, 2009**

	<b>Pension Funds</b>	<b>Private- purpose Trusts</b>
<b>Additions:</b>		
Contributions:		
Employer	\$ 226,057	\$ -
Plan members	4,473	-
Intergovernmental revenues	-	13,205
Private donations	-	-
	230,530	13,205
Investment income:		
Net increase (decrease) in fair value of investments	(2,105,252)	(140,446)
Loss on sale of investments	-	(49,009)
Interest and dividends	291,032	30,012
	(1,814,220)	(159,443)
Total additions	(1,583,690)	(146,238)
<b>Deductions:</b>		
Benefits	1,837,062	-
Capital outlay	-	450
Administrative expenses	74,468	13,683
Interfund transfers	-	3,243
	1,911,530	17,376
Change in net assets	(3,495,220)	(163,614)
Net assets, July 1, 2008	12,368,755	1,010,579
<b>NET ASSETS, JUNE 30, 2009</b>	<b>\$ 8,873,535</b>	<b>\$ 846,965</b>

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, 2009**

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**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
**JUNE 30, 2009**

<u>ASSETS</u>	<u>Paducah Water Works</u>	<u>Paducah Transit Authority</u>	<u>All Component Unit Totals</u>
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 628,163	\$ 176,763	\$ 804,926
Receivables, net:			
Accounts	356,164	64,141	420,305
Grants	-	82,439	82,439
Other	753,293	-	753,293
Inventories	396,688	15,000	411,688
Prepaid expenses	-	10,658	10,658
Other current assets	824,903	-	824,903
Total current assets	<u>2,959,211</u>	<u>349,001</u>	<u>3,308,212</u>
<b>Noncurrent Assets:</b>			
Net capital assets:			
Land and construction in progress	792,545	486,314	1,278,859
Depreciable capital assets	33,449,940	3,022,463	36,472,403
Other assets	2,153,849	-	2,153,849
Total noncurrent assets	<u>36,396,334</u>	<u>3,508,777</u>	<u>39,905,111</u>
Total assets	<u>39,355,545</u>	<u>3,857,778</u>	<u>43,213,323</u>

<b><u>LIABILITIES</u></b>	<b>Paducah Water Works</b>	<b>Paducah Transit Authority</b>	<b>All Component Unit Totals</b>
<b>Current Liabilities:</b>			
Voucher and accounts payable	\$ 652,951	\$ 99,861	\$ 752,812
Accrued payables	-	92,100	92,100
Notes payable due within one year	25,000	79,912	104,912
Other current liabilities	1,022,289	-	1,022,289
	<u>1,700,240</u>	<u>271,873</u>	<u>1,972,113</u>
<b>Noncurrent Liabilities:</b>			
Notes payable	90,000	185,592	275,592
	<u>90,000</u>	<u>185,592</u>	<u>275,592</u>
<b>Total liabilities</b>	<u>1,790,240</u>	<u>457,465</u>	<u>2,247,705</u>
<b><u>NET ASSETS</u></b>			
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	34,137,566	3,091,120	37,228,686
Unrestricted	3,427,739	309,193	3,736,932
<b>TOTAL NET ASSETS</b>	<u><u>\$37,565,305</u></u>	<u><u>\$3,400,313</u></u>	<u><u>\$40,965,618</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, 2009**

<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	\$ 7,308,857	\$7,425,085	\$ -	\$734,919
Paducah Transit Authority	3,946,609	1,367,303	1,738,389	142,394
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL COMPONENT UNITS</b>	<u><u>\$ 11,255,466</u></u>	<u><u>\$8,792,388</u></u>	<u><u>\$ 1,738,389</u></u>	<u><u>\$877,313</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, 2008				
 NET ASSETS, JUNE 30, 2009				

See accompanying notes to the basic financial statements.

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

<b>Paducah Water Works</b>	<b>Paducah Transit Authority</b>	<b>Totals</b>
\$ 851,147	\$ -	\$ 851,147
-	(698,523)	(698,523)
<u>851,147</u>	<u>(698,523)</u>	<u>152,624</u>
33,948	4,886	38,834
10,000	2,938	12,938
62,343	75,099	137,442
<u>106,291</u>	<u>82,923</u>	<u>189,214</u>
957,438	(615,600)	341,838
36,607,867	4,015,913	40,623,780
<u>\$37,565,305</u>	<u>\$3,400,313</u>	<u>\$40,965,618</u>

**CITY OF PADUCAH, KENTUCKY**

**NOTES TO THE FINANCIAL STATEMENTS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2009**

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**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.

**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.

**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.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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

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

Transit Authority of the  
City of Paducah  
850 Harrison Street  
Paducah, Kentucky 42001

**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.

**Paducah Power System** - The Paducah Power System (PPS) is a legally separate entity that provides electric utilities to residents in the Paducah area. PPS 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.

**Mainstreet** – Mainstreet is a 501(c)3 established for the promotion of cultural and economic growth in Downtown Paducah. Mainstreet 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, 2009**

**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, 2009**

**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.

The 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-like activities are presented using the economic resources measurement focus as defined in item b. below.

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

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary, 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 principal and interest which are reported when due. Agency funds are presented using the accrual basis of accounting.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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

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 legally 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, 2009**

**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, 2009.

**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 deposit are reported at carrying amount which reasonably estimates fair value. Additional cash and investment disclosures are presented in Note 3.

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Major receivable balances for the governmental activities include property taxes, 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.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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

**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 and grants and other similar intergovernmental revenues since they are usually both measurable and available.

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

**Interfund Receivables and Payables**

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

**Inventories**

Inventories are stated at cost on a first-in, first-out basis. Inventory consists of expendable supplies of \$73,605 held for consumption and real property of \$2,019,630 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, 2009**

**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, 2009**

**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, 2009**

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

**Use of Estimates**

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

**Stewardship, Compliance, and Accountability**

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

*Fund Accounting Requirements*

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

*Revenue Restrictions*

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

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Section Eight Housing Choice Voucher Program	Subsidize Rental Costs for Low-Income Families
FEMA - Disaster Grants	Debris Removal and Disaster Recovery
Highway Planning and Construction Grant	Construction of Transportation Museum
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

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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

For the year ended June 30, 2009, 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.

**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, 2009, are as follows:

<u>Description</u>	<u>Date</u>
Assessment and enforceable lien	January 1, 2008
Levy	September 25, 2008
Face value amount payment dates	1 <sup>st</sup> half by November 1, 2008 2 <sup>nd</sup> half by February 1, 2009
Delinquent date - 10% penalty plus 1/2% per month	1 <sup>st</sup> half - November 30, 2008 2 <sup>nd</sup> half - February 28, 2009

**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 Commission 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.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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

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, 2009, 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 \$5,885,404 and \$6,476,710, respectively.

**Investments**

As of June 30, 2009, the City's reporting entity had the following investments:

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Average Credit Quality/ Rating (1)</u>	<u>Investment Maturities (In Years) (2)</u>			
			<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Greater Than 10</u>
<b>Primary Government</b>						
Money market funds	\$ 96,239	NA	\$ 96,239	\$ -	\$ -	\$ -
Certificates of deposit (3)	<u>10,250,000</u>	NA	3,550,000	6,700,000	-	-
TOTAL PRIMARY GOVERNMENT	<u>\$10,346,239</u>					
<b>Fiduciary and Private Purpose Trust Funds</b>						
Money market funds	\$ 531,086	NA	\$ 531,086	\$ -	\$ -	\$ -
Certificates of deposit (3)	200,000	NA	-	200,000	-	-
Common stock	1,557,626	NA	NA	NA	NA	NA
Corporate bonds	275,248	A/A-	-	-	275,248	-
U.S. agencies (4)	1,162,128	AAA/A	-	-	1,162,128	-
Mutual funds						
Equity	404,057	NA	NA	NA	NA	NA
Bond	82,998	NR	NA	NA	NA	NA
Fixed	1,300,506	NA	NA	NA	NA	NA
Index	<u>4,082,572</u>	NA	NA	NA	NA	NA
TOTAL FIDUCIARY AND PRIVATE PURPOSE TRUST FUNDS	<u>\$ 9,596,221</u>					

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009

**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) \$200,000 of the fiduciary's certificates of deposit is pooled with the primary government's certificates of deposit.
- (4) Includes \$249,550 of securities callable as of June 30, 2009.

**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 Commission 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 Commonwealth 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.

**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 overconcentration 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.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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

***Pension Trust Policy***

The City's pension trust is the Police and Firefighters' Pension Fund (PFPF). Investment policy provides 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:

	<b><u>PFPF Retirement Plan</u></b>		
	<b><u>Minimum</u></b>	<b><u>Target</u></b>	<b><u>Maximum</u></b>
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.

**Capital Assets**

Capital asset activity for the year ended June 30, 2009, was as follows:

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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

<b>Primary Government:</b>	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2008</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2009</b>
Capital assets, not being depreciated:				
Land	\$ 6,236,574	\$ 3,011	\$ -	\$ 6,239,585
Construction-in-progress	<u>2,511,350</u>	<u>1,314,748</u>	<u>215,571</u>	<u>3,610,527</u>
Total capital assets, not being depreciated	<u>8,747,924</u>	<u>1,317,759</u>	<u>215,571</u>	<u>9,850,112</u>
Capital assets, being depreciated:				
Land improvements	3,061,972	-	-	3,061,972
Buildings and improvements	15,020,460	424,796	-	15,445,256
Infrastructure	34,582,548	335,935	-	34,918,483
Equipment	7,684,213	605,865	-	8,290,078
Furnishings and fixtures	230,312	-	-	230,312
Vehicles	<u>7,435,585</u>	<u>381,935</u>	<u>234,794</u>	<u>7,582,726</u>
Totals at historical cost	<u>68,015,090</u>	<u>1,748,531</u>	<u>234,794</u>	<u>69,528,827</u>
Less accumulated depreciation:				
Land improvements	1,152,552	94,572	-	1,247,124
Buildings and improvements	11,126,234	284,654	-	11,410,888
Infrastructure	17,558,900	2,174,485	-	19,733,385
Equipment	6,096,333	518,723	-	6,615,056
Furnishings and fixtures	223,182	1,525	-	224,707
Vehicles	<u>5,482,555</u>	<u>488,517</u>	<u>230,385</u>	<u>5,740,687</u>
Total accumulated depreciation	<u>41,639,756</u>	<u>3,562,476</u>	<u>230,385</u>	<u>44,971,847</u>
Total capital assets, being depreciated, net	<u>26,375,334</u>	<u>(1,813,945)</u>	<u>4,409</u>	<u>24,556,980</u>
<b>PRIMARY GOVERNMENT ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$35,123,258</u>	<u>\$ (496,186)</u>	<u>\$219,980</u>	<u>\$34,407,092</u>
<b>Business-type Activities:</b>	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2008</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2009</b>
Capital assets, not being depreciated:				
Land	\$ 65,908	\$ -	\$ -	\$ 65,908
Construction-in-progress	<u>42,193</u>	<u>-</u>	<u>42,193</u>	<u>-</u>
Total capital assets, not being depreciated	<u>108,101</u>	<u>-</u>	<u>42,193</u>	<u>65,908</u>
Capital assets, being depreciated:				
Buildings and improvements	429,254	-	-	429,254
Equipment	1,278,241	127,228	-	1,405,469
Vehicles	<u>2,720,490</u>	<u>198,790</u>	<u>360,187</u>	<u>2,559,093</u>
Totals at historical cost	<u>4,427,985</u>	<u>326,018</u>	<u>360,187</u>	<u>4,393,816</u>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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

<b>Business-type Activities:</b>	<b>Balance July 1, 2008</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2009</b>
Less accumulated depreciation:				
Buildings and improvements	\$ 188,962	\$ 12,914	\$ -	\$ 201,876
Equipment	935,065	61,427	-	996,492
Vehicles	<u>1,505,891</u>	<u>332,777</u>	<u>298,731</u>	<u>1,539,937</u>
Total accumulated depreciation	<u>2,629,918</u>	<u>407,118</u>	<u>298,731</u>	<u>2,738,305</u>
Total capital assets, being depreciated, net	<u>1,798,067</u>	<u>(81,100)</u>	<u>61,456</u>	<u>1,655,511</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<b><u>\$ 1,906,168</u></b>	<b><u>\$ (81,100)</u></b>	<b><u>\$103,649</u></b>	<b><u>\$ 1,721,419</u></b>

Depreciation expense was charged to governmental activities as follows:

General government:	
General administration	\$ 141,458
Finance	2,748
Planning	2,943
Inspections	528
Personnel	1,294
Information systems	-
Fleet maintenance	<u>6,612</u>
Total general government	<u>155,583</u>
Public safety:	
Police	135,201
Fire	39,201
Grants	20,524
Emergency 911	65,500
Court awards	16,369
Fleet Lease Trust	<u>469,190</u>
Total public safety	<u>745,985</u>
Public service:	
Public works	91,671
Engineering	<u>244,766</u>
Total public service	<u>336,437</u>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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

Parks and recreation	<u>\$ 148,115</u>
Planning and development:	
Infrastructure	2,174,485
Grants	<u>1,871</u>
Total planning and development	<u>2,176,356</u>
<b>TOTAL DEPRECIATION EXPENSE – GOVERNMENTAL ACTIVITIES</b>	<b><u>\$3,562,476</u></b>

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

Solid Waste Fund	\$ 377,626
Section Eight Housing	4,895
Civic Center	10,790
TISA Fund	<u>13,807</u>
<b>TOTAL DEPRECIATION EXPENSE – BUSINESS-TYPE ACTIVITIES</b>	<b><u>\$ 407,118</u></b>

<b>Discretely Presented Component Units:</b>	<b><u>Balance July 1, 2008</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Balance June 30, 2009</u></b>
Capital assets, not being depreciated:				
Land	\$ 486,314	\$ -	\$ -	\$ 486,314
Construction-in-progress	<u>-</u>	<u>792,545</u>	<u>-</u>	<u>792,545</u>
Total capital assets, not being depreciated	<u>486,314</u>	<u>792,545</u>	<u>-</u>	<u>1,278,859</u>
Capital assets, being depreciated:				
Buildings and improvements	1,672,826	8,166	-	1,680,992
Equipment	5,749,868	268,907	27,872	5,990,903
Utility plant	<u>58,861,102</u>	<u>1,491,024</u>	<u>231,385</u>	<u>60,120,741</u>
Total capital assets, being depreciated	<u>66,283,796</u>	<u>1,768,097</u>	<u>259,257</u>	<u>67,792,636</u>
Less accumulated depreciation:				
Buildings and improvements	647,689	107,385	-	755,074
Equipment	3,281,313	636,709	23,664	3,894,358
Utility plant	<u>25,441,867</u>	<u>1,310,319</u>	<u>81,385</u>	<u>26,670,801</u>
Total accumulated depreciation	<u>29,370,869</u>	<u>2,054,413</u>	<u>105,049</u>	<u>31,320,233</u>
Total capital assets, being depreciated, net	<u>36,912,927</u>	<u>(286,316)</u>	<u>154,208</u>	<u>36,472,403</u>
<b>COMPONENT UNIT CAPITAL ASSETS, NET</b>	<b><u>\$37,399,241</u></b>	<b><u>\$ 506,229</u></b>	<b><u>\$ 154,208</u></b>	<b><u>\$37,751,262</u></b>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**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	\$ 1,310,319
Paducah Transit Authority	<u>744,094</u>
<b>TOTAL DEPRECIATION EXPENSE BY ACTIVITY</b>	<b><u>\$ 2,054,413</u></b>

**Accounts Payable**

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

**Long-Term Debt**

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

*Governmental Activities*

As of June 30, 2009, the governmental long-term debt consisted of the following:

General obligation bonds:	
Current portion	\$ 783,198
Noncurrent portion	<u>19,016,440</u>
<b>TOTAL GENERAL OBLIGATION BOND COSTS</b>	<b><u>\$19,799,638</u></b>
Note payable:	
Current portion	\$ 251,999
Noncurrent portion	<u>4,935,263</u>
<b>TOTAL NOTE PAYABLE PAYMENTS</b>	<b><u>\$ 5,187,262</u></b>
Accrued compensated absences:	
Current portion	\$ 988,956
Noncurrent portion	<u>873,286</u>
<b>TOTAL ACCRUED COMPENSATED ABSENCES</b>	<b><u>\$ 1,862,242</u></b>

*Business-type Activities*

As of June 30, 2009, the long-term debt payable from proprietary fund resources consisted of the following:

Accrued compensated absences:	
Current portion	\$ 77,822
Noncurrent portion	<u>13,961</u>
<b>TOTAL ACCRUED COMPENSATED ABSENCES</b>	<b><u>\$ 91,783</u></b>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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

*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 pay 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.

Series 2008 Bond Issue - The City of Paducah issued general obligation bonds of \$2,800,000 in March 2009, to finance the Floodwall Rehabilitation. Interest rates are variable. 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.

*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.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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

Kentucky Association of Counties - The County of McCracken, Kentucky entered into an agreement in the amount of \$5,000,000 in March 2009, with the Kentucky Association of Counties to assist with the Julian Carroll Convention Center. Interest rate is variable. The note is required to be fully paid within 20 years from the date of issue and is backed jointly by the full faith and credit of the City and the County. While the 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 February 23, 2009.

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 was fully paid on January 8, 2009.

Community Financial Services Bank - On February 6, 2009, the City entered into a multiple draw agreement in the amount of \$500,000 with Community Financial Service Bank (CFSB) to finance the program activities of the Home Grant Fund. As of June 30, 2009, \$14,613 had been drawn on this agreement. Interest rate is 3.95%, fixed. The note matures on February 6, 2010.

*Changes in Long-Term Debt*

The following is a summary of changes in long-term debt for the year ended June 30, 2009:

<b>Type of Debt:</b>	<b><u>Beginning</u></b> <b><u>Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending</u></b> <b><u>Balance</u></b>	<b><u>Amounts</u></b> <b><u>Due within</u></b> <b><u>One Year</u></b>
Governmental activities:					
General obligation bonds:					
Convention and Arts Center	\$ 7,600,000	\$ -	\$ 280,000	\$ 7,320,000	\$ 290,000
Infiniti Media Building	4,340,000	-	180,000	4,160,000	185,000
Pension	5,740,000	-	195,000	5,545,000	205,000
Floodwall Rehabilitation	-	2,800,000	25,362	2,774,638	103,198
Notes payable:					
Kentucky League of Cities	2,822,970	-	150,321	2,672,649	154,886
Kentucky Association of Counties	-	2,500,000	-	2,500,000	82,500
Jones Agreement	123,333	-	123,333	-	-
CFSB	-	14,613	-	14,613	14,613
Accrued compensated absences	<u>1,805,893</u>	<u>814,345</u>	<u>757,996</u>	<u>1,862,242</u>	<u>988,956</u>
<b>TOTAL GENERAL LONG-TERM DEBT</b>	<b><u>\$22,432,196</u></b>	<b><u>\$6,128,958</u></b>	<b><u>\$1,712,012</u></b>	<b><u>\$26,849,142</u></b>	<b><u>\$2,024,153</u></b>
Business-type activities:					
Accrued compensated absences	<u>\$ 89,850</u>	<u>\$ 77,971</u>	<u>\$ 76,038</u>	<u>\$ 91,783</u>	<u>\$ 77,822</u>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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

(1) The calculation to reconcile amounts in this schedule to the "net assets invested in capital assets, net of related debt" is:

Net Capital Assets		\$34,407,092
<i>Less:</i>		
19.75% of the outstanding 2001 general obligation bonds		\$(1,445,704)
Net of the County's portion		<u>722,852</u>
		(722,852)
100% of the outstanding Kentucky League of Cities' note payable		<u>(2,672,649)</u>
<i>Plus:</i>		
Net assets invested in capital assets, net of related debt		<u>\$31,215,252</u>

*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, 2009, are as follows:

<b><u>Year Ending</u></b> <b><u>June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2010	\$ 1,035,197	\$ 1,057,762
2011	1,066,083	1,016,472
2012	1,119,179	977,626
2013	1,160,357	932,275
2014	1,219,011	884,304
2015-2019	6,998,953	3,606,960
2020-2024	8,587,710	1,939,286
2025-2026	<u>3,800,410</u>	<u>281,352</u>
<b>TOTALS</b>	<u>\$24,986,900</u>	<u>\$10,696,037</u>

**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, 2009, are as follows:

	<b><u>Governmental</u></b> <b><u>Activities</u></b>	<b><u>Business-type</u></b> <b><u>Activities</u></b>
Accrued sick leave	\$ 753,820	\$27,940
Accrued vacation leave	<u>1,108,422</u>	<u>63,843</u>
Totals	1,862,242	91,783
Less current portion	<u>988,956</u>	<u>77,822</u>
<b>LONG-TERM PORTION</b>	<u>\$ 873,286</u>	<u>\$13,961</u>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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

**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, 2009, 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, 2009, payments of \$21,459 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, 2009, approval had not yet been granted. The County estimated post-closure care costs totaling \$4,125,000 or \$125,000 per year plus 10% for inflation. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. In the year ending June 30, 2001, the City entered into an inter-local agreement to share equally the costs for post-closure costs and, accordingly, has recorded a long-term liability for 50% of the estimated closure expense. It is anticipated that post-closure costs will be paid out of the Solid Waste Fund to the extent that funds are available with any excess costs being funded using long-term borrowing.

**Interfund Transactions and Balances**

Interfund transfers during the year ended June 30, 2009, were as follows:

	<b><u>Interfund Transfers In</u></b>	<b><u>Interfund Transfers Out</u></b>
Governmental Funds:		
General Fund	\$ 408,678	\$2,096,501
Capital Project Fund	2,450,548	765,407
Special Revenue Investment Fund	316,710	3,256,439
Debt Service Fund	842,389	-
Nonmajor Governmental Funds	1,910,088	32,500
Internal Service Funds	114,839	-
Fiduciary Funds:		
Other trusts	-	3,243
Proprietary Funds:		
Solid Waste Fund	-	-
Nonmajor Proprietary Funds	<u>110,838</u>	<u>-</u>
<b>TOTALS</b>	<b><u>\$6,154,090</u></b>	<b><u>\$6,154,090</u></b>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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

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

**Due To/From Balances**

Due to/from balances used to cover current operating expenses were as follows as of June 30, 2009:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$1,160,818	\$ 985,859
General Capital Improvements Fund	-	153,000
Special Revenue Investment Fund	985,860	23,690
Nonmajor Governmental Funds	-	157,667
Nonmajor Proprietary Funds	-	25,462
Internal Service Funds	-	<u>801,000</u>
<b>TOTALS</b>	<u><b>\$2,146,678</b></u>	<u><b>\$2,146,678</b></u>

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

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

**Single Employer Defined Benefit Funds (Police and Firefighters' Pension Fund and Appointive Employees Pension Fund)**

**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, pursuant to formal commitments. 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.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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

**Police and Firefighters' Pension Fund**

*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.

*Funding:* The schedule of funded status and funding progress can be found on page 90, which contains trend information about the changes in actuarial value of the plan assets relative to the actuarially determined liability for benefits over time.

Components of annual pension cost for PFPF are as follows:

<b>Component</b>	<b><u>Year Ended June 30, 2009</u></b>	<b><u>Year Ended June 30, 2008</u></b>	<b><u>Year Ended June 30, 2007</u></b>
Beginning NPO balance	\$(5,546,740)	\$(5,552,551)	\$(5,425,468)
ARC	183,661	12,887	46,948
Interest on NPO	(443,739)	(444,204)	(420,474)
Unfunded ARC adjustment	<u>481,122</u>	<u>481,626</u>	<u>455,664</u>
Pension cost	221,044	50,309	82,138
Less actual contribution	<u>226,057</u>	<u>44,498</u>	<u>209,221</u>
Net change in NPO	<u>(5,013)</u>	<u>5,811</u>	<u>(127,083)</u>
ENDING NPO BALANCE	<u>\$(5,551,753)</u>	<u>\$(5,546,740)</u>	<u>\$(5,552,551)</u>
PERCENTAGE OF PENSION COST CONTRIBUTED	<u>102%</u>	<u>88%</u>	<u>255%</u>

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, 2009

**Assets:**

Cash and cash equivalents	\$ 69,196
Receivables	21,898
Investment at fair value	<u>8,556,628</u>
Total assets	8,647,722

**Liabilities:**

Voucher and accounts payable	<u>203</u>
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**Net Assets:**

Held in trust for pension benefits and other purposes	<u>\$ 8,647,519</u>
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(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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

**Police and Firefighters' Pension Fund**

Statement of Changes in Net Assets  
Police and Firefighters' Retirement Fund  
For the Year Ended June 30, 2009

**Additions:**

Employer contributions	\$ 226,057
Plan members' contributions	<u>4,473</u>
 Total contributions	 <u>230,530</u>
 Investment earnings:	
Net increase in fair value of investments	(2,105,252)
Interest and dividends	<u>284,244</u>
 Net investment earnings	 <u>(1,821,008)</u>
 Total additions	 <u>(1,590,478)</u>

**Deductions:**

Benefits	1,793,820
Administrative expenses	<u>65,237</u>
 Total deductions	 <u>1,859,057</u>
 Change in net assets	 3,449,535
Net assets, July 1, 2008	<u>12,097,054</u>
 NET ASSETS, JUNE 30, 2009	 <u>\$ 8,647,519</u>

**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, 2009. 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.

*Funding:* The schedule of funded status and funding progress can be found on page 90, which contains trend information about the changes in actuarial value of the plan assets relative to the actuarially determined liability for benefits over time.

Components of annual pension cost for AEPF are as follows:

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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

**Appointive Employees' Pension Fund**

<b>Component</b>	<b><u>Year Ended June 30, 2009</u></b>	<b><u>Year Ended June 30, 2008</u></b>	<b><u>Year Ended June 30, 2007</u></b>
Beginning NPO balance	<u>\$(250,893)</u>	<u>\$(278,827)</u>	<u>\$(287,297)</u>
ARC	6,278	8,925	13,883
Interest on NPO	(15,054)	(16,730)	(17,238)
Unfunded ARC adjustment	<u>32,159</u>	<u>35,739</u>	<u>36,825</u>
Pension cost	23,383	27,934	33,470
Less actual contribution	<u>          -</u>	<u>          -</u>	<u>25,000</u>
Net change in NPO	<u>23,383</u>	<u>27,934</u>	<u>8,470</u>
ENDING NPO BALANCE	<u>\$(227,510)</u>	<u>\$(250,893)</u>	<u>\$(278,827)</u>
PERCENTAGE OF PENSION COST CONTRIBUTED	<u>0%</u>	<u>0%</u>	<u>75%</u>

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

Statement of Fiduciary Net Assets  
Appointive Employees' Pension Fund  
June 30, 2009

<b>Assets:</b>		
Cash and cash equivalents		\$ 24,800
Receivables		920
Prepaid expenses		296
Investment at fair value		<u>200,000</u>
Total assets		226,016
<b>Liabilities:</b>		
Voucher and accounts payable		<u>          -</u>
<b>Net Assets:</b>		
Held in trust for pension benefits and other purposes		<u>\$ 226,016</u>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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

**Appointive Employees' Pension Fund**

Statement of Changes in Net Assets  
Appointive Employees' Pension Fund  
For the Year Ended June 30, 2009

**Additions:**

Interest and dividends	\$ 6,788
Employer contributions	<u>          -</u>
Total additions	<u>      6,788</u>

**Deductions:**

Benefits	43,242
Administrative expenses	<u>      9,231</u>
Total deductions	<u>     52,473</u>

Change in net assets	(45,685)
Net assets, July 1, 2008	<u>     271,701</u>
<b>NET ASSETS, JUNE 30, 2009</b>	<b><u>     \$226,016</u></b>

**Single Employer Defined Benefit Funds (Police and Firefighters' Pension Fund and Appointive Employees Pension Fund)**

**Contribution Information**

A summary of actuarial assumptions at June 30, 2009, the date of the latest actuarial valuation is as follows:

	<b>PFPP</b>	<b>AEPP</b>
	7/1/09	7/1/09
Valuation date	7/1/09	7/1/09
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, information about funded status and funding progress is presented using the entry age actuarial cost method for that purpose, and that information presented is intended to serve as a surrogate for the funding progress of the plan.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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

**Single Employer Defined Benefit Funds (Police and Firefighters' Pension Fund and Appointive Employees Pension Fund)**

**Contribution Information**

- (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.

**Membership Information**

Membership of each plan consisted of the following at June 30, 2009:

	<b>PFPF</b>	<b>AEPF</b>
Active participants	1	0
Beneficiaries	47	4
Retired participants	36	3
<b>TOTAL PARTICIPANTS</b>	<b>84</b>	<b>7</b>

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

**County Employees' Retirement System**

*Plan Description:* The City is a participant in the County Employees Retirement System (CERS), a cost sharing, multi-employer public employee retirement system. CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments are provided at the discretion of the State legislature. 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, 2009, 2008, and 2007, the City contributed 29.50%, 33.87%, and 28.21%, respectively, of each hazardous employee's creditable compensation and 13.50%, 16.17%, and 13.19%, 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 \$4,198,042, \$4,533,944, and \$3,849,611, 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, 2009.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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

Long-term debt of the discretely presented component units consists of the following at June 30, 2009:

**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, 2009, are as follows:

<b><u>Year Ending</u></b> <b><u>June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Fee (0.2%)</u></b>	<b><u>Total</u></b>
2010	\$ 25,000	\$ 5,673	\$ 230	\$ 30,903
2011	30,000	4,521	180	34,071
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>\$115,000</u></b>	<b><u>\$14,820</u></b>	<b><u>\$ 590</u></b>	<b><u>\$130,410</u></b>

**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, 2009, the outstanding balance was \$172,298 and \$93,206, respectively.

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

<b><u>Fiscal Year</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Debt Service</u></b>
2010	\$ 79,912	\$ 8,414	\$ 88,326
2011	84,186	4,852	89,038
2012	37,078	3,295	40,373
2013	38,210	1,882	40,092
2014	<u>26,118</u>	<u>450</u>	<u>26,568</u>
<b>TOTALS</b>	<b><u>\$ 265,504</u></b>	<b><u>\$ 18,893</u></b>	<b><u>\$ 284,397</u></b>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**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, 2009, the significant construction commitments were as follows:

	<b><u>Cumulative Costs Incurred</u></b>	<b><u>Estimated Total Costs</u></b>
Floodwall Survey Modification	\$ 132,591	\$ 210,700
Floodwall Restoration Survey	126,320	223,943
Floodwall Pipe Rehabilitation	781,298	1,764,605
Olivet Church Road Improvement Project	1,234,593	1,234,593
Riverfront Development - Phase I	622,016	706,520
Riverfront - Other River Boat Launch Project	<u>278,164</u>	<u>278,164</u>
	<b><u>\$3,174,982</u></b>	<b><u>\$4,418,525</u></b>

**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><u>Beginning of Fiscal Year Liability</u></b>	<b><u>Current Year Claims and Changes in Estimates</u></b>	<b><u>Actual Claim Payments</u></b>	<b><u>Balance at Fiscal Year End</u></b>
2006 - 2007	\$ -	\$ 57,168	\$ 57,168	\$ -
2007 - 2008	-	69,572	69,572	-
2008 - 2009	-	76,686	76,686	-

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, which is based on a formula that considers group census and anticipated claims. As of June 30, 2009, that number was \$2,572,801. 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 \$53,586 at June 30, 2009.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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

The analysis of claims activity is presented below:

	<b><u>Beginning of Fiscal Year Liability</u></b>	<b><u>Current Year Claims and Changes in Estimates</u></b>	<b><u>Actual Claim Payments</u></b>	<b><u>Balance at Fiscal Year End</u></b>
2006 - 2007	\$454,000	\$2,601,505	\$2,669,179	\$386,326
2007 - 2008	386,326	2,726,811	3,006,773	106,364
2008 - 2009	106,364	2,650,054	2,702,832	53,586

During the fiscal year ended 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.

**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 deemed 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 2009 totaled \$437,943.

The following is an analysis of property leased under these leases at June 30, 2009:

Land	\$ 270,000
Buildings	873,250
Equipment	<u>110,126</u>
Total	1,253,376
Less: accumulated depreciation	<u>775,740</u>
<b>NET BOOK VALUE</b>	<b><u>\$ 477,636</u></b>

Depreciation expense for the year ended June 30, 2009, on leased property was \$20,775.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**Note 9 - Lease Agreements:**

The following is a schedule of future minimum rental income from operating leases at June 30, 2009:

	<b>Lease Income</b>
2010	\$ 437,943
2011	268,519
<b>TOTAL MINIMUM LEASE RECEIPTS</b>	<b>\$ 706,462</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.

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

	<b>Lease Income</b>
2010	\$ 405,796
2011	405,796
2012	405,796
2013	405,796
2014	405,796
2015 through 2024	4,057,956
Net minimum lease payments	6,086,936
Less amount representing interest	(2,095,475)
<b>PRESENT VALUE OF MINIMUM LEASE PAYMENTS</b>	<b>\$ 3,991,461</b>

**Note 10 - Restatement of Net Assets:**

As of June 30, 2008, the Solid Waste Fund had an unfinished capital project in the amount of \$42,193. This project was not included in construction in progress account for the year then ended. The project was completed during fiscal year 2009 and has been reclassified to depreciable capital assets; the effect of this reclassification on fund balance and net assets are as follows:

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**Note 10 - Restatement of Net Assets:**

	<b><u>Net Assets As Previously Reported</u></b>	<b><u>Restatement</u></b>	<b><u>Net Assets As Restated</u></b>
Proprietary Funds:			
Solid Waste Fund	<u>\$1,255,494</u>	<u>\$42,193</u>	<u>\$1,297,687</u>
Governmental-Wide Statement:			
Business Type Funds	<u>\$2,423,470</u>	<u>\$42,193</u>	<u>\$2,465,663</u>

**CITY OF PADUCAH, KENTUCKY**

**REQUIRED SUPPLEMENTARY INFORMATION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2009**

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

**Schedules of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/c)</u>
---	--	--	--	-----------------------------------	---	---

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

7/1/2007	\$ 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
7/1/2009	8,647,519	13,476,007	4,828,488	64.2	55,475	8,641.74

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

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*
7/1/2009	226,016	306,287	80,271	73.8	n/a*	n/a*

\* There are no active participants.

**Schedules of Employer Contributions**

<u>Year Ended June 30</u>	<u>PFPF</u>		
	<u>Annual Required Contribution (ARC)</u>	<u>Percent ARC Contributed</u>	<u>Ending Net Pension Obligation (NPO)</u>
2007	\$ 46,948	446	\$(5,552,551)
2008	12,887	345	(5,546,740)
2009	183,661	123	(5,551,753)

<u>Year Ended June 30</u>	<u>AEPF</u>		
	<u>Annual Required Contribution (ARC)</u>	<u>Percent ARC Contributed</u>	<u>Ending Net Pension Obligation (NPO)</u>
2007	\$ 13,883	180	\$ (278,827)
2008	8,925	0	(250,893)
2009	6,278	0	(227,510)

**CITY OF PADUCAH, KENTUCKY**

**SUPPLEMENTARY INFORMATION**

***NONMAJOR GOVERNMENTAL FUNDS***

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2009**

**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.

PRA - Paducah Renaissance Alliance, to account for the expenditures related to the economic promotion of downtown Paducah, Kentucky.

**CITY OF PADUCAH, KENTUCKY**  
**GENERAL CAPITAL IMPROVEMENTS**  
**DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>			
Grants	\$ 3,473,520	\$ 3,473,552	\$ 32
Intergovernmental	9,540	9,543	3
Interest	60,490	60,490	-
Miscellaneous	432,200	432,205	5
	<u>3,975,750</u>	<u>3,975,790</u>	<u>40</u>
<b>Expenditures:</b>			
Capital outlay	8,580,935	8,580,910	25
Excess (deficiency) of revenues over expenditures	<u>(4,605,185)</u>	<u>(4,605,120)</u>	<u>65</u>
<b>Other Financing Sources (Uses):</b>			
Long-term debt issued	1,718,600	1,718,605	5
Operating transfers in	2,450,545	2,450,548	3
Operating transfers out	(765,410)	(765,407)	3
	<u>3,403,735</u>	<u>3,403,746</u>	<u>11</u>
Net change in fund balance	<u>\$ (1,201,450)</u>	(1,201,374)	<u>\$ 76</u>
Fund balance, July 1, 2008		<u>2,947,140</u>	
FUND BALANCE, JUNE 30, 2009		<u>\$ 1,745,766</u>	

See auditors report on pages 11-12.

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**CITY OF PADUCAH, KENTUCKY**  
**DEBT SERVICE FUND**  
**DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>			
Intergovernmental	<u>\$ 614,125</u>	<u>\$ 614,132</u>	<u>\$ 7</u>
<b>Expenditures:</b>			
Principal requirement	830,685	830,682	3
Interest and fiscal requirement	<u>1,003,450</u>	<u>1,003,439</u>	<u>11</u>
Total expenditures	<u>1,834,135</u>	<u>1,834,121</u>	<u>14</u>
Excess (deficiency) of revenues over expenditures	<u>(1,220,010)</u>	<u>(1,219,989)</u>	<u>21</u>
<b>Other Financing Sources (Uses):</b>			
Capital lease	405,795	405,796	1
Operating transfers in	<u>842,385</u>	<u>842,389</u>	<u>4</u>
Total other financing sources (uses)	<u>1,248,180</u>	<u>1,248,185</u>	<u>5</u>
Net change in fund balance	<u><u>\$ 28,170</u></u>	28,196	<u><u>\$ 26</u></u>
Fund balance, July 1, 2008		<u>65,048</u>	
FUND BALANCE, JUNE 30, 2009		<u><u>\$ 93,244</u></u>	

See auditors report on pages 11-12.

**CITY OF PADUCAH, KENTUCKY**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

<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	\$497,043	\$259,648	\$42,571	\$ 16,503
Investments	-	100,000	50,000	250,000
Receivables, net:				
Accounts	22,324	193,398	-	3,333
Grants	-	-	-	-
Interest	-	460	1,921	4,978
<b>TOTAL ASSETS</b>	<u><u>\$519,367</u></u>	<u><u>\$553,506</u></u>	<u><u>\$94,492</u></u>	<u><u>\$274,814</u></u>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities:</b>				
Voucher and accounts payable	\$ 84,623	\$ 3,495	\$79,316	\$ 5,934
Accrued payroll and payroll taxes	-	35,763	-	-
Due to other funds	-	-	-	-
Accrued compensated absences	-	-	-	-
Total liabilities	<u>84,623</u>	<u>39,258</u>	<u>79,316</u>	<u>5,934</u>
<b>Fund Balances:</b>				
Reserved for:				
Program purposes	-	-	-	268,880
Unreserved	<u>434,744</u>	<u>514,248</u>	<u>15,176</u>	<u>-</u>
Total fund balances	<u>434,744</u>	<u>514,248</u>	<u>15,176</u>	<u>268,880</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$519,367</u></u>	<u><u>\$553,506</u></u>	<u><u>\$94,492</u></u>	<u><u>\$274,814</u></u>

See auditors report on pages 11-12.

**Special Revenue Funds**

<b>CDBG Grant Fund</b>	<b>Home Grant Fund</b>	<b>HUD Revolving Grant Fund</b>	<b>PRA Fund</b>	<b>Total Nonmajor Governmental Funds</b>
\$ -	\$ 58	\$211,022	\$ 89,135	\$1,115,980
-	-	-	96,239	496,239
-	71,436	-	8,568	299,059
16,667	17,000	-	-	33,667
-	-	-	-	7,359
<u>\$16,667</u>	<u>\$88,494</u>	<u>\$211,022</u>	<u>\$193,942</u>	<u>\$1,952,304</u>

\$ -	\$20,739	\$ 540	\$ 12,669	\$ 207,316
-	-	-	9,472	45,235
16,667	41,000	-	100,000	157,667
-	-	-	783	783
<u>16,667</u>	<u>61,739</u>	<u>540</u>	<u>122,924</u>	<u>411,001</u>

-	-	210,482	-	479,362
-	26,755	-	71,018	1,061,941
-	26,755	210,482	71,018	1,541,303
<u>\$16,667</u>	<u>\$88,494</u>	<u>\$211,022</u>	<u>\$193,942</u>	<u>\$1,952,304</u>

**CITY OF PADUCAH, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<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	\$ -	\$ 533,471	\$ -	\$ -
Charges for services	-	237,096	-	-
Intergovernmental	462,702	-	-	-
Grants	-	-	-	13,995
Interest	4,063	3,358	2,719	4,978
Miscellaneous	-	355,439	30,039	42,353
Total revenues	<u>466,765</u>	<u>1,129,364</u>	<u>32,758</u>	<u>61,326</u>
<b>Expenditures:</b>				
Current operations:				
Public safety	-	1,370,927	54,216	-
Public service	1,080,833	-	-	-
Planning and development	-	-	-	68,360
Total expenditures	<u>1,080,833</u>	<u>1,370,927</u>	<u>54,216</u>	<u>68,360</u>
Excess (deficiency) of revenues over expenditures	<u>(614,068)</u>	<u>(241,563)</u>	<u>(21,458)</u>	<u>(7,034)</u>
<b>Other Financing Sources (Uses):</b>				
Capital lease	-	-	-	-
Long-term debt issued	-	-	-	-
Transfers in	884,000	376,388	-	25,000
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>884,000</u>	<u>376,388</u>	<u>-</u>	<u>25,000</u>
Net change in fund balances	269,932	134,825	(21,458)	17,966
Fund balances, July 1, 2008	<u>164,812</u>	<u>379,423</u>	<u>36,634</u>	<u>250,914</u>
FUND BALANCES, JUNE 30, 2009	<u>\$ 434,744</u>	<u>\$ 514,248</u>	<u>\$ 15,176</u>	<u>\$268,880</u>

See auditors report on pages 11-12.

**Special Revenue Funds**

<b>CDBG Grant Fund</b>	<b>Home Grant Fund</b>	<b>HUD Revolving Grant Fund</b>	<b>PRA Fund</b>	<b>Total Nonmajor Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 533,471
-	-	-	-	237,096
-	-	-	-	462,702
33,334	180,000	-	-	227,329
-	-	2,712	2,783	20,613
-	142,932	49,306	98,003	718,072
<u>33,334</u>	<u>322,932</u>	<u>52,018</u>	<u>100,786</u>	<u>2,199,283</u>
-	-	-	-	1,425,143
-	-	-	-	1,080,833
<u>33,334</u>	<u>485,598</u>	<u>55,365</u>	<u>530,468</u>	<u>1,173,125</u>
<u>33,334</u>	<u>485,598</u>	<u>55,365</u>	<u>530,468</u>	<u>3,679,101</u>
<u>-</u>	<u>(162,666)</u>	<u>(3,347)</u>	<u>(429,682)</u>	<u>(1,479,818)</u>
-	-	-	-	-
-	14,613	-	-	14,613
-	124,000	-	500,700	1,910,088
-	-	(32,500)	-	(32,500)
<u>-</u>	<u>138,613</u>	<u>(32,500)</u>	<u>500,700</u>	<u>1,892,201</u>
-	(24,053)	(35,847)	71,018	412,383
-	50,808	246,329	-	1,128,920
<u>\$ -</u>	<u>\$ 26,755</u>	<u>\$210,482</u>	<u>\$ 71,018</u>	<u>\$ 1,541,303</u>

**CITY OF PADUCAH, KENTUCKY**  
**MUNICIPAL AID PROGRAM FUND**  
**DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>			
Intergovernmental	\$ 462,700	\$ 462,702	\$ 2
Interest	4,060	4,063	3
	<u>466,760</u>	<u>466,765</u>	<u>5</u>
<b>Expenditures:</b>			
Public service	1,080,885	1,080,833	52
Excess (deficiency) of revenues over expenditures	(614,125)	(614,068)	57
<b>Other Financing Sources (Uses):</b>			
Operating transfers in	884,000	884,000	-
Net change in fund balance	<u>\$ 269,875</u>	269,932	<u>\$ 57</u>
Fund balance, July 1, 2008		<u>164,812</u>	
FUND BALANCE, JUNE 30, 2009		<u>\$ 434,744</u>	

See auditors report on pages 11-12.

**CITY OF PADUCAH, KENTUCKY**  
**EMERGENCY COMMUNICATION SERVICE FUND**  
**DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>			
Taxes	\$ 533,470	\$ 533,471	\$ 1
Telephone surcharges	237,095	237,096	1
Interest	3,355	3,358	3
Miscellaneous	<u>355,435</u>	<u>355,439</u>	<u>4</u>
Total revenues	<u>1,129,355</u>	<u>1,129,364</u>	<u>9</u>
<b>Expenditures:</b>			
Public safety	<u>1,371,195</u>	<u>1,370,927</u>	<u>268</u>
Excess (deficiency) of revenues over expenditures	(241,840)	(241,563)	277
<b>Other Financing Sources (Uses):</b>			
Operating transfers in	<u>376,385</u>	<u>376,388</u>	<u>3</u>
Net change in fund balance	<u>\$ 134,545</u>	134,825	<u>\$ 280</u>
Fund balance, July 1, 2008		<u>379,423</u>	
FUND BALANCE, JUNE 30, 2009		<u>\$ 514,248</u>	

See auditors report on pages 11-12.

**CITY OF PADUCAH, KENTUCKY**  
**COURT AWARDS FUND**  
**DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>			
Court awarded forfeitures	<u>\$ 30,035</u>	<u>\$ 30,039</u>	<u>\$ 4</u>
Interest	<u>2,715</u>	<u>2,719</u>	<u>4</u>
Total revenues	<u>32,750</u>	<u>32,758</u>	<u>8</u>
<b>Expenditures:</b>			
Public safety	<u>54,235</u>	<u>54,216</u>	<u>19</u>
Excess (deficiency) of revenues over expenditures	<u><u>\$ (21,485)</u></u>	<u>(21,458)</u>	<u><u>\$ 27</u></u>
Fund balance, July 1, 2008		<u>36,634</u>	
FUND BALANCE, JUNE 30, 2009		<u><u>\$ 15,176</u></u>	

See auditors report on pages 11-12.

**CITY OF PADUCAH, KENTUCKY**  
**SMALL GRANT FUND**  
**DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>			
Grants	\$13,990	\$ 13,995	\$ 5
Interest	4,975	4,978	3
Other	<u>42,350</u>	<u>42,353</u>	<u>3</u>
Total revenues	<u>61,315</u>	<u>61,326</u>	<u>11</u>
<b>Expenditures:</b>			
Planning and development	<u>68,365</u>	<u>68,360</u>	<u>5</u>
Excess (deficiency) of revenues over expenditures	<u>(7,050)</u>	<u>(7,034)</u>	<u>16</u>
<b>Other Financing Sources (Uses):</b>			
Operating transfers in	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Net change in fund balance	<u><u>\$17,950</u></u>	17,966	<u><u>\$ 16</u></u>
Fund balance, July 1, 2008		<u>250,914</u>	
FUND BALANCE, JUNE 30, 2009		<u><u>\$268,880</u></u>	

See auditors report on pages 11-12.

**CITY OF PADUCAH, KENTUCKY**  
**CDBG GRANT FUND**  
**DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Grants	\$33,330	\$33,334	\$ 4
Miscellaneous	-	-	-
	<u>33,330</u>	<u>33,334</u>	<u>4</u>
Total revenues			
<b>Expenditures:</b>			
Planning and development	33,335	33,334	1
Excess (deficiency) of revenues over expenditures	<u>(5)</u>	<u>-</u>	<u>5</u>
<b>Other Financing Sources (Uses):</b>			
Operating transfers in	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u><u>\$ (5)</u></u>	<u>-</u>	<u><u>\$ 5</u></u>
Fund balance, July 1, 2008		<u>-</u>	
FUND BALANCE, JUNE 30, 2009		<u><u>\$ -</u></u>	

See auditors report on pages 11-12.

**CITY OF PADUCAH, KENTUCKY**  
**HOME GRANT FUND**  
**DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>			
Grants	\$ 180,000	\$ 180,000	\$ -
Miscellaneous	142,930	142,932	2
	<u>322,930</u>	<u>322,932</u>	<u>2</u>
<b>Expenditures:</b>			
Planning and development	485,600	485,598	2
Excess (deficiency) of revenues over expenditures	<u>(162,670)</u>	<u>(162,666)</u>	<u>4</u>
<b>Other Financing Sources (Uses):</b>			
Long-term debt issued	14,610	14,613	3
Operating transfers in	124,000	124,000	-
	<u>138,610</u>	<u>138,613</u>	<u>3</u>
Net change in fund balance	<u>\$ (24,060)</u>	(24,053)	<u>\$ 7</u>
Fund balance, July 1, 2008		<u>50,808</u>	
FUND BALANCE, JUNE 30, 2009		<u>\$ 26,755</u>	

See auditors report on pages 11-12.

**CITY OF PADUCAH, KENTUCKY**  
**HUD REVOLVING GRANT FUND**  
**DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>			
Interest	\$ 2,710	\$ 2,712	\$ 2
Other	49,305	49,306	1
	<u>52,015</u>	<u>52,018</u>	<u>3</u>
<b>Expenditures:</b>			
Planning and development	55,365	55,365	-
Excess (deficiency) of revenues over expenditures	<u>(3,350)</u>	<u>(3,347)</u>	<u>3</u>
<b>Other Financing Sources (Uses):</b>			
Operating transfers out	<u>(32,500)</u>	<u>(32,500)</u>	<u>-</u>
Total other financing sources (uses)	<u>(32,500)</u>	<u>(32,500)</u>	<u>-</u>
Net change in fund balance	<u><u>\$(35,850)</u></u>	<u>(35,847)</u>	<u><u>\$ 3</u></u>
Fund balance, July 1, 2008		<u>246,329</u>	
FUND BALANCE, JUNE 30, 2009		<u><u>\$210,482</u></u>	

See auditors report on pages 11-12.

**CITY OF PADUCAH, KENTUCKY**  
**PRA FUND**  
**DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>			
Interest	\$ 2,750	\$ 2,783	\$ 33
Other	98,000	98,003	3
	<u>100,750</u>	<u>100,786</u>	<u>36</u>
Total revenues			
<b>Expenditures:</b>			
Public safety	531,060	530,468	592
	<u>(430,310)</u>	<u>(429,682)</u>	<u>628</u>
Excess (deficiency) of revenues over expenditures			
<b>Other Financing Sources (Uses):</b>			
Operating transfers in	500,700	500,700	-
	<u>500,700</u>	<u>500,700</u>	<u>-</u>
Total other financing sources (uses)			
Net change in fund balance	<u>\$ 70,390</u>	71,018	<u>\$ 628</u>
Fund balance, July 1, 2008		<u>-</u>	
FUND BALANCE, JUNE 30, 2009		<u>\$ 71,018</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, 2009**

**COMBINING FINANCIAL STATEMENTS  
NONMAJOR ENTERPRISE 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 REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<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	\$1,964,247	\$ 38,577	\$148,291	\$2,151,115
Miscellaneous	1,689	-	-	1,689
Total operating revenues	<u>1,965,936</u>	<u>38,577</u>	<u>148,291</u>	<u>2,152,804</u>
<b>Operating Expenses:</b>				
Cost of sales and service	2,149,465	64,900	149,043	2,363,408
Depreciation and amortization	4,895	10,790	13,807	29,492
Total operating expenses	<u>2,154,360</u>	<u>75,690</u>	<u>162,850</u>	<u>2,392,900</u>
Operating income (loss)	<u>(188,424)</u>	<u>(37,113)</u>	<u>(14,559)</u>	<u>(240,096)</u>
<b>Non-Operating Revenues (Expenses):</b>				
Interest and investment income	325	4	-	329
Income (loss) before contributions and operating transfers	<u>(188,099)</u>	<u>(37,109)</u>	<u>(14,559)</u>	<u>(239,767)</u>
<b>Contributions and Operating Transfers:</b>				
Capital contributions	-	-	33,463	33,463
Transfers in	-	25,107	85,731	110,838
Transfers out	-	-	-	-
Total contributions and operating transfers	<u>-</u>	<u>25,107</u>	<u>119,194</u>	<u>144,301</u>
Change in net assets	(188,099)	(12,002)	104,635	(95,466)
Net assets, July 1, 2008	<u>579,460</u>	<u>210,923</u>	<u>257,740</u>	<u>1,048,123</u>
NET ASSETS, JUNE 30, 2009	<u>\$ 391,361</u>	<u>\$198,921</u>	<u>\$362,375</u>	<u>\$ 952,657</u>

See auditors report on pages 11-12.

**CITY OF PADUCAH, KENTUCKY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<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	\$ 1,971,203	\$ 38,577	\$ 137,383	\$ 2,147,163
Payments to employees	(153,854)	-	-	(153,854)
Payments to internal service funds	-	(2,709)	(1,559)	(4,268)
Other receipts	1,689	-	-	1,689
Other payments	(2,005,810)	(61,119)	(160,145)	(2,227,074)
Net cash provided (used) by operating activities	(186,772)	(25,251)	(24,321)	(236,344)
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers (to) from other funds	-	25,107	85,731	110,838
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Capital contributions	-	-	33,463	33,463
Acquisition and construction of capital assets	(16,985)	-	(10,245)	(27,230)
Net cash used by capital and related financing activities	(16,985)	-	23,218	6,233
<b>Cash Flows from Investing Activities:</b>				
Interest on cash and investments	325	4	-	329
Net increase (decrease) in cash and cash equivalents	(203,432)	(140)	84,628	(118,944)
Cash and cash equivalents, July 1, 2008	674,422	3,981	201,229	879,632
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2009</b>	<b>\$ 470,990</b>	<b>\$ 3,841</b>	<b>\$ 285,857</b>	<b>\$ 760,688</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating income (loss)	\$ (188,424)	\$ (37,113)	\$ (14,559)	\$ (240,096)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	4,895	10,790	13,807	29,492
Change in assets and liabilities:				
Receivables	6,956	-	(10,908)	(3,952)
Prepaid expense	-	-	(9,377)	(9,377)
Accrued expenses	(2,001)	-	-	(2,001)
Accounts payable	(8,198)	1,072	(3,284)	(10,410)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (186,772)</b>	<b>\$ (25,251)</b>	<b>\$ (24,321)</b>	<b>\$ (236,344)</b>

See auditors report on pages 11-12.

**COMBINING FINANCIAL STATEMENTS  
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, 2009**

<b><u>ASSETS</u></b>					
	<b><u>Fleet</u></b>	<b><u>Fleet Lease</u></b>	<b><u>Insurance</u></b>	<b><u>Health</u></b>	<b><u>Combined</u></b>
<b>Current Assets:</b>	<b><u>Maintenance</u></b>	<b><u>Trust</u></b>	<b><u>Fund</u></b>	<b><u>Fund</u></b>	<b><u>Total</u></b>
Cash and cash equivalents	\$177,712	\$ 372,914	\$ 27	\$272,609	\$ 823,262
Investments	-	3,200,000	-	-	3,200,000
Receivables, net	-	68,210	35,050	2,149	105,409
Prepaid expense	-	297,907	927,377	56,363	1,281,647
Inventories	73,605	-	-	-	73,605
Total current assets	251,317	3,939,031	962,454	331,121	5,483,923
<b>Noncurrent Assets:</b>					
Net depreciable capital assets	39,764	1,898,919	-	-	1,938,683
Total assets	291,081	5,837,950	962,454	331,121	7,422,606
<b><u>LIABILITIES</u></b>					
<b>Current Liabilities:</b>					
Voucher and accounts payable	6,308	189	17,040	53,587	77,124
Accrued payroll and payroll taxes	9,817	-	-	-	9,817
Accrued compensated absences	-	-	-	-	-
Due to other funds	-	-	801,000	-	801,000
Total current liabilities	16,125	189	818,040	53,587	887,941
<b>Noncurrent Liabilities:</b>					
Accrued compensated absences	33,363	-	-	-	33,363
Total liabilities	49,488	189	818,040	53,587	921,304
<b><u>NET ASSETS</u></b>					
Invested in capital assets, net of related debt	39,764	1,898,919	-	-	1,938,683
Unrestricted	201,829	3,938,842	144,414	277,534	4,562,619
TOTAL NET ASSETS	\$241,593	\$5,837,761	\$144,414	\$277,534	\$6,501,302

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, 2009**

	<b>Fleet Maintenance</b>	<b>Fleet Lease Trust</b>	<b>Insurance Fund</b>	<b>Health Insurance Fund</b>	<b>Combined Total</b>
<b>Operating Revenues:</b>					
Charges for services - internal	\$500,084	\$ 783,976	\$1,075,200	\$3,600,237	\$5,959,497
Charges for services - external	-	-	-	279,479	279,479
Total operating revenues	<u>500,084</u>	<u>783,976</u>	<u>1,075,200</u>	<u>3,879,716</u>	<u>6,238,976</u>
<b>Operating Expenses:</b>					
Vehicle maintenance	471,246	-	-	-	471,246
Administrative	-	7,146	-	66,900	74,046
Insurance	-	-	1,061,096	3,760,097	4,821,193
Leave expense	19,082	-	-	-	19,082
Depreciation	6,612	469,190	-	-	475,802
Total operating expenses	<u>496,940</u>	<u>476,336</u>	<u>1,061,096</u>	<u>3,826,997</u>	<u>5,861,369</u>
Operating income (loss)	<u>3,144</u>	<u>307,640</u>	<u>14,104</u>	<u>52,719</u>	<u>377,607</u>
<b>Nonoperating Revenues and (Expenses):</b>					
Interest and investment income	1,854	108,697	1,159	-	111,710
Gain (loss) on disposal of property and equipment	2,812	65,718	-	-	68,530
Total nonoperating revenues (expenses)	<u>4,666</u>	<u>174,415</u>	<u>1,159</u>	<u>-</u>	<u>180,240</u>
Income (loss) before operating transfers	<u>7,810</u>	<u>482,055</u>	<u>15,263</u>	<u>52,719</u>	<u>557,847</u>
<b>Contributions and Operating Transfers:</b>					
Transfers in	-	90,000	24,839	-	114,839
Change in net assets	7,810	572,055	40,102	52,719	672,686
Net assets, July 1, 2008	<u>233,783</u>	<u>5,265,706</u>	<u>104,312</u>	<u>224,815</u>	<u>5,828,616</u>
NET ASSETS, JUNE 30, 2009	<u>\$241,593</u>	<u>\$5,837,761</u>	<u>\$ 144,414</u>	<u>\$ 277,534</u>	<u>\$6,501,302</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, 2009**

	<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	\$ 500,084	\$ 800,117	\$ 1,040,150	\$ 3,876,950	\$ 6,217,301
Payments to suppliers	(146,526)		-	-	(146,526)
Payments to employees	(318,788)		-	-	(318,788)
Claims paid	-		-	(3,602,083)	(3,602,083)
Other receipts	-		-	-	-
Other payments	-	(326,453)	(1,066,124)	(66,900)	(1,459,477)
Net cash provided (used) by operating activities	<u>34,770</u>	<u>473,664</u>	<u>(25,974)</u>	<u>207,967</u>	<u>690,427</u>
<b>Cash Flows from Noncapital Financing Activities:</b>					
Transfers from other funds	-	90,000	24,839	-	114,839
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Purchase of capital assets	(8,165)	(430,795)	-	-	(438,960)
Proceeds from sale of capital assets	6,000	66,937	-	-	72,937
Net cash used by capital and related financing	<u>(2,165)</u>	<u>(363,858)</u>	<u>-</u>	<u>-</u>	<u>(366,023)</u>
<b>Cash Flows from Investing Activities:</b>					
Proceeds from sales and maturities of investments	-	1,850,000	-	-	1,850,000
Interest and dividends	1,854	108,697	1,159	-	111,710
Purchase of investments	-	(1,870,000)	-	-	(1,870,000)
Net cash provided (used) by investing activities	<u>1,854</u>	<u>88,697</u>	<u>1,159</u>	<u>-</u>	<u>91,710</u>
Net increase (decrease) in cash and cash equivalents	34,459	288,503	24	207,967	530,953
Cash and cash equivalents, July 1, 2008	<u>143,253</u>	<u>84,411</u>	<u>3</u>	<u>64,642</u>	<u>292,309</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2009</b>	<u><u>\$ 177,712</u></u>	<u><u>\$ 372,914</u></u>	<u><u>\$ 27</u></u>	<u><u>\$ 272,609</u></u>	<u><u>\$ 823,262</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>					
Operating income (loss)	\$ 3,144	\$ 307,640	\$ 14,104	\$ 52,719	\$ 377,607
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	6,612	469,190	-	-	475,802
Change in assets and liabilities:					
Receivables	-	16,141	(35,050)	11,932	(6,977)
Prepaid expense	-	(297,907)	41,446	217,858	(38,603)
Inventories	2,655	-	-	-	2,655
Accrued expenses	21,412	-	-	(14,698)	6,714
Accounts payable	947	(21,400)	(46,474)	(59,844)	(126,771)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ 34,770</u></u>	<u><u>\$ 473,664</u></u>	<u><u>\$ (25,974)</u></u>	<u><u>\$ 207,967</u></u>	<u><u>\$ 690,427</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, 2009**

**COMBINING FINANCIAL STATEMENTS  
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, 2009**

<b><u>ASSETS</u></b>	<b>Police and Firefighters' Retirement Fund</b>	<b>Appointive Employees' Pension Fund</b>	<b>Total</b>
Cash and cash equivalents	\$ 69,196	\$ 24,800	\$ 93,996
Receivables:			
Interest	21,898	920	22,818
Prepaid expenses	-	296	296
Investments at fair value			
Money market funds	526,994	-	526,994
Certificates of deposit	-	200,000	200,000
Common stock	1,557,626	-	1,557,626
Corporate bonds	275,248	-	275,248
U.S. agencies bonds	1,162,128	-	1,162,128
Mortgage backed securities	-	-	-
Mutual funds	5,034,632	-	5,034,632
Total assets	<u>8,647,722</u>	<u>226,016</u>	<u>8,873,738</u>
<b><u>LIABILITIES</u></b>			
Voucher and accounts payable	<u>203</u>	<u>-</u>	<u>203</u>
<b><u>NET ASSETS</u></b>			
Held in trust for pension benefits and other purposes	<u>\$8,647,519</u>	<u>\$226,016</u>	<u>\$8,873,535</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, 2009**

<b>Additions:</b>	<b>Police and Firefighters' Retirement Fund</b>	<b>Appointive Employees' Pension Fund</b>	<b>Totals</b>
Contributions:			
Employer	\$ 226,057	\$ -	\$ 226,057
Plan members	4,473	-	4,473
Total contributions	<u>230,530</u>	<u>-</u>	<u>230,530</u>
Investment earnings:			
Net increase in fair value of investments	(2,105,252)	-	(2,105,252)
Interest and dividends	284,244	6,788	291,032
Net investment earnings	<u>(1,821,008)</u>	<u>6,788</u>	<u>(1,814,220)</u>
Total additions	<u>(1,590,478)</u>	<u>6,788</u>	<u>(1,583,690)</u>
<b>Deductions:</b>			
Benefits	1,793,820	43,242	1,837,062
Administrative expenses	65,237	9,231	74,468
Total deductions	<u>1,859,057</u>	<u>52,473</u>	<u>1,911,530</u>
Change in net assets	(3,449,535)	(45,685)	(3,495,220)
Net assets, July 1, 2008	<u>12,097,054</u>	<u>271,701</u>	<u>12,368,755</u>
NET ASSETS, JUNE 30, 2009	<u><u>\$ 8,647,519</u></u>	<u><u>\$226,016</u></u>	<u><u>\$ 8,873,535</u></u>

See auditors report on pages 11-12.

**COMBINING FINANCIAL STATEMENTS  
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, 2009**

<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	\$ 2,015	\$5,357	\$ 7,372
Investments at fair value			
Money market funds	4,092	-	4,092
Mutual funds	835,501	-	835,501
Total assets	<u>841,608</u>	<u>5,357</u>	<u>846,965</u>
<u><b>NET ASSETS</b></u>			
Held in trust for other purposes	<u>\$841,608</u>	<u>\$5,357</u>	<u>\$846,965</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, 2009**

	<u>Other Trusts</u>	<u>Maintenance and Rehab Trust</u>	<u>Totals</u>
<b>Additions:</b>			
Contributions:			
Intergovernmental revenues	\$ 5,205	\$8,000	\$ 13,205
Private donations	-	-	-
	<u>5,205</u>	<u>8,000</u>	<u>13,205</u>
Total contributions			
Investment earnings:			
Net decrease in fair value of investments	(140,446)	-	(140,446)
Loss on sale of investments	(49,009)	-	(49,009)
Interest and dividends	30,012	-	30,012
	<u>(159,443)</u>	<u>-</u>	<u>(159,443)</u>
Net investment earnings			
Total additions	<u>(154,238)</u>	<u>8,000</u>	<u>(146,238)</u>
<b>Deductions:</b>			
Capital outlay	-	449	449
Administrative expenses	8,941	4,742	13,683
	<u>-</u>	<u>3,244</u>	<u>3,244</u>
Interfund transfers out			
Total deductions	<u>8,941</u>	<u>8,435</u>	<u>17,376</u>
Change in net assets	(163,179)	(435)	(163,614)
Net assets, July 1, 2008	<u>1,004,787</u>	<u>5,792</u>	<u>1,010,579</u>
NET ASSETS, JUNE 30, 2009	<u>\$ 841,608</u>	<u>\$5,357</u>	<u>\$ 846,965</u>

See auditors report on pages 11-12.

**COMBINING FINANCIAL STATEMENTS  
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, 2009**

<b>Payroll Fund:</b>	<u><b>Balance</b></u> <u><b>July 1, 2008</b></u>	<u><b>Additions</b></u>	<u><b>Deductions</b></u>	<u><b>Balance</b></u> <u><b>June 30, 2009</b></u>
Assets:				
Cash and cash equivalents	<u>\$459,094</u>	<u>\$16,622,559</u>	<u>\$16,654,038</u>	<u>\$427,615</u>
Liabilities:				
Payroll taxes and withholdings payable	<u>\$459,094</u>	<u>\$16,622,559</u>	<u>\$16,654,038</u>	<u>\$427,615</u>

See auditors report on pages 11-12.

**CITY OF PADUCAH, KENTUCKY**

**STATISTICAL SECTION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2009**

## **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>116-121</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>122-127</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>128-131</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>132-133</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>134-136</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 ended 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 Seven Fiscal Years (1)**  
*(accrual basis of accounting)*

	Fiscal Year						
	2009	2008	2007	2006	2005 (2)	2004	2003
<b>Governmental Activities:</b>							
Invested in capital assets, net of related debt	\$ 31,215,252	\$ 31,766,783	\$ 32,557,572	\$ 30,664,671	\$ 29,492,197	\$ 27,826,117	\$ 27,955,839
Restricted for:							
Program purposes	2,183,559	1,782,251	1,904,321	1,018,231	727,699	714,538	713,766
Capital projects	4,363,913	5,028,420	4,618,923	2,689,804	940,323	4,031,802	3,583,589
Unrestricted	8,621,077	9,432,763	9,057,641	7,718,198	7,419,037	(406,042)	1,571,120
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>							
<b>NET ASSETS</b>	<b>\$ 46,383,801</b>	<b>\$ 48,010,217</b>	<b>\$ 48,138,457</b>	<b>\$ 42,090,904</b>	<b>\$ 38,579,256</b>	<b>\$ 32,166,415</b>	<b>\$ 33,824,314</b>
<b>Business-Type Activities:</b>							
Invested in capital assets, net of related debt	\$ 1,721,419	\$ 1,863,975	\$ 1,491,523	\$ 1,277,720	\$ 1,463,118	\$ 1,463,668	\$ 1,425,753
Restricted for:							
Program purposes	369,368	579,460	-	-	-	-	-
Unrestricted	1,036,093	(19,965)	(147,286)	132,090	(27,648)	1,979,494	1,565,100
<b>TOTAL BUSINESS-TYPE</b>							
<b>ACTIVITIES NET ASSETS</b>	<b>\$ 3,126,880</b>	<b>\$ 2,423,470</b>	<b>\$ 1,344,237</b>	<b>\$ 1,409,810</b>	<b>\$ 1,435,470</b>	<b>\$ 3,443,162</b>	<b>\$ 2,990,853</b>
<b>Primary Government:</b>							
Invested in capital assets, net of related debt	\$ 32,936,671	\$ 33,630,758	\$ 34,049,095	\$ 31,942,391	\$ 30,955,315	\$ 29,289,785	\$ 29,381,592
Restricted for:							
Program purposes	2,552,927	2,361,711	1,904,321	1,018,231	727,699	714,538	713,766
Capital projects	4,363,913	5,028,420	4,618,923	2,689,804	940,323	4,031,802	3,583,589
Unrestricted	9,657,170	9,412,798	8,910,355	7,850,288	7,391,389	1,573,452	3,136,220
<b>TOTAL PRIMARY GOVERNMENT</b>							
<b>NET ASSETS</b>	<b>\$ 49,510,681</b>	<b>\$ 50,433,687</b>	<b>\$ 49,482,694</b>	<b>\$ 43,500,714</b>	<b>\$ 40,014,726</b>	<b>\$ 35,609,577</b>	<b>\$ 36,815,167</b>

- (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 Seven Fiscal Years (1)**  
*(accrual basis of accounting)*

<b>Expenses:</b>	<b>Fiscal Year</b>						
	<b>2009</b>	<b>2008 (3)</b>	<b>2007</b>	<b>2006</b>	<b>2005 (2)</b>	<b>2004</b>	<b>2003</b>
<i>Governmental activities:</i>							
General government	\$ 12,148,118	\$ 10,709,641	\$ 9,462,543	\$ 9,057,295	\$ 8,431,994	\$ 7,969,027	\$ 7,396,882
Public safety	15,734,557	15,938,831	15,182,704	14,592,756	14,620,938	13,243,912	12,964,120
Public service	12,849,566	9,543,714	8,299,658	8,486,662	6,249,860	8,618,901	7,376,791
Parks and recreation	1,492,306	1,286,955	1,197,072	1,044,361	1,045,024	1,026,293	975,362
Planning and development	708,827	282,042	1,891,725	2,404,636	2,521,412	5,330,393	3,108,192
Interest on long-term debt	1,029,888	1,066,067	1,134,898	974,101	775,122	496,049	428,578
<b>Total governmental activities expense</b>	<b>43,963,262</b>	<b>38,827,250</b>	<b>37,168,600</b>	<b>36,559,811</b>	<b>33,644,350</b>	<b>36,684,575</b>	<b>32,249,925</b>
<i>Business-type activities:</i>							
Solid Waste	4,037,845	4,086,747	4,079,684	3,893,013	3,683,954	3,419,464	3,359,731
Section Eight Housing	2,154,360	1,949,899	-	-	-	-	-
Civic Center	75,692	84,908	54,562	45,894	39,008	33,181	46,509
TISA	162,849	156,388	267,192	269,781	170,264	184,166	123,719
<b>Total business-type activities expense</b>	<b>6,430,746</b>	<b>6,277,942</b>	<b>4,401,438</b>	<b>4,208,688</b>	<b>3,893,226</b>	<b>3,636,811</b>	<b>3,529,959</b>
<b>TOTAL PRIMARY GOVERNMENT EXPENSES</b>	<b>\$ 50,394,008</b>	<b>\$ 45,105,192</b>	<b>\$ 41,570,038</b>	<b>\$ 40,768,499</b>	<b>\$ 37,537,576</b>	<b>\$ 40,321,386</b>	<b>\$ 35,779,884</b>
<b>Program Revenues:</b>							
<i>Governmental activities:</i>							
Charges for services:							
General government	\$ 1,303,667	\$ 1,415,943	\$ 1,730,046	\$ 1,618,903	\$ 1,485,005	\$ 1,601,414	\$ 1,445,383
Public safety	602,262	268,839	1,024,610	767,086	794,814	1,134,386	94,386
Public service	1,220,999	1,111,188	1,150,507	942,355	895,155	986,618	683,119
Parks and recreation	180,420	124,606	122,929	103,932	117,317	132,388	131,355
Planning and development	1,600	30,627	10,810	20,602	13,501	12,893	15,867
Operating grants and contributions	2,119,845	1,340,261	2,797,216	2,988,612	2,452,694	3,290,134	4,176,548
Capital grants and contributions	4,889,520	1,297,900	3,681,490	3,302,568	1,100,064	3,221,637	2,213,757
<b>Total governmental activities program revenues</b>	<b>10,318,313</b>	<b>5,589,364</b>	<b>10,517,608</b>	<b>9,744,058</b>	<b>6,858,550</b>	<b>10,379,470</b>	<b>8,760,415</b>

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

	<b>Fiscal Year</b>						
	<b>2009</b>	<b>2008 (3)</b>	<b>2007</b>	<b>2006</b>	<b>2005 (2)</b>	<b>2004</b>	<b>2003</b>
<b>Program Revenues:</b>							
<i>Business-type activities:</i>							
Solid Waste	\$ 4,547,959	\$ 4,165,094	\$ 3,928,140	\$ 3,696,609	\$ 3,583,417	\$ 3,790,132	\$ 3,298,964
Section Eight Housing	-	-	-	-	-	-	-
Civic Center	38,577	32,932	31,372	26,378	32,828	36,455	20,825
TISA	148,291	143,833	193,713	106,697	104,087	100,778	93,383
Operating grants and contributions	1,965,936	1,785,809	-	-	-	-	-
Capital grants and contributions	129,032	9,480	23,969	22,894	14,735	24,990	3,666
Total business-type activities program revenues	<u>6,829,795</u>	<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>
<b>TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES</b>	<u><u>\$ 17,148,108</u></u>	<u><u>\$ 11,726,512</u></u>	<u><u>\$ 14,694,802</u></u>	<u><u>\$ 13,596,636</u></u>	<u><u>\$ 10,593,617</u></u>	<u><u>\$ 14,331,825</u></u>	<u><u>\$ 12,177,253</u></u>
<b>Net (Expense)/Revenue:</b>							
<i>Governmental activities</i>	(33,644,949)	(33,237,886)	(26,650,992)	(26,815,753)	(26,785,800)	(26,305,105)	(23,489,510)
<i>Business-type activities</i>	<u>399,049</u>	<u>(140,794)</u>	<u>(224,244)</u>	<u>(356,110)</u>	<u>(158,159)</u>	<u>315,544</u>	<u>(113,121)</u>
<b>TOTAL PRIMARY GOVERNMENT NET (EXPENSE)</b>	<u><u>\$(33,245,900)</u></u>	<u><u>\$(33,378,680)</u></u>	<u><u>\$(26,875,236)</u></u>	<u><u>\$(27,171,863)</u></u>	<u><u>\$(26,943,959)</u></u>	<u><u>\$(25,989,561)</u></u>	<u><u>\$(23,602,631)</u></u>
<b>General Revenues and Other Changes in Net Assets:</b>							
<i>Governmental activities:</i>							
Taxes and licenses:							
Property taxes, levied for general purposes	3,986,760	4,221,957	4,122,538	4,107,934	3,919,113	4,012,168	3,893,211
Insurance premium tax	4,055,228	4,699,458	4,414,672	3,863,953	3,957,289	3,767,864	3,580,964
Gross receipts license tax	4,320,850	4,061,587	4,050,057	3,899,432	3,720,784	3,496,438	3,404,338
Employee license tax	16,584,636	16,520,523	16,273,966	14,794,217	11,192,445	10,616,223	10,301,231
Other taxes	2,776,407	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	336,960	540,620	639,702	462,292	290,647	220,992	325,811
Gain on sale of capital assets	68,530	119,200	48,656	8,340	-	(1,972)	125,714
Transfers	(110,838)	(96,609)	(58,175)	(115,754)	(133,959)	(68,964)	18,666
Total governmental activities	<u>32,018,533</u>	<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>

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

<b>General Revenues and Other Changes in Net Assets:</b>	<b>Fiscal Year</b>						
	<b>2009</b>	<b>2008 (3)</b>	<b>2007</b>	<b>2006</b>	<b>2005 (2)</b>	<b>2004</b>	<b>2003</b>
<i>Business-type activities:</i>							
Unrestricted investment earnings	\$ 52,961	\$ 73,985	\$ 83,854	\$ 85,786	\$ 51,508	\$ 32,826	\$ 39,530
Gain on sale of capital assets	98,369	127,131	16,641	55,337	27,500	34,975	24,238
Transfers	110,838	96,609	58,176	115,754	133,959	68,964	(18,666)
Total business-type activities	<u>262,168</u>	<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>	(1,626,416)	490,206	6,047,553	3,511,648	(767,433)	(1,626,943)	889,621
<i>Business-type activities:</i>	<u>661,217</u>	<u>156,931</u>	<u>(65,573)</u>	<u>(99,233)</u>	<u>54,808</u>	<u>452,309</u>	<u>(68,019)</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u><u>\$ (965,199)</u></u>	<u><u>\$ 647,137</u></u>	<u><u>\$ 5,981,980</u></u>	<u><u>\$ 3,412,415</u></u>	<u><u>\$ (712,625)</u></u>	<u><u>\$ (1,174,634)</u></u>	<u><u>\$ 821,602</u></u>

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- (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)*

	Fiscal Year									
	2009	2008 (3)	2007	2006	2005 (1)	2004	2003	2002	2001 (2)	2000
<b>General Fund:</b>										
Reserved for:										
Encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>10,311,490</u>	<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>
<b>TOTAL GENERAL FUND</b>	<u><u>\$10,311,490</u></u>	<u><u>\$9,416,427</u></u>	<u><u>\$9,976,079</u></u>	<u><u>\$9,157,310</u></u>	<u><u>\$8,303,702</u></u>	<u><u>\$4,642,073</u></u>	<u><u>\$4,925,982</u></u>	<u><u>\$4,441,662</u></u>	<u><u>\$ 4,229,377</u></u>	<u><u>\$3,930,807</u></u>
<b>All Other Governmental Funds:</b>										
Reserved for:										
Program purposes	\$ 479,362	\$ 497,243	\$1,009,522	\$ 783,596	\$ 498,423	\$ 483,423	\$ 695,213	\$ 567,096	\$ 604,021	\$ 327,925
Capital improvements	4,363,913	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
Encumbrances	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	1,061,941	631,677	502,189	758,017	1,039,854	770,453	1,080,043	714,972	1,247,619	1,402,554
Debt service funds	<u>93,244</u>	<u>65,048</u>	<u>31,836</u>	<u>32,364</u>	<u>9,805</u>	<u>30,243</u>	<u>46,051</u>	<u>244,724</u>	<u>232,640</u>	<u>935,605</u>
<b>TOTAL ALL OTHER GOVERNMENTAL FUNDS</b>	<u><u>\$ 5,998,460</u></u>	<u><u>\$6,222,388</u></u>	<u><u>\$6,162,470</u></u>	<u><u>\$4,263,781</u></u>	<u><u>\$2,488,405</u></u>	<u><u>\$5,170,510</u></u>	<u><u>\$5,404,896</u></u>	<u><u>\$5,738,510</u></u>	<u><u>\$11,918,685</u></u>	<u><u>\$4,186,594</u></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									
	2009	2008	2007	2006	2005	2004	2003 (1)	2002	2001	2000
<b>Revenues:</b>										
Taxes	\$ 5,867,782	\$ 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
Licenses	25,411,112	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
Charges for services	866,688	835,105	783,018	654,059	625,281	668,659	743,826	1,452,732	1,332,280	1,073,577
Intergovernmental	1,086,377	1,565,348	1,676,783	1,529,879	1,192,724	1,029,307	1,186,306	590,372	450,412	428,698
Grants	5,405,810	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
Interest	225,251	419,103	540,204	402,943	251,302	190,350	316,794	541,277	515,299	485,883
Miscellaneous	2,250,344	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
<b>Total revenues</b>	<b>41,113,364</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>Expenditures:</b>										
General government	4,726,435	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
Public safety	15,599,613	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
Public service	7,855,846	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
Parks and recreation	1,490,732	1,298,329	1,192,727	1,044,299	1,045,024	1,026,297	975,361	897,060	738,401	1,661,562
Planning and development	1,811,083	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
Other	514,488	520,611	526,238	481,690	462,099	2,343,844	645,653	323,844	99,657	95,082
Capital outlay	8,580,910	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
Debt service:										
Principal requirement	830,682	880,887	782,870	594,047	552,938	428,613	379,229	362,275	140,636	134,295
Interest and fiscal requirement	1,003,439	1,051,008	1,108,385	949,537	745,676	471,625	428,578	413,364	25,752	30,536
<b>Total expenditures</b>	<b>42,413,228</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>Other Financing Sources (Uses):</b>										
Bonds issued	1,718,605	-	-	6,100,000	-	5,000,000	-	-	9,104,211	-
Long-term debt issued	69,032	-	246,667	-	275,000	3,500,000	-	-	-	-
Capital lease	405,796	371,979	-	-	-	-	-	-	-	-
Transfers in	5,928,413	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
Transfers out	(6,150,847)	(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)
<b>Total other financing sources (uses)</b>	<b>1,970,999</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>NET CHANGE IN FUND BALANCES</b>	<b>\$ 671,135</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>
Capital outlay (2)	\$ 2,850,717	\$ 2,857,189	\$ 4,638,045	\$ 3,779,542	\$ 3,981,143	\$ 9,144,907	\$ 1,907,998	\$ -	\$ -	\$ -
Debt service as a percentage of noncapital expenditures	4.64%	5.49%	5.46%	4.69%	4.26%	2.77%	2.75%	2.86%	0.67%	0.71%

(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 Statements 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							
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
2009	776,876,510	645,672,462	526,966,182	56,333,800	2,005,848,954	2,069,450,607	0.288	96.9%	63,601,653

**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		Total Direct Rate	Public Library		McCracken Co. School Districts		City of Paducah School Districts		Paducah Junior College		McCracken County	
	Real Estate	Personal		Real Estate	Personal	Real Estate	Personal	Real Estate	Personal	Real Estate	Personal	Real Estate	Personal
2000	0.300	0.390	0.328	0.040	0.050	0.385	0.385	0.590	0.598	0.029	0.034	0.146	0.187
2001	0.300	0.390	0.329	-	-	0.385	0.385	0.597	0.599	0.022	0.022	0.195	0.223
2002	0.300	0.390	0.328	-	-	0.385	0.385	0.600	0.597	0.022	0.022	0.196	0.237
2003	0.300	0.390	0.327	-	-	0.396	0.396	0.598	0.603	0.022	0.022	0.196	0.221
2004	0.300	0.390	0.326	-	-	0.394	0.394	0.617	0.605	0.021	0.021	0.190	0.199
2005	0.300	0.390	0.325	-	-	0.448	0.448	0.618	0.617	0.021	0.021	0.196	0.226
2006	0.300	0.390	0.325	-	-	0.433	0.433	0.631	0.619	0.020	0.021	0.197	0.236
2007	0.275	0.390	0.307	-	-	0.433	0.433	0.628	0.631	0.019	0.019	0.197	0.236
2008	0.250	0.390	0.287	-	-	0.488	0.488	0.672	0.635	0.018	0.018	0.189	0.219
2009	0.250	0.390	0.288	-	-	0.489	0.491	0.672	0.678	0.021	0.023	0.096	0.106

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>2009</b>		<b>2000</b>	
	<b>(1) Assessed Valuation</b>	<b>(1) Percentage of Total Assessed Valuation</b>	<b>(2) Assessed Valuation</b>	<b>(2) Percentage of Total Assessed Valuation</b>
Kentucky Oaks Mall	\$ 50,900,262	2.54%	\$ 45,570,900	3.42%
South Central Bell	16,221,600	0.81%		
Olivet Church 1031 LLC	10,245,400	0.51%		
Ducmall LLC	14,374,800	0.72%		
Paducah Medical Investors	13,440,090	0.67%		
Wal-Mart Real Estate Trust	10,646,400	0.53%		
Sams Real Estate Bus Trust	9,222,955	0.46%		
Computer Services, Inc.	9,083,185	0.45%	12,903,910	0.97%
Wal-Mart Store	9,000,000	0.45%	36,007,674	2.70%
Amerisource	29,949,886	1.49%	59,145,330	4.44%
Lowes			14,102,073	1.06%
H.B. Fuller			14,169,888	1.06%
Firststar Bank			13,577,853	1.02%
Drury Inns, Inc.			15,312,912	1.15%
Duke & Long			17,953,784	1.35%
VMV			6,700,900	0.50%
Union Planters			5,859,726	0.44%
<b>TOTALS</b>	<b><u>\$173,084,578</u></b>	<b><u>8.63%</u></b>	<b><u>\$ 241,304,950</u></b>	<b><u>18.11%</u></b>

(1) Source - Property Valuation Administration; Assessed value as of January 1, 2008.

(2) Source - Property Valuation Administration; Assessed value as of January 1, 1999.

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

<b>Fiscal Year Ended June 30,</b>	<b>(1) Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>(1) Amount of Collections</b>	<b>Percent of Levy Collected</b>		<b>Total Collections</b>	<b>Percent of Levy Collected</b>
2000	\$ 3,258,913	\$ 3,113,110	95.5%	**	\$ 3,113,110	95.5%
2001	3,485,418	3,297,284	94.6%	129,327	3,297,284	94.6%
2002	3,636,342	3,449,887	94.9%	152,636	3,602,523	99.1%
2003	3,668,281	3,414,329	93.1%	123,628	3,537,957	96.4%
2004	3,801,746	3,685,957	97.0%	82,332	3,768,289	99.1%
2005	3,835,201	3,762,592	98.1%	69,074	3,831,666	99.9%
2006	4,014,348	3,911,868	97.4%	88,255	4,000,123	99.6%
2007	4,001,284	3,855,679	96.4%	120,227	3,975,906	99.4%
2008	3,975,754	3,814,940	96.0%	102,178	3,917,118	98.5%
2009	4,203,256	4,017,032	95.6%	-	4,017,032	95.6%

(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>
2000	\$ 9,451,473	<b>1.50%</b>
2001	9,603,106	<b>1.50%</b>
2002	9,873,201	<b>1.50%</b>
2003	10,301,231	<b>1.50%</b>
2004	10,616,222	<b>1.50%</b>
2005	11,183,157	<b>1.50%</b>
2006	14,947,835	<b>2.00%</b> (2)
2007	16,258,946	<b>2.00%</b>
2008	16,535,542	<b>2.00%</b>
2009	<u>16,584,618</u>	
	<u><u>\$125,355,331</u></u>	

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

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

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

<b>Taxpayers By Range</b>	<b>2009</b>			
	<b>Number of Filers</b>	<b>Percentage of Total</b>	<b>(1) Taxes Collected</b>	<b>Percentage of Total Employee License Tax</b>
\$0 - \$50,000	2,012	99.26%	12,363,242	71.39%
\$50,001 - \$100,000	11	0.54%	1,843,411	10.65%
\$100,001 - \$500,000	4	0.20%	3,110,432	17.96%
Greater than \$500,000	0	0.00%	-	0.00%
<b>TOTALS</b>	<b>2,027</b>	<b>100.00%</b>	<b>\$ 17,317,085</b>	<b>100.00%</b>

<b>Taxpayers By Range</b>	<b>2008</b>			
	<b>Number of Filers</b>	<b>Percentage of Total</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>

(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	Net General Obligation Bonds	Public Improvement Debt	Capital Lease	Net Public Improvement Debt	Net Refunding Revenue Bonds	Total Primary Government	(1) Ratio of Net Debt to Actual Value	(3) Net Debt as Percentage of Personal Income	(2) Net Debt Per Capita
2000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	0.00%	\$ -
2001	9,057,359	-	381,330	-	-	9,438,689	0.59	2.91%	359
2002	8,830,276	-	234,054	-	-	9,064,330	0.56	1.87%	345
2003	8,803,949	-	79,825	-	-	8,883,774	0.54	1.83%	338
2004	13,589,757	3,428,855	-	-	-	17,018,612	1.02	3.51%	647
2005	13,210,195	3,503,274	-	-	-	16,713,469	0.99	3.45%	635
2006	18,877,636	3,319,227	-	-	-	22,196,863	1.27	4.58%	844
2007	18,278,164	3,320,522	-	-	-	21,598,686	1.17	4.46%	821
2008	17,614,952	2,946,303	-	-	-	20,561,255	1.04	4.24%	782
2009	19,706,394	5,187,262	-	-	-	24,893,656	1.20	5.14%	946

**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 15 for population data.

(3) See Table 15 for personal income data.

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

Fiscal Year	General Bonded Debt Outstanding					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	Floodwall Rehabilitation Bonds	Less Resources Restricted for Debt Service			
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	-	30,246	13,589,754	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
2009	7,320,000	5,545,000	4,160,000	2,774,638	93,244	19,706,394	0.95	749

**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 15 for population data.

**TABLE 13**  
**CITY OF PADUCAH, KENTUCKY**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF JUNE 30, 2009**

	<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	\$24,893,656	100.00%	\$24,893,656
Paducah Independent School District	18,636,803 *	100.00%	18,636,803
McCracken County	15,770,000 *	46.70%	7,364,590
McCracken County Board of Education	26,067,028 *	31.60%	8,237,181
Overlapping debt	60,473,831		34,238,574
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b>	<u><u>\$85,367,487</u></u>		<u><u>\$59,132,230</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		\$ 2,005,848,954
Add exemption		<u>63,601,653</u>
Total assessed value		<u>\$ 2,069,450,607</u>
Debt limit - 10% of total assessed (1)		\$ 206,945,061
Debt outstanding:		
General obligation bonds outstanding	\$ 19,799,638	
Note payable	5,187,262	
Less debt not subject to limit	<u>-</u>	
Gross bonded debt	24,986,900	
Less amount available in debt service funds	<u>93,244</u>	
Net bonded indebtedness subject to limit		<u>24,893,656</u>
<b>LEGAL DEBT MARGIN</b>		<u><u>\$ 182,051,405</u></u>

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	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Debt limit	<u>\$206,945,061</u>	<u>\$197,015,689</u>	<u>\$182,759,543</u>	<u>\$175,093,068</u>	<u>\$168,349,559</u>	<u>\$166,054,868</u>	<u>\$164,683,556</u>	<u>\$162,287,060</u>	<u>\$160,284,233</u>	<u>\$ 149,647,252</u>
Total net debt applicable to limit	<u>24,893,656</u>	<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>
<b>LEGAL DEBT MARGIN</b>	<u><u>\$182,051,405</u></u>	<u><u>\$176,454,434</u></u>	<u><u>\$161,160,857</u></u>	<u><u>\$152,896,205</u></u>	<u><u>\$151,636,090</u></u>	<u><u>\$149,036,256</u></u>	<u><u>\$155,799,782</u></u>	<u><u>\$153,222,730</u></u>	<u><u>\$150,845,544</u></u>	<u><u>\$ 149,647,252</u></u>
Total net debt applicable to the limited as a percentage of debt limit	12.03%	10.44%	11.82%	12.68%	9.93%	10.25%	5.39%	5.59%	5.89%	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 names 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**  
**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>
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	484,469,019	18,417	39.9	2,832	6.1%
2008-2009	26,307	484,469,019	18,417	39.9	2,774	9.3%

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 16**  
**CITY OF PADUCAH, KENTUCKY**  
**PRINCIPAL EMPLOYERS**  
**CURRENT YEAR AND ONE YEAR AGO\***

<u>Employer</u>	<u>2009</u>		<u>2008</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	1755	6.00%	1,700	5.66%
Lourdes Hospital	1365	4.67%	1,400	4.66%
Wal-Mart	1160	3.97%	1,200	4.00%
Paducah Public Schools	600	2.05%	600	2.00%
LYNX Services	360	1.23%	360	1.20%
State of Kentucky	380	1.30%	390	1.30%
City of Paducah	350	1.20%	340	1.13%
Paxton Media Group	290	0.99%	290	0.97%
NRE Acquisitions	150	0.51%	220	0.73%
West Kentucky Community and Technical College	375	1.28%	380	1.27%
<b>TOTALS</b>	<b>6785</b>	<b>23.19%</b>	<b>6,880</b>	<b>22.92%</b>

(1) Source - City of Paducah Finance Department

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

\*Comparative information was unavailable prior to fiscal year 2006.

**TABLE 17**  
**CITY OF PADUCAH, KENTUCKY**  
**CITY FULL-TIME EMPLOYEES BY FUNCTION\*\***  
**Last Ten Fiscal Years**

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<i>Governmental Activities</i>										
<b>General Government:</b>										
General administration	12	12	12	12	11	11	11	12	13	13
Finance	17	14	14	14	13	13	13	13	13	12
Human resources	0	3	3	3	4	3	3	3	4	4
Inspection	13	13	13	12	12	12	12	13	14	12
Information systems	4	4	4	3	3	3	3	2	1	0
Risk management	1	1	1	1						
<b>Public Safety:</b>										
Police	93	93	93	93	96	94	95	94	94	94
Fire	69	69	71	76	75	76	76	77	81	86
<b>Public Service:</b>										
Streets	29	29	30	31	28	28	28	28	29	29
Facilities	36	34	34	35	38	39	39	38	36	36
Engineering	8	9	9	9	9	8	8	8	8	8
Other	6	6	5	4	4	2	2	2	0	0
<b>Parks and recreation</b>	7	7	7	7	9	9	8	8	7	5
<b>Planning and development</b>	10	11	11	11	11	11	11	10	10	12
<b>Other:</b>										
Renaissance	5	0	0	0	0	0	0	0	0	0
Fleet maintenance	6	7	7	7	7	6	6	6	6	7
<i>Business-type Activities</i>										
Solid waste	27	27	27	29	29	29	29	29	30	29
Sewer/wastewater	*	*	*	*	*	*	*	*	*	*
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>343</b>	<b>339</b>	<b>341</b>	<b>347</b>	<b>349</b>	<b>344</b>	<b>344</b>	<b>343</b>	<b>346</b>	<b>347</b>

\* 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 18**  
**CITY OF PADUCAH, KENTUCKY**  
**OPERATING INDICATORS BY FUNCTION\*\***  
**Last Ten Fiscal Years**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
<b>General Government:</b>										
Building and electrical permits issued	1,179	1,203	1,411	1,362	1,376	*	*	*	*	*
Business licenses issued	3,691	3,507	3,500	3,700	*	*	*	*	*	*
<b>Public Safety:</b>										
Police										
Adult arrests	4,454	4,170	5,012	3,827	*	*	*	*	*	*
Murder	5	-	-	-	*	*	*	*	*	*
Rape	20	15	18	15	*	*	*	*	*	*
Robberies	41	49	42	35	*	*	*	*	*	*
Burglary	169	203	208	211	*	*	*	*	*	*
Auto theft	57	60	117	104	*	*	*	*	*	*
Arson	7	8	16	7	*	*	*	*	*	*
Traffic accidents	1,368	1,519	1,949	1,815	*	*	*	*	*	*
Traffic violations	9,143	7,109	7,323	7,468	*	*	*	*	*	*
Fire										
Emergency responses	3,305	2,603	2,456	2,546	3,219	3,638	3,569	2,845	1,665	1,651
Fires extinguished	136	102	163	181	176	189	198	194	177	247
Structure fires	57	49	40	53	49	64	70	72	66	69
Incidents with reported losses	85	70	80	91	97	106	111	129	102	94
Medical/rescue	1,616	1,506	1,369	1,589	1,997	2,266	2,290	1,551	370	319
Tours/in-services/car seats	907	699	485	485	485	485	485	468	558	430
Training man hours	7,716	4,344	1,183	1,418	1,188	965	1,058	804	1,619	1,625
Inspections	1,183	1,449	*	*	*	*	*	*	*	*
<b>Refuse Collection:</b>										
Residential										
Refuse collected (tons per day)	32	25	28	34	*	*	*	*	*	*
Customers served	9,435	9,446	9,388	9,368	*	*	*	*	*	*
Commercial										
Refuse collected (tons per day)	75	83	85	84	*	*	*	*	*	*
Customers served	810	821	832	801	*	*	*	*	*	*
<b>Public Service:</b>										
911 calls received	81,525	144,290	122,340	167,847	168,712	168,427	173,536	164,661	*	*
Police	40,921	79,386	59,887	76,144	103,500	104,622	110,310	106,244	*	*
Fire	2,490	3,320	3,107	4,168	3,537	3,305	3,387	4,045	*	*
Other	38,114	61,584	59,346	87,535	61,675	60,500	59,839	54,372	*	*

\* Information not available.

\*\* Information from city departments.

**TABLE 19**  
**CITY OF PADUCAH, KENTUCKY**  
**CAPITAL ASSET STATISTICS BY FUNCTION\*\***  
**Last Ten Fiscal Years**

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<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	7	10	9	8	8	#	#	#	#	#
Commercial	4	5	5	4	4	#	#	#	#	#
<b>Other Public Works:</b>										
Sanitary sewers (miles)	*	*	*	*	*	*	*	*	*	*
Combination sewers (miles)	*	*	*	*	*	*	*	*	*	*
Storm sewers (miles)	*	*	*	*	*	*	*	*	*	*
Streets (miles paved)	216	216	216	214	214	213	209	209	209	209
Sidewalks (miles)	45	45	45	45	45	45	45	45	45	45
Traffic signals	12	11	11	11	11	10	0	0	0	0
<b>Parks and Recreation:</b>										
Parks	27	27	27	18	18	18	18	18	18	18
Acreage	960	960	960	325	325	325	325	325	325	230
Community centers	1	1	1	1	1	1	1	1	1	1
Swimming pools	1	1	1	1	1	1	3	3	3	3
Public tennis courts	6	6	6	6	6	6	6	6	6	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, 2009**

**CITY OF PADUCAH, KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

<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	\$ 1,960,989
Passed-through Kentucky Governors Office for Local Development			
Community Development Block Grant	14.228	KY20070109-0026	33,334
Passed-through Kentucky Housing Corporation:			
Home Investment Partnerships Program	14.239	N/A	<u>180,000</u>
Total Department of Housing and Urban Development			<u>2,174,323</u>
<b>Department of Justice:</b>			
Direct Programs:			
Bulletproof Vest Partnership Program	16.607	N/A	1,677
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-1012	4,573
Passed-through Kentucky Department of State Police:			
Enforcing Underage Drinking Laws Program	16.727	2008-AH-FX-0044	<u>8,482</u>
Total Department of Justice			<u>14,732</u>
<b>Department of Agriculture:</b>			
Passed-through Kentucky Department of Education:			
Summer Food Service Program for Children	10.559	N/A	<u>10,313</u>
Total Department of Agriculture			<u>10,313</u>
<b>Department of Homeland Security:</b>			
Direct Programs:			
Port Security Grant Program	97.056	2008GBT80131	19,137
Passed-through Kentucky Office of Homeland Security:			
Homeland Security Grant Program	97.067	PO2 094 0800020884 1	151,757
Passed-through Kentucky Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1802-DR-KY	342,337
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1818-DR-KY	<u>2,623,351</u>
Total Department of Homeland Security			<u>3,136,582</u>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

<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-09-33	\$ 12,313
State and Community Highway Safety	20.600	AL-08-35	15,733
Passed-through to River Heritage Museum			
Highway Planning and Construction	20.205	C05024679	<u>478,034</u>
Total Department of Transportation			<u>506,080</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 5,842,030</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, 2009**

**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	\$ 10,313
River Heritage Museum	20.205	<u>478,034</u>
		<u>\$488,347</u>

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**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, 2009, which collectively comprise the City of Paducah, Kentucky's basic financial statements and have issued our report thereon dated December 22, 2009. 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.

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.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## 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*.

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

*Williams, Williams & Lentz, LLP*

December 22, 2009

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**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, 2009. 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, 2009.

**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 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.

*Williams, Williams & Lentz, LLP*

December 22, 2009

**CITY OF PADUCAH, KENTUCKY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**A. Summary of Audit Results:**

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the City of Paducah, Kentucky.
2. No instances of 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
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036

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

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

None

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

None