

CITY OF PADUCAH, KENTUCKY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012

FINANCE DEPARTMENT
CITY OF PADUCAH,
KENTUCKY



pen and ink

Stanley - general house

Jania Brown '12

City of Paducah
Paducah, Kentucky
Comprehensive Annual Financial Report
Year Ended June 30, 2012



**Issued by the
Finance Department**

CITY OF PADUCAH, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2012

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CITY OF PADUCAH, KENTUCKY

INTRODUCTORY SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012



CITY OF PADUCAH

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

December 11, 2012

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, 2012. 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, 2012, 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.

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.

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 673-acre industrial park with rail and river access in western McCracken County.

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, McCracken County School System, Community Christian Academy, and St. Mary's Parochial School System.

The availability of higher education in the area is continuing to flourish. West Kentucky Community and Technical College (WKCTC), formerly known as Paducah Community College, is 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 is currently holding classes in its temporary location, while the permanent facility is developed. In 2010, a new 65,000 square foot Emergency Technology Center was opened, offering industrial and manufacturing technologies, engineering technology, as well as business and industry training and information technology programs. This is the first state supported new building to be constructed on the WKCTC campus in over 20 years. In 2011, Murray State University entered into an agreement with the City, McCracken County, and the Greater Paducah Economic Council to construct an approximately 40,000 square foot educational building to serve as their Paducah campus.

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 550 beds for medical needs. The two largest hospitals, together, employ approximately 3,300 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, hiking, 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 10th year. The weekend exhibits the work of local artists and includes jazz, salsa, zydeco, and blues music, as well as food from area restaurants.

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

Paducah is the site of the Museum of the American Quilter's Society. In May 2008, a congressional designation was passed naming the museum as the National Quilt Museum of the United States. The museum, dedicated in 1991, is the centerpiece for the quilters' annual convention held in April. The convention attracts an estimated 30,000 visitors to Paducah annually.

'Live on Broadway', which began as the 'Downtown After Dinner Program' in May 1997, started out as an experiment to draw people to Paducah's downtown district. From Memorial Day through July, businesses remain open late on Saturday night, while street corner musicians of all types entertain.

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

The 'Barbecue on the River' event was started in 1995, as a way for local charities to raise funds. It attracts in excess of 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 fourteenth 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 314 full-time employees as of June 30, 2012. 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 Paducah Transit Authority 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. 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 FY2012, 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 it policy to contribute the normal cost as well as the minimum actuarially sound contribution annually that would arise from the fund being in a deficit position as of the actuarial date. For FY2012, this contribution was \$392 thousand. This amount was \$451 thousand in FY2011.

Refinance 2004 Bond Issue. The City's debt management policy states that periodic reviews of all outstanding debt will be conducted to determine refunding opportunities. The policy also states that refunds will be undertaken when a net present value of savings of at least 5% of the refunded debt can be achieved. In August 2011, the City refinanced its 2004 Infiniti Media Building bonds, saving the City 13.8% of the refunded debt, or \$540,961 (net present value) over the life of the issue. The \$3.91 million general obligation bond issue will be paid off in June 2024.

As part of the City's annual budget process, financial policies are reviewed and amended as necessary. In FY2012, there were no official 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, community redevelopment,

infrastructure capital investment, and property tax relief. During the FY2012 budget process, the Commission reviewed numerous decision packages proposed for the Investment Fund Budget; expenditures totaling approximately \$5 million were appropriated.

The City has numerous infrastructure/capital items that will affect the long-term financial planning process. The following projects are 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. It is anticipated that 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. In FY2011, the U.S. Army Corps of Engineers (USACE) issued a Feasibility Report, which recommended certain rehabilitation projects to improve the reliability and restore the system performance of the floodwall. The USACE and the City are now ready to initiate Preconstruction Engineering and Design (PED) and prepare plans and specifications for the reconstruction projects as listed within the Feasibility Report.

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. 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 temporarily stalled the construction of this phase of the project. However, permits were finally secured and the official groundbreaking for the project was held in November 2012. Once construction is complete, operating costs will be a long-term planning consideration.

ECONOMIC CONDITION

The City continues to be aggressive in promoting economic development, since new developmental job growth is necessary to ensure the continued stability of the City's tax base. Economic indicators and trends reflect that the area's economy has remained 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 remained flat in comparison to the prior year, with 29,827 persons employed (McCracken County) as of June 30, 2012.

The June 2012 unemployment rate was 8.0% (McCracken County), which is a decrease from 8.7% in the prior year, and is favorable compared to the June 2012 federal unemployment rate of 8.2%. 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 1,232 for fiscal year 2012 valued at \$54 million, which is down \$17.7 million from fiscal year 2011.

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, 2011. This was the twenty-first consecutive year that the City achieved this prestigious award.

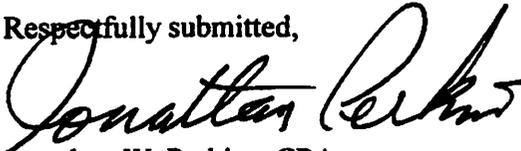
In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

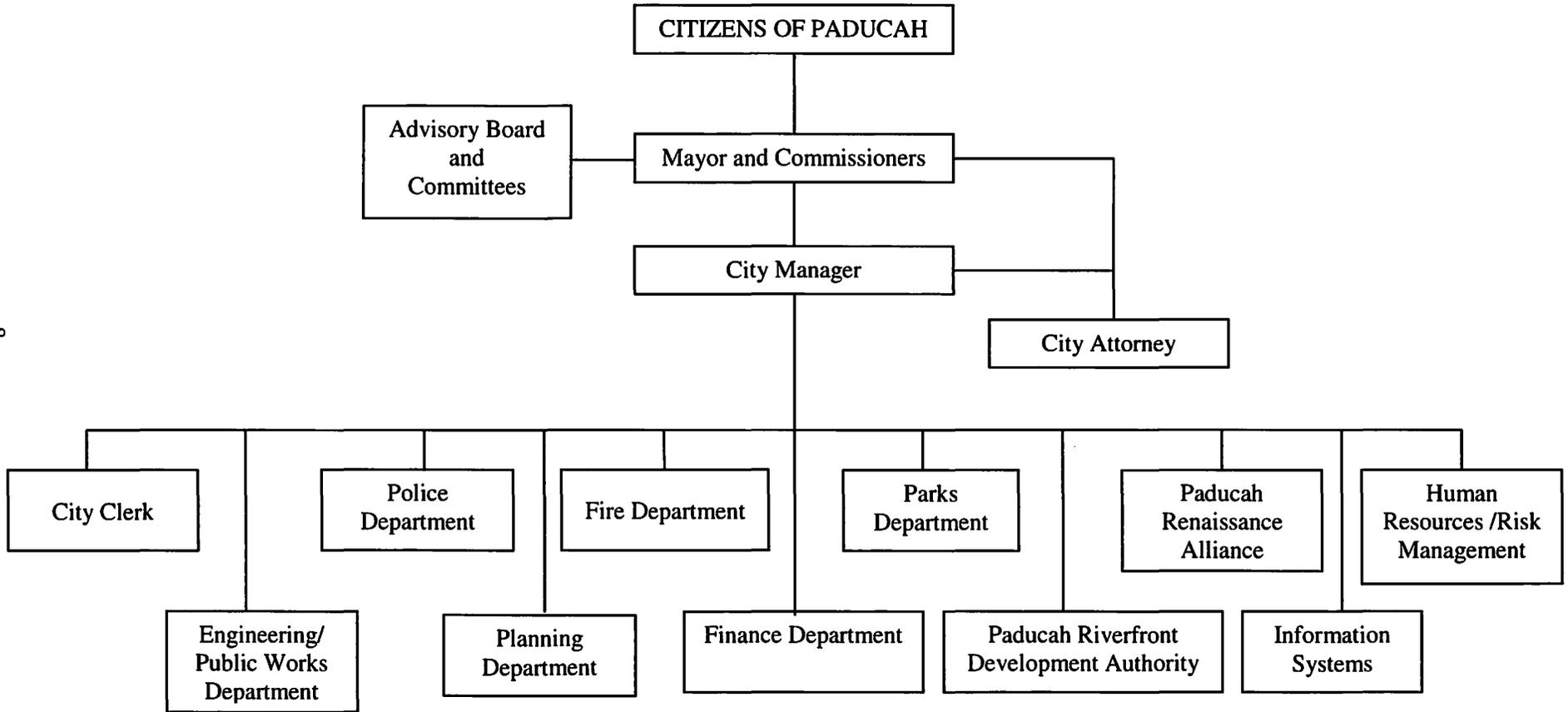
The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We wish to express our appreciation to all members of the Finance Department who assisted and contributed to its preparation, and special thanks to Williams, Williams & Lentz, LLP. We also thank the Mayor, City Manager, 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

Richard Abraham

Commissioner

Carol Gault

CITY MANAGER

Jeff Pederson

Finance

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

Paducah Riverfront Development Authority

Steve Doolittle

Information Services

Greg Mueller

Human Resources & Risk Management

Cindy Medford

City Clerk

Tammy Brock

Public Information

Pam Spencer

Paducah Renaissance Alliance

Lisa Thompson

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, 2011

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.



Linda C. Davidson

President

Jeffrey R. Emer

Executive Director

CITY OF PADUCAH, KENTUCKY

FINANCIAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012

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

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C. SUZETTE CRONCH
ROGER G. HARRIS
MICHAEL F. KARNES
ROBERT R. ROBERTSON
MARK A. THOMAS

G. LEON WILLIAMS, 1926-2004
H. WILLIAM LENTZ, 1925-2007
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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, 2012, 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 fourteen 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, 2012, 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, 2012, 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 11, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Pension Trust Fund Schedules on pages 13 through 27 and 91, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which, consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 do not express an opinion or provide any assurance on them.

William, William & Lentz, LLP

December 11, 2012

CITY OF PADUCAH, KENTUCKY

REQUIRED SUPPLEMENTARY INFORMATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012

CITY OF PADUCAH, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

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, 2012. 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 28-90) 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 \$48.2 million at the close of the 2011-2012 fiscal year. Of this amount, \$9.2 million (unrestricted net assets) may be used to meet City government's ongoing obligations to citizens and creditors.
- Total net assets decreased \$1,564,091.
- At fiscal year end, City governmental funds reported a combined ending fund balance of \$17.4 million. Approximately 23% of this total amount, \$4.1 million, is restricted or committed for highways/streets and capital improvements. Assigned fund balance comprises 11%, or \$2 million, of combined fund balance; the majority of which is set aside for capital improvements.
- At the end of the current fiscal year, unassigned General Fund fund balance was \$11.3 million and is available for spending at the City's discretion. Cash makes up approximately \$7.7 million. When compared to actual total appropriations, the General Fund cash balance is 24.6%.

II. Overview of Financial Statements

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

A. Government-Wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish City functions that are primarily supported by taxes and intergovernmental revenues (governmental activities) from other City

functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). City governmental activities include general government, public safety, public service, park and recreation, planning and development, and interest on long-term debt. Business-type activities of the City include Solid Waste, Section Eight Housing, Civic Center, and Telecommunication Information System Authority (TISA).

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

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

B. Fund Financial Statements

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

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

The City maintains eleven (11) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, General Capital Improvements, Investment, and Debt Service Funds, all of which are considered to be major funds. Data from the other seven (7) funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining and individual fund statements elsewhere in this report on pages 92-104.

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 38-39) 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 32-39 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 52-55.

- 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 111-114 of this report.

C. Notes to the Financial Statements

The notes provide additional information that is essential to fully understanding data provided in the government-wide and fund financial statements. Notes to the financial statements can be found on pages 56-90 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 94-114 of this report.

III. Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. City assets exceeded liabilities by \$48.2 million as of June 30, 2012.

For FY2012, the largest portion of the City's net assets (69%) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure) less outstanding related debt used to acquire those assets. The City uses these capital assets to provide service to citizens and, as a result, these assets are not available for future spending. The City's capital assets investment is reported net of related debt, but the resources to pay this debt must be provided from other sources since the capital assets cannot be used to liquidate the liabilities.

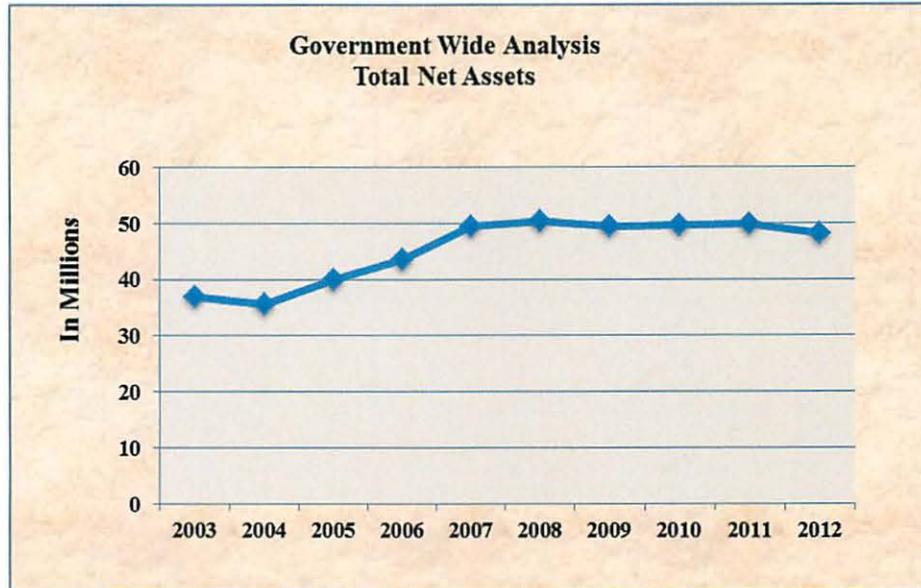
An additional portion of City net assets (12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (19%) may be used to meet the City's ongoing obligations to citizens and creditors.

As of June 30, 2012, 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current assets	\$36,580,489	\$36,714,968	\$6,529,327	\$6,555,797	\$43,109,816	\$43,270,765
Capital assets	39,740,080	40,927,948	1,308,574	1,334,230	41,048,654	42,262,178
Other noncurrent assets	<u>7,186,182</u>	<u>7,715,136</u>	-	-	<u>7,186,182</u>	<u>7,715,136</u>
Total assets	<u>83,506,751</u>	<u>85,358,052</u>	<u>7,837,901</u>	<u>7,890,027</u>	<u>91,344,652</u>	<u>93,248,079</u>
Current liabilities	10,296,274	11,727,758	473,276	475,439	10,769,550	12,203,197
Noncurrent liabilities	<u>30,335,518</u>	<u>29,242,431</u>	<u>2,076,914</u>	<u>2,075,690</u>	<u>32,412,432</u>	<u>31,318,121</u>
Total liabilities	<u>40,631,792</u>	<u>40,970,189</u>	<u>2,550,190</u>	<u>2,551,129</u>	<u>43,181,982</u>	<u>43,521,318</u>
Net assets:						
Invested in capital assets, net of related debt	31,957,381	32,905,977	1,308,574	1,334,230	33,265,955	34,240,207
Restricted	5,003,581	7,252,385	732,817	999,885	5,736,398	8,252,270
Unrestricted	<u>5,913,997</u>	<u>4,229,501</u>	<u>3,246,320</u>	<u>3,004,783</u>	<u>9,160,317</u>	<u>7,234,284</u>
TOTAL NET ASSETS	<u>\$42,874,959</u>	<u>\$44,387,863</u>	<u>\$5,287,711</u>	<u>\$5,338,898</u>	<u>\$48,162,670</u>	<u>\$49,726,761</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 approximately \$4 million in revenue each year, which is used mostly for capital investment. Increases have leveled off in recent 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. In FY2012, net assets declined by \$1.5 million. This was due to a commitment made by the City to contribute toward the construction of an educational facility to be occupied by Murray State University. In November 2011, the City entered into a general obligation note in the amount of \$2.7 million with McCracken County, who is managing the project and will own the building as it is leased to the University. Because the County is retaining the asset, this transaction is reflected as an expense on the government-wide financial statements.

A. Analysis of the City's Operations

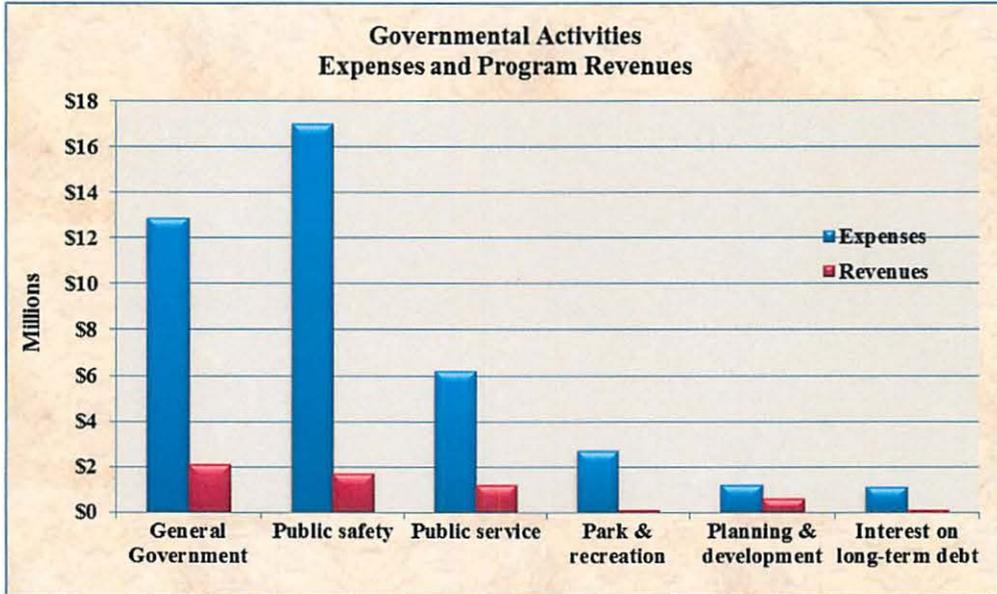
The following table provides a summary of the City's operations for the years ended June 30, 2012 and 2011. Governmental activities decreased the City's net assets by \$1,512,904. Business-type activities decreased the City's net assets by \$51,187.

City of Paducah, Kentucky
Changes in Net Assets
June 30

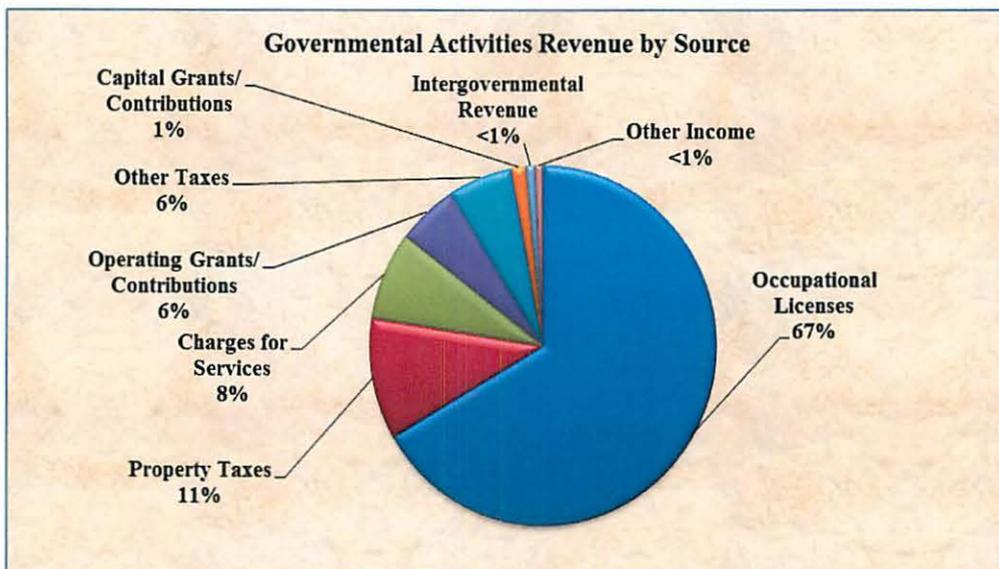
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,128,991	\$ 3,177,615	\$4,570,982	\$4,648,702	\$ 7,699,973	\$ 7,826,317
Operating grants/contributions	2,215,247	2,086,625	1,647,981	2,400,540	3,863,228	4,487,165
Capital grants/contributions	533,169	1,767,093	15,266	8,659	548,435	1,775,752
General revenues:						
Property taxes	4,267,812	4,402,226	-	-	4,267,812	4,402,226
Franchise taxes	150,974	140,570	-	-	150,974	140,570
Telecommunications tax	710,951	752,147	-	-	710,951	752,147
Insurance premium tax	3,690,806	3,476,309	-	-	3,690,806	3,476,309
Vehicle tax	614,786	598,509	-	-	614,786	598,509
Bank tax	216,829	218,137	-	-	216,829	218,137
Gross receipts license tax	4,359,835	4,243,511	-	-	4,359,835	4,243,511
Employee license tax	18,095,182	17,345,033	-	-	18,095,182	17,345,033
Other taxes	677,409	524,878	-	-	677,409	524,878
Intergovernmental revenue	340,975	478,576	-	-	340,975	478,576
Unrestricted investment earnings	203,261	264,913	48,806	46,052	252,067	310,965
Gain on sale of capital assets	36,718	62,539	2,443	67,657	39,161	130,196
Insurance recoveries	<u>27,448</u>	<u>410,462</u>	<u>-</u>	<u>-</u>	<u>27,448</u>	<u>410,462</u>
Total revenues	<u>39,270,393</u>	<u>39,949,143</u>	<u>6,285,478</u>	<u>7,171,610</u>	<u>45,555,871</u>	<u>47,120,753</u>
Expenses:						
General government	12,937,997	9,786,052	-	-	12,937,997	9,786,052
Public safety	17,045,731	18,475,971	-	-	17,045,731	18,475,971
Public service	6,163,602	7,328,806	-	-	6,163,602	7,328,806
Park and recreation	2,654,098	2,748,333	-	-	2,654,098	2,748,333
Planning and development	1,192,952	1,212,103	-	-	1,192,952	1,212,103
Interest on long-term debt	1,059,537	1,363,580	-	-	1,059,537	1,363,580
Solid Waste	-	-	3,900,264	3,832,130	3,900,264	3,832,130
Section Eight Housing	-	-	1,921,004	1,956,728	1,921,004	1,956,728
Civic Center	-	-	71,069	76,546	71,069	76,546
TISA	<u>-</u>	<u>-</u>	<u>173,708</u>	<u>183,546</u>	<u>173,708</u>	<u>183,546</u>
Total expenses	<u>41,053,917</u>	<u>40,914,845</u>	<u>6,066,045</u>	<u>6,048,950</u>	<u>47,119,962</u>	<u>46,963,795</u>
Increase (decrease) in net assets before transfers	(1,783,524)	(965,702)	219,433	1,122,660	(1,564,091)	156,958
Transfers	<u>270,620</u>	<u>(125,772)</u>	<u>(270,620)</u>	<u>125,772</u>	<u>-</u>	<u>-</u>
Change in net assets	(1,512,904)	(1,091,474)	(51,187)	1,248,432	(1,564,091)	156,958
Net assets, July 1	<u>44,387,863</u>	<u>45,479,337</u>	<u>5,338,898</u>	<u>4,090,466</u>	<u>49,726,761</u>	<u>49,569,803</u>
NET ASSETS, JUNE 30	<u>\$42,874,959</u>	<u>\$44,387,863</u>	<u>\$5,287,711</u>	<u>\$5,338,898</u>	<u>\$48,162,670</u>	<u>\$49,726,761</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 2012.

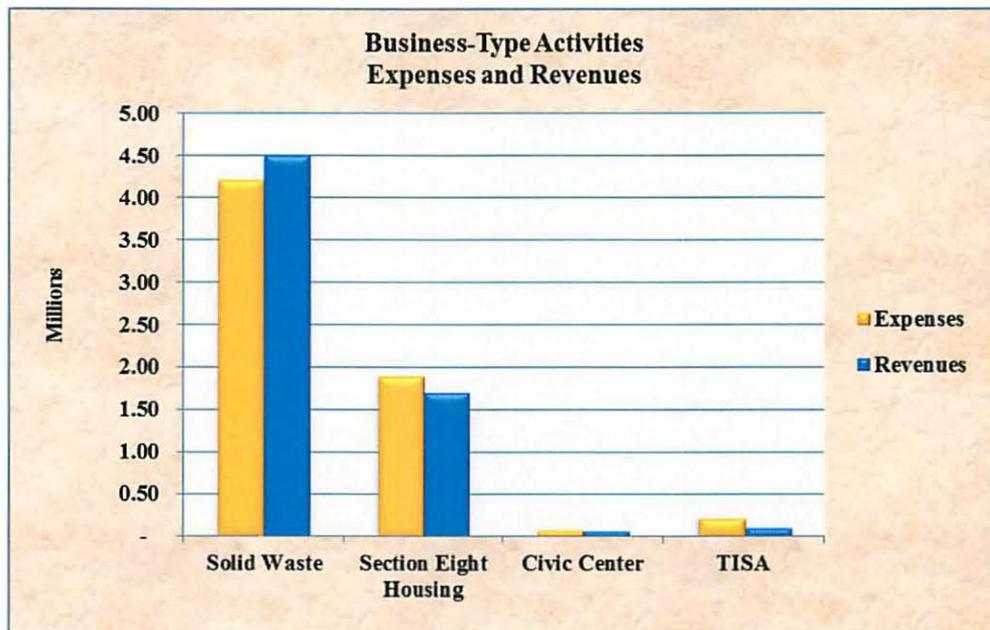


In fiscal year 2012, the City derived 84% of its revenue from taxes/licenses. Occupational licenses, which include payroll withholding tax, business licenses, and insurance premium tax, is the largest source of income to the City, totaling \$26.1 million. This category of revenue increased 4.3% from

fiscal year 2011. Insurance premium tax experienced the largest change percentage-wise within this category with an increase of \$214,497, or 6.2%. This is the first time insurance premium taxes have increased over the prior year since FY2008. It is believed that economic recovery may be driving the increase. Although City staff is hopeful this revenue source will continue to grow, receipts are still over a million dollars below FY2008 levels, and FY2013 budget estimates for this revenue type are very conservative to reflect the uncertainty. Employee license tax increased \$750,149, or 4.3%, from the prior year. The increase in employee license tax does not appear to be the result of one significant employer's activity, but the result of several employers having moderate increases. Property taxes continue to be a stable source of revenue, comprising 11% of total revenue in both FY2012 and FY2011.

C. Business-Type Activities

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 2012, business-type activities as a whole had a decrease in net assets of \$51,187. The Solid Waste Fund once again had a positive change in net assets, although it was significantly less than the previous three years. This is because the Solid Waste transferred approximately \$250,000 to the General Fund. The Phase II Storm Water Act requires that the City make an effort to curb solid waste from the landfill/sewer system. As a result, three full time street sweepers and eighteen ROWs (one day a week) have been assigned to this program. Because these are General Fund employees, the Solid Waste Fund is making monthly interfund transfers to the General Fund to compensate for their use. Analysis of the remaining business-type activities is included in Section IV-B of this report.



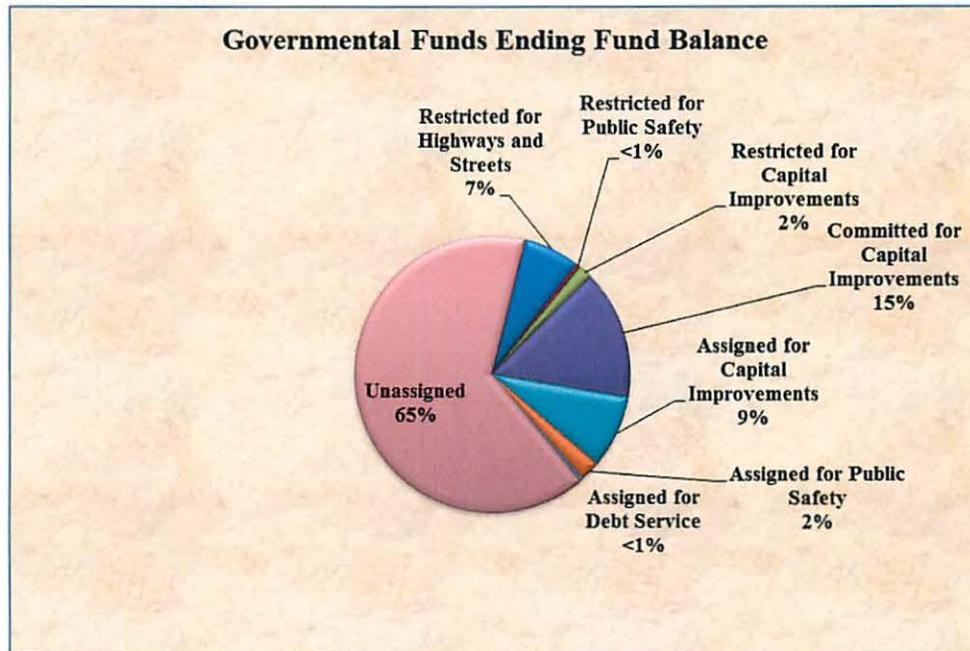
IV. Financial Analysis of the City's Funds

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.

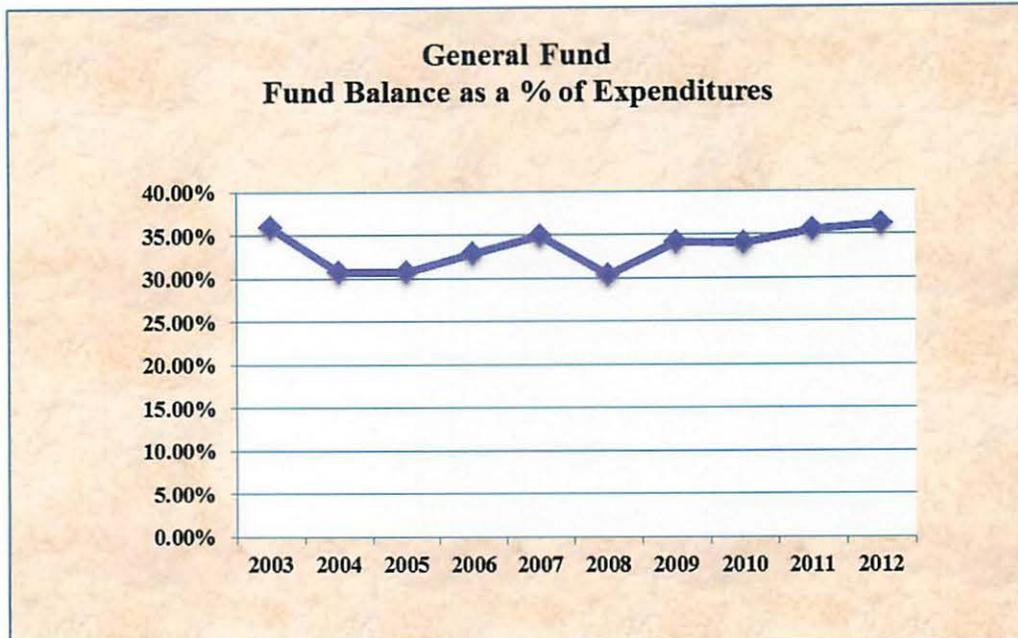
At the end of the fiscal year, the City governmental funds reported combined ending fund balances of \$17.4 million. In FY2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The redefined categories of fund balance are described below:

- *Restricted fund balance* has external limitations on use that may be imposed by creditors, grantors, contributors, or laws and regulations. At the end of the fiscal year, the City had \$1,156,681 of municipal aid funds, which are restricted in use for paving by the State of Kentucky.
- *Committed fund balance* has self-imposed limitations enacted by the highest level of decision making that requires formal action at the same level to remove the limitations. The City had \$2,631,233 in fund balance committed for capital improvements in the Investment Fund.
- *Assigned fund balance* has limitations resulting from intended use; formal action is not required. Approximately 11% of the City’s fund balance is assigned for various purposes, including capital improvements, public safety, and debt service.
- *Unassigned fund balance* is the total fund balance in the general fund in excess of the other fund balance categories.



Approximately 65% of total fund balance, \$11.3 million is unassigned General Fund fund balance, which is available for spending at the government’s discretion but only up to the amount represented by cash. At year-end, there was \$7.7 million available as cash; the balance is tied up in other assets including accounts receivable and property taxes collectible. City fiscal policy (Ordinance 2011-6-7825) requires that an amount not less than 8% of the General Fund’s budgeted expenditures remain undesignated in the fund balance, or \$2.5 million, which leaves \$8.8 million as unreserved for fiscal year 2012.

As a measure of General Fund liquidity, readers may compare unassigned (formerly reported as “unreserved”) fund balance to total General Fund expenditures. Unassigned General Fund fund balance represents 36.2% of expenditures and transfers out (\$31.2 million). This has remained stable since the implementation of GASB 34, as illustrated in the table below.



The Investment Fund had a fund balance of \$2.6 million, all of which is committed for capital projects. The Investment Fund was authorized by the City Commission in fiscal year 2005-2006 as a special revenue fund whose use is restricted to property tax reduction, 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. The Investment Fund's fund balance increased \$44 thousand from prior year to \$2.63 million. Revenue increased as anticipated and was sufficient to fund the budgeted projects for FY2012. For FY2012, just a few of those projects included: economic incentives for the relocation of Paducah & Louisville Railway national headquarters facility; continued support of economic development agencies such as Greater Paducah Economic Development Corp. and Entre-Paducah; debt service payments on economic development and capital projects; community development in the Fountain Avenue District; and resurfacing and sidewalk programs.

Fund balance in the General Capital Improvements fund decreased by approximately \$92 thousand from the prior year to \$1.49 million. The decrease is due to the utilization of dollars that had been set aside in previous years. Capital improvement projects for the year are discussed in Section IV-A of this report.

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	\$ 3,682,713
Section Eight Housing	745,469
Civic Center	164,547
TISA	309,594

Combined total net asset change for the four funds was a decrease of \$85,289, broken down as follows: Solid Waste (\$322 thousand increase), Section Eight Housing (\$273 thousand decrease), Civic Center (\$10 thousand decrease), and TISA (\$124 thousand decrease). The largest proprietary fund, Solid Waste, was discussed under Business Type Activities (Section III-C). Section Eight had

successfully reduced program expenditures over the past few years to replenish reserves. However, in FY2012, there was a nationwide HUD recapture effort to reduce housing agency reserves down to an acceptable national average. TISA also experienced a significant loss in FY2012. In mid-fiscal year 2012, TISA's largest partner other than the City, McCracken County, left the agency. Because there is now minimal external revenue flowing into the fund, this fund is in the process of being dissolved. For FY2013 budget projections, user charges have been eliminated and expenditures were folded into the City's Information Systems Department.

V. General Fund Budgetary Highlights

Differences between the original budget and the final budget resulted in a \$560 thousand increase in appropriations and can be briefly summarized as follows:

<u>Department</u>	<u>Appropriations</u>	
	<u>Increase</u>	<u>Decrease</u>
	<u>(In Thousands)</u>	
General Administration	\$ -	\$ 241
Finance	-	39
Planning	-	26
Human Rights	5	-
Inspection	-	93
Information Systems	-	55
Risk Management	-	6
Police	-	277
Fire	1,500	-
Public Works	-	329
Engineering Services	-	49
Recreation	-	167
PRDA	-	8
Other	345	-

Appropriations for the Fire Department increased \$1.5 million. A lawsuit was filed against the City of Paducah under Wage and Hour Law that affected 71 former and current firefighters named as Plaintiffs, relating to the way the City administered State Incentive Overtime Pay for the five years preceding filing of the lawsuit. Based on the court's rulings that were entered in April and September 2011, the City's liability in this lawsuit was established at \$1,482,743. This payout, which included back pay and related payroll expense and interest, along with \$121,854 in awarded attorney fees were paid out during FY2012.

There was a \$241 thousand decrease to appropriations for General Administration. Commission contingency funds in the amount of \$250,000 were transferred out of General Administration for various projects during the year. This also explains the increase in appropriations for "Other", which is primarily composed of the inter-fund transfers to those projects.

Police, Public Works, and Recreation experienced decreases in excess of \$100 thousand. These decreases in appropriations were due to significant salary slippage in these departments.

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, 2012, is \$41 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 2012, projects and equipment expenditures totaled approximately \$1.6 million. Some of the largest capital-type projects, in terms of dollars in fiscal year 2012, are shown in the following table:

Vehicle Purchases	\$692,889
Pumper Truck (not included in vehicle purchases above)	407,509
Paducah & Louisville Railway Parking Lot	190,369
Compost Yard Improvements	125,573

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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$11,107,875	\$ 7,394,561	\$ 62,152	\$ 62,152	\$11,170,027	\$ 7,456,713
Land improvements	1,902,527	1,643,180	-	-	1,902,527	1,643,180
Construction in progress	3,797,562	7,150,928	-	-	3,797,562	7,150,928
Buildings and improvements	4,910,512	5,251,215	316,061	205,306	5,226,573	5,456,521
Infrastructure	13,349,077	14,990,871	-	-	13,349,077	14,990,871
Equipment	1,788,200	2,003,441	331,189	372,097	2,119,389	2,375,538
Furnishings and fixtures	1,522	2,556	-	-	1,522	2,556
Vehicles	<u>2,882,805</u>	<u>2,491,196</u>	<u>599,172</u>	<u>694,675</u>	<u>3,481,977</u>	<u>3,185,871</u>
TOTALS	<u>\$39,740,080</u>	<u>\$40,927,948</u>	<u>\$1,308,574</u>	<u>\$1,334,230</u>	<u>\$41,048,654</u>	<u>\$42,262,178</u>

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

B. Long-Term Debt

At year-end, the City had \$33,000,039 in outstanding bonds, accrued compensated absences, and notes payable, compared to \$31,720,403 at June 30, 2011 with maturities extending through 2031.

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Kentucky League of Cities – 2003	\$ 2,193,730	\$ 2,358,171
Infiniti Media Building – 2004	-	3,780,000
General Fund accrued compensated absences	2,028,218	1,929,712
Police/Firefighter Pension Fund Liability – 2006	4,895,000	5,125,000
Floodwall Rehabilitation – 2008	2,455,210	2,564,948
Convention Center Renovation – 2008	2,276,250	2,364,039
Public Improvement Projects – 2010	6,100,000	6,370,000
Refinanced Convention Center – 2010	6,630,000	7,040,000
Margaret Hank Agreement – 2011	176,255	188,533
Refinanced Infiniti Media Building – 2011	3,571,283	-
Murray State University Agreement – 2011	<u>2,674,093</u>	<u>-</u>
TOTALS	<u>\$33,000,039</u>	<u>\$31,720,403</u>

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

Infiniti Media Building – Refinance. In August 2011, a \$3.91 million bond obligation was issued to advance refund \$3.78 million of outstanding 2004 series bonds. The 2004 bonds were issued to finance the construction of the Infiniti Media Building in the Paducah Industrial Park West. The previous agreement with McCracken County was renewed: 50% of the principal amount of the bonds was issued on behalf of McCracken County, Kentucky.

Murray State University Agreement. In November 2011, the City entered into a general obligation note in the amount of \$2,674,093 with McCracken County to finance the construction of an educational facility to be occupied by Murray State University.

Debt issues prior to July 1, 2011 are described below:

Convention and Performing Arts Center – Refinance. In August 2010, a \$7.165 million general obligation was issued to advance refund \$6.725 million of outstanding 2001 series bonds. The 2001 bonds were issued to finance construction of the Luther F. Carson Four Rivers Center for the Performing Arts and the expansion of the Julian Carroll Convention Center. The previous agreement with McCracken County was renewed: 50% of the principal amount of the bond was issued on behalf of McCracken County, Kentucky, and the County has issued the City a general obligation note in a principal amount equal to 50% of the principal amount of the bonds.

Margaret Hank Building Agreement. In June 2011, the City entered into an agreement in the amount of \$188,533 with Margaret Hank Memorial Cumberland Presbyterian Church to finance the acquisition of real property to be used for the development of an indoor recreational facility.

Public Improvement Projects. In March 2010, a \$6.645 million general obligation was issued to finance several public improvement projects including a major park parking lot renovation and several resurfacing projects, sports park property acquisition, pavilion acquisition, greenway trail development, and a portion of the hotel purchase described earlier in this document.

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.

Convention Center Renovation. In March 2009, McCracken County 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.

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.

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 \$212,207,634. The City's latest bond rating by Standard & Poor's is AA-. 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 2012, less than 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 74-78.

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 is continuously affected by rising retirement costs. In the past five years, the City's combined hazardous and non-hazardous retirement matching contribution has increased from approximately \$3.6 million in fiscal year 2008 to \$4.1 million in fiscal year 2012. The rates for FY2013 have increased; combined with wage adjustments, this increase caused budgeted figures for the upcoming year to increase another \$372,000 compared to what was incurred in FY2012. The figures above do not include the \$166,000 in one-time matching contribution funds paid in FY2012 as a result of the firefighter lawsuit. Based on trends and projections provided by the Retirement System, the long-term outlook on funding requirements is of utmost concern.
- B. Police & 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). Since the 2009 drop, the City has contributed approximately \$400,000 annually to meet the actuary's recommended amount toward the unfunded pension liability. The valuation as of July 1, 2012 indicates the amount for FY 2013 will be \$462,154.

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, 300 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, 2012

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CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET ASSETS
JUNE 30, 2012

<u>ASSETS</u>	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Current Assets:				
Cash and cash equivalents	\$15,056,163	\$4,590,124	\$19,646,287	\$ 2,260,737
Investments	3,050,000	900,000	3,950,000	-
Receivables, net:				
Notes	1,116,375	-	1,116,375	-
Lease	207,054	-	207,054	-
Accounts	5,780,088	550,157	6,330,245	674,531
Grants	222,077	95,569	317,646	558,266
Interest	50,469	8,089	58,558	-
Property tax	4,676,187	-	4,676,187	-
Other	-	-	-	1,064,900
Internal balances	(385,388)	385,388	-	-
Inventory	1,175,194	-	1,175,194	538,352
Prepaid pension obligation	5,586,352	-	5,586,352	-
Prepaid expenses	-	-	-	-
Other current assets	45,918	-	45,918	782,796
Total current assets	36,580,489	6,529,327	43,109,816	5,879,582
Noncurrent Assets:				
Notes receivable	3,210,000	-	3,210,000	-
Lease receivable	3,221,013	-	3,221,013	-
Bond issuance costs, net	434,686	-	434,686	-
Net capital assets:				
Land and construction in progress	14,905,437	62,152	14,967,589	2,803,295
Depreciable capital assets	24,834,643	1,246,422	26,081,065	44,806,688
Other assets	320,483	-	320,483	3,574,738
Total noncurrent assets	46,926,262	1,308,574	48,234,836	51,184,721
Total assets	83,506,751	7,837,901	91,344,652	57,064,303

<u>LIABILITIES</u>	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Current Liabilities:				
Voucher and accounts payable	\$ 2,018,213	\$ 248,370	\$ 2,266,583	\$ 1,443,319
Accrued payables	924,908	52,965	977,873	156,385
Due to other taxing agencies	-	-	-	-
Unearned revenue	4,523,454	33,700	4,557,154	-
Accrued compensated absences	1,008,012	92,323	1,100,335	-
Accrued interest	165,177	-	165,177	-
Notes payable due within one year	366,923	-	366,923	399,498
Bonds payable due within one year	1,289,587	-	1,289,587	-
Other current liabilities	-	45,918	45,918	1,236,829
Total current liabilities	10,296,274	473,276	10,769,550	3,236,031
Noncurrent Liabilities:				
Accrued compensated absences	1,020,206	14,414	1,034,620	-
Landfill post-closure costs	-	2,062,500	2,062,500	-
Notes payable	6,953,406	-	6,953,406	6,627,159
Bonds payable	22,361,906	-	22,361,906	-
Total noncurrent liabilities	30,335,518	2,076,914	32,412,432	6,627,159
Total liabilities	40,631,792	2,550,190	43,181,982	9,863,190
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	31,957,381	1,308,574	33,265,955	40,620,468
Restricted for:				
Housing and development projects	897,942	732,817	1,630,759	-
Capital projects	4,105,639	-	4,105,639	-
Unrestricted	5,913,997	3,246,320	9,160,317	6,580,645
TOTAL NET ASSETS	\$42,874,959	\$5,287,711	\$48,162,670	\$47,201,113

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

<u>FUNCTIONS/PROGRAMS</u>	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:				
Governmental activities:				
General government	\$ 12,937,997	\$ 1,488,845	\$ 645,860	\$ 11,790
Public safety	17,045,731	509,297	705,861	521,379
Public service	6,163,602	1,032,953	185,840	-
Parks and recreation	2,654,098	97,896	-	-
Planning and development	1,192,952	-	551,890	-
Interest on long-term debt	1,059,537	-	125,796	-
Total governmental activities (See Note 1)	41,053,917	3,128,991	2,215,247	533,169
Business-type activities:				
Solid Waste	3,900,264	4,437,341	-	15,266
Section Eight Housing	1,921,004	-	1,647,981	-
Civic Center	71,069	34,038	-	-
TISA	173,708	99,603	-	-
Total business-type activities	6,066,045	4,570,982	1,647,981	15,266
TOTAL PRIMARY GOVERNMENT	\$47,119,962	\$ 7,699,973	\$3,863,228	\$ 548,435
Component Units:				
Authorities:				
Paducah Water Works	\$ 7,579,648	\$ 9,585,433	\$ -	\$ 247,196
Paducah Transit Authority	4,325,919	1,145,997	1,740,552	1,277,190
TOTAL COMPONENT UNITS	\$11,905,567	\$10,731,430	\$1,740,552	\$1,524,386

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
Insurance recoveries
Miscellaneous
Total general revenues and special items
Transfers
Total general revenues, special items and transfers
Change in net assets
Net assets, July 1, 2011
Adjustment made by component unit
NET ASSETS, JUNE 30, 2012

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (10,791,502)	\$ -	\$ (10,791,502)	\$ -
(15,309,194)	-	(15,309,194)	-
(4,944,809)	-	(4,944,809)	-
(2,556,202)	-	(2,556,202)	-
(641,062)	-	(641,062)	-
(933,741)	-	(933,741)	-
<u>(35,176,510)</u>	<u>-</u>	<u>(35,176,510)</u>	<u>-</u>
-	552,343	552,343	-
-	(273,023)	(273,023)	-
-	(37,031)	(37,031)	-
-	(74,105)	(74,105)	-
<u>-</u>	<u>168,184</u>	<u>168,184</u>	<u>-</u>
<u>(35,176,510)</u>	<u>168,184</u>	<u>(35,008,326)</u>	<u>-</u>
-	-	-	2,252,981
-	-	-	(162,180)
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,090,801</u>
4,267,812	-	4,267,812	-
150,974	-	150,974	-
710,951	-	710,951	-
3,690,806	-	3,690,806	-
614,786	-	614,786	-
216,829	-	216,829	-
4,359,835	-	4,359,835	-
18,095,182	-	18,095,182	-
677,409	-	677,409	-
340,975	-	340,975	-
203,261	48,806	252,067	20,342
36,718	2,443	39,161	(14,957)
27,448	-	27,448	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>58,498</u>
33,392,986	51,249	33,444,235	63,883
<u>270,620</u>	<u>(270,620)</u>	<u>-</u>	<u>-</u>
<u>33,663,606</u>	<u>(219,371)</u>	<u>33,444,235</u>	<u>63,883</u>
(1,512,904)	(51,187)	(1,564,091)	2,154,684
44,387,863	5,338,898	49,726,761	44,993,885
<u>-</u>	<u>-</u>	<u>-</u>	<u>52,544</u>
<u>\$ 42,874,959</u>	<u>\$5,287,711</u>	<u>\$ 48,162,670</u>	<u>\$47,201,113</u>

CITY OF PADUCAH, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

<u>ASSETS</u>	<u>General Fund</u>	<u>General Capital Improvements</u>	<u>Special Revenue Investment Fund</u>
Cash and cash equivalents	\$ 6,186,742	\$1,876,876	\$1,097,740
Investments	1,500,000	500,000	500,000
Accounts receivable:			
Accounts	6,458,498	-	-
Grants	189,538	31,039	-
Interest	13,481	4,494	4,494
Property taxes (net of allowances for uncollectibles)	4,729,187	-	-
Due from other funds	45,918	-	1,028,999
TOTAL ASSETS	<u><u>\$19,123,364</u></u>	<u><u>\$2,412,409</u></u>	<u><u>\$2,631,233</u></u>
 <u>LIABILITIES AND FUND BALANCES</u> 			
Liabilities:			
Voucher and accounts payable	\$ 475,777	\$ 918,471	\$ -
Accrued payroll and payroll taxes	858,606	-	-
Due to other funds	1,539,809	-	-
Due to other taxing agencies	-	-	-
Deferred revenue	4,701,380	6,000	-
Accrued compensated absences	226,354	-	-
Total liabilities	<u><u>7,801,926</u></u>	<u><u>924,471</u></u>	<u><u>-</u></u>
Fund Balances:			
Restricted for:			
Highways and streets	-	-	-
Public safety	-	-	-
Capital improvements	-	-	-
Committed for:			
Capital improvements	-	-	2,631,233
Assigned for:			
Capital improvements	-	1,487,938	-
Public service	-	-	-
Public safety	-	-	-
Planning and development	-	-	-
Debt service	-	-	-
Unassigned:			
General Fund	11,321,438	-	-
Total fund balances	<u><u>11,321,438</u></u>	<u><u>1,487,938</u></u>	<u><u>2,631,233</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$19,123,364</u></u>	<u><u>\$2,412,409</u></u>	<u><u>\$2,631,233</u></u>

See accompanying notes to the basic financial statements.

Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$35,088	\$2,158,178	\$11,354,624
-	-	2,500,000
33,816	217,999	6,710,313
-	1,500	222,077
-	-	22,469
-	-	4,729,187
-	-	1,074,917
<u>\$68,904</u>	<u>\$2,377,677</u>	<u>\$26,613,587</u>

\$ -	\$ 360,573	\$ 1,754,821
-	50,298	908,904
-	-	1,539,809
-	-	-
-	40,419	4,747,799
-	-	226,354
<u>-</u>	<u>451,290</u>	<u>9,177,687</u>

-	1,156,681	1,156,681
-	80,099	80,099
-	286,276	286,276
-	-	2,631,233
-	-	1,487,938
-	-	-
-	403,331	403,331
-	-	-
68,904	-	68,904
<u>-</u>	<u>-</u>	<u>11,321,438</u>
<u>68,904</u>	<u>1,926,387</u>	<u>17,435,900</u>
<u>\$68,904</u>	<u>\$2,377,677</u>	<u>\$26,613,587</u>

CITY OF PADUCAH, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
JUNE 30, 2012

Total fund balance - total governmental funds	\$17,435,900
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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.	171,345
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The long-term notes receivable are not reported in the governmental funds balance sheet since they are not available to pay current period expenditures.	3,315,000
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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.	23,057
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Inventory is not a current financial resource, and therefore, is not reported in the governmental funds balance sheet.	1,098,304
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A prepaid pension obligation is not a current financial resource, and therefore, is not reported in the governmental funds balance sheet.	5,586,352
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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.	39,740,080
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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.	320,483
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Bond issuance costs used in governmental activities are not current financial resources, and therefore, are not reported in the governmental funds balance sheet.	434,686
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(Continued)

CITY OF PADUCAH, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
JUNE 30, 2012

Receivables from direct financing leases are not available in the current period, and therefore, are deferred in the governmental funds balance sheet. \$ 3,428,067

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. (165,177)

The portion of accrued compensated absences not due and payable in the current period, and therefore, not reported in the governmental funds balance sheet. (1,748,823)

Long-term debts of (\$30,971,822) 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	\$ 1,656,510	
Due after one year	<u>29,315,312</u>	(30,971,822)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The assets and liabilities of the Internal Service Funds (net of amount allocated to business-type activities) not included in other reconciling items are:

Current assets	\$ 4,925,332	
Total liabilities	(332,437)	
Net amount allocated to business-type activities	<u>(385,388)</u>	<u>4,207,507</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$42,874,959</u></u>
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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, 2012

	General Fund	General Capital Improvements	Special Revenue Investment Fund
Revenues:			
Taxes	\$ 5,910,258	\$ -	\$ -
Licenses	22,291,319	-	4,462,113
Charges for services	568,902	-	-
Intergovernmental	-	-	-
Grants	830,059	212,323	-
Interest	124,564	7,418	11,591
Miscellaneous	1,072,156	383,880	61,560
Total revenues	30,797,258	603,621	4,535,264
Expenditures:			
Current operations:			
General government	5,117,194	-	-
Public safety	16,860,191	-	-
Public service	4,437,020	-	-
Parks and recreation	2,677,781	-	-
Planning and development	-	-	1,364,880
Other	516,534	-	-
Capital outlay	-	2,104,993	-
Debt service:			
Principal requirement	-	-	-
Interest and fiscal requirement	-	-	-
Total expenditures	29,608,720	2,104,993	1,364,880
Excess (deficiency) of revenues over expenditures	1,188,538	(1,501,372)	3,170,384
Other Financing Sources (Uses):			
Capital lease	-	-	-
Proceeds of refunding bond, net	-	-	-
Transfer to refunded bond escrow agent	-	-	-
Long-term debt draws	-	101,983	-
Long-term debt issued	-	-	-
Transfers in	834,534	1,822,397	110,988
Transfers out	(1,641,755)	(514,712)	(3,237,151)
Total other financing sources (uses)	(807,221)	1,409,668	(3,126,163)
Net change in fund balances	381,317	(91,704)	44,221
Fund balances, July 1, 2011	10,940,121	1,579,642	2,587,012
FUND BALANCES, JUNE 30, 2012	\$11,321,438	\$ 1,487,938	\$ 2,631,233

See accompanying notes to the basic financial statements.

Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 433,350	\$ 6,343,608
-	-	26,753,432
-	248,705	817,607
571,924	619,911	1,191,835
-	657,017	1,699,399
-	19,007	162,580
5,907	378,572	1,902,075
<u>577,831</u>	<u>2,356,562</u>	<u>38,870,536</u>
-	-	5,117,194
-	1,619,237	18,479,428
-	1,159,682	5,596,702
-	-	2,677,781
-	851,785	2,216,665
-	-	516,534
-	-	2,104,993
1,434,246	-	1,434,246
1,114,852	-	1,114,852
<u>2,549,098</u>	<u>3,630,704</u>	<u>39,258,395</u>
<u>(1,971,267)</u>	<u>(1,274,142)</u>	<u>(387,859)</u>
405,796	-	405,796
-	3,910,000	3,910,000
-	(3,910,000)	(3,910,000)
-	-	101,983
-	-	-
1,560,103	1,560,825	5,888,847
-	(415,921)	(5,809,539)
<u>1,965,899</u>	<u>1,144,904</u>	<u>587,087</u>
(5,368)	(129,238)	199,228
<u>74,272</u>	<u>2,055,625</u>	<u>17,236,672</u>
<u>\$ 68,904</u>	<u>\$ 1,926,387</u>	<u>\$17,435,900</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, 2012

Net change in fund balances - total governmental funds	\$ 199,228
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>	
Inventory purchases require the use of current financial resources, and therefore, are reported as expenditures in governmental funds.	274,328
Inventory sales provide current financial resources and are reported as revenues in governmental funds.	(429,975)
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 \$1,033,935.	2,156,290
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 \$21,095.	(21,095)
Collections on long-term notes receivable and related interest receivable are revenues in the governmental funds when collected.	(283,972)
Delinquent property taxes receivable are not considered "available" revenues in the governmental funds.	(5,937)
Direct financing leases receivable are not considered "available" revenues in the governmental funds.	(180,754)
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.	(48,580)
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 \$578,321.	(3,323,064)

(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, 2012

Proceeds from the issuance and draw down of debt provides current financial resources and is reported as an other financing source in governmental funds.	\$ (3,910,000)
Capital acquisitions financed with long term financing excluded from the governmental funds because it does not produce or use current financial resources	(2,674,093)
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.	5,344,246
Governmental funds report the effect of bond refinancing costs when debt is issued; whereas, these amounts are netted with refinancing bonds payable and amortized in the Statement of Activities.	58,717
Governmental funds report the effect of losses on direct financing leases when incurred; whereas, these amounts are deferred and amortized in the Statement of Activities.	(26,895)
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.	8,659
Long-term accrued compensated absences do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.	(45,377)
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.	(16,540)
Governmental funds report the litigation judgments in the period in which they are determined.	1,482,743
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	\$ 397,788
Net of amount allocated to business-type activities	(34,102)
Capital Outlays	(1,033,935)
Book value of disposals	21,095
Depreciation expense	578,321
	(70,833)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ (1,512,904)

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning budgetary fund balance	<u>\$10,940,121</u>	<u>\$10,940,121</u>	<u>\$10,940,121</u>	<u>\$ -</u>
Resources (Inflows):				
Taxes:				
Real and personal, current year	4,905,600	4,708,200	4,708,207	7
Real and personal, prior year (net of refunds)	123,000	156,180	156,182	2
Franchise	155,000	151,625	151,629	4
Bank taxes	224,500	216,825	216,829	4
In lieu of tax payment	221,490	322,685	322,691	6
Penalty, interest and advertising	46,770	41,920	41,928	8
Paducah Junior College tax collections	-	312,790	312,790	-
Total taxes	<u>5,676,360</u>	<u>5,910,225</u>	<u>5,910,256</u>	<u>31</u>
Licenses:				
Business licenses	4,202,000	4,359,835	4,359,835	-
Employee earnings	12,990,000	13,633,065	13,633,068	3
Comcast fees	305,800	307,455	307,460	5
Penalties	155,000	235,360	235,361	1
Alcoholic beverages	125,000	109,290	109,290	-
Insurance premium tax	3,552,000	3,690,805	3,690,806	1
Building permits	110,000	125,115	125,118	3
Electrical permits	29,500	36,040	36,044	4
Zoning change fees	8,000	6,310	6,311	1
Miscellaneous building and electrical fees	250	5,950	5,868	(82)
KJDA payroll rebate	(211,750)	(217,845)	(217,842)	3
Total licenses	<u>21,265,800</u>	<u>22,291,380</u>	<u>22,291,319</u>	<u>(61)</u>
Charges for services:				
Tax collection fee	153,000	154,080	154,080	-
Administrative charge	266,000	266,000	266,000	-
Base court revenue	60,000	52,620	52,621	1
Recreation fees	82,250	97,885	97,897	12
Total charges for services	<u>561,250</u>	<u>570,585</u>	<u>570,598</u>	<u>13</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Grants:				
Police State Incentive	\$ 320,500	\$ 304,510	\$ 304,512	\$ 2
Police hiring supplement	185,000	161,175	161,178	3
Fire State Incentive	270,000	264,985	264,989	4
Ronald McDonald Grant	-	230	234	4
Kentucky League of Counties grants	-	27,445	27,448	3
Highway safety grant	20,000	57,725	57,728	3
State Justice Cabinet	-	13,970	13,971	1
Total grants	795,500	830,040	830,060	20
Interest	113,700	124,560	124,564	4
Other:				
Property rent and sales	643,640	690,480	690,528	48
Property upkeep and maintenance	126,985	112,240	112,246	6
Contractual programs	7,500	4,035	4,039	4
E911 - GIS	25,380	25,380	25,344	(36)
Miscellaneous	206,615	238,285	238,304	19
Total other	1,010,120	1,070,420	1,070,461	41
Other financing sources:				
Operating transfers in	560,860	809,500	834,534	25,034
Amounts available for appropriation	40,923,711	42,546,831	42,571,913	25,082
Charges to Appropriations (Outflows):				
General government:				
General administration:				
Mayor and Commissioners	190,565	197,450	197,316	134
City Manager	434,055	403,360	403,085	275
City Clerk	177,420	170,945	170,370	575
Corporate Counsel	154,810	194,745	194,703	42
Non-departmental	619,310	678,880	678,545	335
Memberships and contingency	334,355	24,275	24,266	9
Civic beautification	3,810	3,810	3,739	71
Total general administration	1,914,325	1,673,465	1,672,024	1,441

CITY OF PADUCAH, KENTUCKY
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
General government:				
Finance:				
Finance administration	\$ 253,720	\$ 265,590	\$ 265,274	\$ 316
Accounting and payroll	327,020	316,610	316,453	157
Human resources	-	-	-	-
Rental property	31,025	32,475	32,423	52
Radio operations	50,525	40,970	40,940	30
Revenue collection	403,520	371,365	371,201	164
Total finance	<u>1,065,810</u>	<u>1,027,010</u>	<u>1,026,291</u>	<u>719</u>
Planning:				
Administration	255,875	255,995	255,699	296
Planning	86,090	86,045	86,016	29
Grants	170,450	144,450	144,168	282
Total planning	<u>512,415</u>	<u>486,490</u>	<u>485,883</u>	<u>607</u>
Human rights	<u>48,430</u>	<u>53,565</u>	<u>53,550</u>	<u>15</u>
Inspection:				
Inspection administration	182,175	182,460	181,948	512
Construction	364,330	379,095	379,025	70
Code enforcement	376,640	268,770	268,330	440
Total inspection	<u>923,145</u>	<u>830,325</u>	<u>829,303</u>	<u>1,022</u>
Information technology	<u>589,350</u>	<u>534,640</u>	<u>534,375</u>	<u>265</u>
Risk management/ Human resources	<u>298,985</u>	<u>292,760</u>	<u>292,451</u>	<u>309</u>
Public safety:				
Police:				
Police administration	903,435	914,935	914,188	747
Patrol	6,259,635	5,986,470	5,985,275	1,195
Investigations	1,958,990	1,943,170	1,942,478	692
Total police	<u>9,122,060</u>	<u>8,844,575</u>	<u>8,841,941</u>	<u>2,634</u>
Fire:				
Fire administration	235,280	378,845	378,480	365
Suppression	5,967,365	7,336,755	7,336,696	59
Prevention	183,995	183,155	183,025	130
Training	131,675	120,045	119,929	116
Total fire	<u>6,518,315</u>	<u>8,018,800</u>	<u>8,018,130</u>	<u>670</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public service:				
Public works:				
Street maintenance	\$ 2,202,475	\$ 1,909,505	\$ 1,909,170	\$ 335
Street lighting	515,000	539,850	539,848	2
Maintenance	988,450	927,040	922,763	4,277
Total public works	<u>3,705,925</u>	<u>3,376,395</u>	<u>3,371,781</u>	<u>4,614</u>
Engineering services:				
Engineering services	610,480	522,295	521,970	325
GIS operation	-	-	-	-
Flood control	504,450	543,585	543,269	316
Total engineering services	<u>1,114,930</u>	<u>1,065,880</u>	<u>1,065,239</u>	<u>641</u>
Parks and recreation				
Parks administration	800,665	762,045	761,740	305
Grounds maintenance	1,410,000	1,423,780	1,423,221	559
Pool	169,845	118,465	118,213	252
Recreation programs	466,095	374,740	374,606	134
Total recreation	<u>2,846,605</u>	<u>2,679,030</u>	<u>2,677,780</u>	<u>1,250</u>
PRDA	<u>131,410</u>	<u>123,030</u>	<u>122,935</u>	<u>95</u>
Other:				
Cable authority	84,030	84,415	84,414	1
Mainstreet program	253,975	174,075	173,866	209
Leave expense	-	45,970	45,967	3
Intergovernmental expense	-	312,790	312,790	-
Total other	<u>338,005</u>	<u>617,250</u>	<u>617,037</u>	<u>213</u>
Other financing uses:				
Operating transfers out	<u>1,586,820</u>	<u>1,653,035</u>	<u>1,641,755</u>	<u>11,280</u>
Total charges to appropriations	<u>30,716,530</u>	<u>31,276,250</u>	<u>31,250,475</u>	<u>25,775</u>
BUDGETARY FUND BALANCE, JUNE 30, 2012	<u>\$10,207,181</u>	<u>\$11,270,581</u>	<u>\$11,321,438</u>	<u>\$50,857</u>

See accompanying notes to the basic financial statements.

**CITY OF PADUCAH, KENTUCKY
BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012**

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

	<u>General Fund</u>
Sources/inflows of resources:	
Actual amounts "available for appropriation" from the budgetary comparison schedule	\$42,571,913
Differences - budget to GAAP:	
The beginning fund balance is a budgetary resource, but is not a current year revenue for financial reporting purposes	(10,940,121)
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	<u>(834,534)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u><u>\$30,797,258</u></u>
Uses/outflows of resources:	
Actual amounts "total charges to appropriations" from the budgetary comparison schedule	\$31,250,475
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes	<u>(1,641,755)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u><u>\$29,608,720</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning budgetary fund balance	<u>\$2,587,012</u>	<u>\$2,587,012</u>	<u>\$2,587,012</u>	<u>\$ -</u>
Resources (Inflows):				
Licenses:				
Employee earnings	4,330,000	4,462,110	4,462,113	3
Interest	-	11,590	11,591	1
Miscellaneous	-	61,560	61,560	-
Total licenses	<u>4,330,000</u>	<u>4,535,260</u>	<u>4,535,264</u>	<u>4</u>
Other financing sources:				
Long-term debt issued	-	-	-	-
Operating transfers in	-	110,985	110,988	3
Total licenses	<u>-</u>	<u>110,985</u>	<u>110,988</u>	<u>3</u>
Amounts available for appropriation	<u>6,917,012</u>	<u>7,233,257</u>	<u>7,233,264</u>	<u>7</u>
Charges to Appropriations (Outflows):				
General government:				
Planning and development:				
Economic development	1,918,390	1,364,885	1,364,880	5
Other financing uses:				
Operating transfers out	3,061,610	3,237,155	3,237,151	4
Total charges to appropriations	<u>4,980,000</u>	<u>4,602,040</u>	<u>4,602,031</u>	<u>9</u>
BUDGETARY FUND BALANCE, JUNE 30, 2012	<u><u>\$1,937,012</u></u>	<u><u>\$2,631,217</u></u>	<u><u>\$2,631,233</u></u>	<u><u>\$ 16</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, 2012**

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	\$ 7,233,264
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Differences - budget to GAAP:

The beginning fund balance is a budgetary resource, but is not a current year revenue for financial reporting purposes	(2,587,012)
--	-------------

Proceeds from the issuance of debt are inflows of budgetary resources, but are not revenues for financial reporting purposes	-
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Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	<u>(110,988)</u>
--	------------------

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u><u>\$ 4,535,264</u></u>
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Uses/outflows of resources:

Actual amounts "total charges to appropriations" from the budgetary comparison schedule	\$ 4,602,031
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Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes	<u>(3,237,151)</u>
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Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u><u>\$ 1,364,880</u></u>
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See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

<u>ASSETS</u>	<u>Business-type Activities</u>			<u>Governmental Activities</u>
	<u>Solid Waste</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
Current Assets:				
Cash and cash equivalents	\$ 3,416,035	\$ 1,174,089	\$ 4,590,124	\$ 3,701,540
Investments	900,000	-	900,000	550,000
Accounts receivable	549,122	1,035	550,157	86,093
Grants receivable	95,568	-	95,568	-
Interest receivable	8,089	-	8,089	-
Due from other funds	-	-	-	510,810
Prepaid expenses	-	-	-	-
Inventory	-	-	-	76,889
Total current assets	4,968,814	1,175,124	6,143,938	4,925,332
Noncurrent Assets:				
Net capital assets:				
Land	62,152	-	62,152	-
Depreciable capital assets	1,030,055	216,367	1,246,422	3,093,806
Total noncurrent assets	1,092,207	216,367	1,308,574	3,093,806
Total assets	6,061,021	1,391,491	7,452,512	8,019,138
<u>LIABILITIES</u>				
Current Liabilities:				
Voucher and accounts payable	138,422	109,948	248,370	263,392
Deferred grant revenue	33,700	-	33,700	-
Accrued payroll and payroll taxes	52,965	-	52,965	16,005
Accrued compensated absences	90,721	1,601	92,322	-
Due to other funds	-	45,918	45,918	-
Total current liabilities	315,808	157,467	473,275	279,397
Noncurrent Liabilities:				
Landfill post-closure costs	2,062,500	-	2,062,500	-
Accrued compensated absences	-	14,414	14,414	53,040
Total noncurrent liabilities	2,062,500	14,414	2,076,914	53,040
Total liabilities	2,378,308	171,881	2,550,189	332,437
<u>NET ASSETS</u>				
Invested in capital assets	1,092,207	216,367	1,308,574	3,093,806
Restricted for:				
Housing development projects	-	732,817	732,817	-
Unrestricted	2,590,506	270,426	2,860,932	4,592,895
TOTAL NET ASSETS	\$ 3,682,713	\$ 1,219,610	4,902,323	\$ 7,686,701
Reconciliation to government-wide statements of net assets:				
Adjustment to reflect the consolidation of Internal Service Funds' activities related to Enterprise Funds			385,388	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES			\$ 5,287,711	

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, 2012

	<u>Business-type Activities</u>			<u>Governmental</u>
	<u>Solid</u>	<u>Nonmajor</u>	<u>Totals</u>	<u>Internal</u>
	<u>Waste</u>	<u>Enterprise</u>		<u>Service</u>
		<u>Funds</u>		<u>Funds</u>
Operating Revenues:				
Charges for services - internal	\$ -	\$ 99,603	\$ 99,603	\$6,093,553
Charges for services - external	4,393,598	1,669,802	6,063,400	272,105
Miscellaneous	24,907	12,217	37,124	-
Total operating revenues	<u>4,418,505</u>	<u>1,781,622</u>	<u>6,200,127</u>	<u>6,365,658</u>
Operating Expenses:				
Cost of sales and service	3,554,098	2,116,922	5,671,020	5,658,259
Depreciation and amortization	346,166	48,955	395,121	578,321
Total operating expenses	<u>3,900,264</u>	<u>2,165,877</u>	<u>6,066,141</u>	<u>6,236,580</u>
Operating income (loss)	<u>518,241</u>	<u>(384,255)</u>	<u>133,986</u>	<u>129,078</u>
Nonoperating Revenues (Expenses):				
Interest and investment income	48,587	316	48,903	40,680
Gain (loss) on disposal of property and equipment	2,443	-	2,443	36,717
Total nonoperating revenues (expenses)	<u>51,030</u>	<u>316</u>	<u>51,346</u>	<u>77,397</u>
Income (loss) before contributions and transfers	<u>569,271</u>	<u>(383,939)</u>	<u>185,332</u>	<u>206,475</u>
Contributions and Transfers:				
Capital contributions	-	-	-	-
Transfers in	-	27,104	27,104	196,462
Transfers out	(247,725)	(50,000)	(297,725)	(5,149)
Total contributions and transfers	<u>(247,725)</u>	<u>(22,896)</u>	<u>(270,621)</u>	<u>191,313</u>
Change in net assets	321,546	(406,835)	(85,289)	397,788
Total net assets, July 1, 2011	<u>3,361,167</u>	<u>1,626,445</u>		<u>7,288,913</u>
TOTAL NET ASSETS - JUNE 30, 2012	<u><u>\$3,682,713</u></u>	<u><u>\$1,219,610</u></u>		<u><u>\$7,686,701</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>34,102</u>	
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES			<u><u>\$ (51,187)</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, 2012

	<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>
Cash Flows from Operating Activities:				
Cash received from customers	\$ 4,375,374	\$ 1,777,999	\$ 6,153,373	\$ -
Cash received from interfund services provided	-	-	-	6,294,345
Payments to suppliers	(1,578,662)	-	(1,578,662)	(245,090)
Payments to employees	(1,410,012)	(133,357)	(1,543,369)	(269,305)
Claims paid	-	-	-	(3,767,220)
Payments to internal service funds	(598,343)	(3,761)	(602,104)	-
Other receipts	58,607	12,217	70,824	-
Other payments	-	(1,971,935)	(1,971,935)	(2,011,648)
Net cash provided (used) by operating activities	<u>846,964</u>	<u>(318,837)</u>	<u>528,127</u>	<u>1,082</u>
Cash Flows from Noncapital Financing Activities:				
Transfers from other funds	-	-	-	(5,149)
Transfers to other funds	(247,725)	(22,896)	(270,621)	196,462
Net cash provided (used) by noncapital financing activities	<u>(247,725)</u>	<u>(22,896)</u>	<u>(270,621)</u>	<u>191,313</u>
Cash Flows from Capital and Related Financing Activities:				
Capital contributions	-	-	-	-
Purchase of capital assets	(369,465)	-	(369,465)	(1,033,935)
Proceeds from sale of capital assets	2,443	-	2,443	57,812
Net cash provided (used) by capital and related financing activities	<u>(367,022)</u>	<u>-</u>	<u>(367,022)</u>	<u>(976,123)</u>
Cash Flows from Investing Activities:				
Proceeds from sale of investment securities	1,625,000	-	1,625,000	1,500,000
Interest on cash and investments	48,587	316	48,903	40,680
Purchase of investments	(900,000)	-	(900,000)	(550,000)
Net cash provided (used) by investing activities	<u>773,587</u>	<u>316</u>	<u>773,903</u>	<u>990,680</u>
Net increase (decrease) in cash and cash equivalents	1,005,804	(341,417)	664,387	206,952
Cash and cash equivalents, July 1, 2011	<u>2,410,231</u>	<u>1,515,506</u>	<u>3,925,737</u>	<u>3,494,588</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2012	<u>\$ 3,416,035</u>	<u>\$ 1,174,089</u>	<u>\$ 4,590,124</u>	<u>\$ 3,701,540</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 518,241	\$ (384,255)	\$ 133,986	\$ 129,078
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	346,166	48,955	395,121	578,321
Change in assets and liabilities:				
Receivables	(18,224)	8,594	(9,630)	(71,313)
Prepaid expenses	-	9,590	9,590	418,130
Deferred grant revenue	33,700	-	33,700	-
Due to other funds	-	-	-	(1,064,335)
Accrued expenses	20,412	1,360	21,772	8,657
Accounts payable	(53,331)	(3,081)	(56,412)	2,544
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 846,964</u>	<u>\$ (318,837)</u>	<u>\$ 528,127</u>	<u>\$ 1,082</u>

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

<u>ASSETS</u>	<u>Primary Government</u>		
	<u>Pension Funds</u>	<u>Private- purpose Trusts</u>	<u>Agency Funds</u>
Cash and cash equivalents	\$ 60,996	\$ -	\$684,762
Receivables:			
Accounts	-	-	-
Interest	27,690	-	-
Investments at fair value:			
Money market funds	200,362	-	-
Certificates of deposit	50,000	-	-
Common stock	2,552,720	-	-
Corporate bonds	1,527,228	-	-
U.S. agencies bonds	1,472,496	-	-
Mutual funds	1,782,894	1,106,065	-
Total assets	<u><u>7,674,386</u></u>	<u><u>1,106,065</u></u>	<u><u>684,762</u></u>
 <u>LIABILITIES</u> 			
Voucher and accounts payable	82	-	-
Due to other funds	-	-	-
Payroll taxes and withholdings payable	-	-	684,762
Total liabilities	<u><u>82</u></u>	<u><u>-</u></u>	<u><u>\$684,762</u></u>
 <u>NET ASSETS</u> 			
Held in trust for pension benefits and other purposes	<u><u>\$7,674,304</u></u>	<u><u>\$1,106,065</u></u>	

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Pension Funds	Private- purpose Trusts
Additions:		
Contributions:		
Employer	\$ 391,744	\$ -
Plan members	7,548	-
Intergovernmental revenues	-	11,135
Private donations	-	3,458
	399,292	14,593
Investment income:		
Net increase (decrease) in fair value of investments	(122,860)	(61,241)
Loss on sale of investments	-	36,604
Interest and dividends	247,917	32,000
	125,057	7,363
Total additions	524,349	21,956
Deductions:		
Benefits	1,645,618	-
Capital outlay	-	56,438
Administrative expenses	56,853	17,886
	1,702,471	74,324
Change in net assets	(1,178,122)	(52,368)
Net assets, July 1, 2011	8,852,426	1,158,433
NET ASSETS, JUNE 30, 2012	\$ 7,674,304	\$1,106,065

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, 2012

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CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2012

<u>ASSETS</u>	<u>Paducah Water Works</u>	<u>Paducah Transit Authority</u>	<u>All Component Unit Totals</u>
Current Assets:			
Cash and cash equivalents	\$ 2,213,404	\$ 47,333	\$ 2,260,737
Receivables, net:			
Accounts	507,083	167,448	674,531
Grants	-	558,266	558,266
Other	1,064,900	-	1,064,900
Inventories	528,352	10,000	538,352
Prepaid expenses	-	-	-
Other current assets	782,796	-	782,796
Total current assets	<u>5,096,535</u>	<u>783,047</u>	<u>5,879,582</u>
Noncurrent Assets:			
Net capital assets:			
Land and construction in progress	2,316,981	486,314	2,803,295
Depreciable capital assets	40,377,764	4,428,924	44,806,688
Other assets	3,574,738	-	3,574,738
Total noncurrent assets	<u>46,269,483</u>	<u>4,915,238</u>	<u>51,184,721</u>
Total assets	<u>51,366,018</u>	<u>5,698,285</u>	<u>57,064,303</u>

	<u>LIABILITIES</u>	Paducah Water Works	Paducah Transit Authority	All Component Unit Totals
Current Liabilities:				
Voucher and accounts payable		\$ 722,414	\$ 720,905	\$ 1,443,319
Accrued payables		-	156,385	156,385
Notes payable due within one year		364,440	35,058	399,498
Other current liabilities		986,829	250,000	1,236,829
Total current liabilities		2,073,683	1,162,348	3,236,031
Noncurrent Liabilities:				
Notes payable		6,627,159	-	6,627,159
Total noncurrent liabilities		6,627,159	-	6,627,159
Total liabilities		8,700,842	1,162,348	9,863,190
	<u>NET ASSETS</u>			
Net Assets:				
Invested in capital assets, net of related debt		35,705,230	4,915,238	40,620,468
Unrestricted		6,959,946	(379,301)	6,580,645
TOTAL NET ASSETS		\$42,665,176	\$4,535,937	\$47,201,113

See accompanying notes to the basic financial statements

CITY OF PADUCAH, KENTUCKY
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2012

<u>FUNCTIONS/PROGRAMS</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Authorities:				
Business-type activities:				
Paducah Water Works	\$ 7,579,648	\$ 9,585,433	\$ -	\$ 247,196
Paducah Transit Authority	<u>4,325,919</u>	<u>1,145,997</u>	<u>1,740,552</u>	<u>1,277,190</u>
TOTAL COMPONENT UNITS	<u>\$11,905,567</u>	<u>\$10,731,430</u>	<u>\$1,740,552</u>	<u>\$1,524,386</u>
General Revenues:				
Unrestricted investment earnings				
Gain (loss) on disposal of assets				
Miscellaneous general				
Total general revenues and transfers				
Change in net assets				
Net assets, July 1, 2011				
Adjustment made by component unit				
NET ASSETS, JUNE 30, 2012				

See accompanying notes to the basic financial statements.

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

Paducah Water Works	Paducah Transit Authority	Totals
\$ 2,252,981	\$ -	\$ 2,252,981
-	(162,180)	(162,180)
<u>2,252,981</u>	<u>(162,180)</u>	<u>2,090,801</u>
20,342	-	20,342
-	(14,957)	(14,957)
-	58,498	58,498
<u>20,342</u>	<u>43,541</u>	<u>63,883</u>
2,273,323	(118,639)	2,154,684
40,391,853	4,602,032	44,993,885
-	52,544	52,544
<u>\$42,665,176</u>	<u>\$4,535,937</u>	<u>\$47,201,113</u>

CITY OF PADUCAH, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Note 1 - Summary of Significant Accounting Policies:

General Statement

The City of Paducah (City) complies with generally accepted accounting principles (GAAP) as applied to governmental units. This requires the use of the accrual basis of accounting for government-wide financial statements and proprietary funds financial statements and a modified accrual basis of accounting for the governmental funds financial statements. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. 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.

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CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Note 1 - Summary of Significant Accounting Policies:

Discretely Presented Component Units

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 does not extend beyond appointing authority. The organizations listed below are notable related organizations which have not been included in the City's report.

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

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.

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CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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, community 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.

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CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Note 1 - Summary of Significant Account Policies:

Basis of Presentation

Fund Financial Statements

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 (PFPF) 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

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Note 1 - Summary of Significant Account Policies:

Basis of Accounting

capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due. Agency funds are presented using the accrual basis of accounting.

All proprietary, 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, 2012

Note 1 - Summary of Significant Accounting Policies:

Budgets and Budgetary Accounting

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, 2012.

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 receivables. 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, 2012

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, 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. 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 receivables include revenues earned at year end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Interfund Receivables and Payables

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

Inventories

Inventories are stated at cost on a first-in, first-out basis. Inventory consists of expendable supplies of \$76,888 held for consumption and real property of \$1,098,306 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, \$2,500 or more after July 1, 1999, and \$3,000 or more after June 24, 2009. 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, 2012

Note 1 - Summary of Significant Accounting Policies:

Capital Assets

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	10-15 Years
Buildings	30 Years
Building improvements	10-15 Years
Infrastructure	15-30 Years
Equipment	7-9 Years
Furnishings and fixtures	3-5 Years
Vehicles	5-7 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, 2012

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 and displayed in five components:

- a. Nonspendable fund balance includes amounts that are not in a spendable form or are required to be maintained intact indefinitely.
- b. Restricted fund balance includes amounts that can be spent only for the specific purpose stipulated by creditors, grantors, contributors, or laws or regulations of other governments.
- c. Committed fund balance includes amounts that can be used only for the specific purposes determined by the City Commissioners through the approval of City ordinances. Commitments may be changed or lifted only by the City Commissioners making the same formal action that imposed the constraint originally.
- d. Assigned fund balance comprises the amounts intended to be used for a specific purpose. Intent can be expressed by the City Commissioners or the City Finance Officer, as stated in the Finance Department Accounting Policy (FIN-20). No formal action is required.
- e. Unassigned fund balance is the residual balance not contained in nonspendable fund balance or restricted fund balance or committed fund balance or assigned fund balance.

When both restricted and unrestricted fund balances are available for use, it is the City's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

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 operating transfers.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Note 1 - Summary of Significant Accounting Policies:

Program Revenues

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

Operating and Non-Operating Revenues and Expenses – Proprietary Funds

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Operating expenses for the enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Expenditures/Expenses

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

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

Governmental Funds – by character:	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund – by operating and nonoperating

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

Interfund Transfers

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

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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Note 1 - Summary of Significant Accounting Policies:

Stewardship, Compliance, and Accountability

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 or contractual agreements. 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
American Recovery & Reinvestment Act Grants	Job creation and retention
HOME Investment Partnerships Grant	Construction of Low-income Rental Units
Emergency Communication Revenue	E-911 Emergency Services
County Bed Tax	Debt Obligations
Homeland Security Grant Program	Homeland Security Enhancement
Kentucky Housing Corporation	Façade Loans
Other Grants	Grant Program Expenditures
Bond Proceeds	Defeasance of debt and Capital Projects
25% of Employee Earning Tax	Economic, Community and Capital Development

Revenue Restrictions

For the year ended June 30, 2012, 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.

Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 11, 2012, the date financial statements were available to be issued.

Note 2 - Property Taxes:

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

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Note 2 - Property Taxes:

The due dates and collection period for all property taxes, exclusive of vehicle taxes, for the fiscal year ended June 30, 2012, are as follows:

<u>Description</u>	<u>Date</u>
Assessment and enforceable lien	January 1, 2011
Levy	September 25, 2011
Face value amount payment dates	1 st half by November 1, 2011 2 nd half by February 1, 2012
Delinquent date - 10% penalty plus 1/2% per month	1 st half - November 30, 2011 2 nd half - February 29, 2012

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.

Deposits

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, 2012, 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 were \$20,392,045 and \$20,892,693, respectively.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Note 3 - Detail Notes on Transaction Classes/Accounts:

Investments

As of June 30, 2012, 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>
Primary Government						
Certificates of deposit (2)	<u>\$3,950,000</u>	NA	\$3,950,000	\$ -	\$ -	\$ -
TOTAL PRIMARY GOVERNMENT	<u>\$3,950,000</u>					
Fiduciary and Private Purpose Trust Funds						
Money market funds	\$ 200,362	NA	\$ 200,362	\$ -	\$ -	\$ -
Certificates of deposit (1)	50,000	NA	50,000	-	-	-
Common stock	2,552,720	NA	NA	NA	NA	NA
Corporate bonds	1,527,228	A/A-	-	1,474,003	53,225	-
U.S. agencies	1,472,496	AAA/A	-	1,417,337	55,159	-
Mutual funds						
Equity	<u>2,888,959</u>	NA	NA	NA	NA	NA
TOTAL FIDUCIARY AND PRIVATE PURPOSE TRUST FUNDS	<u>\$8,691,765</u>					

- (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) \$50,000 of the fiduciary's certificates of deposit is pooled with the primary government's certificates of deposit.

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;

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Note 3 - Detail Notes on Transaction Classes/Accounts:

Investment Policies

City Policy

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.

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:

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

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

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Note 3 - Detail Notes on Transaction Classes/Accounts:

Investment Policies

Pension Trust Policy

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, 2012, was as follows:

	Balance			Balance
	July 1, 2011	Additions	Deductions	June 30, 2012
Primary Government:				
Capital assets, not being depreciated:				
Land	\$ 7,394,561	\$ 3,713,314	\$ -	\$11,107,875
Construction-in-progress	<u>7,150,928</u>	<u>423,010</u>	<u>3,776,376</u>	<u>3,797,562</u>
Total capital assets, not being depreciated	<u>14,545,489</u>	<u>4,136,324</u>	<u>3,776,376</u>	<u>14,905,437</u>
Capital assets, being depreciated:				
Land improvements	3,061,972	359,942	-	3,421,914
Buildings and improvements	17,257,912	-	-	17,257,912
Infrastructure	38,692,027	6,297	-	38,698,324
Equipment	9,509,689	467,815	215,766	9,761,738
Furnishings and fixtures	210,980	-	3,150	207,830
Vehicles	<u>7,670,737</u>	<u>962,288</u>	<u>423,905</u>	<u>8,209,120</u>
Totals at historical cost	<u>76,403,317</u>	<u>1,796,342</u>	<u>642,821</u>	<u>77,556,838</u>
Less accumulated depreciation:				
Land improvements	1,418,792	100,595	-	1,519,387
Buildings and improvements	12,006,697	340,703	-	12,347,400
Infrastructure	23,701,156	1,648,091	-	25,349,247
Equipment	7,506,248	679,193	211,903	7,973,538
Furnishings and fixtures	208,424	1,034	3,150	206,308
Vehicles	<u>5,179,541</u>	<u>553,447</u>	<u>406,673</u>	<u>5,326,315</u>
Total accumulated depreciation	<u>50,020,858</u>	<u>3,323,063</u>	<u>621,726</u>	<u>52,722,195</u>
Total capital assets, being depreciated, net	<u>26,382,459</u>	<u>(1,526,721)</u>	<u>21,095</u>	<u>24,834,643</u>
PRIMARY GOVERNMENT ACTIVITIES CAPITAL ASSETS, NET	<u>\$40,927,948</u>	<u>\$ 2,609,603</u>	<u>\$3,797,471</u>	<u>\$39,740,080</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Note 3 - Detail Notes on Transaction Classes/Accounts:

Capital Assets

	<u>Balance</u> <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 62,152	\$ -	\$ -	\$ 62,152
Construction-in-progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, not being depreciated	<u>62,152</u>	<u>-</u>	<u>-</u>	<u>62,152</u>
Capital assets, being depreciated:				
Buildings and improvements	429,254	125,573	-	554,827
Equipment	1,594,673	105,782	128,588	1,571,867
Vehicles	<u>2,610,696</u>	<u>138,110</u>	<u>173,266</u>	<u>2,575,540</u>
Totals at historical cost	<u>4,634,623</u>	<u>369,465</u>	<u>301,854</u>	<u>4,702,234</u>
Less accumulated depreciation:				
Buildings and improvements	223,948	14,818	-	238,766
Equipment	1,222,576	146,690	128,588	1,240,678
Vehicles	<u>1,916,021</u>	<u>233,613</u>	<u>173,266</u>	<u>1,976,368</u>
Total accumulated depreciation	<u>3,362,545</u>	<u>395,121</u>	<u>301,854</u>	<u>3,455,812</u>
Total capital assets, being depreciated, net	<u>1,272,078</u>	<u>(25,656)</u>	<u>-</u>	<u>1,246,422</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 1,334,230</u>	<u>\$ (25,656)</u>	<u>\$ -</u>	<u>\$ 1,308,574</u>

Depreciation expense was charged to governmental activities as follows:

General government:	
General administration	\$ 275,153
Finance	36,805
Planning	4,532
Inspections	-
Personnel	-
Information systems	2,708
Fleet maintenance	<u>9,903</u>
Total general government	<u>329,101</u>
Public safety:	
Police	240,724
Fire	68,955
Grants	-
Emergency 911	62,248
Court awards	11,913
Fleet Lease Trust	<u>568,418</u>
Total public safety	<u>952,258</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Note 3 - Detail Notes on Transaction Classes/Accounts:

Capital Assets

Public service:	
Public works	\$ 58,019
Engineering	<u>46,032</u>
Total public service	<u>104,051</u>
Parks and recreation	<u>172,900</u>
Planning and development:	
Infrastructure	1,762,882
Grants	<u>1,871</u>
Total planning and development	<u>1,764,753</u>
TOTAL DEPRECIATION EXPENSE – GOVERNMENTAL ACTIVITIES	<u><u>\$3,323,063</u></u>

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

Solid Waste Fund	\$ 346,166
Section Eight Housing	5,639
Civic Center	10,209
TISA Fund	<u>33,107</u>
TOTAL DEPRECIATION EXPENSE – BUSINESS-TYPE ACTIVITIES	<u><u>\$ 395,121</u></u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Note 3 - Detail Notes on Transaction Classes/Accounts:

Capital Assets

Discretely Presented Component Units:	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
Capital assets, not being depreciated:				
Land	\$ 486,314	\$ -	\$ -	\$ 486,314
Total capital assets, not being depreciated	<u>486,314</u>	<u>-</u>	<u>-</u>	<u>486,314</u>
Capital assets, being depreciated:				
Buildings and improvements	1,845,615	31,638	-	1,877,253
Equipment	7,686,334	1,259,053	1,436,994	7,508,393
Utility plant	<u>69,609,437</u>	<u>2,904,899</u>	<u>36,160</u>	<u>72,478,176</u>
Total capital assets, being depreciated	<u>79,141,386</u>	<u>4,195,590</u>	<u>1,473,154</u>	<u>81,863,822</u>
Less accumulated depreciation:				
Buildings and improvements	972,414	108,814	-	1,081,228
Equipment	4,228,037	1,018,144	1,370,687	3,875,494
Utility plant	<u>28,337,751</u>	<u>1,481,840</u>	<u>36,160</u>	<u>29,783,431</u>
Total accumulated depreciation	<u>33,538,202</u>	<u>2,608,798</u>	<u>1,406,847</u>	<u>34,740,153</u>
Total capital assets, being depreciated, net	<u>45,603,184</u>	<u>1,586,792</u>	<u>66,307</u>	<u>47,123,669</u>
COMPONENT UNIT CAPITAL ASSETS, NET	<u>\$46,089,498</u>	<u>\$1,586,792</u>	<u>\$ 66,307</u>	<u>\$47,609,983</u>

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

Paducah Water Works	\$ 1,481,840
Paducah Transit Authority	<u>1,126,958</u>
TOTAL DEPRECIATION EXPENSE BY ACTIVITY	<u>\$ 2,608,798</u>

Accounts Payable

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

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Note 3 - Detail Notes on Transaction Classes/Accounts:

Long-Term Liabilities

The City's long-term liabilities are 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, 2012, the governmental long-term liabilities consisted of the following:

General obligation bonds:	
Current portion	\$ 1,289,587
Noncurrent portion	<u>22,361,906</u>
TOTAL GENERAL OBLIGATION	
BOND COSTS	<u>\$23,651,493</u>
Note payable:	
Current portion	\$ 366,923
Noncurrent portion	<u>6,953,406</u>
TOTAL NOTE PAYABLE PAYMENTS	<u>\$ 7,320,329</u>
Accrued compensated absences:	
Current portion	\$ 1,008,012
Noncurrent portion	<u>1,020,206</u>
TOTAL ACCRUED COMPENSATED	
ABSENCES	<u>\$ 2,028,218</u>

Business-type Activities

As of June 30, 2012, the long-term liabilities payable from proprietary fund resources consisted of the following:

Accrued compensated absences:	
Current portion	\$ 92,323
Noncurrent portion	<u>14,414</u>
TOTAL ACCRUED COMPENSATED	
ABSENCES	<u>\$ 106,737</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Note 3 - Detail Notes on Transaction Classes/Accounts:

Long-Term Liabilities

General Obligation Bonds

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.

Series 2010 Bond Issue – The City of Paducah issued general obligation Build America Bonds of \$6,645,000 in March 2010, to finance several public improvement projects. Interest rates range from 1.00% to 5.50%, with a Federal subsidy equal to 35% of the interest payments. 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 2010B Bond Issue – The City of Paducah issued general obligation bonds of \$7,165,000 in August 2010 with interest rates ranging between 1% and 3.25%, to advance refund \$6,725,000 of outstanding 2001 series bonds with interest rates ranging between 4.5% and 5%. These bonds are required to be fully paid within 16 years from the date of issue and are backed by the full faith and credit of the City.

While these 2010B series 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 2011 Bond Issue – The City of Paducah issued general obligation taxable refunding bonds of \$3,910,000 in August 2011 with an interest rate of 3.68%, to currently refund \$3,780,000 of outstanding 2004 series bonds with interest rates ranging from 2.25% to 6%. These bonds are required to be fully paid within 13 years from the date of issue and are backed by the full faith and credit of the City.

The net proceeds were placed in an escrow account and used to call \$3,780,000 of outstanding 2004 series bonds. In the Statement of Net Assets, the net costs associated with the early retirement of the issues are deferred and amortized over the remaining life of the defeased debt. The amount deferred is reported as a decrease to the book value of the new debt issued to finance the refunding. Total deferred costs were \$66,065. Amortization for the year was \$7,347 and is included as a component of interest expense.

The City advance refunded the 2004 series bonds to reduce its total debt service payments over the next 13 years by \$591,765 and to obtain an economic gain (the difference between the present values of the debt service payments on the old debt and the new debt) of \$540,961.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Note 3 - Detail Notes on Transaction Classes/Accounts:

Long-Term Liabilities

General Obligation Bonds

Series 2011 Bond Issue – 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 and has guaranteed 50% of the principal amount of the bonds. The amounts being collected from a lease with Infiniti Plastic Technologies, Inc is sufficient to cover the entire bond payments due. The County will not be required to make any payments unless Infiniti Plastic Technologies, Inc. defaults on lease payments. Therefore, no receivable from the County has been recorded in the government-wide financial statements.

Notes Payable

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

Kentucky Association of Counties – The County of McCracken, Kentucky entered into an agreement in the amount of \$5,000,000 in March 2009, with the Kentucky Association of Counties to assist with the Julian Carroll Convention Center. The 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.

Margaret Hank Agreement – On June 16, 2011, the City entered into an agreement in the amount of \$188,533 with Margaret Hank to finance the acquisition of real property to be used for the development of an indoor recreational facility. The note matures on July 1, 2019 and has an imputed interest rate of 3.25%.

Murray State University Paducah Agreement – On November 22, 2011, the City entered into a general obligation note in the amount of \$2,674,093 with McCracken County to finance the construction of an educational facility to be occupied by Murray State University. The note matures on December 1, 2031 and has interest rates ranging from 1.0% to 3.5%.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Note 3 - Detail Notes on Transaction Classes/Accounts:

Long-Term Liabilities

Changes in Long-Term Liabilities

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

Type of Liability:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Deferred Cost Amortization</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental activities:						
General obligation bonds:						
Infiniti Media Building	\$ 3,780,000	\$ -	\$ 3,780,000	\$ -	\$ -	\$ -
Pension	5,125,000	-	230,000	-	4,895,000	240,000
Floodwall Rehabilitation	2,564,948	-	109,738	-	2,455,210	113,420
Build America Bonds	6,370,000	-	270,000	-	6,100,000	275,000
Refinanced Convention Center	7,040,000	-	410,000	-	6,630,000	410,000
Refinanced Infiniti Media Building	-	3,910,000	280,000	(58,717)	3,571,283	251,167
Notes payable:						
Kentucky League of Cities	2,358,171	-	164,441	-	2,193,730	169,437
Kentucky Association of Counties	2,364,039	-	87,789	-	2,276,250	86,875
Margaret Hank Agreement Murray State University Agreement	188,533	-	12,278	-	176,255	-
Agreement	-	2,674,093*	-	-	2,674,093	110,611
Accrued compensated absences	<u>1,929,712</u>	<u>897,990</u>	<u>799,484</u>	<u>-</u>	<u>2,028,218</u>	<u>1,008,012</u>
TOTAL GENERAL LONG- TERM LIABILITIES	<u>\$31,720,403</u>	<u>\$ 7,482,083</u>	<u>\$ 6,143,730</u>	<u>\$ (58,717)</u>	<u>\$33,000,039</u>	<u>\$2,664,522</u>
Business-type activities:						
Accrued compensated Absences	<u>\$ 88,626</u>	<u>\$ 59,077</u>	<u>\$ 40,966</u>	<u>\$ -</u>	<u>\$ 106,737</u>	<u>\$ 92,323</u>

*Assumption of 50% of McCracken County debt for facility construction. This transaction did not create or use current financial resources and, therefore, was not reported as another financing source on the Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds.

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

Net Capital Assets	\$39,740,080
<i>Less:</i>	
19.75% of the outstanding 2001 general obligation bonds	\$(1,309,425)
Net of the County's portion	<u>654,711</u>
	(654,714)
78% of the outstanding 2010 general obligation bonds	(4,758,000)
100% of the Margaret Hank Agreement	(176,255)
100% of the outstanding Kentucky League of Cities' note payable	<u>(2,193,730)</u>
Net assets invested in capital assets, net of related debt	<u>\$31,957,381</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Note 3 - Detail Notes on Transaction Classes/Accounts:

Long-Term Liabilities

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, 2012, are as follows:

Year Ending June 30	Principal	Interest	Federal Interest Subsidy
2013	\$ 1,656,510	\$ 1,040,986	\$ (93,684)
2014	1,714,616	1,009,656	(91,759)
2015	1,779,697	971,808	(89,554)
2016	1,841,968	920,532	(86,614)
2017	1,899,140	865,998	(83,315)
2018-2022	10,482,318	3,357,528	(351,542)
2023-2027	8,913,319	1,473,398	(216,963)
2028-2032	<u>2,684,253</u>	<u>234,707</u>	<u>(48,437)</u>
TOTALS	<u>\$30,971,821</u>	<u>\$ 9,874,613</u>	<u>\$(1,061,868)</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, 2012, are as follows:

Accrued Compensated Absences

	Governmental Activities	Business-type Activities
Accrued sick leave	\$ 774,400	\$ 36,805
Accrued vacation leave	<u>1,253,818</u>	<u>69,932</u>
Totals	2,028,218	106,737
Less current portion	<u>1,008,012</u>	<u>92,323</u>
LONG-TERM PORTION	<u>\$1,020,206</u>	<u>\$ 14,414</u>

Termination Benefits

Ten 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. No termination benefits were paid for the year ended June 30, 2012.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Note 3 - Detail Notes on Transaction Classes/Accounts:

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 an 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, 2012, payments of \$5,840 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, 2012, 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, 2012, were as follows:

	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
Governmental Funds:		
General Fund	\$ 834,534	\$1,641,755
Capital Project Fund	1,822,397	514,712
Special Revenue Investment Fund	110,988	3,237,151
Special Revenue Bond Fund	-	-
Debt Service Fund	1,560,103	-
Nonmajor Governmental Funds	1,560,825	415,921
Internal Service Funds	196,462	5,149
Proprietary Funds:		
Solid Waste	-	247,725
Nonmajor Proprietary Funds	<u>27,104</u>	<u>50,000</u>
TOTALS	<u>\$6,112,413</u>	<u>\$6,112,413</u>

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

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Note 3 - Detail Notes on Transaction Classes/Accounts:

Due To/From Balances

Due to/from balances used to cover current operating expenses were as follows as of June 30, 2012:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 45,918	\$1,539,809
Special Revenue Investment Fund	1,028,999	-
Nonmajor Proprietary Funds	-	45,918
Internal Service Funds	<u>510,810</u>	<u>-</u>
TOTALS	<u>\$1,585,727</u>	<u>\$1,585,727</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 three 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.

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

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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Note 4 - Pension Plans - City of Paducah:

Police and Firefighters' Pension Fund

Plan Description: PFPF is a single-employer defined benefit plan. On August 1, 1988, the plan was closed to new entrants and current active duty police and firemen of the City were given a choice of remaining in this plan or transferring into the CERS. Effective August 1, 1988, the PFPF covered 21 active duty members. All other active duty members elected coverage under CERS. PFPF provides retirement, disability, and death benefits to plan members and their beneficiaries. These benefits are determined by Kentucky Revised Statutes (KRS) sections 95.851 to 95.884. PFPF does not issue a separate, stand-alone report. Accordingly, the plan financial statements are included in this audit report.

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

Funding: As of the most recent actuarial valuation dated July 1, 2012, the schedule of funding progress was as follows:

Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Annual Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered <u>((b-a)/c)</u>
\$7,567,321	\$12,000,339	\$4,433,018	63.1	\$77,148	5,746.12%

A schedule of the funded status and funding progress for the previous six years can be found on page 91, 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:

Component	<u>Year Ended June 30, 2012</u>	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>
Beginning NPO balance	\$(5,457,076)	\$(5,511,936)	\$(5,551,753)
ARC	361,701	455,139	460,892
Interest on NPO	(436,566)	(440,955)	(444,140)
Unfunded ARC adjustment	<u>495,341</u>	<u>492,104</u>	<u>488,235</u>
Pension cost	420,476	506,288	504,987
Less actual contribution	<u>391,744</u>	<u>451,428</u>	<u>465,170</u>
Net change in NPO	<u>28,732</u>	<u>54,860</u>	<u>39,817</u>
ENDING NPO BALANCE	<u>\$(5,428,344)</u>	<u>\$(5,457,076)</u>	<u>\$(5,511,936)</u>
PERCENTAGE OF PENSION COST CONTRIBUTED	<u>93%</u>	<u>89%</u>	<u>92%</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Note 4 - Pension Plans - City of Paducah:

Police and Firefighters' Pension Fund

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, 2012

Assets:

Cash and cash equivalents	\$ 4,436
Receivables	27,241
Investment at fair value	<u>7,535,700</u>
Total assets	7,567,377

Liabilities:

Voucher and accounts payable	<u>56</u>
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Net Assets:

Held in trust for pension benefits and other purposes	<u>\$ 7,567,321</u>
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Statement of Changes in Net Assets
Police and Firefighters' Retirement Fund
For the Year Ended June 30, 2012

Additions:

Employer contributions	\$ 391,744
Plan members' contributions	<u>7,548</u>
Total contributions	<u>399,292</u>
Investment earnings:	
Net decrease in fair value of investments	(122,860)
Interest and dividends	<u>246,201</u>
Net investment earnings	<u>123,341</u>
Total additions	<u>522,633</u>

Deductions:

Benefits	1,621,008
Administrative expenses	<u>49,712</u>
Total deductions	<u>1,670,720</u>

Change in net assets	(1,148,087)
Net assets, July 1, 2011	<u>8,715,408</u>
NET ASSETS, JUNE 30, 2012	<u>\$ 7,567,321</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Note 4 - Pension Plans - City of Paducah:

Appointive Employees' Pension Fund

Plan Description: AEPF is a single-employer defined benefit plan which covers past appointed employees of the City. In 1975, the City froze admission of new entrants into the plan. There are no active participants in the plan at June 30, 2012. 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: As of the most recent actuarial valuation dated July 1, 2012, the schedule of funding progress was as follows:

Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered ((b-a)/c)
\$106,983	\$154,679	\$47,696	69.2	n/a*	n/a*

A schedule of the funded status and funding progress for the previous six years can be found on page 91, 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:

Component	<u>Year Ended June 30, 2012</u>	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>
Beginning NPO balance	\$(177,856)	\$(194,904)	\$(227,510)
ARC	7,722	3,760	17,095
Interest on NPO	(10,671)	(11,694)	(13,651)
Unfunded ARC adjustment	<u>22,797</u>	<u>24,982</u>	<u>29,162</u>
Pension cost	19,848	17,048	32,606
Less actual contribution	<u>-</u>	<u>-</u>	<u>-</u>
Net change in NPO	<u>19,848</u>	<u>17,048</u>	<u>32,606</u>
ENDING NPO BALANCE	<u>\$(158,008)</u>	<u>\$(177,856)</u>	<u>\$(194,904)</u>
PERCENTAGE OF PENSION COST CONTRIBUTED	<u>0%</u>	<u>0%</u>	<u>0%</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Note 4 - Pension Plans - City of Paducah:

Appointive Employees' Pension Fund

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

Statement of Fiduciary Net Assets
Appointive Employees' Pension Fund
June 30, 2012

Assets:	
Cash and cash equivalents	\$ 56,560
Receivables	449
Investment at fair value	<u>50,000</u>
Total assets	107,009
Liabilities:	
Voucher and accounts payable	<u>26</u>
Net Assets:	
Held in trust for pension benefits and other purposes	<u>\$106,983</u>

Statement of Changes in Net Assets
Appointive Employees' Pension Fund
For the Year Ended June 30, 2012

Additions:	
Interest and dividends	\$ 1,716
Employer contributions	<u>-</u>
Total additions	<u>1,716</u>
Deductions:	
Benefits	24,610
Administrative expenses	<u>7,141</u>
Total deductions	<u>31,751</u>
Change in net assets	(30,035)
Net assets, July 1, 2011	<u>137,018</u>
NET ASSETS, JUNE 30, 2012	<u>\$106,983</u>

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, 2012, the date of the latest actuarial valuation is as follows:

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Note 4 - Pension Plans - City of Paducah:

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

Contribution Information

	<u>PFPP</u>	<u>AEPF</u>
Valuation date	7/1/12	7/1/12
Actuarial cost method	Entry age normal	Aggregate (1)
Amortization method	Level dollar closed	Level dollar closed
Remaining amortization period	22 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.

(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, 2012:

	<u>PFPP</u>	<u>AEPF</u>
Active participants	1	0
Beneficiaries	39	3
Retired participants	<u>32</u>	<u>1</u>
TOTAL PARTICIPANTS	<u><u>72</u></u>	<u><u>4</u></u>

Cost-Sharing Multiple-Employer Defined Benefit Plan

County Employees' Retirement System

Plan Description: The City is a participant in the County Employees Retirement System (CERS), a cost sharing, multi-employer public employee retirement system. CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments are provided at the discretion of the State legislature. Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. Kentucky Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601-6124 or by calling 1-502-564-4646.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Note 4 - Pension Plans - City of Paducah:

Cost-Sharing Multiple-Employer Defined Benefit Plan

County Employees' Retirement System

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. For employees hired on September 1, 2008, or thereafter, an additional 1% must be contributed to a health insurance account. 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, 2012, 2011, and 2010, the City contributed 35.76%, 33.25%, and 32.97%, respectively, of each hazardous employee's creditable compensation and 18.96%, 16.93%, and 16.16%, 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, 2012, 2011, and 2010, were \$5,114,775, \$4,885,288, and \$4,538,848, 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, 2012.

Note 6 - Component Unit Long-Term Liabilities:

Long-term liabilities of the discretely presented component units consist of the following at June 30, 2012:

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 1.00% to 5.19%, with a .25% annual service fee. The annual requirements to amortize the outstanding debt as of June 30, 2012, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>.25% Service Fee</u>	<u>R & M Reserve</u>	<u>Total</u>
2013	\$ 364,440	\$ 68,800	\$ 17,195	\$ 18,750	\$ 469,185
2014	337,793	65,429	16,357	18,750	438,329
2015	341,179	62,043	15,511	18,750	437,483
2016	344,600	58,623	14,656	18,750	436,629
2017	348,054	55,168	13,792	18,750	435,764
2018-2022	1,793,314	222,796	55,699	75,000	2,146,809
2023-2027	1,885,024	131,086	32,771	-	2,048,881
2028-2031	1,577,195	35,693	8,923	-	1,621,811
TOTALS	<u>\$6,991,599</u>	<u>\$699,638</u>	<u>\$174,904</u>	<u>\$168,750</u>	<u>\$8,034,891</u>

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Note 6 - Component Unit Long-Term Liabilities:

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

On February 13, 2004, the Transit Authority of the City of Paducah entered into an agreement with the KACO in connection with grant match projects. Interest rate on this agreement is 4.186%. As of June 30, 2012, the outstanding balance was \$35,082.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2013	<u>\$35,082</u>	<u>\$854</u>	<u>\$35,936</u>

Note 7 - Commitments and Contingencies:

Grant Contingencies

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

Construction Commitments

The City has various on-going contracts for construction, renovations, paving materials, equipment, and labor. As of June 30, 2012, the significant construction commitments were as follows:

	<u>Cumulative Costs Incurred</u>	<u>Estimated Total Costs</u>
Olivet Church Road Improvement Project	\$1,678,028	\$1,680,000
Riverfront Development - Phase I	1,189,343	3,236,680
Riverfront - Other River Boat Launch Project	284,163	291,075
Greenway Trail Project	<u>235,658</u>	<u>1,240,000</u>
	<u>\$3,387,192</u>	<u>\$6,447,755</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Actual Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2009 - 2010	\$ -	\$ 46,051	\$ 46,051	\$ -
2010 - 2011	-	70,643	70,643	-
2011 - 2012	-	119,319	117,856	1,463

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, 2012, that number was \$2,656,261. 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 \$254,926 at June 30, 2012.

The analysis of claims activity is presented below:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Actual Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2009 - 2010	\$ 53,586	\$2,682,055	\$2,506,993	\$228,648
2010 - 2011	228,648	2,118,069	2,118,437	228,280
2011 - 2012	228,280	3,224,703	3,203,329	249,654

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.

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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 November 30, 2021. Rental revenue received from leased property during 2012 totaled \$438,671.

The following is an analysis of property leased under these leases at June 30, 2012:

Land	\$ 270,000
Buildings	873,250
Equipment	<u>110,126</u>
 Total	 1,253,376
Less: accumulated depreciation	<u>846,375</u>
 NET BOOK VALUE	 <u>\$ 407,001</u>

Depreciation expense for the year ended June 30, 2012, on leased property was \$29,085.

The following is a schedule of future minimum rental income from operating leases at June 30, 2012:

	<u>Lease</u>
	<u>Income</u>
2013	\$ 437,943
2014	437,943
2015	257,943
2016	77,943
2017	60,123
2018-2022	<u>265,543</u>
 TOTAL MINIMUM LEASE RECEIPTS	 <u>\$1,537,438</u>

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

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Note 9 - Lease Agreements:

Direct Financing Lease

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:

	<u>Lease Income</u>
2013	\$ 405,796
2014	405,796
2015	405,796
2016	405,796
2017	405,796
2018 through 2024	<u>2,840,568</u>
Net minimum lease payments	4,869,548
Less amount representing interest	<u>(1,441,481)</u>
 PRESENT VALUE OF MINIMUM LEASE PAYMENTS	 <u>\$ 3,428,067</u>

CITY OF PADUCAH, KENTUCKY

REQUIRED SUPPLEMENTARY INFORMATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012

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
7/1/2010	8,443,296	13,134,852	4,691,556	64.3	63,434	7,395.96
7/1/2011	8,715,408	12,375,144	3,659,736	70.4	62,915	5,816.95
7/1/2012	7,567,321	12,000,339	4,433,018	63.1	77,148	5,746.12

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*
7/1/2010	178,245	294,784	116,539	60.5	n/a*	n/a*
7/1/2011	137,018	161,229	24,211	85.0	n/a*	n/a*
7/1/2012	106,983	154,679	47,696	69.2	n/a*	n/a*

* There are no active participants.

Schedules of Employer Contributions

PFPF			
<u>Year Ended June 30</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percent ARC Contributed</u>	<u>Ending Net Pension Obligation (NPO)</u>
2007	\$ 46,948	446	\$(5,552,551)
2008	12,887	345	(5,546,740)
2009	183,661	123	(5,551,753)
2010	460,892	109	(5,511,936)
2011	455,139	99	(5,457,076)
2012	361,701	108	(5,428,344)

AEPF			
<u>Year Ended June 30</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percent ARC Contributed</u>	<u>Ending Net Pension Obligation (NPO)</u>
2007	\$ 13,883	180	\$(278,827)
2008	8,925	0	(250,893)
2009	6,278	0	(227,510)
2010	17,095	0	(194,904)
2011	3,760	0	(177,855)
2012	7,722	0	(158,008)

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012

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, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Grants	\$ 212,315	\$ 212,323	\$ 8
Intergovernmental	-	-	-
Interest	7,415	7,418	3
Miscellaneous	383,870	383,880	10
 Total revenues	 <u>603,600</u>	 <u>603,621</u>	 <u>21</u>
Expenditures:			
Principal requirement	-	-	-
Capital outlay	2,105,015	2,104,993	22
 Total expenditures	 <u>2,105,015</u>	 <u>2,104,993</u>	 <u>22</u>
 Excess (deficiency) of revenues over expenditures	 <u>(1,501,415)</u>	 <u>(1,501,372)</u>	 <u>43</u>
Other Financing Sources (Uses):			
Long-term debt issued	101,980	101,983	3
Operating transfers in	1,822,385	1,822,397	12
Operating transfers out	(514,720)	(514,712)	8
 Total other financing sources (uses)	 <u>1,409,645</u>	 <u>1,409,668</u>	 <u>23</u>
 Net change in fund balance	 <u>\$ (91,770)</u>	 (91,704)	 <u>\$ 66</u>
 Fund balance, July 1, 2011		 <u>1,579,642</u>	
 FUND BALANCE, JUNE 30, 2012		 <u>\$1,487,938</u>	

See auditors report on pages 11-12.

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, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	<u>\$ 577,820</u>	<u>\$ 577,831</u>	<u>\$ 11</u>
Expenditures:			
Principal requirement	1,434,249	1,434,246	3
Interest and fiscal requirement	<u>1,114,911</u>	<u>1,114,852</u>	<u>59</u>
Total expenditures	<u>2,549,160</u>	<u>2,549,098</u>	<u>62</u>
Excess (deficiency) of revenues over expenditures	<u>(1,971,340)</u>	<u>(1,971,267)</u>	<u>73</u>
Other Financing Sources (Uses):			
Capital lease	405,800	405,796	(4)
Operating transfers in	<u>1,560,100</u>	<u>1,560,103</u>	<u>3</u>
Total other financing sources (uses)	<u>1,965,900</u>	<u>1,965,899</u>	<u>(1)</u>
Net change in fund balance	<u>\$ (5,440)</u>	(5,368)	<u>\$ 72</u>
Fund balance, July 1, 2011		<u>74,272</u>	
FUND BALANCE, JUNE 30, 2012		<u>\$ 68,904</u>	

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012

**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.

Bond Fund - to account for revenues associated with bonds issued by the City.

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 revenues associated with the economic promotion of downtown Paducah, Kentucky.

CITY OF PADUCAH, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

<u>ASSETS</u>	<u>Special Revenue Funds</u>			
	<u>Municipal Aid Program</u>	<u>Emergency Communication Service Fund</u>	<u>Court Awards Fund</u>	<u>Small Grant Fund</u>
Cash and cash equivalents	\$1,363,071	\$295,171	\$173,241	\$40,419
Investments	-	-	-	-
Receivables, net:				
Accounts	56,441	161,558	-	-
Grants	-	-	-	-
Interest	-	-	-	-
TOTAL ASSETS	<u><u>\$1,419,512</u></u>	<u><u>\$456,729</u></u>	<u><u>\$173,241</u></u>	<u><u>\$40,419</u></u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Voucher and accounts payable	\$ 262,831	\$ 3,100	\$ 93,142	\$ -
Accrued payroll and payroll taxes	-	50,298	-	-
Due to other funds	-	-	-	-
Deferred revenues	-	-	-	40,419
Accrued compensated absences	-	-	-	-
Total liabilities	<u>262,831</u>	<u>53,398</u>	<u>93,142</u>	<u>40,419</u>
Fund Balances:				
Restricted for:				
Highways and streets	1,156,681	-	-	-
Public safety	-	-	80,099	-
Capital improvements	-	-	-	-
Assigned for:				
Public service	-	-	-	-
Public safety	-	403,331	-	-
Planning and development	-	-	-	-
Total fund balances	<u>1,156,681</u>	<u>403,331</u>	<u>80,099</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$1,419,512</u></u>	<u><u>\$456,729</u></u>	<u><u>\$173,241</u></u>	<u><u>\$40,419</u></u>

See auditors report on pages 11-12.

Special Revenue Funds			Total Nonmajor Governmental Funds
CDBG Grant Fund	Bond Fund	PRA Fund	
\$ -	\$286,276	\$ -	\$2,158,178
-	-	-	-
-	-	-	217,999
1,500	-	-	1,500
-	-	-	-
<u>\$1,500</u>	<u>\$286,276</u>	<u>\$ -</u>	<u>\$2,377,677</u>
\$1,500	\$ -	\$ -	\$ 360,573
-	-	-	50,298
-	-	-	-
-	-	-	40,419
-	-	-	-
<u>1,500</u>	<u>-</u>	<u>-</u>	<u>451,290</u>
-	-	-	1,156,681
-	-	-	80,099
-	286,276	-	286,276
-	-	-	-
-	-	-	403,331
-	-	-	-
<u>-</u>	<u>286,276</u>	<u>-</u>	<u>1,926,387</u>
<u>\$1,500</u>	<u>\$286,276</u>	<u>\$ -</u>	<u>\$2,377,677</u>

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Funds			
	Municipal Aid Program	Emergency Communication Service Fund	Court Awards Fund	Small Grant Fund
Revenues:				
Taxes	\$ -	\$ 433,350	\$ -	\$ -
Charges for services	-	248,705	-	-
Intergovernmental	619,911	-	-	-
Grants	-	-	50,107	46,555
Interest	8,808	2,695	1,811	-
Miscellaneous	7,838	348,966	-	9,797
Total revenues	636,557	1,033,716	51,918	56,352
Expenditures:				
Current operations:				
Public safety	-	1,577,810	41,427	-
Public service	1,159,682	-	-	-
Planning and development	-	-	-	68,127
Principle requirement	-	-	-	-
Total expenditures	1,159,682	1,577,810	41,427	68,127
Excess (deficiency) of revenues over expenditures	(523,125)	(544,094)	10,491	(11,775)
Other Financing Sources (Uses):				
Capital lease	-	-	-	-
Proceeds of refunding bond, net	-	-	-	-
Transfer to refunded bond escrow agent	-	-	-	-
Long-term debt issued	-	-	-	-
Transfers in	890,000	448,550	-	11,775
Transfers out	(102,369)	-	-	-
Total other financing sources (uses)	787,631	448,550	-	11,775
Net change in fund balances	264,506	(95,544)	10,491	-
Fund balances, July 1, 2011	892,175	498,875	69,608	-
FUND BALANCES, JUNE 30, 2012	\$1,156,681	\$ 403,331	\$80,099	\$ -

See auditors report on pages 11-12.

Special Revenue Funds

CDBG Grant Fund	Bond Fund	PRA Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 433,350
-	-	-	248,705
-	-	-	619,911
560,355	-	-	657,017
-	5,018	675	19,007
-	-	11,971	378,572
<u>560,355</u>	<u>5,018</u>	<u>12,646</u>	<u>2,356,562</u>
-	-	-	1,619,237
-	-	-	1,159,682
560,355	-	223,303	851,785
-	-	-	-
<u>560,355</u>	<u>-</u>	<u>223,303</u>	<u>3,630,704</u>
-	5,018	(210,657)	(1,274,142)
-	-	-	-
-	3,910,000	-	3,910,000
-	(3,910,000)	-	(3,910,000)
-	-	-	-
-	-	210,500	1,560,825
-	(272,886)	(40,666)	(415,921)
-	(272,886)	169,834	1,144,904
-	(267,868)	(40,823)	(129,238)
-	554,144	40,823	2,055,625
<u>\$ -</u>	<u>\$ 286,276</u>	<u>\$ -</u>	<u>\$ 1,926,387</u>

CITY OF PADUCAH, KENTUCKY
MUNICIPAL AID PROGRAM FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 627,745	\$ 627,749	\$ 4
Interest	8,805	8,808	3
Total revenues	<u>636,550</u>	<u>636,557</u>	<u>7</u>
Expenditures:			
Public service	<u>1,159,685</u>	<u>1,159,682</u>	<u>3</u>
Excess (deficiency) of revenues over expenditures	<u>(523,135)</u>	<u>(523,125)</u>	<u>10</u>
Other Financing Sources (Uses):			
Operating transfers in	890,000	890,000	-
Operating transfers out	<u>(102,370)</u>	<u>(102,369)</u>	<u>1</u>
Total other financing sources	<u>787,630</u>	<u>787,631</u>	<u>1</u>
Net change in fund balance	<u>\$ 264,495</u>	264,506	<u>\$ 11</u>
Fund balance, July 1, 2011		<u>892,175</u>	
FUND BALANCE, JUNE 30, 2012		<u><u>\$1,156,681</u></u>	

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
EMERGENCY COMMUNICATION SERVICE FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 433,350	\$ 433,350	\$ -
Telephone surcharges	248,705	248,705	-
Interest	2,695	2,695	-
Miscellaneous	348,965	348,966	1
Total revenues	<u>1,033,715</u>	<u>1,033,716</u>	<u>1</u>
Expenditures:			
Public safety	<u>1,578,030</u>	<u>1,577,810</u>	<u>220</u>
Excess (deficiency) of revenues over expenditures	(544,315)	(544,094)	221
Other Financing Sources (Uses):			
Operating transfers in	<u>448,550</u>	<u>448,550</u>	<u>-</u>
Net change in fund balance	<u>\$ (95,765)</u>	(95,544)	<u>\$ 221</u>
Fund balance, July 1, 2011		<u>498,875</u>	
FUND BALANCE, JUNE 30, 2012		<u>\$ 403,331</u>	

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
COURT AWARDS FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Court awarded forfeitures	\$ -	\$ -	\$ -
Grants	50,075	50,107	
Interest	<u>1,810</u>	<u>1,811</u>	<u>1</u>
Total revenues	<u>51,885</u>	<u>51,918</u>	<u>1</u>
Expenditures:			
Public safety	<u>41,430</u>	<u>41,427</u>	<u>3</u>
Excess (deficiency) of revenues over expenditures	<u>\$10,455</u>	10,491	<u>\$ 4</u>
Fund balance, July 1, 2011		<u>69,608</u>	
FUND BALANCE, JUNE 30, 2012		<u>\$80,099</u>	

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
SMALL GRANT FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Grants	<u>\$46,555</u>	<u>\$46,555</u>	<u>\$ -</u>
Interest	-	-	-
Other	<u>9,795</u>	<u>9,797</u>	<u>2</u>
Total revenues	<u>56,350</u>	<u>56,352</u>	<u>2</u>
Expenditures:			
Planning and development	<u>68,130</u>	<u>68,127</u>	<u>3</u>
Excess (deficiency) of revenues over expenditures	<u>(11,780)</u>	<u>(11,775)</u>	<u>5</u>
Other Financing Sources (Uses):			
Operating transfers in	11,775	11,775	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>11,775</u>	<u>11,775</u>	<u>-</u>
Net change in fund balance	<u>\$ (5)</u>	-	<u>\$ 5</u>
Fund balance, July 1, 2011		<u>-</u>	
FUND BALANCE, JUNE 30, 2012		<u>\$ -</u>	

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
CDBG GRANT FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Grants	\$560,355	\$560,355	\$ -
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>560,355</u>	<u>560,355</u>	<u>-</u>
Expenditures:			
Planning and development	<u>560,360</u>	<u>560,355</u>	<u>5</u>
Excess (deficiency) of revenues over expenditures	<u>(5)</u>	<u>-</u>	<u>5</u>
Net change in fund balance	<u>\$ (5)</u>	<u>-</u>	<u>\$ 5</u>
Fund balance, July 1, 2011		<u>-</u>	
FUND BALANCE, JUNE 30, 2012		<u>\$ -</u>	

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
SPECIAL REVENUE BOND FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Interest	\$ 5,015	\$ 5,018	\$ 3
Expenditures:			
General government:			
Planning and development:			
Bond issuance costs	-	-	-
Excess (deficiency) of revenues over expenditures	<u>5,015</u>	<u>5,018</u>	<u>3</u>
Other Financing Sources (Uses):			
Proceeds of refunding bond, net	3,910,000	3,910,000	-
Transfer to refunded bond escrow agent	(3,910,000)	(3,910,000)	-
Operating transfers out	<u>(272,890)</u>	<u>(272,886)</u>	<u>4</u>
Total other financing sources (uses)	<u>(272,890)</u>	<u>(272,886)</u>	<u>4</u>
Net change in fund balance	<u>\$ (267,875)</u>	(267,868)	<u>\$ 7</u>
Fund balance, July 1, 2011		<u>554,144</u>	
FUND BALANCE, JUNE 30, 2012		<u>\$ 286,276</u>	

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
PRA FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 675	\$ 675	\$ -
Other	12,030	11,971	(59)
Total revenues	<u>12,705</u>	<u>12,646</u>	<u>(59)</u>
Expenditures:			
Planning and development	<u>223,470</u>	<u>223,303</u>	<u>167</u>
Excess (deficiency) of revenues over expenditures	<u>(210,765)</u>	<u>(210,657)</u>	<u>108</u>
Other Financing Sources (Uses):			
Operating transfers in	210,500	210,500	-
Operating transfers out	<u>(40,666)</u>	<u>(40,666)</u>	<u>-</u>
Total other financing sources (uses)	<u>169,834</u>	<u>169,834</u>	<u>-</u>
Net change in fund balance	<u>\$ (40,931)</u>	(40,823)	<u>\$ 108</u>
Fund balance, July 1, 2011		<u>40,823</u>	
FUND BALANCE, JUNE 30, 2012		<u>\$ -</u>	

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

NONMAJOR PROPRIETARY FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012

**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 NET ASSETS
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2012

<u>ASSETS</u>	<u>Section Eight Housing</u>	<u>Civic Center Fund</u>	<u>TISA Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
Current Assets:				
Cash and cash equivalents	\$ 897,126	\$ -	\$276,963	\$1,174,089
Accounts receivable	-	-	1,035	1,035
Prepaid expense	-	-	-	-
Total current assets	<u>897,126</u>	<u>-</u>	<u>277,998</u>	<u>1,175,124</u>
Noncurrent Assets:				
Net depreciable capital assets	<u>12,652</u>	<u>169,618</u>	<u>34,097</u>	<u>216,367</u>
Total assets	<u>909,778</u>	<u>169,618</u>	<u>312,095</u>	<u>1,391,491</u>
 <u>LIABILITIES</u> 				
Current Liabilities:				
Voucher and accounts payable	102,376	5,071	2,501	109,948
Accrued compensated absences	1,601	-	-	1,601
Due to other funds	<u>45,918</u>	<u>-</u>	<u>-</u>	<u>45,918</u>
Total current liabilities	<u>149,895</u>	<u>5,071</u>	<u>2,501</u>	<u>157,467</u>
Noncurrent Liabilities:				
Accrued compensated absences	<u>14,414</u>	<u>-</u>	<u>-</u>	<u>14,414</u>
Total liabilities	<u>164,309</u>	<u>5,071</u>	<u>2,501</u>	<u>171,881</u>
 <u>NET ASSETS</u> 				
Invested in capital assets	12,652	169,618	34,097	216,367
Restricted for:				
Housing and development projects	732,817	-	-	732,817
Unrestricted	<u>-</u>	<u>(5,071)</u>	<u>275,497</u>	<u>270,426</u>
TOTAL NET ASSETS	<u>\$ 745,469</u>	<u>\$164,547</u>	<u>\$309,594</u>	<u>\$1,219,610</u>

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Section Eight Housing	Civic Center Fund	TISA Fund	Total Nonmajor Enterprise Funds
Operating Revenues:				
Charges for services	\$1,635,764	\$ 34,038	\$ 99,603	\$1,769,405
Miscellaneous	12,217	-	-	12,217
Total operating revenues	<u>1,647,981</u>	<u>34,038</u>	<u>99,603</u>	<u>1,781,622</u>
Operating Expenses:				
Cost of sales and service	1,915,365	60,956	140,601	2,116,922
Depreciation and amortization	5,639	10,209	33,107	48,955
Total operating expenses	<u>1,921,004</u>	<u>71,165</u>	<u>173,708</u>	<u>2,165,877</u>
Operating income (loss)	<u>(273,023)</u>	<u>(37,127)</u>	<u>(74,105)</u>	<u>(384,255)</u>
Non-Operating Revenues (Expenses):				
Interest and investment income	316	-	-	316
Income (loss) before contributions and operating transfers	<u>(272,707)</u>	<u>(37,127)</u>	<u>(74,105)</u>	<u>(383,939)</u>
Contributions and Operating Transfers:				
Capital contributions	-	-	-	-
Transfers in	-	27,104	-	27,104
Transfers out	-	-	(50,000)	(50,000)
Total contributions and operating transfers	<u>-</u>	<u>27,104</u>	<u>(50,000)</u>	<u>(22,896)</u>
Change in net assets	<u>(272,707)</u>	<u>(10,023)</u>	<u>(124,105)</u>	<u>(406,835)</u>
Net assets, July 1, 2011	<u>1,018,176</u>	<u>174,570</u>	<u>433,699</u>	<u>1,626,445</u>
NET ASSETS, JUNE 30, 2012	<u><u>\$ 745,469</u></u>	<u><u>\$164,547</u></u>	<u><u>\$309,594</u></u>	<u><u>\$1,219,610</u></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, 2012

	Section Eight Housing	Civic Center Fund	TISA Fund	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities:				
Cash received from customers	\$ 1,635,764	\$ 34,038	\$ 108,197	\$ 1,777,999
Payments to employees	(133,357)	-	-	(133,357)
Payments to internal service funds	-	(2,350)	(1,411)	(3,761)
Other receipts	12,217	-	-	12,217
Other payments	(1,784,754)	(58,899)	(128,282)	(1,971,935)
Net cash provided (used) by operating activities	<u>(270,130)</u>	<u>(27,211)</u>	<u>(21,496)</u>	<u>(318,837)</u>
Cash Flows from Noncapital Financing Activities:				
Transfers (to) from other funds	-	27,104	(50,000)	(22,896)
Cash Flows from Investing Activities:				
Interest on cash and investments	316	-	-	316
Net increase (decrease) in cash and cash equivalents	(269,814)	(107)	(71,496)	(341,417)
Cash and cash equivalents, July 1, 2011	1,166,940	107	348,459	1,515,506
CASH AND CASH EQUIVALENTS, JUNE 30, 2012	<u>\$ 897,126</u>	<u>\$ -</u>	<u>\$ 276,963</u>	<u>\$ 1,174,089</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ (273,023)	\$ (37,127)	\$ (74,105)	\$ (384,255)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	5,639	10,209	33,107	48,955
Change in assets and liabilities:				
Receivables	-	-	8,594	8,594
Prepaid expense	-	-	9,590	9,590
Accrued expenses	1,360	-	-	1,360
Accounts payable	(4,106)	(293)	1,318	(3,081)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (270,130)</u>	<u>\$ (27,211)</u>	<u>\$ (21,496)</u>	<u>\$ (318,837)</u>

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

INTERNAL SERVICE FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012

**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, 2012

ASSETS

	Fleet Maintenance	Fleet Lease Trust	Insurance Fund	Health Insurance Fund	Combined Total
Current Assets:					
Cash and cash equivalents	\$ 2,910	\$2,694,633	\$279,939	\$724,058	\$3,701,540
Investments	-	550,000	-	-	550,000
Receivables, net	-	4,943	2,376	78,774	86,093
Due from other funds	-	510,810	-	-	510,810
Prepaid expense	-	-	-	-	-
Inventories	76,889	-	-	-	76,889
Total current assets	79,799	3,760,386	282,315	802,832	4,925,332
Noncurrent Assets:					
Net depreciable capital assets	22,694	3,071,112	-	-	3,093,806
Total assets	102,493	6,831,498	282,315	802,832	8,019,138

LIABILITIES

Current Liabilities:					
Voucher and accounts payable	3,929	-	4,537	254,926	263,392
Accrued payroll and payroll taxes	16,005	-	-	-	16,005
Accrued compensated absences	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total current liabilities	19,934	-	4,537	254,926	279,397
Noncurrent Liabilities:					
Accrued compensated absences	53,040	-	-	-	53,040
Total liabilities	72,974	-	4,537	254,926	332,437

NET ASSETS

Invested in capital assets, net of related debt	22,694	3,071,112	-	-	3,093,806
Unrestricted	6,825	3,760,386	277,778	547,906	4,592,895
TOTAL NET ASSETS	\$ 29,519	\$6,831,498	\$277,778	\$547,906	\$7,686,701

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, 2012

	<u>Fleet Maintenance</u>	<u>Fleet Lease Trust</u>	<u>Insurance Fund</u>	<u>Health Insurance Fund</u>	<u>Combined Total</u>
Operating Revenues:					
Charges for services - internal	\$ 375,582	\$ 812,993	\$909,892	\$3,995,086	\$6,093,553
Charges for services - external	-	-	-	272,105	272,105
Total operating revenues	<u>375,582</u>	<u>812,993</u>	<u>909,892</u>	<u>4,267,191</u>	<u>6,365,658</u>
Operating Expenses:					
Vehicle maintenance	511,172	-	-	-	511,172
Administrative	-	26,229	-	362,827	389,056
Insurance	-	-	965,518	3,785,353	4,750,871
Leave expense	7,160	-	-	-	7,160
Depreciation	9,903	568,418	-	-	578,321
Total operating expenses	<u>528,235</u>	<u>594,647</u>	<u>965,518</u>	<u>4,148,180</u>	<u>6,236,580</u>
Operating income (loss)	<u>(152,653)</u>	<u>218,346</u>	<u>(55,626)</u>	<u>119,011</u>	<u>129,078</u>
Nonoperating Revenues and (Expenses):					
Interest and investment income	26	40,654	-	-	40,680
Gain (loss) on disposal of property and equipment	2,299	34,418	-	-	36,717
Total nonoperating revenues (expenses)	<u>2,325</u>	<u>75,072</u>	<u>-</u>	<u>-</u>	<u>77,397</u>
Income (loss) before operating transfers	<u>(150,328)</u>	<u>293,418</u>	<u>(55,626)</u>	<u>119,011</u>	<u>206,475</u>
Contributions and Operating Transfers:					
Transfers in	146,623	-	49,839	-	196,462
Transfers out	-	(5,149)	-	-	(5,149)
Change in net assets	<u>(3,705)</u>	<u>288,269</u>	<u>(5,787)</u>	<u>119,011</u>	<u>397,788</u>
Net assets, July 1, 2011	<u>33,224</u>	<u>6,543,229</u>	<u>283,565</u>	<u>428,895</u>	<u>7,288,913</u>
NET ASSETS, JUNE 30, 2012	<u>\$ 29,519</u>	<u>\$6,831,498</u>	<u>\$277,778</u>	<u>\$ 547,906</u>	<u>\$7,686,701</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, 2012

	Fleet Maintenance	Fleet Lease Trust	Insurance Fund	Health Insurance Fund	Combined Total
Cash Flows from Operating Activities:					
Receipts from other funds for services	\$ 375,582	\$ 822,449	\$ 907,629	\$ 4,188,685	\$ 6,294,345
Payments to suppliers	(245,090)	-	-	-	(245,090)
Payments to employees	(269,305)	-	-	-	(269,305)
Claims paid	-	-	-	(3,767,220)	(3,767,220)
Other receipts	-	-	-	-	-
Other payments	(3,525)	(133,909)	(961,387)	(912,827)	(2,011,648)
Net cash provided (used) by operating activities	<u>(142,338)</u>	<u>688,540</u>	<u>(53,758)</u>	<u>(491,362)</u>	<u>1,082</u>
Cash Flows from Noncapital Financing Activities:					
Transfers to other funds	-	(5,149)	-	-	(5,149)
Transfers from other funds	146,623	-	49,839	-	196,462
Net cash provided (used) by noncapital financing activities	<u>146,623</u>	<u>(5,149)</u>	<u>49,839</u>	<u>-</u>	<u>191,313</u>
Cash Flows from Capital and Related Financing Activities:					
Purchase of capital assets	(4,000)	(1,029,935)	-	-	(1,033,935)
Proceeds from sale of capital assets	2,299	55,513	-	-	57,812
Net cash used by capital and related financing	<u>(1,701)</u>	<u>(974,422)</u>	<u>-</u>	<u>-</u>	<u>(976,123)</u>
Cash Flows from Investing Activities:					
Proceeds from sales and maturities of investments	-	1,500,000	-	-	1,500,000
Interest and dividends	26	40,654	-	-	40,680
Purchase of investments	-	(550,000)	-	-	(550,000)
Net cash provided (used) by investing activities	<u>26</u>	<u>990,654</u>	<u>-</u>	<u>-</u>	<u>990,680</u>
Net increase (decrease) in cash and cash equivalents	2,610	699,623	(3,919)	(491,362)	206,952
Cash and cash equivalents, July 1, 2011	300	1,995,010	283,858	1,215,420	3,494,588
CASH AND CASH EQUIVALENTS, JUNE 30, 2012	<u>\$ 2,910</u>	<u>\$ 2,694,633</u>	<u>\$ 279,939</u>	<u>\$ 724,058</u>	<u>\$ 3,701,540</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ (152,653)	\$ 218,346	\$ (55,626)	\$ 119,011	\$ 129,078
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	9,903	568,418	-	-	578,321
Change in assets and liabilities:					
Receivables	-	9,456	(2,263)	(78,506)	(71,313)
Prepaid expense	-	403,130	-	15,000	418,130
Inventories	-	-	-	-	-
Due to other funds	(3,525)	(510,810)	-	(550,000)	(1,064,335)
Accrued expenses	8,657	-	-	-	8,657
Accounts payable	(4,720)	-	4,131	3,133	2,544
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (142,338)</u>	<u>\$ 688,540</u>	<u>\$ (53,758)</u>	<u>\$ (491,362)</u>	<u>\$ 1,082</u>

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

FIDUCIARY FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012

**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, 2012

<u>ASSETS</u>	Police and Firefighters' Retirement Fund	Appointive Employees' Pension Fund	Total
Cash and cash equivalents	\$ 4,436	\$ 56,560	\$ 60,996
Receivables:			
Interest	27,241	449	27,690
Investments at fair value			
Money market funds	200,362	-	200,362
Certificates of deposit	-	50,000	50,000
Common stock	2,552,720	-	2,552,720
Corporate bonds	1,527,228	-	1,527,228
U.S. agencies bonds	1,472,496	-	1,472,496
Mutual funds	1,782,894	-	1,782,894
	<u>7,567,377</u>	<u>107,009</u>	<u>7,674,386</u>
Total assets			
	<u>7,567,377</u>	<u>107,009</u>	<u>7,674,386</u>
<u>LIABILITIES</u>			
Voucher and accounts payable	<u>56</u>	<u>26</u>	<u>82</u>
<u>NET ASSETS</u>			
Held in trust for pension benefits and other purposes	<u>\$7,567,321</u>	<u>\$106,983</u>	<u>\$7,674,304</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, 2012

Additions:	Police and Firefighters' Retirement Fund	Appointive Employees' Pension Fund	Totals
Contributions:			
Employer	\$ 391,744	\$ -	\$ 391,744
Plan members	7,548	-	7,548
Total contributions	<u>399,292</u>	<u>-</u>	<u>399,292</u>
Investment earnings:			
Net increase in fair value of investments	(122,860)	-	(122,860)
Interest and dividends	246,201	1,716	247,917
Net investment earnings	<u>123,341</u>	<u>1,716</u>	<u>125,057</u>
Total additions	<u>522,633</u>	<u>1,716</u>	<u>524,349</u>
Deductions:			
Benefits	1,621,008	24,610	1,645,618
Administrative expenses	49,712	7,141	56,853
Total deductions	<u>1,670,720</u>	<u>31,751</u>	<u>1,702,471</u>
Change in net assets	(1,148,087)	(30,035)	(1,178,122)
Net assets, July 1, 2011	<u>8,715,408</u>	<u>137,018</u>	<u>8,852,426</u>
NET ASSETS, JUNE 30, 2012	<u><u>\$ 7,567,321</u></u>	<u><u>\$106,983</u></u>	<u><u>\$ 7,674,304</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, 2012

<u>ASSETS</u>	<u>Other Trusts</u>	<u>Maintenance and Rehab Trust</u>	<u>Total</u>
Investments at fair value			
Mutual funds	<u>\$1,106,065</u>	<u>\$ -</u>	<u>\$1,106,065</u>
Total assets	<u>1,106,065</u>	<u>-</u>	<u>1,106,065</u>
 <u>LIABILITIES</u>			
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
 <u>NET ASSETS</u>			
Held in trust for other purposes	<u><u>\$1,106,065</u></u>	<u><u>\$ -</u></u>	<u><u>\$1,106,065</u></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, 2012

Additions:	Other Trusts	Maintenance and Rehab Trust	Totals
Contributions:			
Intergovernmental revenues	\$ 3,135	\$8,000	\$ 11,135
Private donations	3,458	-	3,458
Total contributions	6,593	8,000	14,593
Investment earnings:			
Net increase in fair value of investments	(61,241)	-	(61,241)
Loss on sale of investments	36,604	-	36,604
Interest and dividends	32,000	-	32,000
Net investment earnings	7,363	-	7,363
Total additions	13,956	8,000	21,956
Deductions:			
Capital outlay	52,434	4,004	56,438
Administrative expenses	13,775	4,111	17,886
Total deductions	66,209	8,115	74,324
Change in net assets	(52,253)	(115)	(52,368)
Net assets, July 1, 2011	1,158,318	115	1,158,433
NET ASSETS, JUNE 30, 2012	\$1,106,065	\$ -	\$1,106,065

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, 2012

Payroll Fund:	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2012</u>
Assets:				
Cash and cash equivalents	<u>\$133,077</u>	<u>\$14,714,099</u>	<u>\$14,162,414</u>	<u>\$684,762</u>
Liabilities:				
Payroll taxes and withholdings payable	<u>\$133,077</u>	<u>\$14,714,099</u>	<u>\$14,162,414</u>	<u>\$684,762</u>

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

STATISTICAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being changed over time.	116-121
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and employee taxes.	122-127
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	128-131
Economic and Demographic Information These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	132-134
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	135-136

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 Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2012	2011	2010 (2)	2009	2008	2007	2006	2005 (1)	2004	2003
Governmental Activities:										
Invested in capital assets, net of related debt	\$31,957,381	\$32,905,977	\$31,136,514	\$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	897,942	1,264,986	1,100,696	2,183,559	1,782,251	1,904,321	1,018,231	727,699	714,538	713,766
Capital projects	4,105,639	5,987,399	5,077,026	4,363,913	5,028,420	4,618,923	2,689,804	940,323	4,031,802	3,583,589
Unrestricted	5,913,997	4,229,501	8,165,101	8,621,077	9,432,763	9,057,641	7,718,198	7,419,037	(406,042)	1,571,120
TOTAL GOVERNMENTAL ACTIVITIES NET ASSETS	<u>\$42,874,959</u>	<u>\$44,387,863</u>	<u>\$45,479,337</u>	<u>\$46,383,801</u>	<u>\$48,010,217</u>	<u>\$48,138,457</u>	<u>\$42,090,904</u>	<u>\$38,579,256</u>	<u>\$32,166,415</u>	<u>\$33,824,314</u>
Business-Type Activities:										
Invested in capital assets, net of related debt	\$ 1,308,574	\$ 1,334,230	\$ 1,652,961	\$ 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	732,817	999,885	620,800	369,368	579,460	-	-	-	-	-
Unrestricted	3,246,320	3,004,783	1,816,705	1,036,093	(19,965)	(147,286)	132,090	(27,648)	1,979,494	1,565,100
TOTAL BUSINESS-TYPE ACTIVITIES NET ASSETS	<u>\$ 5,287,711</u>	<u>\$ 5,338,898</u>	<u>\$ 4,090,466</u>	<u>\$ 3,126,880</u>	<u>\$ 2,423,470</u>	<u>\$ 1,344,237</u>	<u>\$ 1,409,810</u>	<u>\$ 1,435,470</u>	<u>\$ 3,443,162</u>	<u>\$ 2,990,853</u>
Primary Government:										
Invested in capital assets, net of related debt	\$33,265,955	\$34,240,207	\$32,789,475	\$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	1,630,759	2,264,871	1,721,496	2,552,927	2,361,711	1,904,321	1,018,231	727,699	714,538	713,766
Capital projects	4,105,639	5,987,399	5,077,026	4,363,913	5,028,420	4,618,923	2,689,804	940,323	4,031,802	3,583,589
Unrestricted	9,160,317	7,234,284	9,981,806	9,657,170	9,412,798	8,910,355	7,850,288	7,391,389	1,573,452	3,136,220
TOTAL PRIMARY GOVERNMENT NET ASSETS	<u>\$48,162,670</u>	<u>\$49,726,761</u>	<u>\$49,569,803</u>	<u>\$49,510,681</u>	<u>\$50,433,687</u>	<u>\$49,482,694</u>	<u>\$43,500,714</u>	<u>\$40,014,726</u>	<u>\$35,609,577</u>	<u>\$36,815,167</u>

(1) Significant change in governmental and business-type net assets due to reclassification for prior year omitted receivables, capital assets, and post-closure landfill expenses.

(2) Significant change in governmental net assets due to restatement of prior year grant receivables.

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

Expenses:	Fiscal Year									
	2012	2011	2010 (3)	2009	2008 (2)	2007	2006	2005 (1)	2004	2003
<i>Governmental activities:</i>										
General government	\$ 12,937,997	\$ 9,786,052	\$ 9,763,178	\$ 12,148,118	\$ 10,709,641	\$ 9,462,543	\$ 9,057,295	\$ 8,431,994	\$ 7,969,027	\$ 7,396,882
Public safety	17,045,731	16,993,228	16,239,042	15,734,557	15,938,831	15,182,704	14,592,756	14,620,938	13,243,912	12,964,120
Public service	6,163,602	7,328,806	7,669,729	12,849,566	9,543,714	8,299,658	8,486,662	6,249,860	8,618,901	7,376,791
Parks and recreation	2,654,098	2,748,333	2,653,474	1,492,306	1,286,955	1,197,072	1,044,361	1,045,024	1,026,293	975,362
Planning and development	1,192,952	1,212,103	970,022	708,827	282,042	1,891,725	2,404,636	2,521,412	5,330,393	3,108,192
Interest on long-term debt	1,059,537	1,363,580	1,099,450	1,029,888	1,066,067	1,134,898	974,101	775,122	496,049	428,578
Total governmental activities expense	41,053,917	39,432,102	38,394,895	43,963,262	38,827,250	37,168,600	36,559,811	33,644,350	36,684,575	32,249,925
<i>Business-type activities:</i>										
Solid Waste	3,900,264	3,832,130	3,797,097	4,037,845	4,086,747	4,079,684	3,893,013	3,683,954	3,419,464	3,359,731
Section Eight Housing	1,921,004	1,956,728	2,061,370	2,154,360	1,949,899	-	-	-	-	-
Civic Center	71,069	76,546	69,537	75,692	84,908	54,562	45,894	39,008	33,181	46,509
TISA	173,708	183,546	206,798	162,849	156,388	267,192	269,781	170,264	184,166	123,719
Total business-type activities expense	6,066,045	6,048,950	6,134,802	6,430,746	6,277,942	4,401,438	4,208,688	3,893,226	3,636,811	3,529,959
TOTAL PRIMARY GOVERNMENT EXPENSES	\$ 47,119,962	\$ 45,481,052	\$ 44,529,697	\$ 50,394,008	\$ 45,105,192	\$ 41,570,038	\$ 40,768,499	\$ 37,537,576	\$ 40,321,386	\$ 35,779,884
Program Revenues:										
<i>Governmental activities:</i>										
Charges for services:										
General government	\$ 1,488,845	\$ 1,051,509	\$ 993,371	\$ 1,303,667	\$ 1,415,943	\$ 1,730,046	\$ 1,618,903	\$ 1,485,005	\$ 1,601,414	\$ 1,445,383
Public safety	509,297	790,650	484,754	602,262	268,839	1,024,610	767,086	794,814	1,134,386	94,386
Public service	1,032,953	1,205,666	1,197,194	1,220,999	1,111,188	1,150,507	942,355	895,155	986,618	683,119
Parks and recreation	97,896	129,790	152,890	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	2,215,247	2,086,625	1,813,019	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	533,169	1,767,093	1,390,848	4,889,520	1,297,900	3,681,490	3,302,568	1,100,064	3,221,637	2,213,757
Total governmental activities program revenues	5,877,407	7,031,333	6,032,076	10,318,313	5,589,364	10,517,608	9,744,058	6,858,550	10,379,470	8,760,415

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

	Fiscal Year									
	2012	2011	2010 (3)	2009	2008 (2)	2007	2006	2005 (1)	2004	2003
Program Revenues:										
<i>Business-type activities:</i>										
Solid Waste	\$ 4,437,341	\$ 4,476,139	\$ 4,436,540	\$ 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	34,038	33,766	32,455	38,577	32,932	31,372	26,378	32,828	36,455	20,825
TISA	99,603	138,797	148,158	148,291	143,833	193,713	106,697	104,087	100,778	93,383
Operating grants and contributions	1,647,981	2,400,540	2,340,267	1,965,936	1,785,809	-	-	-	-	-
Capital grants and contributions	15,266	8,659	27,239	129,032	9,480	23,969	22,894	14,735	24,990	3,666
Total business-type activities program revenues	6,234,229	7,057,901	6,984,659	6,829,795	6,137,148	4,177,194	3,852,578	3,735,067	3,952,355	3,416,838
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	\$ 12,111,636	\$ 14,089,234	\$ 13,016,735	\$ 17,148,108	\$ 11,726,512	\$ 14,694,802	\$ 13,596,636	\$ 10,593,617	\$ 14,331,825	\$ 12,177,253
Net (Expense)/Revenue:										
<i>Governmental activities:</i>	(35,176,510)	(32,400,769)	(32,362,819)	(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>	168,184	1,008,951	849,857	399,049	(140,794)	(224,244)	(356,110)	(158,159)	315,544	(113,121)
TOTAL PRIMARY GOVERNMENT NET (EXPENSE)	\$ (35,008,326)	\$ (31,391,818)	\$ (31,512,962)	\$ (33,245,900)	\$ (33,378,680)	\$ (26,875,236)	\$ (27,171,863)	\$ (26,943,959)	\$ (25,989,561)	\$ (23,602,631)
General Revenues and Other Changes in Net Assets:										
<i>Governmental activities:</i>										
Taxes and licenses:										
Property taxes, levied for general purposes	\$ 4,267,812	\$ 4,402,226	\$ 4,207,736	\$ 3,986,760	\$ 4,221,957	\$ 4,122,538	\$ 4,107,934	\$ 3,919,113	\$ 4,012,168	\$ 3,893,211
Insurance premium tax	3,690,806	3,476,309	3,797,347	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	4,359,835	4,243,511	4,229,102	4,320,850	4,061,587	4,050,057	3,899,432	3,720,784	3,496,438	3,404,338
Employee license tax	18,095,182	17,345,033	16,384,509	16,584,636	16,520,523	16,273,966	14,794,217	11,192,445	10,616,223	10,301,231
Other taxes	2,711,924	2,712,817	2,844,154	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	203,261	264,913	172,213	336,960	540,620	639,702	462,292	290,647	220,992	325,811
Gain on sale of capital assets	36,718	62,539	64,620	68,530	119,200	48,656	8,340	-	(1,972)	125,714
Insurance recoveries	27,448	410,462	-	-	-	-	-	-	-	-
Litigation settlement	-	(1,482,743)	-	-	-	-	-	-	-	-
Transfers	270,620	(125,772)	(78,893)	(110,838)	(96,609)	(58,175)	(115,754)	(133,959)	(68,964)	18,666
Total governmental activities	33,663,606	31,309,295	31,620,788	32,018,533	33,728,092	32,698,545	30,327,401	26,018,367	24,678,162	24,379,131

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

General Revenues and Other Changes in Net Assets:	Fiscal Year									
	2012	2011	2010 (3)	2009	2008 (2)	2007	2006	2005 (1)	2004	2003
<i>Business-type activities:</i>										
Unrestricted investment earnings	\$ 48,806	\$ 46,052	\$ 33,724	\$ 52,961	\$ 73,985	\$ 83,854	\$ 85,786	\$ 51,508	\$ 32,826	\$ 39,530
Gain on sale of capital assets	2,443	67,657	1,112	98,369	127,131	16,641	55,337	27,500	34,975	24,238
Transfers	(270,620)	125,772	78,893	110,838	96,609	58,176	115,754	133,959	68,964	(18,666)
Total business-type activities	(219,371)	239,481	113,729	262,168	297,725	158,671	256,877	212,967	136,765	45,102
Change in Net Assets:										
<i>Governmental activities:</i>	(1,512,904)	(1,091,474)	(742,031)	(1,626,416)	490,206	6,047,553	3,511,648	(767,433)	(1,626,943)	889,621
<i>Business-type activities:</i>	(51,187)	1,248,432	963,586	661,217	156,931	(65,573)	(99,233)	54,808	452,309	(68,019)
TOTAL PRIMARY GOVERNMENT	\$ (1,564,091)	\$ 156,958	\$ 221,555	\$ (965,199)	\$ 647,137	\$ 5,981,980	\$ 3,412,415	\$ (712,625)	\$ (1,174,634)	\$ 821,602

- (1) Significant change in governmental and business-type net assets due to reclassification for prior year omitted receivables, capital assets, and post-closure landfill expenses.
- (2) 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.
- (3) Significant change in governmental net assets due to restatement of prior year grant receivables.

TABLE 3
CITY OF PADUCAH, KENTUCKY
FUND BALANCES, GOVERNMENT FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2012	2011	2010 (3)	2009	2008 (2)	2007	2006	2005 (1)	2004	2003
General Fund:										
Unassigned	<u>\$11,321,438</u>	<u>\$10,940,121</u>	<u>\$10,208,678</u>	<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>
TOTAL GENERAL FUND	<u>\$11,321,438</u>	<u>\$10,940,121</u>	<u>\$10,208,678</u>	<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>
All Other Governmental Funds:										
Restricted for:										
Program purposes	\$ 1,236,780	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital improvements	286,276	-	-	-	-	-	-	-	-	-
Committed for:	2,631,233	2,587,012	2,844,706	2,618,147	2,081,280	1,692,872	719,801	-	-	-
Capital improvements										
Assigned for:										
Program purposes	472,235	683,578	1,402,731	1,634,547	1,193,968	1,543,547	1,573,977	1,548,082	1,284,119	1,821,307
Capital improvements	<u>1,487,938</u>	<u>2,133,786</u>	<u>5,151,791</u>	<u>1,745,766</u>	<u>2,947,140</u>	<u>2,926,051</u>	<u>1,970,003</u>	<u>940,323</u>	<u>3,886,391</u>	<u>3,583,589</u>
TOTAL ALL OTHER GOVERNMENTAL FUNDS	<u>\$ 6,114,462</u>	<u>\$ 5,404,376</u>	<u>\$ 9,399,228</u>	<u>\$ 5,998,460</u>	<u>\$6,222,388</u>	<u>\$6,162,470</u>	<u>\$4,263,781</u>	<u>\$2,488,405</u>	<u>\$5,170,510</u>	<u>\$5,404,896</u>

- (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 decrease in reserve for program purpose due to converting governmental fund to proprietary fund.
- (3) Significant decrease in general fund balance due to restatement of prior year grant receivables.

TABLE 4
CITY OF PADUCAH, KENTUCKY
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003 (1)
Revenues:										
Taxes	\$ 6,343,608	\$ 6,223,511	\$ 6,326,740	\$ 5,867,782	\$ 6,139,164	\$ 6,044,069	\$ 6,204,686	\$ 6,016,570	\$ 5,871,229	\$ 5,773,871
Licenses	26,753,432	25,704,849	24,979,768	25,411,112	25,924,562	25,140,615	23,432,565	19,368,765	18,423,244	17,900,739
Charges for services	817,607	811,590	846,087	866,688	835,105	783,018	654,059	625,281	668,659	743,826
Intergovernmental	1,191,835	1,148,362	1,091,324	1,086,377	1,565,348	1,676,783	1,529,879	1,192,724	1,029,307	1,186,306
Grants	1,699,399	2,992,519	2,062,554	5,405,810	1,673,936	6,089,711	5,797,500	3,758,041	4,002,721	4,900,775
Interest	162,580	205,837	121,246	225,251	419,103	540,204	402,943	251,302	190,350	316,794
Miscellaneous	1,902,075	1,790,890	2,653,382	2,250,344	1,944,310	1,832,161	1,844,285	1,377,175	3,781,034	1,803,408
Total revenues	38,870,536	38,877,558	38,081,101	41,113,364	38,501,528	42,106,561	39,865,917	32,589,858	33,966,544	32,625,719
Expenditures:										
General government	5,117,194	5,151,370	5,277,916	4,726,435	5,051,374	4,763,839	4,286,431	4,171,662	3,891,251	3,943,031
Public safety	18,479,428	16,854,136	15,999,437	15,599,613	15,696,728	14,759,735	14,366,846	14,376,161	12,963,685	12,535,382
Public service	5,596,702	6,446,503	5,984,115	7,855,846	7,935,188	7,226,542	7,418,656	5,947,105	6,914,523	5,995,396
Parks and recreation	2,677,781	2,781,663	2,582,382	1,490,732	1,298,329	1,192,727	1,044,299	1,045,024	1,026,297	975,361
Planning and development	2,216,665	1,680,297	1,868,369	1,811,083	803,976	2,424,198	2,545,227	2,267,774	2,570,473	2,204,395
Other	516,534	486,239	847,188	514,488	520,611	526,238	481,690	462,099	2,343,844	645,653
Capital outlay	2,104,993	5,121,682	8,324,312	8,580,910	4,826,983	6,504,491	5,003,091	4,870,136	10,987,184	4,172,978
Debt service:										
Principal requirement	1,434,246	2,233,588	1,020,585	830,682	880,887	782,870	594,047	552,938	428,613	379,229
Interest and fiscal requirement	1,114,852	1,519,329	1,077,128	1,003,439	1,051,008	1,108,385	949,537	745,676	471,625	428,578
Total expenditures	39,258,395	42,274,807	42,981,432	42,413,228	38,065,084	39,289,025	36,689,824	34,438,575	41,597,495	31,280,003
Other Financing Sources (Uses):										
Bonds issued	-	-	6,645,000	1,718,605	-	-	6,100,000	-	5,000,000	-
Long-term debt draws	101,983	366,039	1,222,390	-	-	-	-	-	-	-
Long-term debt issued	-	-	258,391	69,032	-	246,667	-	275,000	3,500,000	-
Capital lease	405,796	405,796	405,796	405,796	371,979	-	-	-	-	-
Transfers in	5,888,847	8,455,433	9,722,852	5,928,413	6,241,886	5,209,977	6,034,070	3,394,420	3,939,188	2,074,459
Transfers out	(5,809,539)	(8,201,253)	(9,893,709)	(6,150,847)	(7,086,517)	(5,556,722)	(12,681,180)	(4,712,171)	(5,295,576)	(3,167,686)
Total other financing sources (uses)	587,087	1,026,015	8,360,720	1,970,999	(472,652)	(100,078)	(547,110)	(1,042,751)	7,143,612	(1,093,227)
NET CHANGE IN FUND BALANCES	\$ 199,228	\$ (2,371,234)	\$ 3,460,389	\$ 671,135	\$ (36,208)	\$ 2,717,458	\$ 2,628,983	\$ (2,891,468)	\$ (487,339)	\$ 252,489
Capital outlay (2)	\$ 2,156,290	\$ 4,833,547	\$ 8,763,073	\$ 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	6.87%	10.02%	6.13%	4.64%	5.49%	5.46%	4.69%	4.26%	2.77%	2.75%

(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							
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
2010	797,902,456	659,381,375	495,273,730	57,459,000	2,010,016,561	2,076,961,686	0.286	96.8%	66,945,125
2011	780,357,859	670,841,459	536,894,082	46,722,282	2,034,815,682	2,103,120,249	0.288	96.8%	68,304,567
2012	781,685,815	685,984,380	524,400,400	61,500,830	2,053,571,425	2,122,076,341	0.287	96.8%	68,504,916

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			McCracken Co. School Districts		City of Paducah School Districts		Paducah Junior College		McCracken County	
	General Fund		Total Direct Rate	Real Estate	Personal	Real Estate	Personal	Real Estate	Personal	Real Estate	Personal
	Real Estate	Personal									
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
2010	0.250	0.390	0.286	0.504	0.504	0.678	0.678	0.022	0.022	0.095	0.095
2011	0.250	0.390	0.288	0.504	0.504	0.711	0.711	0.016	0.020	0.095	0.098
2012	0.250	0.390	0.287	0.504	0.504	0.747	0.747	0.018	0.030	0.098	0.119

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

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

Taxpayer	2012		2003	
	(1) Assessed Valuation	(1) Percentage of Total Assessed Valuation	(2) Assessed Valuation	(2) Percentage of Total Assessed Valuation
Kentucky Oaks Mall	\$ 50,900,262	2.48%	\$ 41,626,900	2.99%
Ducmall LLC	14,374,800	0.70%	-	0.00%
Paducah Medical Investors	13,440,090	0.65%	13,440,090	0.97%
Wal-Mart Real Estate Business	10,646,400	0.52%	-	0.00%
Sams Real Estate Business Trust	9,222,955	0.45%	-	0.00%
Computer Services Inc	9,083,185	0.44%	14,257,212	1.03%
Wal-Mart Store	9,000,000	0.44%	33,851,922	2.43%
USF Propco I LLC	8,156,900	0.40%	-	0.00%
Lowes Home Centers, Inc.	8,134,350	0.40%	-	0.00%
Brooks Properties, Inc.	7,800,000	0.38%	-	0.00%
Lourdes Medical Pavilion	-	0.00%	19,511,911	1.40%
Drury Inns, Inc.	-	0.00%	13,266,765	0.95%
Lowe's	-	0.00%	13,669,186	0.98%
TOTALS	<u>\$140,758,942</u>	<u>6.86%</u>	<u>\$149,623,986</u>	<u>10.75%</u>

(1) Source - Property Valuation Administration; Assessed value as of January 1, 2011.

(2) Source - Property Valuation Administration; Assessed value as of January 1, 2002.

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

Fiscal Year Ended June 30,	(1) Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections to Date	
		(1) Amount of Collections	Percent of Levy Collected	Collections in Subsequent Years	Total Collections	Percent of Levy Collected
2003	\$ 3,667,689	\$ 3,414,329	93.1%	\$ 244,649	\$ 3,658,978	99.8%
2004	3,800,967	3,685,957	97.0%	105,579	3,791,536	99.8%
2005	3,834,706	3,762,592	98.1%	62,532	3,825,124	99.8%
2006	4,014,042	3,911,868	97.5%	90,078	4,001,946	99.7%
2007	4,000,362	3,855,679	96.4%	130,291	3,985,970	99.6%
2008	3,974,933	3,814,940	96.0%	144,682	3,959,622	99.6%
2009	4,201,796	4,017,032	95.6%	156,868	4,173,900	99.3%
2010	4,258,210	4,131,454	97.0%	94,305	4,225,759	99.2%
2011	4,199,308	4,110,973	97.9%	41,447	4,152,420	98.9%
2012	4,233,693	4,119,689	97.3%	-	4,119,689	97.3%

(1) Includes current year real and personal property tax.

* Source - City of Paducah Finance Department.

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

Fiscal Year	(1) Taxes Collected	Direct Tax Rate
2003	\$ 10,301,231	1.50%
2004	10,616,222	1.50%
2005	11,183,157	1.50%
2006	14,947,835	2.00% (2)
2007	16,258,946	2.00%
2008	16,535,542	2.00%
2009	16,584,618	2.00%
2010	16,384,509	2.00%
2011	17,345,034	2.00%
2012	18,095,182	2.00%
	<u>\$148,252,276</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 SIX YEARS AGO***

Taxpayers By Range	2012			
	Number of Filers	Percentage of Total	(1) Taxes Collected	Percentage of Total Employee License Tax
\$0 - \$50,000	2,466	97.82%	\$ 8,496,955	46.96%
\$50,001 - \$100,000	31	1.23%	2,198,285	12.15%
\$100,001 - \$500,000	22	0.87%	4,363,850	24.11%
Greater than \$500,000	<u>2</u>	<u>0.08%</u>	<u>3,036,092</u>	<u>16.78%</u>
TOTALS	<u><u>2,521</u></u>	<u><u>100.00%</u></u>	<u><u>\$18,095,182</u></u>	<u><u>100.00%</u></u>

Taxpayers By Range	2006			
	Number of Filers	Percentage of Total	(1) Taxes Collected	Percentage of Total Employee License Tax
\$0 - \$50,000	1,603	97.80%	\$ 7,462,359	54.97%
\$50,001 - \$100,000	19	1.16%	1,326,451	9.77%
\$100,001 - \$500,000	15	0.92%	2,907,406	21.42%
Greater than \$500,000	<u>2</u>	<u>0.12%</u>	<u>1,879,464</u>	<u>13.84%</u>
TOTALS	<u><u>1,639</u></u>	<u><u>100.00%</u></u>	<u><u>\$13,575,680</u></u>	<u><u>100.00%</u></u>

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

*Principal employee license taxpayers six years ago is the earliest date this statistic is available.

**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
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
2010	25,568,996	5,808,267	-	-	-	31,377,263	1.51	6.48%	1,193
2011	24,805,676	4,910,742	-	-	-	29,716,418	1.41	5.91%	1,188
2012	23,616,405	7,320,328	-	-	-	30,936,733	1.46	6.15%	1,236

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	Public Improvement Project Bonds	Less Resources Restricted for Debt Service			
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
2010	7,030,000	5,340,000	3,975,000	2,671,440	6,645,000	92,444	25,568,996	1.23	972
2011	7,040,000	5,125,000	3,780,000	2,564,948	6,370,000	74,272	24,805,676	1.18	991
2012	6,630,000	4,895,000	3,571,283	2,455,210	6,100,000	35,088	23,616,405	1.11	944

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, 2012**

	<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	\$ 30,936,733	100.00%	\$ 30,936,733
Paducah Independent School District	47,227,403 *	100.00%	47,227,403
McCracken County	19,768,049 *	45.60%	9,014,230
McCracken County Board of Education	<u>77,347,922 *</u>	<u>30.90%</u>	<u>23,900,508</u>
Overlapping debt	<u>144,343,374</u>		<u>80,142,141</u>
TOTAL DIRECT AND OVERLAPPING DEBT	<u><u>\$175,280,107</u></u>		<u><u>\$111,078,874</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		\$ 2,053,571,425
Add exemption		<u>68,504,916</u>
Total assessed value		\$ 2,122,076,341
Debt limit - 10% of total assessed (1)		\$ 212,207,634
Debt outstanding:		
General obligation bonds outstanding	\$ 23,651,493	
Note payable	7,320,328	
Less debt not subject to limit	<u>-</u>	
Gross bonded debt	30,971,821	
Less amount available in debt service funds	<u>35,088</u>	
Net bonded indebtedness subject to limit		<u>30,936,733</u>
LEGAL DEBT MARGIN		<u>\$ 181,270,901</u>

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Debt limit	<u>\$ 212,207,634</u>	<u>\$ 210,312,025</u>	<u>\$ 207,696,169</u>	<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>
Total net debt applicable to limit	<u>30,936,733</u>	<u>29,716,418</u>	<u>31,377,263</u>	<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>
LEGAL DEBT MARGIN	<u><u>\$ 181,270,901</u></u>	<u><u>\$ 180,595,607</u></u>	<u><u>\$ 176,318,906</u></u>	<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>
Total net debt applicable to the limited as a percentage of debt limit	14.58%	14.13%	15.11%	12.03%	10.44%	11.82%	12.68%	9.93%	10.25%	5.39%

(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**

Fiscal Year	(1) Population	(1) Personal Income	(1) Per Capita Income	(1) Median Age	(2) School Enrollment	(3) Unemployment Rate
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%
2009-2010	26,307	484,469,019	18,417	39.9	2,659	8.5%
2010-2011	25,024	503,179,300	20,430	41.4	2,789	8.7%
2011-2012	25,024	503,179,300	20,430	41.4	2,682	8.0%

Sources:

- (1) Bureau of the Census Count - 2010, 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 SIX YEARS AGO***

<u>Employer</u>	<u>2012</u>		<u>2006</u>	
	<u>Employees (1)</u>	<u>Percentage of Total Employment (2)</u>	<u>Employees (1)</u>	<u>Percentage of Total Employment (2)</u>
Western Baptist Hospital	1794	6.03%	1,660	5.55%
Lourdes Hospital	1541	5.18%	1,500	5.01%
Wal-Mart	1098	3.69%	570	2.01%
Paducah Public Schools	554	1.86%	600	1.91%
West Kentucky Community and Technical College	507	1.70%	270	0.90%
City of Paducah	391	1.31%	380	1.27%
State of Kentucky	322	1.08%	390	1.30%
LYNX Services	266	0.89%	390	1.30%
Paxton Media Group	249	0.84%	285	0.95%
Computer Services, Inc.	237	0.80%	280	0.94%
TOTALS	<u>6,959</u>	<u>23.38%</u>	<u>6,325</u>	<u>21.14%</u>

(1) Source - City of Paducah Finance Department

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

* Principal employers six years ago is the earliest date this statistic is available.

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<i>Governmental Activities</i>										
General government										
General administration	12	12	12	12	12	12	12	11	11	11
Finance	11	14	14	17	14	14	14	13	13	13
Inspection	11	11	10	13	13	13	12	12	12	12
Information systems	6	6	6	4	4	4	3	3	3	3
Risk/Human resources	3	1	1	1	4	4	4	4	3	3
Public safety										
Police	90	90	90	93	93	93	93	96	94	95
Fire	64.5	64	65	69	69	71	76	75	76	76
Public service										
Streets	23	23	23	29	29	30	31	28	28	28
Facilities	11.5	14	34	36	35	34	35	38	39	39
Engineering	7.6	7	5	8	9	9	9	9	8	8
Other	5	6	4	6	6	6	4	4	2	2
Parks and recreation	24	24	7	7	7	7	7	9	9	8
Planning and development	9	9	9	10	11	11	11	11	11	11
Other										
Paducah Riverfront Dev. Authority	1	0	0	0	0	0	0	0	0	0
Renaissance	4	5	3	5	0	0	0	0	0	0
Fleet maintenance	6.5	6	8	6	7	7	7	7	6	6
<i>Business-type Activities</i>										
Solid waste	25.4	26	27	27	27	27	29	29	29	29
TOTAL PRIMARY GOVERNMENT	314.5	318	318	343	340	342	347	349	344	344

* Employee budget census.

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General government										
Building and electrical permits issued	1,232	1,239	1,263	1,179	1,203	1,411	1,362	1,376	*	*
Business licenses issued	3,956	3,254	3,397	3,691	3,507	3,500	3,700	*	*	*
Public safety										
Police										
Adult arrests	2,753	3,564	3,859	4,454	4,170	5,012	3,827	*	*	*
Murder	3	3	1	5	-	-	-	*	*	*
Rape	14	22	12	20	15	18	15	*	*	*
Robberies	14	31	56	41	49	42	35	*	*	*
Burglary	123	155	245	169	203	208	211	*	*	*
Auto theft	47	54	62	57	60	117	104	*	*	*
Arson	7	6	7	7	8	16	7	*	*	*
Traffic accidents	1,666	1,762	1,774	1,368	1,519	1,949	1,815	*	*	*
Traffic violations	8,573	7,701	7,240	9,143	7,109	7,323	7,468	*	*	*
Fire										
Emergency responses	3,164	3,181	2,603	3,305	2,603	2,456	2,546	3,219	3,638	3,569
Fires extinguished	138	122	133	136	102	163	181	176	189	198
Structure fires	53	37	49	57	49	40	53	49	64	70
Incidents with reported losses	89	73	89	85	70	80	91	97	106	111
Medical/rescue	2,270	2,133	1,690	1,616	1,506	1,369	1,589	1,997	2,266	2,290
Tours/in-services/car seats	524	671	676	907	699	485	485	485	485	485
Training man hours	7,232	7,033	8,493	7,716	4,344	1,183	1,418	1,188	965	1,058
Inspections	1,417	1,063	985	1,183	1,449	*	*	*	*	*
Refuse collection										
Residential										
Refuse collected (tons per day)	34	34	38	32	25	28	34	*	*	*
Customers served	9,488	9,568	9,445	9,435	9,446	9,388	9,368	*	*	*
Commercial										
Refuse collected (tons per day)	71	71	70	75	83	85	84	*	*	*
Customers served	803	806	810	810	821	832	801	*	*	*
Public service										
911 dispatches	79,333	82,268	79,768	81,525	83,871	76,815	83,348	85,273	91,408	92,698
Police	43,686	44,794	42,496	40,921	43,420	41,887	47,091	48,275	53,504	54,521
Fire	3,189	3,226	2,702	2,490	2,720	2,399	2,907	3,424	4,190	4,058
Other	32,458	34,248	34,570	38,114	37,731	32,529	33,350	33,574	33,714	34,119

* Information not available.

** Information from city departments.

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Stations	5	5	5	5	5	5	5	5	5	5
Refuse collection										
Collection trucks										
Residential	10	9	9	7	10	9	8	8	#	#
Commercial	4	4	5	4	5	5	4	4	#	#
Other public works										
Streets (miles paved)	218	218	218	216	216	216	214	214	213	209
Sidewalks (miles)	47	47	47	45	45	45	45	45	45	45
Traffic signals	13	13	13	12	11	11	11	11	10	0
Parks and recreation										
Parks	27	27	27	27	27	27	18	18	18	18
Acreage	1290	1290	1290	960	960	960	325	325	325	325
Community centers	2	2	1	1	1	1	1	1	1	1
Swimming pools	1	1	1	1	1	1	1	1	1	3
Public tennis courts	6	6	6	6	6	6	6	6	6	6
Public golf courses	2	2	2	2	2	2	2	2	2	2

Information not available.

* Information from city departments.

CITY OF PADUCAH, KENTUCKY

SINGLE AUDIT SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012

CITY OF PADUCAH, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

<u>Federal Grantor/Pass-Through Grantor/ Program Title:</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Amount Expenditures</u>
Department of Housing and Urban Development:			
Direct Programs:			
Section 8 Housing Choice Vouchers	14.871	N/A	\$1,631,929
Passed-through Kentucky Governors Office for Local Development:			
Community Development Block Grant	14.228	05-019	560,355
Passed-through Kentucky Housing Corporation:			
Home Investment Partnerships Program	14.239	GF12-0198-01	<u>38,000</u>
Total Department of Housing and Urban Development			<u>2,230,284</u>
Department of Justice:			
Direct Programs:			
Bulletproof Vest Partnership Program	16.607	N/A	3,163
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-3048	23,121
ARRA - Community Oriented Policing Services	16.710	2009-RK-WX-0377	<u>146,857</u>
Total Department of Justice			<u>173,141</u>
Department of Homeland Security:			
Passed-through Kentucky Office of Homeland Security:			
Homeland Security Grant Program	97.067	PO2 094 1000002706 1	54,848
Homeland Security Grant Program	97.067	PO2 094 1000002289 1	13,041
Homeland Security Grant Program	97.067	PO2 094 1000002967 1	<u>60,000</u>
Total Department of Homeland Security			<u>127,889</u>
Department of Transportation:			
Passed-through Kentucky Department of Transportation:			
State and Community Highway Safety	20.600	PT-11-36	19,887
State and Community Highway Safety	20.600	PT-12-40	<u>37,840</u>
Total Department of Transportation			<u>57,727</u>
Department of Interior:			
Passed-through National Park Service:			
Preserve America Grant Program	15.904	21-11-31924	<u>4,950</u>
Total Department of Interior			<u>4,950</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$2,593,991</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, 2012

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>
Four Rivers Recovery Center	14.228	\$560,355

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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, 2012, which collectively comprise the City of Paducah, Kentucky's basic financial statements and have issued our report thereon dated December 11, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Other auditors audited the financial statements of the Transit Authority of the City of Paducah, a component unit, as described in our report on the City of Paducah, Kentucky's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

Management of the City of Paducah, Kentucky, is responsible for establishing and maintaining effective 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 opinions 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 deficiency in internal control 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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*.

We noted certain matters that we reported to management of the City of Paducah, Kentucky, in a separate letter dated December 11, 2012.

This report is intended solely for the information and use of management, City Commission, others within the entity, 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.

A handwritten signature in cursive script that reads "Williams, Williams & Lentz, LLP". The signature is written in black ink and is positioned above the date.

December 11, 2012

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**Independent Auditor's Report on Compliance with
Requirements That Could Have a Direct and Material Effect
on 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, 2012. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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 *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 management, City Commission, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

William, Williams & Lenty, LLP

December 11, 2012

CITY OF PADUCAH, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

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 a significant control deficiency 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
Community Development Block Grant	14.228

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

**CITY OF PADUCAH, KENTUCKY
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

Findings - Financial Statements Audit:

None

Findings and Questioned Costs - Major Federal Awards Programs:

None