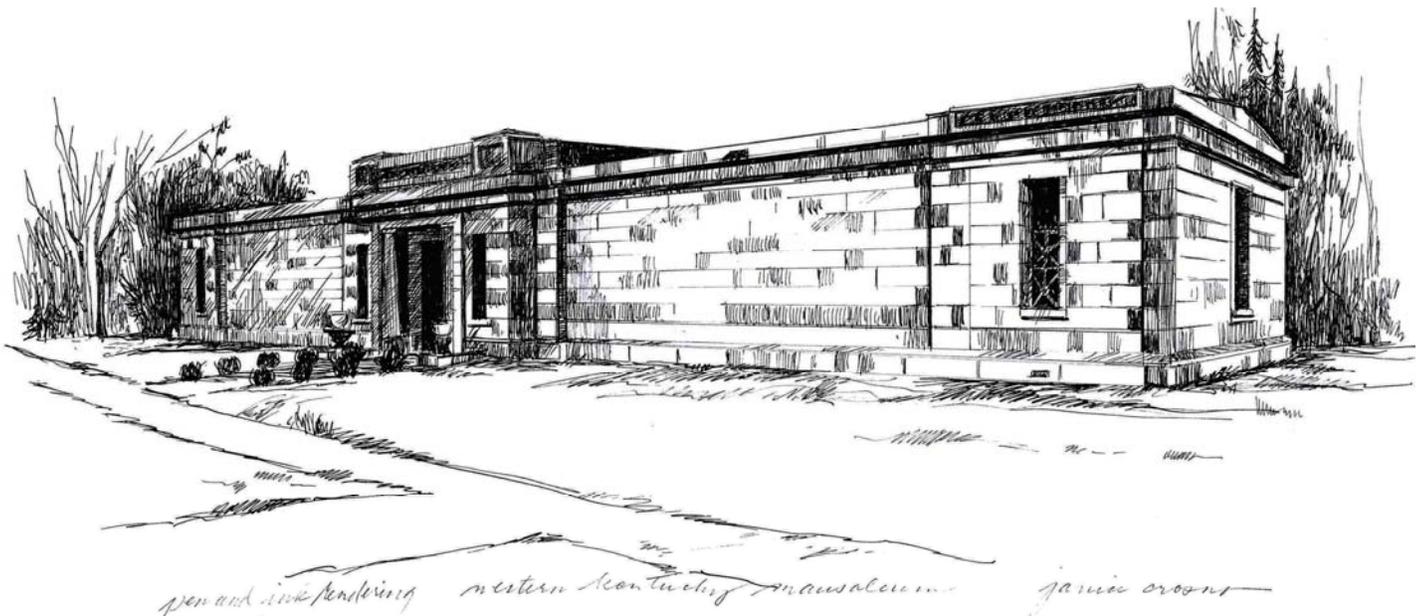


**CITY OF PADUCAH,
KENTUCKY**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

YEAR ENDED JUNE 30, 2013

**FINANCE DEPARTMENT
CITY OF PADUCAH,
KENTUCKY**



City of Paducah
Paducah, Kentucky
Comprehensive Annual Financial Report
Year Ended June 30, 2013



**Issued by the
Finance Department**

CITY OF PADUCAH, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013

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CITY OF PADUCAH, KENTUCKY

INTRODUCTORY SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013



CITY OF PADUCAH

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

December 20, 2013

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, 2013. 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, 2013, 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

Paducah Economic Development (PED) 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, PED 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, PED 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, PED 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, the McCracken County School System, Community Christian Academy, and by the 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 Paducah Economic Development to construct an approximately 40,000 square foot educational building to serve as their Paducah campus. Classes are scheduled to begin at the Paducah campus for the spring 2014 semester.

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 11th 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 supplement 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 309 full-time employees as of June 30, 2013. 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 City has one component unit that has been presented as a discrete unit to emphasize that it is legally separate from the City. Paducah Water Works is included in the City's financial statements because of its 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. Because the cost of a control should not exceed the benefits to be derived, the objective of these internal controls is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements. 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 FY2013, one 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 FY2013 this contribution was \$422 thousand. This amount was \$392 thousand in FY2012.

As part of the City's annual budget process, financial policies are reviewed and amended as necessary. In FY2013, 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 FY 2013 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 & 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. The boat launch portion of the project was completed in fall 2013. However, the remaining portion of Phase 1 is now at another crossroad. Bids to complete the first phase have greatly exceeded estimates. The entire project is now under review to determine what the next steps will be. 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 29,690 persons employed (McCracken County) as of June 30, 2013.

The June 2013 unemployment rate was 8.4% (McCracken County), which is an increase from 8.0% in the prior year, and slightly exceeds the June 2013 federal unemployment rate of 7.6%. 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 1,202 for fiscal year 2013 valued at \$50 million, which is down \$3.9 million from fiscal year 2012.

INDEPENDENT AUDIT

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

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Paducah, Kentucky for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the twenty-second consecutive year that the City achieved this prestigious award.

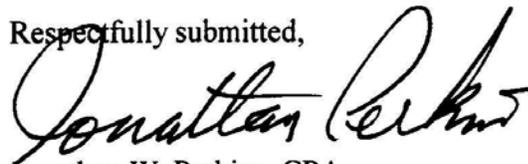
In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGMENTS

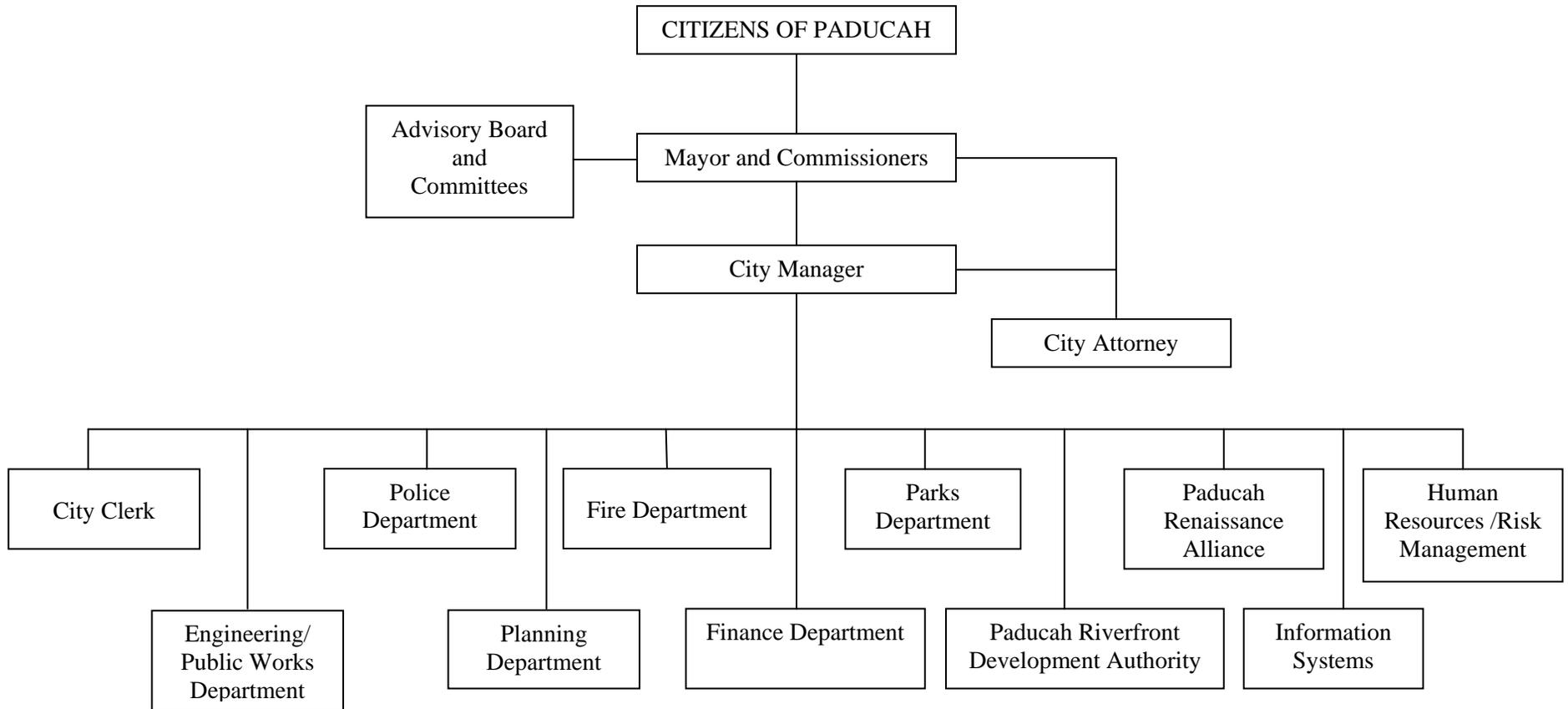
The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We wish to express our appreciation to all members of the Finance Department who assisted and contributed to its preparation, and special thanks to Kemper CPA Group, LLP. We also thank the Mayor, 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 | Gayle Kaler |
| Mayor Pro tem | Sandra Wilson |
| Commissioner | Richard Abraham |
| Commissioner | Carol Gault |
| Commissioner | Allan Rhodes, Jr. |

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 |
| City Clerk | Tammy Brock |
| Risk Manager | Cindy Medford |
| Public Information | Pam Spencer |



Government Finance Officers Association

**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, 2012

Executive Director/CEO

CITY OF PADUCAH, KENTUCKY

FINANCIAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

INDEPENDENT AUDITOR'S REPORT

Honorable Gayle Kaler, Mayor
Members of the Board of Commissioners
City of Paducah
Paducah, Kentucky

Report on the Financial Statements

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, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the financial statements of the following component unit: Paducah Water Works, which represent 100 percent of the assets and revenues of the Component Units column. These financial statements were audited by another auditor whose report has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for Paducah Water Works, discretely presented component unit, is based on the reports of the other auditor.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Paducah, Kentucky, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Special Revenue Investment Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 13–28 and 86 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Paducah, Kentucky's basic financial statements. The introductory section, combining and individual nonmajor fund, nonmajor enterprise, internal service and fiduciary financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund, nonmajor enterprise, internal service and fiduciary financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund, nonmajor enterprise, internal service and fiduciary financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013, on our consideration of the City of Paducah, Kentucky's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Paducah, Kentucky's internal control over financial reporting and compliance.

Kemper CPA Group, LLP

Certified Public Accountants and Consultants
Paducah, Kentucky
December 20, 2013

CITY OF PADUCAH, KENTUCKY

REQUIRED SUPPLEMENTARY INFORMATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

CITY OF PADUCAH, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

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, 2013. 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 29-85) 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 \$53.5 million at the close of the 2012-2013 fiscal year. Of this amount, \$17.0 million (unrestricted net position) may be used to meet City government's ongoing obligations to citizens and creditors.
- Total net position increased \$5,374,714.
- At fiscal year end, City governmental funds reported a combined ending fund balance of \$20.3 million. Approximately 19% of this total amount, \$3.9 million, is restricted or committed for highways/streets and capital improvements. Assigned fund balance also comprises 19% 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's fund balance was \$12.3 million and is available for spending at the City's discretion. Cash makes up approximately \$8 million. When compared to actual total appropriations, the General Fund cash balance is 25.2%.

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 Position presents information on all City assets and liabilities, with the difference between assets and liabilities reported as net position. Monitoring increases and/or decreases in net position 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 position changed during the fiscal year. All net position 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, and the Civic Center.

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

The government-wide financial statements can be found on pages 29-32 of this report.

B. Fund Financial Statements

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

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

The City maintains eleven (11) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, General Capital Improvements, Investment, and Debt Service Funds, all of which are considered to be major funds. Data from the other seven (7) funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining and individual fund statements elsewhere in this report on pages 89-99.

Readers may better understand the long-term impact of the City's near-term financing decisions by comparing the narrow-focus governmental funds financial statements with governmental activities in the government-wide financial statements. Exhibit 4 (pages 35-36) and Exhibit 6 (pages 39-40) provide a reconciliation to ease comparison between the fund financial statements and the government-wide statements.

The basic governmental fund financial statements can be found on pages 33-40 of this report.

2) Proprietary Funds. The City maintains two types of proprietary funds:

a. Enterprise Funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements and are used to account for operations:

- That are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or

- Where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The City uses three enterprise funds to account for Solid Waste, Section Eight Housing, and Civic Center. Civic Center receives subsidy from the General Fund.

The City's component unit enterprise is the Paducah Water Works, which provides water. This component unit, which has its own board of directors, is also an enterprise fund and is shown on pages 29-32.

- b. Internal Service Funds** are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for fleet services, fleet replacement, risk management (insurance) and employee health programs. Internal service funds have been allocated between governmental activities and business-type activities in the government-wide financial statements based on revenue earned.

Proprietary funds provide the same kind of information as government-wide financial statements, but in greater detail. Individual data for the nonmajor proprietary funds is presented in the form of combining statements on pages 100-102 of this report. Individual data for the internal service funds is likewise presented in the form of combining statements on pages 103-105 of this report.

- 3) **Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government and are not reflected in government-wide financial statements because those resources are not available to support City programs. Individual data for the City's three (3) fiduciary funds (Appointive Employees' Pension, Police and Firefighters' Retirement, and Cemetery and Parks Trusts Funds) are presented in the form of combining statements on pages 106-110 of this report.

C. Notes to the Financial Statements

The notes provide additional information that is essential to fully understanding data provided in the government-wide and fund financial statements. Notes to the financial statements can be found on pages 51-85 of this report.

D. Other Information

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

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor proprietary funds, internal service funds and fiduciary funds are presented immediately following the required supplementary information on pensions and budgetary comparisons. Combining fund statements and schedules can be found on pages 89-110 of this report.

III. Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. City assets exceeded liabilities by \$53.5 million as of June 30, 2013.

For FY2013, the largest portion of the City's net position (64%) 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 position (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (32%) may be used to meet the City's ongoing obligations to citizens and creditors.

As of June 30, 2013, the City reports positive balances of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

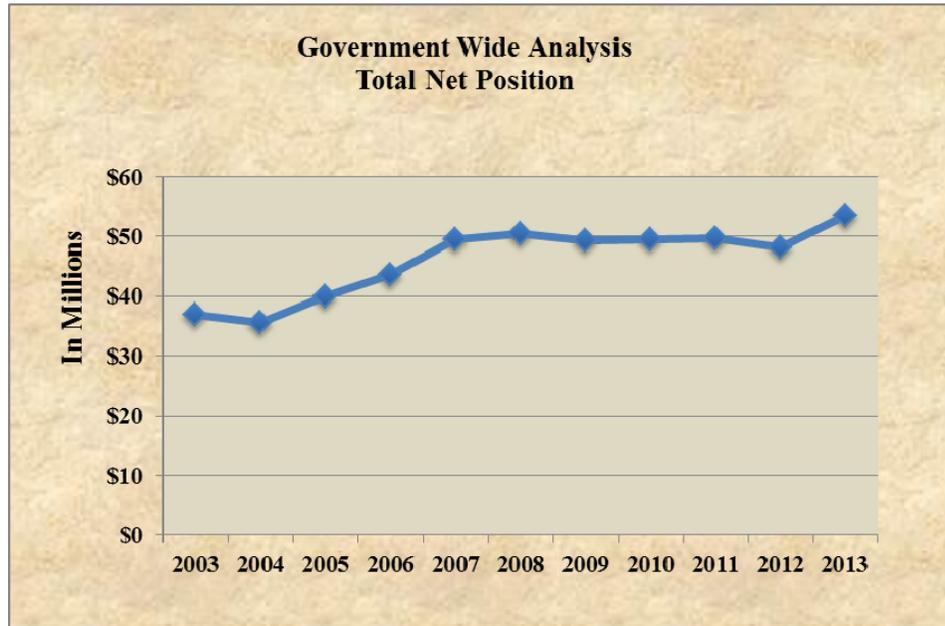
City of Paducah, Kentucky

Net Position

June 30

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total Primary Government</u> | |
|---|--------------------------------|----------------------|---------------------------------|---------------------|---------------------------------|----------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012,</u> | <u>2013</u> | <u>2012</u> |
| Current Assets | \$ 42,197,258 | \$ 36,580,489 | \$ 6,387,185 | \$ 6,529,327 | \$ 48,584,443 | \$ 43,109,816 |
| Capital Assets | 42,383,943 | 39,740,080 | 1,232,735 | 1,308,574 | 43,616,678 | 41,048,654 |
| Other noncurrent assets | 4,956,629 | 7,186,182 | - | - | 4,956,629 | 7,186,182 |
| Total Assets | 89,537,830 | 83,506,751 | 7,619,920 | 7,837,901 | 97,157,750 | 91,344,652 |
| Current Liabilities | 12,462,807 | 10,296,274 | 468,277 | 473,276 | 12,931,084 | 10,769,550 |
| Noncurrent liabilities | 28,584,526 | 30,335,518 | 2,104,756 | 2,076,914 | 30,689,282 | 32,412,432 |
| Total liabilities | 41,047,333 | 40,631,792 | 2,573,033 | 2,550,190 | 43,620,366 | 43,181,982 |
| Net position: | | | | | | |
| Invested in capital assets, net of related debt | 33,365,112 | 31,957,381 | 1,232,735 | 1,308,574 | 34,597,847 | 33,265,955 |
| Restricted | 1,586,181 | 5,003,581 | 385,885 | 732,817 | 1,972,066 | 5,736,398 |
| Unrestricted | 13,539,204 | 5,913,997 | 3,428,267 | 3,246,320 | 16,967,471 | 9,160,317 |
| TOTAL NET POSITION | \$ 48,490,497 | \$ 42,874,959 | \$ 5,046,887 | \$ 5,287,711 | \$ 53,537,384 | \$ 48,162,670 |

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



Annual increases to total net position 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.

After leveling off for several years, the City had a significant increase in net position of \$5.4 million in FY2013. This occurred for the following reasons:

- At fiscal year-end there was \$3.3 million in construction-in-progress for riverfront development activities including a new boat launch and transient boat dock. The majority of funding sources for this project through June 30 was from outside sources including a year-end grant receivable for \$1.7 million of federal funding as well as \$809 thousand in proceeds from the sale of property that had been acquired for development of a sports park.
- The City also completed a major phase of the Greenway Trails project in FY2013, which was partially funded with a \$500 thousand federal grant.
- During FY2013, Infiniti Plastic Technologies, Inc., defaulted on their capital sublease agreement with the Paducah-McCracken Industrial Development Authority due to their failure to fulfill and maintain employment obligations. As a result, Infiniti's right to purchase the leased premises has been forfeited. Although Infiniti has continued to make lease payments as of the date of this report, the financial statements reflect the conversion of the lease from capital to operating. The net change resulting from this event is an increase of approximately \$900 thousand to the City's net position.

A. Analysis of the City's Operations

The following table provides a summary of the City's operations for the years ended June 30, 2013 and 2012. Governmental activities increased the City's net position by \$5,615,538. Business-type activities decreased the City's net position by \$240,824.

City of Paducah, Kentucky

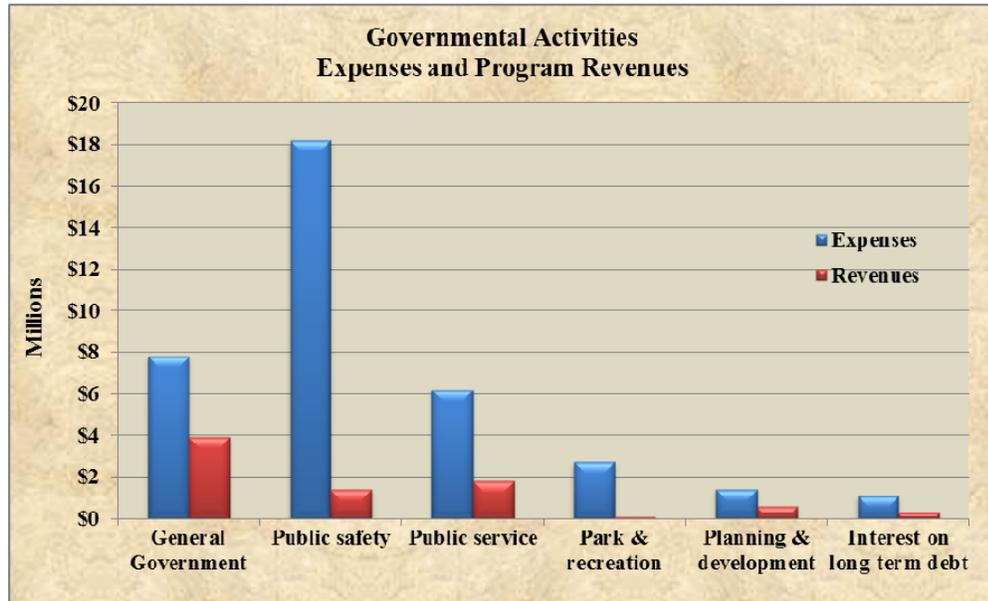
Changes in Net Position

June 30

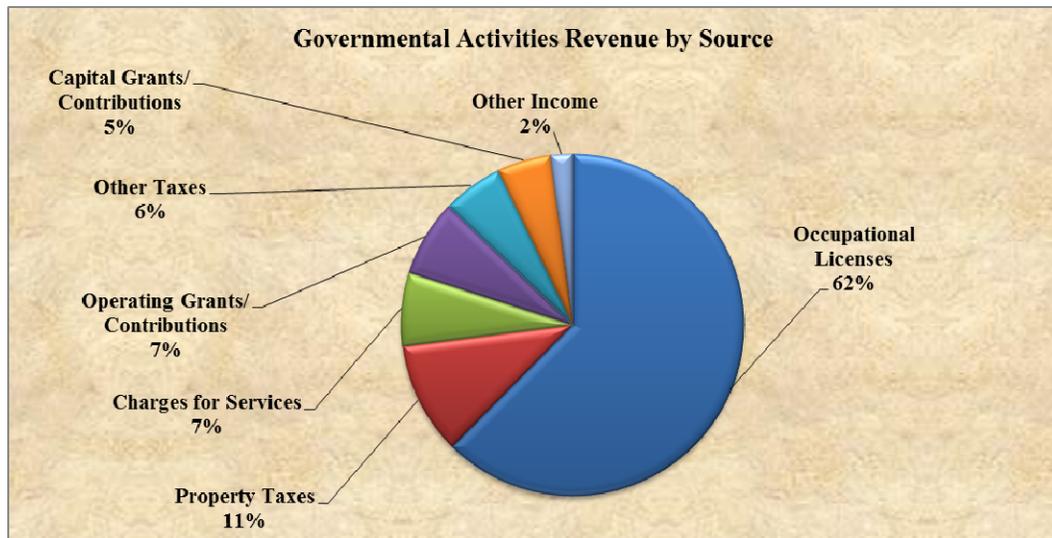
| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total Primary Government</u> | |
|---|--------------------------------|----------------------|---------------------------------|---------------------|---------------------------------|----------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 2,950,117 | \$ 3,128,991 | \$ 4,400,785 | \$ 4,570,982 | \$ 7,350,902 | \$ 7,699,973 |
| Operating grants/ contributions | 3,067,581 | 2,215,247 | 1,724,385 | 1,647,981 | 4,791,966 | 3,863,228 |
| Capital grants/ contributions | 2,165,548 | 533,169 | - | 15,266 | 2,165,548 | 548,435 |
| General Revenues: | | | | | | |
| Property taxes | 4,502,276 | 4,267,812 | - | - | 4,502,276 | 4,267,812 |
| Franchise taxes | 199,134 | 150,974 | - | - | 199,134 | 150,974 |
| Telecommunications tax | 709,852 | 710,951 | - | - | 709,852 | 710,951 |
| Insurance premium tax | 3,863,464 | 3,690,806 | - | - | 3,863,464 | 3,690,806 |
| Vehicle tax | 626,772 | 614,786 | - | - | 626,772 | 614,786 |
| Bank tax | 243,203 | 216,829 | - | - | 243,203 | 216,829 |
| Gross receipts license tax | 4,391,352 | 4,359,835 | - | - | 4,391,352 | 4,359,835 |
| Employee license tax | 18,336,124 | 18,095,182 | - | - | 18,336,124 | 18,095,182 |
| Other taxes | 654,734 | 677,409 | - | - | 654,734 | 677,409 |
| Intergovernmental revenue | 365,348 | 340,975 | - | - | 365,348 | 340,975 |
| Unrestricted investment earnings | 211,306 | 203,261 | 49,382 | 48,806 | 260,688 | 252,067 |
| Gain on sale of capital assets | 383,370 | 36,718 | 52,710 | 2,443 | 436,080 | 39,161 |
| Miscellaneous | (82,992) | - | 95,386 | - | 12,394 | - |
| Insurance recoveries | - | 27,448 | - | - | - | 27,448 |
| Total revenues | 42,587,189 | 39,270,393 | 6,322,648 | 6,285,478 | 48,909,837 | 45,555,871 |
| Expenses: | | | | | | |
| General Government | 7,843,140 | 12,937,997 | - | - | 7,843,140 | 12,937,997 |
| Public safety | 18,204,945 | 17,045,731 | - | - | 18,204,945 | 17,045,731 |
| Public service | 6,167,510 | 6,163,602 | - | - | 6,167,510 | 6,163,602 |
| Park & recreation | 2,710,659 | 2,654,098 | - | - | 2,710,659 | 2,654,098 |
| Planning & development | 1,463,659 | 1,192,952 | - | - | 1,463,659 | 1,192,952 |
| Interest on long-term debt | 1,066,876 | 1,059,537 | - | - | 1,066,876 | 1,059,537 |
| Solid Waste | - | - | 3,967,490 | 3,900,264 | 3,967,490 | 3,900,264 |
| Section Eight Housing | - | - | 2,032,844 | 1,921,004 | 2,032,844 | 1,921,004 |
| Civic Center | - | - | 78,000 | 71,069 | 78,000 | 71,069 |
| TISA | - | - | - | 173,708 | - | 173,708 |
| Total expenses | 37,456,789 | 41,053,917 | 6,078,334 | 6,066,045 | 43,535,123 | 47,119,962 |
| Increase (decrease) in Net position before transfers | 5,130,400 | (1,783,524) | 244,314 | 219,433 | 5,374,714 | (1,564,091) |
| Transfers | 485,138 | 270,620 | (485,138) | (270,620) | - | - |
| Change in net position | 5,615,538 | (1,512,904) | (240,824) | (51,187) | 5,374,714 | (1,564,091) |
| Net position, July 1 | 42,874,959 | 44,387,863 | 5,287,711 | 5,338,898 | 48,162,670 | 49,726,761 |
| NET POSITION, JUNE 30 | \$ 48,490,497 | \$ 42,874,959 | \$ 5,046,887 | \$ 5,287,711 | \$ 53,537,384 | \$ 48,162,670 |

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.



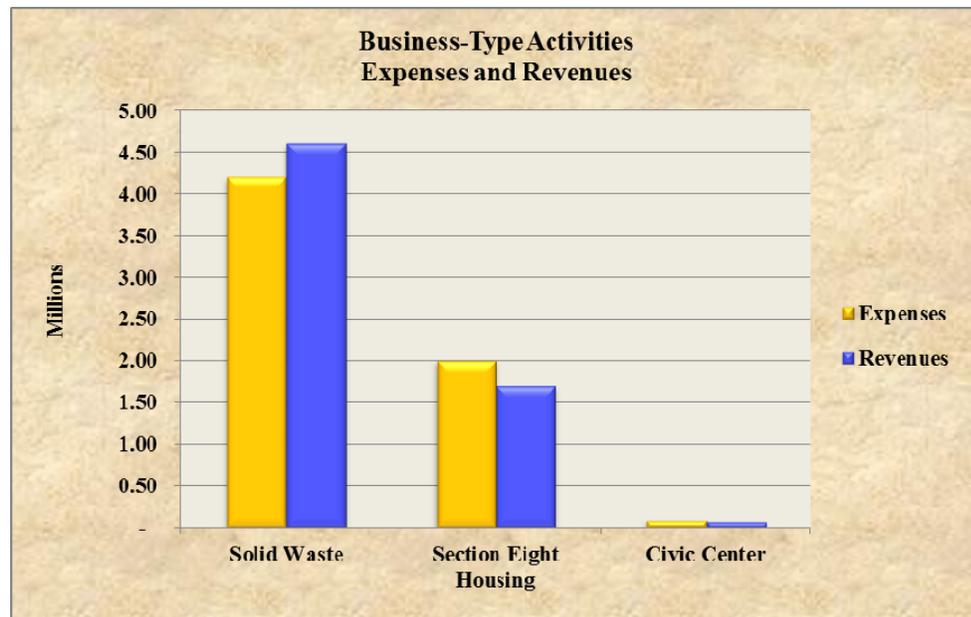
The graph below depicts the breakdown of revenue by source for fiscal year 2013.



In fiscal year 2013, the City derived 79% 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 \$26.6 million. This category of revenue increased 1.7% from fiscal year 2012. Insurance premium tax experienced the largest change percentage-wise within this category with an increase of \$172,658, or 4.7%. This is the second consecutive year of increase for this tax. 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 FY2014 budget estimates for this revenue type are very conservative to reflect the uncertainty. Employee license tax increased \$240,942, or 1.3% 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 FY2013 and FY2012.

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 2013, business-type activities as a whole had a decrease in net assets of \$240,824. The Solid Waste Fund once again had a positive change in net assets that is consistent with the prior year. Beginning in FY2012, an annual transfer of approximately \$250,000 is made from Solid Waste 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 right of way maintenance employees (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.



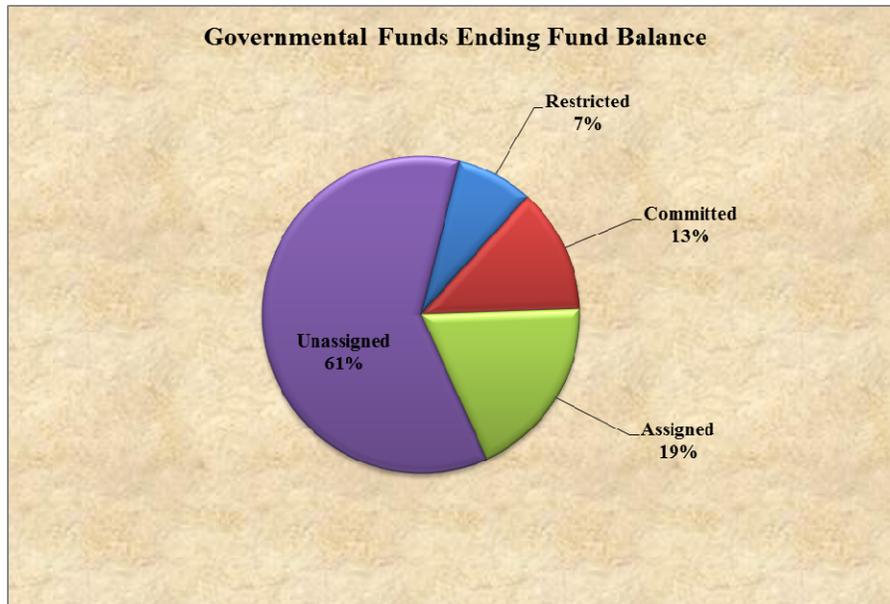
IV. Financial Analysis of the City's Funds

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 \$20.3 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:

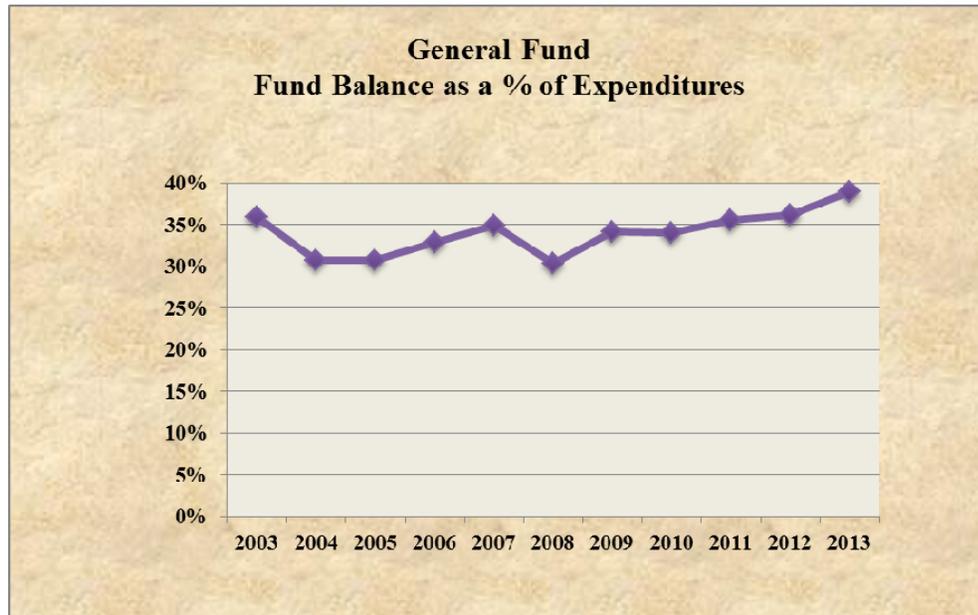
- *Restricted fund balance* has external limitations on use that may be imposed by creditors, grantors, contributors, or laws and regulations. For example, at the end of the fiscal year, the City had \$1,301,421 of municipal aid funds, which are restricted in use for paving by the State of Kentucky.
- *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 \$2,589,099 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 19% 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 61% of total fund balance, \$12.3 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 \$8 million available as cash; the balance is tied up in other assets including accounts receivable and property taxes collectible. City fiscal policy (Ordinance 2012-6-7929) 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 \$9.8 million as unreserved for fiscal year 2013.

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 39% of expenditures and transfers out (\$31.6 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 original FY2013 budget included appropriations in excess of anticipated revenue by \$344 thousand to fulfill ongoing commitments as well as fund several large multi-year projects. However, not all of those funds were spent, leading to a decrease to the Investment Fund’s fund balance of \$42 thousand. For FY2013, just a few of those projects included: future hotel site development; riverfront development; City-owned facility maintenance; continued support of economic development agencies such as Paducah Economic Development 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 increased by approximately \$1.6 million from the prior year to \$3.1 million. The increase is due to funds set aside to complete several large capital projects in FY2014. Capital improvement projects for the year are discussed in Section VI-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 positions of the respective proprietary funds are:

| | |
|-----------------------|-------------|
| Solid Waste | \$4,030,583 |
| Section Eight Housing | 392,898 |
| Civic Center | 155,026 |
| TISA | - |

Combined total net asset change for the four funds was a decrease of \$323,817, broken down as follows: Solid Waste (\$348 thousand increase), Section Eight Housing (\$353 thousand decrease), Civic Center (\$9 thousand decrease), and TISA (\$310 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. Cuts were intensified in FY2013 as a result of the federal budget sequester, and funding will continue to be unstable until there is resolution in passing the federal budget for FY2014. The TISA fund was closed in FY2013. In mid-fiscal year 2012, TISA's largest partner other than the City, McCracken County, left the agency. Because there was minimal external revenue flowing into the fund, the fund was dissolved, user charges were eliminated and expenditures were transferred to the City's Information Systems Department in the General Fund.

V. General Fund Budgetary Highlights

Differences between the original budget and the final budget resulted in a \$705 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 | \$ - | \$ 195 |
| Finance | - | 34 |
| Planning | - | 10 |
| Radio and Rental Property | 88 | - |
| Human Rights | - | 6 |
| Information Systems | - | 175 |
| Risk Management | - | 1 |
| Police | - | 122 |
| Fire | 7 | - |
| Public Works | - | 192 |
| Engineering Services | - | 75 |
| Recreation | - | 202 |
| PRDA | - | 6 |
| Other | 1,628 | - |

General Administration had a decrease in appropriations of \$195 thousand. This was due to salary slippage and unutilized contingency funds.

Radio and Rental Property had an \$88 thousand increase in appropriations. There was a major building maintenance project in FY2014 involving two of the City's rental properties.

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

The primary components of the "Other" department category are operating transfers out, which are typically made to the capital project fund. Several large unanticipated interfund transfers were made

this year to fund shortages in the Riverfront and Greenway Trails projects, as well as to establish a cash reserve in the debt service fund.

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, 2013, is \$44 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 2013, project and equipment additions totaled over \$8.6 million, with \$3.6 million of that remaining in Construction in Progress at year-end. Some of the largest capital-type projects, in terms of dollars in fiscal year 2013, are shown in the following table:

| | |
|---|--------------|
| Infiniti Land & Building (conversion from capital lease) | \$ 2,759,012 |
| Greenway Trails – Phase 1 | 640,121 |
| Market House/River Discovery (Rental property) Roof Replacement | 225,169 |
| Vehicle Purchases | 263,536 |
| Front Loader | 223,696 |
| Street Sweeper | 180,576 |

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, City-owned 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>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Land | \$ 10,376,432 | \$ 11,107,875 | \$ 62,152 | \$ 62,152 | \$ 10,438,584 | \$ 11,170,027 |
| Land improvements | 2,509,348 | 1,902,527 | - | - | 2,509,348 | 1,902,527 |
| Construction in progress | 6,527,866 | 3,797,562 | - | - | 6,527,866 | 3,797,562 |
| Buildings and improvements | 6,868,297 | 4,910,512 | 299,337 | 316,061 | 7,167,634 | 5,226,573 |
| Infrastructure | 11,905,517 | 13,349,077 | - | - | 11,905,517 | 13,349,077 |
| Equipment | 1,468,264 | 1,788,200 | 285,541 | 331,189 | 1,753,805 | 2,119,389 |
| Furnishings and fixtures | 1,265 | 1,522 | - | - | 1,265 | 1,522 |
| Vehicles | 2,726,954 | 2,882,805 | 585,705 | 599,172 | 3,312,659 | 3,481,977 |
| TOTALS | <u>\$ 42,383,943</u> | <u>\$ 39,740,080</u> | <u>\$ 1,232,735</u> | <u>\$ 1,308,574</u> | <u>\$ 43,616,678</u> | <u>\$ 41,048,654</u> |

Additional information on City capital assets can be found in Note 3 in the notes to financial statements on pages 66-69.

B. Long-Term Debt

At year-end, the City had \$31,301,557 in outstanding bonds, accrued compensated absences and notes payable, compared to \$33,000,039 at June 30, 2012 with maturities extending through 2031.

| | <u>Governmental Activities</u> | |
|--|--------------------------------|----------------------|
| | <u>2013</u> | <u>2012</u> |
| Kentucky League of Cities – 2003 | \$ 2,024,294 | \$ 2,193,730 |
| General Fund accrued compensated absences | 2,018,813 | 2,028,218 |
| Police/Firefighter Pension Fund Liability – 2006 | 4,655,000 | 4,895,000 |
| Floodwall Rehabilitation – 2008 | 2,341,790 | 2,455,210 |
| Convention Center Renovation – 2008 | 2,181,250 | 2,276,250 |
| Public Improvement Projects – 2010 | 5,825,000 | 6,100,000 |
| Refinanced Convention Center – 2010 | 6,220,000 | 6,630,000 |
| Margaret Hank Agreement – 2011 | 151,812 | 176,255 |
| Refinanced Infiniti Media Building – 2011 | 3,320,116 | 3,571,283 |
| Murray State University Agreement – 2011 | <u>2,563,482</u> | <u>2,674,093</u> |
| TOTALS | <u>\$ 31,301,557</u> | <u>\$ 33,000,039</u> |

The City had no new debt issues this fiscal year.

Debt issues prior to July 1, 2012 are described below:

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

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 the public portion of a hotel purchase.

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 was 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 \$221,497,836. The City's latest bond rating by Standard & Poor's is AA-. The City has a relatively 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.

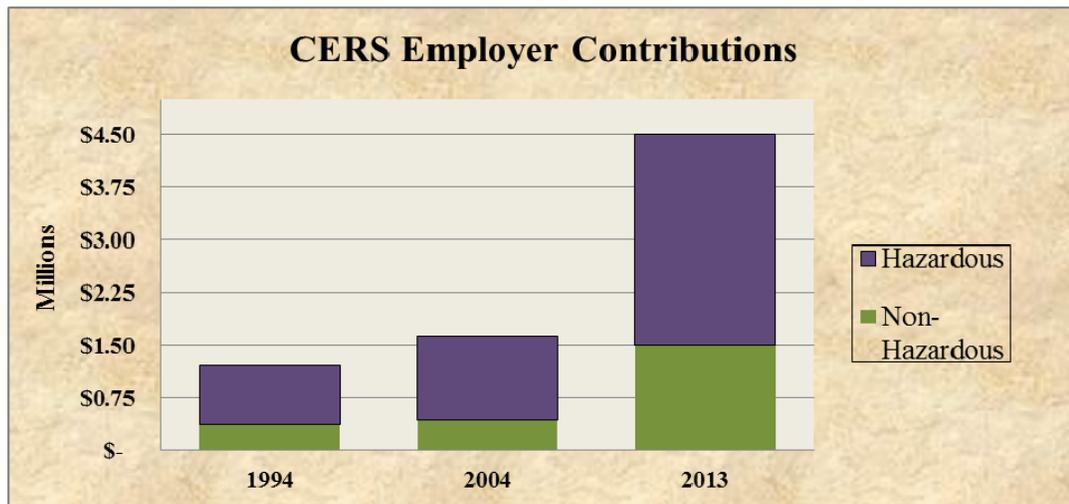
Additional information on the City's long-term debt can be found in Note 3 in the notes to financial statements on pages 70-74.

VII. Other Potentially Significant Matters.

- A. 2013A & S013B Bond Issues.** In September 2013 the City issued \$1.12 million in general obligation bonds (Series 2013A) for the renovation and improvement of the City's swimming pool. Taxable general obligation bonds (Series 2013B) in the amount of \$2.475 million were issued for the following economic development purposes: 1) pay a portion of the cost of improvements to an industrial facility to be leased to Macco Organiques Incorporated and 2) to pay a portion of the costs of acquisition and construction of a building to be leased by the City and McCracken County and subleased to TeleTech Services Corporation.
- B. Post-employment Benefits.** Over the years, the City's contribution to the Kentucky Retirement System (CERS) has seen a substantial rise in costs that has significantly impacted the City's operating budget. The table and graph below show the actual cost of the City's contributions to

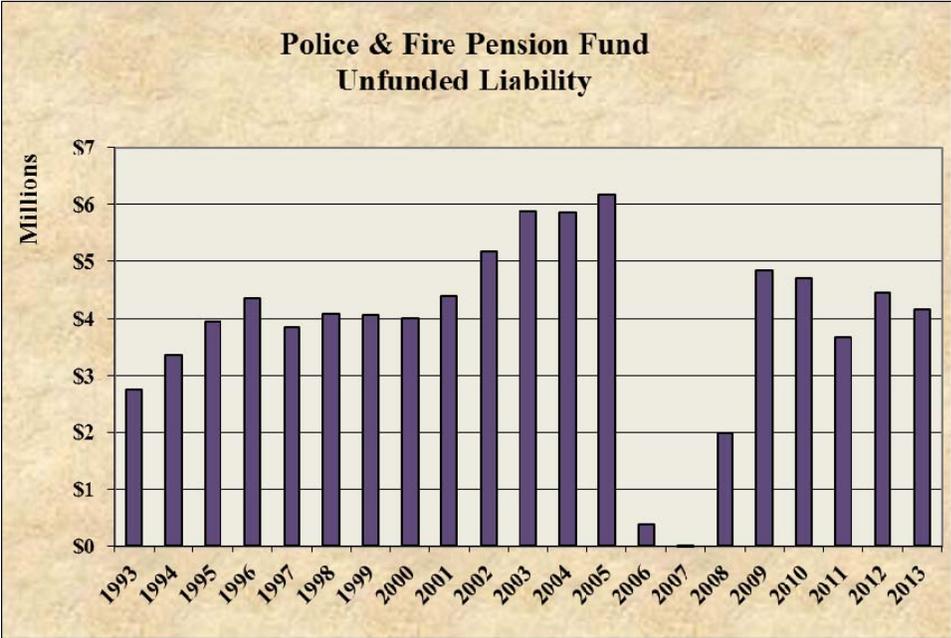
CERS for both Non-Hazardous and Hazardous employees for selected fiscal years 1994, 2004, and 2013.

| CERS Employer Contributions | | | | | | |
|-----------------------------|---------------|-------------|-------|-----------|-------------|-------|
| | Non-Hazardous | | | Hazardous | | |
| FY | Rate | Amount | % Chg | Rate | Amount | % Chg |
| 1994 | 8.82% | \$386,815 | | 18.49% | \$829,079 | |
| 2004 | 7.34% | \$453,965 | 17% | 18.51% | \$1,176,285 | 42% |
| 2013 | 19.55% | \$1,506,420 | 232% | 37.60% | \$2,999,285 | 155% |



In early spring 2013, the State passed a pension reform bill (Senate Bill 2) to prevent pension costs from escalating even higher. This legislation established a hybrid cash balance plan for participants entering the plan after January 1, 2014, that provides a retirement benefit based on an individual's accumulated account balance. It also reset the amortization period to a new 30-year period beginning with FY2015. Other highlights include the elimination of automatic cost of living increases for retirees and provisions for retirement "spiking." However, employer contribution rates will not differ for employees beginning participation after January 1, 2014. The contribution rates will be determined based on all CERS membership, and any excess funds contributed on new employees will be used to pay down the system's unfunded liability. The City is hopeful that the enactment of this legislation will reduce its required contribution over time.

C. 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). The Fund still remains in an unfunded position due to these events. The July 2013 actuary study shows that the PFPF unfunded pension liability is approximately \$4.1 million as the following chart displays.



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, 2013, indicates the minimum actuarially sound contribution for FY2014 will be \$421,933.

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 42003.

CITY OF PADUCAH, KENTUCKY

BASIC FINANCIAL STATEMENTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2013

| <u>ASSETS</u> | <u>Primary Government</u> | | | <u>Component Unit</u> |
|-----------------------------------|------------------------------------|-------------------------------------|----------------------|--|
| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> | <u>Paducah Water Works Authority</u> |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 19,529,468 | \$ 5,427,308 | \$ 24,956,776 | \$ 1,516,811 |
| Receivables, net: | | | | |
| Notes | 1,253,875 | - | 1,253,875 | - |
| Accounts | 6,848,325 | 491,497 | 7,339,822 | 513,212 |
| Grants | 2,353,457 | - | 2,353,457 | - |
| Interest | 6,946 | - | 6,946 | - |
| Property tax | 4,868,184 | - | 4,868,184 | - |
| Accrued unbilled revenues | - | - | - | 1,030,255 |
| Internal balances | (468,380) | 468,380 | - | - |
| Inventory | 1,397,248 | - | 1,397,248 | 770,605 |
| Prepaid pension obligation | 5,519,099 | - | 5,519,099 | - |
| Prepaid expenses | 861,783 | - | 861,783 | 143,270 |
| Other current assets | 27,253 | - | 27,253 | 772,793 |
| Total current assets | 42,197,258 | 6,387,185 | 48,584,443 | 4,746,946 |
| Noncurrent Assets: | | | | |
| Notes receivable | 4,552,500 | - | 4,552,500 | - |
| Lease receivable | 0 | - | - | - |
| Bond issuance costs, net | 404,129 | - | 404,129 | - |
| Capital assets: | | | | |
| Land and construction in progress | 16,904,298 | 62,152 | 16,966,450 | 2,093,776 |
| Depreciable capital assets | 25,479,645 | 1,170,583 | 26,650,228 | 44,734,960 |
| Other assets | - | - | - | 4,341,574 |
| Total noncurrent assets | 47,340,572 | 1,232,735 | 48,573,307 | 51,170,310 |
| Total assets | \$ 89,537,830 | \$ 7,619,920 | \$ 97,157,750 | \$ 55,917,256 |

| <u>LIABILITIES</u> | <u>Primary Government</u> | | | <u>Component</u> |
|--|----------------------------------|-----------------------------|----------------------|---------------------------|
| | <u>Governmental</u> | <u>Business-type</u> | <u>Total</u> | <u>Unit</u> |
| Current Liabilities: | | | | <u>Paducah</u> |
| Voucher and accounts payable | 3,549,833 | 283,297 | 3,833,130 | <u>Water Works</u> |
| Line of credit | 308,112 | - | 308,112 | <u>Authority</u> |
| Accrued payables | 936,834 | 53,220 | 990,054 | 337,793 |
| Unearned revenue | 4,816,882 | 45,478 | 4,862,360 | - |
| Accrued compensated absences | 1,034,389 | 86,282 | 1,120,671 | 705,571 |
| Accrued interest | 134,115 | - | 134,115 | - |
| Notes payable due within one year | 353,916 | - | 353,916 | 236,567 |
| Bonds payable due within one year | 1,328,726 | - | 1,328,726 | - |
| Other current liabilities | - | - | - | 758,698 |
| | | | | - |
| | | | | 136,447 |
| Total current liabilities | 12,462,807 | 468,277 | 12,931,084 | 2,175,076 |
| Noncurrent Liabilities: | | | | |
| Accrued compensated absences | 984,424 | 42,256 | 1,026,680 | - |
| Landfill post-closure costs | - | 2,062,500 | 2,062,500 | - |
| Notes payable | 6,566,922 | - | 6,566,922 | 6,289,366 |
| Bonds payable | 21,033,180 | - | 21,033,180 | - |
| Total noncurrent liabilities | 28,584,526 | 2,104,756 | 30,689,282 | 6,289,366 |
| Total liabilities | 41,047,333 | 2,573,033 | 43,620,366 | 8,464,442 |
| <u>NET POSITION</u> | | | | |
| Invested in capital assets, net of related debt | 33,365,112 | 1,232,735 | 34,597,847 | 40,201,577 |
| Restricted for: | | | | |
| Housing and development projects | 225,665 | 385,885 | 611,550 | - |
| Capital projects & infrastructure | 1,301,421 | - | 1,301,421 | - |
| Public safety | 59,095 | - | 59,095 | - |
| Unrestricted | 13,539,204 | 3,428,267 | 16,967,471 | 7,251,237 |
| TOTAL NET POSITION | \$ 48,490,497 | \$ 5,046,887 | \$ 53,537,384 | \$ 47,452,814 |

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

| <u>FUNCTIONS/PROGRAMS</u> | Expenses | Program Revenues | | |
|--|----------------------|-----------------------------|---|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 7,843,140 | 1,525,212 | \$ 670,142 | \$ 1,729,689 |
| Public safety | 18,204,945 | 354,829 | 647,553 | 430,622 |
| Public service | 6,167,510 | 963,893 | 813,179 | - |
| Parks and recreation | 2,710,659 | 106,183 | - | - |
| Planning and development | 1,463,659 | - | 583,518 | 5,237 |
| Interest on long-term debt | 1,066,876 | - | 353,189 | - |
| Total governmental activities (See Note 1) | 37,456,789 | 2,950,117 | 3,067,581 | 2,165,548 |
| Business-type activities: | | | | |
| Solid Waste | 3,967,490 | 4,362,520 | 47,200 | - |
| Section Eight Housing | 2,032,844 | - | 1,677,185 | - |
| Civic Center | 78,000 | 38,265 | - | - |
| TISA | - | - | - | - |
| Total business-type activities | 6,078,334 | 4,400,785 | 1,724,385 | - |
| TOTAL PRIMARY GOVERNMENT | \$ 43,535,123 | \$ 7,350,902 | \$ 4,791,966 | \$ 2,165,548 |
| Component Unit: | | | | |
| Paducah Water Works Authority | \$ 8,427,423 | \$ 10,672,573 | \$ - | \$ 811,645 |
| TOTAL COMPONENT UNITS | \$ 8,427,423 | \$ 10,672,573 | \$ - | \$ 811,645 |

| |
|--|
| General revenues: |
| Taxes and licenses: |
| Property taxes, levied for general purposes |
| Franchise tax |
| Telecommunications tax |
| Insurance premium tax |
| Vehicle tax |
| Bank tax |
| Gross receipts license tax |
| Employee license tax |
| Other taxes |
| Transient room tax |
| Unrestricted investment earnings |
| Gain (loss) on sale of capital assets |
| Miscellaneous |
| Total general revenues |
| Transfers |
| Total general revenues and transfers |
| Change in net position |
| Net position - beginning |
| Net position of merger Hendron Water District Operations |
| Net position - ending |

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets

| Primary Government | | Component Unit | |
|---------------------------|----------------------|-----------------------|--------------------------------------|
| Governmental | Business-type | Total | Paducah Water Works Authority |
| Activities | Activities | | |
| \$ (3,918,097) | \$ - | \$ (3,918,097) | \$ - |
| (16,771,941) | - | (16,771,941) | - |
| (4,390,438) | - | (4,390,438) | - |
| (2,604,476) | - | (2,604,476) | - |
| (874,904) | - | (874,904) | - |
| (713,687) | - | (713,687) | - |
| (29,273,543) | - | (29,273,543) | - |
| - | 442,230 | 442,230 | - |
| - | (355,659) | (355,659) | - |
| - | (39,735) | (39,735) | - |
| - | - | - | - |
| - | 46,836 | 46,836 | - |
| (29,273,543) | 46,836 | (29,226,707) | - |
| - | - | - | 3,056,795 |
| - | - | - | 3,056,795 |
| 4,502,276 | - | 4,502,276 | - |
| 199,134 | - | 199,134 | - |
| 709,852 | - | 709,852 | - |
| 3,863,464 | - | 3,863,464 | - |
| 626,772 | - | 626,772 | - |
| 243,203 | - | 243,203 | - |
| 4,391,352 | - | 4,391,352 | - |
| 18,336,124 | - | 18,336,124 | - |
| 654,734 | - | 654,734 | - |
| 365,348 | - | 365,348 | - |
| 211,306 | 49,382 | 260,688 | 17,221 |
| 383,370 | 52,710 | 436,080 | 39,405 |
| (82,992) | 95,386 | 12,394 | 34,404 |
| 34,403,943 | 197,478 | 34,601,421 | 91,030 |
| 485,138 | (485,138) | - | - |
| 34,889,081 | (287,660) | 34,601,421 | 91,030 |
| 5,615,538 | (240,824) | 5,374,714 | 3,147,825 |
| 42,874,959 | 5,287,711 | 48,162,670 | 42,665,176 |
| | | | 1,639,813 |
| <u>\$ 48,490,497</u> | <u>\$ 5,046,887</u> | <u>\$ 53,537,384</u> | <u>\$ 47,452,814</u> |

CITY OF PADUCAH, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

| | <u>General Fund</u> | <u>General Capital Improvements</u> | <u>Special Revenue Investment Fund</u> |
|---|-------------------------|---|--|
| Assets | | | |
| Cash and cash equivalents | \$ 7,971,715 | \$ 3,024,012 | \$ 1,514,608 |
| Receivables: | | | |
| Accounts | 6,729,187 | 809,094 | - |
| Grants | 50,258 | 1,753,830 | - |
| Property taxes (net of allowances for uncollectibles) | 4,945,184 | - | - |
| Due from other funds | 262,626 | - | 1,105,491 |
| Total Assets | <u>\$ 19,958,970</u> | <u>\$ 5,586,936</u> | <u>\$ 2,620,099</u> |
| Liabilities | | | |
| Voucher and accounts payable | \$ 515,979 | \$ 2,380,686 | \$ 31,000 |
| Accrued payroll and payroll taxes | 867,602 | - | - |
| Due to other funds | 1,105,491 | - | - |
| Unearned revenue - other | - | 151,000 | - |
| Accrued compensated absences | 252,090 | - | - |
| Total liabilities | <u>2,741,162</u> | <u>2,531,686</u> | <u>31,000</u> |
| Deferred Inflows of Resources | | | |
| Unavailable revenue-property taxes | <u>4,906,243</u> | <u>-</u> | <u>-</u> |
| Fund Balances: | | | |
| Restricted for: | | | |
| Highways and streets | - | - | - |
| Public safety | - | - | - |
| Program purposes | - | - | - |
| Committed for: | | | |
| Capital improvements | - | - | 2,589,099 |
| Assigned for: | | | |
| Capital improvements | - | 3,055,250 | - |
| Public safety | - | - | - |
| Debt service | - | - | - |
| Unassigned: | | | |
| General Fund | <u>12,311,565</u> | <u>-</u> | <u>-</u> |
| Total fund balances | <u>12,311,565</u> | <u>3,055,250</u> | <u>2,589,099</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 19,958,970</u> | <u>\$ 5,586,936</u> | <u>\$ 2,620,099</u> |

See accompanying notes to the basic financial statements.

| Debt Service Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|----------------------------------|--|---|
| \$ 316,458 | \$ 2,014,877 | \$ 14,841,670 |
| 37,359 | 231,859 | 7,807,499 |
| - | 549,368 | 2,353,456 |
| - | - | 4,945,184 |
| - | - | 1,368,117 |
| <u>\$ 353,817</u> | <u>\$ 2,796,104</u> | <u>\$ 31,315,926</u> |
| \$ - | \$ 522,707 | \$ 3,450,372 |
| - | 52,969 | 920,571 |
| - | 235,373 | 1,340,864 |
| - | - | 151,000 |
| - | - | 252,090 |
| <u>-</u> | <u>811,049</u> | <u>6,114,897</u> |
| <u>-</u> | <u>-</u> | <u>4,906,243</u> |
| - | 1,301,421 | 1,301,421 |
| - | 59,095 | 59,095 |
| - | 225,665 | 225,665 |
| - | - | 2,589,099 |
| - | - | 3,055,250 |
| - | 398,874 | 398,874 |
| 353,817 | - | 353,817 |
| <u>-</u> | <u>-</u> | <u>12,311,565</u> |
| <u>353,817</u> | <u>1,985,055</u> | <u>20,294,786</u> |
| <u>\$ 353,817</u> | <u>\$ 2,796,104</u> | <u>\$ 31,315,926</u> |

CITY OF PADUCAH, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2013

Total fund balance - total governmental fund: \$ 20,294,786

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

Delinquent property taxes receivable are not reported in the governmental funds balance sheet since they are not considered "available" revenues. 187,316

The long-term notes receivable are not reported in the governmental funds balance sheet since they are not available to pay current period expenditures. 4,795,000

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. 6,946

Inventory is not a current financial resource and, therefore, is not reported in the governmental funds balance sheet. 1,336,234

A prepaid pension obligation is not a current financial resource, and therefore, is not reported in the governmental funds balance sheet. 5,519,099

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. 42,383,944

Bond issuance costs used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. 404,129

The portion of accrued compensated absences not due and payable in the current period, and therefore, not reported in the governmental funds balance sheet. (1,714,013)

(Continued)

CITY OF PADUCAH, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2013

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. \$ (134,115)

Long-term liabilities of (\$29,590,856) 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 liabilities are:

| | | |
|---------------------|-------------------|--------------|
| Due within one year | \$ 1,990,755 | |
| Due after one year | <u>27,600,101</u> | (29,590,856) |

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

| | | |
|--|------------------|------------------|
| Current assets | \$ 5,662,794 | |
| Current liabilities | (192,387) | |
| Net amount allocated to business-type activities | <u>(468,380)</u> | <u>5,002,027</u> |

| | |
|---|-----------------------------|
| NET POSITION OF GOVERNMENTAL ACTIVITIES | <u><u>\$ 48,490,497</u></u> |
|---|-----------------------------|

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, 2013

| | General Fund | General Capital Improvements | Special Revenue Investment Fund |
|---|-------------------------|---|--|
| Revenues: | | | |
| Taxes | \$ 6,148,969 | \$ - | \$ - |
| Licenses | 22,674,348 | - | 4,522,942 |
| Charges for services | 589,360 | - | - |
| Intergovernmental | - | - | - |
| Grants | 781,628 | 2,255,963 | - |
| Interest | 144,899 | 5,609 | 5,609 |
| Property upkeep, rentals, sales and other | 1,142,445 | 1,160,641 | - |
| Total revenues | <u>31,481,649</u> | <u>3,422,213</u> | <u>4,528,551</u> |
| Expenditures: | | | |
| Current operations: | | | |
| General government | 4,481,485 | - | - |
| Public safety | 16,530,378 | - | - |
| Public service | 4,518,039 | - | - |
| Parks and recreation | 2,664,164 | - | - |
| Planning and development | - | - | 899,687 |
| Intergovernmental and other | 766,847 | - | - |
| Capital outlay | - | 4,324,821 | - |
| Debt service: | | | |
| Principal requirement | - | - | - |
| Interest requirement | - | - | - |
| Total expenditures | <u>28,960,913</u> | <u>4,324,821</u> | <u>899,687</u> |
| Excess (deficiency) of revenues over expenditures | <u>2,520,736</u> | <u>(902,608)</u> | <u>3,628,864</u> |
| Other Financing Sources (Uses): | | | |
| Proceeds from debt issued | - | - | - |
| Capital lease | - | - | - |
| Transfers in | 1,096,057 | 2,692,394 | 117,083 |
| Transfers out | (2,626,666) | (222,474) | (3,788,081) |
| Total other financing sources (uses) | <u>(1,530,609)</u> | <u>2,469,920</u> | <u>(3,670,998)</u> |
| Net change in fund balances | 990,127 | 1,567,312 | (42,134) |
| Fund balances - beginning | <u>11,321,438</u> | <u>1,487,938</u> | <u>2,631,233</u> |
| Fund balances - ending | <u>\$ 12,311,565</u> | <u>\$ 3,055,250</u> | <u>\$ 2,589,099</u> |

See accompanying notes to the basic financial statements.

| Debt Service Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|----------------------------------|--|---|
| \$ - | \$ 434,721 | \$ 6,583,690 |
| - | - | 27,197,290 |
| - | 226,431 | 815,791 |
| 577,255 | 663,057 | 1,240,312 |
| 93,684 | 606,127 | 3,737,402 |
| - | 19,254 | 175,371 |
| - | 440,612 | 2,743,698 |
| <u>670,939</u> | <u>2,390,202</u> | <u>42,493,554</u> |
| - | - | 4,481,485 |
| - | 1,643,971 | 18,174,349 |
| - | 1,191,979 | 5,710,018 |
| - | - | 2,664,164 |
| - | 877,210 | 1,776,897 |
| - | - | 766,847 |
| - | - | 4,324,821 |
| 1,698,468 | - | 1,698,468 |
| 1,089,447 | - | 1,089,447 |
| <u>2,787,915</u> | <u>3,713,160</u> | <u>40,686,496</u> |
| <u>(2,116,976)</u> | <u>(1,322,958)</u> | <u>1,807,058</u> |
| - | 308,112 | 308,112 |
| 405,796 | - | 405,796 |
| 1,996,093 | 1,561,317 | 7,462,944 |
| - | (487,803) | (7,125,024) |
| <u>2,401,889</u> | <u>1,381,626</u> | <u>1,051,828</u> |
| 284,913 | 58,668 | 2,858,886 |
| <u>68,904</u> | <u>1,926,387</u> | <u>17,435,900</u> |
| <u>\$ 353,817</u> | <u>\$ 1,985,055</u> | <u>\$ 20,294,786</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, 2013

Net change in fund balances - total governmental fund \$ 2,858,886

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

Inventory purchases require the use of current financial resources and, therefore, are reported as expenditures in governmental funds. 407,315

Inventory sales provide current financial resources and are reported as revenues in governmental funds. (169,385)

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 \$452,112. 4,486,536

Collections on long-term notes receivables and related interest receivable are revenues in the government funds when collected. (351,111)

Payments on property taxes recognized as revenues when received in the governmental funds. 15,972

Realized gain from converting a direct financing lease to an operating lease increases net position in the statement of activities, but does not appear in governmental funds activity. 825,461

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. (67,253)

Donation of capital assets from proprietary funds with historical cost of \$486,886 less depreciation of \$452,789 is not reported in governmental funds activity. 34,097

Proceeds of the issuance of debt provides current financial resources and is reported as an other financing source in governmental funds. (308,112)

(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, 2013

Only the loss on the disposal of capital assets is reported in the Statement of Activities, whereas in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs by the net book value of capital assets disposed. \$ (1,402,393)

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 \$610,217. (3,213,827)

Principal payments of debt require the use of current financial resources and, therefore, are reported as expenditures in governmental funds. However, principal payments of debt do not affect net assets in the government-wide Statement of Activities. 1,689,077

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. 31,062

Long-term accrued compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 34,810

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. (30,557)

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 | \$ 699,847 | |
| Net of amount allocated to | | |
| business-type activities | (82,992) | |
| Capital Outlays | (452,112) | |
| Depreciation expense | 610,217 | 774,960 |

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 5,615,538

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|-------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Real and personal, current year | \$ 4,759,000 | \$ 4,903,355 | \$ 4,903,369 | \$ 14 |
| Real and personal, prior year | 150,000 | 148,525 | 148,529 | 4 |
| Franchise | 125,000 | 199,130 | 199,134 | 4 |
| Bank taxes | 223,000 | 243,200 | 243,203 | 3 |
| In lieu of tax payment | 250,700 | 319,705 | 319,713 | 8 |
| Penalty, interest and advertising | 52,000 | 34,925 | 34,934 | 9 |
| Paducah Junior College tax collections | - | 300,085 | 300,087 | 2 |
| Total taxes | 5,559,700 | 6,148,925 | 6,148,969 | 44 |
| Licenses: | | | | |
| Business licenses | 4,286,000 | 4,391,350 | 4,391,352 | 2 |
| Employee earnings | 13,770,000 | 13,813,180 | 13,813,180 | - |
| Comcast fees | 301,000 | 301,575 | 301,577 | 2 |
| Penalties | 170,000 | 196,335 | 196,329 | (6) |
| Alcoholic beverages | 125,000 | 135,810 | 135,815 | 5 |
| Insurance premium tax | 3,333,000 | 3,863,460 | 3,863,464 | 4 |
| Building permits | 120,000 | 134,445 | 134,449 | 4 |
| Electrical permits | 36,000 | 32,440 | 32,444 | 4 |
| Zoning change fees | 8,000 | 6,915 | 6,920 | 5 |
| Miscellaneous building and electrical fees | 250 | 3,540 | 3,500 | (40) |
| KJDA payroll rebate | (225,000) | (204,685) | (204,682) | 3 |
| Total licenses | 21,924,250 | 22,674,365 | 22,674,348 | (17) |
| Charges for services: | | | | |
| Tax collection fee | 157,000 | 164,525 | 164,528 | 3 |
| Administrative charge | 259,020 | 262,140 | 262,145 | 5 |
| Base court revenue | 61,000 | 56,500 | 56,504 | 4 |
| Recreation fees | 81,500 | 106,175 | 106,183 | 8 |
| Total charges for services | 558,520 | 589,340 | 589,360 | 20 |

(Continued)

CITY OF PADUCAH, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-------------------------------------|-------------------------|-------------------|---------------------------|---|
| | Original | Final | | |
| Grants: | | | | |
| Police State Incentive | \$ 320,000 | \$ 325,835 | \$ 325,840 | \$ 5 |
| Fire State Incentive | 283,500 | 260,855 | 260,857 | 2 |
| Police supplemental grants | 209,000 | 194,920 | 194,931 | 11 |
| Total grants | 812,500 | 781,610 | 781,628 | 18 |
| Interest | 108,500 | 144,895 | 144,899 | 4 |
| Other: | | | | |
| Property rent and sales | 678,120 | 707,235 | 707,280 | 45 |
| Property upkeep and maintenance | 129,000 | 114,800 | 114,812 | 12 |
| Contractual programs | 5,000 | 6,460 | 6,460 | - |
| E911 - GIS | 26,100 | 26,100 | 26,100 | - |
| Miscellaneous | 177,465 | 287,745 | 287,793 | 48 |
| Total other | 1,015,685 | 1,142,340 | 1,142,445 | 105 |
| Total revenues | 29,979,155 | 31,481,475 | 31,481,649 | 174 |
| Expenditures: | | | | |
| General government: | | | | |
| General administration: | | | | |
| Mayor and Commissioners | 194,985 | 189,250 | 189,308 | (58) |
| City Manager | 409,335 | 387,570 | 387,548 | 22 |
| City Clerk | 173,585 | 114,740 | 114,604 | 136 |
| Corporate Counsel | 172,160 | 106,865 | 106,754 | 111 |
| Non-departmental | 814,810 | 877,055 | 877,051 | 4 |
| Memberships and contingency | 125,605 | 22,345 | 22,275 | 70 |
| Civic beautification | 3,800 | 1,655 | 1,651 | 4 |
| Total general administration | 1,894,280 | 1,699,480 | 1,699,191 | 289 |
| PRDA | 123,725 | 117,325 | 117,475 | (150) |
| Finance: | | | | |
| Finance administration | \$ 247,010 | \$ 240,035 | \$ 239,962 | \$ 73 |
| Accounting and payroll | 328,050 | 321,700 | 321,682 | 18 |
| Revenue collection | 404,520 | 383,220 | 382,934 | 286 |
| Total finance | 979,580 | 944,955 | 944,578 | 377 |

CITY OF PADUCAH, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---------------------------|-------------------------|--------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| General government: | | | | |
| Planning: | | | | |
| Administration | 265,365 | 261,515 | 261,490 | 25 |
| Planning | 88,305 | 89,625 | 89,632 | (7) |
| Grants | 144,395 | 137,195 | 136,887 | 308 |
| Total planning | 498,065 | 488,335 | 488,009 | 326 |
| Radio and rental property | 242,520 | 331,000 | 330,877 | 123 |
| Human rights | 47,380 | 41,300 | 41,141 | 159 |
| Information systems | 739,170 | 564,400 | 564,263 | 137 |
| Risk management | 294,925 | 296,040 | 295,951 | 89 |
| Total general government | 4,819,645 | 4,482,835 | 4,481,485 | 1,350 |
| Public safety: | | | | |
| Police: | | | | |
| Police administration | 792,550 | 804,400 | 803,940 | 460 |
| Patrol | 6,466,660 | 6,197,700 | 6,197,574 | 126 |
| Investigations | 1,899,335 | 2,033,870 | 2,034,099 | (229) |
| Total police | 9,158,545 | 9,035,970 | 9,035,613 | 357 |
| Fire: | | | | |
| Fire administration | 435,020 | 450,055 | 449,967 | 88 |
| Suppression | 6,070,535 | 6,112,440 | 6,112,375 | 65 |
| Prevention and inspection | 94,620 | 112,635 | 112,725 | (90) |
| Training | 125,990 | 128,215 | 128,137 | 78 |
| Construction | 389,295 | 338,988 | 338,778 | 210 |
| Code enforcement | 373,170 | 352,892 | 352,783 | 109 |
| Total fire | 7,488,630 | 7,495,225 | 7,494,765 | 460 |
| Total public safety | 16,647,175 | 16,531,195 | 16,530,378 | 817 |
| Public service: | | | | |
| Public works: | | | | |
| Street maintenance | 2,000,085 | 1,760,960 | 1,761,036 | (76) |
| Street lighting | 535,000 | 604,555 | 604,585 | (30) |
| Landscape maintenance | 1,103,270 | 1,080,260 | 1,080,062 | 198 |
| Total public works | 3,638,355 | 3,445,775 | 3,445,683 | 92 |

CITY OF PADUCAH, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|----------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Public service: | | | | |
| Engineering services: | | | | |
| Engineering services | \$ 617,470 | \$ 507,575 | \$ 507,459 | \$ 116 |
| Flood control | 530,680 | 565,175 | 564,897 | 278 |
| Total engineering services | <u>1,148,150</u> | <u>1,072,750</u> | <u>1,072,356</u> | <u>394</u> |
| Total public service | <u>4,786,505</u> | <u>4,518,525</u> | <u>4,518,039</u> | <u>486</u> |
| Parks and recreation: | | | | |
| Parks and recreation administration | 783,955 | 745,250 | 744,966 | 284 |
| Grounds maintenance | 1,482,320 | 1,428,525 | 1,428,330 | 195 |
| Pools and recreation programs | 601,155 | 491,105 | 490,868 | 237 |
| Total parks and recreation | <u>2,867,430</u> | <u>2,664,880</u> | <u>2,664,164</u> | <u>716</u> |
| Intergovernmental and other: | | | | |
| Cable authority | 83,600 | 84,250 | 84,250 | - |
| Mainstreet program | 448,320 | 357,015 | 356,774 | 241 |
| Leave expense | - | 25,740 | 25,736 | 4 |
| Intergovernmental expense | - | 300,090 | 300,087 | 3 |
| Total intergovernmental and other | <u>531,920</u> | <u>767,095</u> | <u>766,847</u> | <u>248</u> |
| Total expenditures | <u>29,652,675</u> | <u>28,964,530</u> | <u>28,960,913</u> | <u>3,617</u> |
| Excess (deficiency) of revenues over expenditures | <u>326,480</u> | <u>2,516,945</u> | <u>2,520,736</u> | <u>3,791</u> |
| Other financing sources (uses): | | | | |
| Operating transfers in | 933,000 | 1,096,045 | 1,096,057 | 12 |
| Operating transfers out | (1,233,370) | (2,626,685) | (2,626,666) | 19 |
| Total other financing sources (uses) | <u>(300,370)</u> | <u>(1,530,640)</u> | <u>(1,530,609)</u> | <u>31</u> |
| Net change in fund balance | 26,110 | 986,305 | 990,127 | 3,822 |
| Fund balance - beginning | <u>11,321,438</u> | <u>11,321,438</u> | <u>11,321,438</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 11,347,548</u> | <u>\$ 12,307,743</u> | <u>\$ 12,311,565</u> | <u>\$ 3,822</u> |

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE INVESTMENT FUND
FOR THE YEAR ENDED JUNE 30, 2013

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Licenses: | | | | |
| Employee earnings | 4,590,000 | 4,522,940 | 4,522,942 | 2 |
| Total licenses | 4,590,000 | 4,522,940 | 4,522,942 | 2 |
| Interest | 6,500 | 5,605 | 5,609 | 4 |
| Total revenues | 4,596,500 | 4,528,545 | 4,528,551 | 6 |
| Expenditures: | | | | |
| General government: | | | | |
| Planning and development: | | | | |
| Economic development | 1,087,700 | 899,690 | 899,687 | 3 |
| Total expenditures | 1,087,700 | 899,690 | 899,687 | 3 |
| Excess (deficiency) of revenues over expenditures | 3,508,800 | 3,628,855 | 3,628,864 | 9 |
| Other financing sources (uses): | | | | |
| Operating transfers in | 38,170 | 117,080 | 117,083 | 3 |
| Operating transfers out | (3,890,470) | (3,788,090) | (3,788,081) | 9 |
| Total other financing sources (uses) | (3,852,300) | (3,671,010) | (3,670,998) | 12 |
| Net change in fund balance | (343,500) | (42,155) | (42,134) | 21 |
| Fund balance - beginning | 1,692,872 | 2,631,233 | 2,631,233 | - |
| Fund balance - ending | <u>\$ 1,349,372</u> | <u>\$ 2,589,078</u> | <u>\$ 2,589,099</u> | <u>\$ 21</u> |

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

| <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 | \$ 4,860,928 | \$ 566,380 | \$ 5,427,308 | \$ 4,687,798 |
| Investments | - | - | - | - |
| Accounts receivable | 491,497 | - | 491,497 | - |
| Interest receivable | - | - | - | 52,201 |
| Prepaid expenses | - | - | - | 861,783 |
| Inventory | - | - | - | 61,012 |
| Total current assets | <u>5,352,425</u> | <u>566,380</u> | <u>5,918,805</u> | <u>5,662,794</u> |
| Noncurrent Assets: | | | | |
| Net capital assets: | | | | |
| Land | 62,152 | - | 62,152 | - |
| Depreciable capital assets | 1,003,973 | 166,610 | 1,170,583 | 2,916,141 |
| Total noncurrent assets | <u>1,066,125</u> | <u>166,610</u> | <u>1,232,735</u> | <u>2,916,141</u> |
| Total assets | <u>6,418,550</u> | <u>732,990</u> | <u>7,151,540</u> | <u>8,578,935</u> |
| | <u>LIABILITIES</u> | | | |
| Current Liabilities: | | | | |
| Voucher and accounts payable | 159,877 | 96,167 | 256,044 | 99,460 |
| Accrued payroll and payroll taxes | 53,220 | - | 53,220 | 16,263 |
| Accrued compensated absences | 84,665 | 1,617 | 86,282 | 36,750 |
| Unearned revenue | - | 45,478 | 45,478 | 23,955 |
| Due to other funds | - | 27,253 | 27,253 | - |
| Total current liabilities | <u>297,762</u> | <u>170,515</u> | <u>468,277</u> | <u>176,428</u> |
| Noncurrent Liabilities: | | | | |
| Landfill post-closure costs | 2,062,500 | - | 2,062,500 | - |
| Accrued compensated absences | 27,705 | 14,551 | 42,256 | 15,959 |
| Total noncurrent liabilities | <u>2,090,205</u> | <u>14,551</u> | <u>2,104,756</u> | <u>15,959</u> |
| Total liabilities | <u>2,387,967</u> | <u>185,066</u> | <u>2,573,033</u> | <u>192,387</u> |
| | <u>NET POSITION</u> | | | |
| Invested in capital assets | 1,066,125 | 166,610 | 1,232,735 | 2,916,141 |
| Restricted - Housing | - | 385,885 | 385,885 | - |
| Unrestricted | 2,964,458 | (4,571) | 2,959,887 | 5,470,407 |
| TOTAL NET POSITION | <u>\$ 4,030,583</u> | <u>\$ 547,924</u> | 4,578,507 | <u>\$ 8,386,548</u> |
| Reconciliation to government-wide statements of net position: | | | | |
| Adjustment to reflect the consolidation of Internal Service Funds' activities related to Enterprise Funds | | | 468,380 | |
| NET POSITION OF BUSINESS-TYPE ACTIVITIES | | | <u>\$ 5,046,887</u> | |

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| | Business-type Activities | | | Governmental |
|--|---------------------------------|--|----------------------------|---------------------------------------|
| | Solid Waste | Nonmajor Enterprise Funds | Totals | Internal Service Funds |
| Operating Revenues: | | | | |
| Charges for services - internal | \$ - | \$ 38,265 | \$ 38,265 | \$5,991,759 |
| Charges for services - external | 4,362,520 | - | 4,362,520 | 275,582 |
| Miscellaneous | 9,540 | 2,853 | 12,393 | - |
| Total operating revenues | <u>4,372,060</u> | <u>41,118</u> | <u>4,413,178</u> | <u>6,267,341</u> |
| Operating Expenses: | | | | |
| Cost of sales and service | 3,635,571 | 2,095,184 | 5,730,755 | 5,142,279 |
| Depreciation and amortization | 331,919 | 15,660 | 347,579 | 610,217 |
| Total operating expenses | <u>3,967,490</u> | <u>2,110,844</u> | <u>6,078,334</u> | <u>5,752,496</u> |
| Operating income (loss) | <u>404,570</u> | <u>(2,069,726)</u> | <u>(1,665,156)</u> | <u>514,845</u> |
| Nonoperating Revenues (Expenses): | | | | |
| Grants - program purpose | 47,200 | 1,677,185 | 1,724,385 | - |
| Interest and investment income | 49,292 | 90 | 49,382 | 35,935 |
| Gain (loss) on disposal of property and equipment | 86,807 | (34,097) | 52,710 | 1,849 |
| Total nonoperating revenues (expenses) | <u>183,299</u> | <u>1,643,178</u> | <u>1,826,477</u> | <u>37,784</u> |
| Income (loss) before contributions and transfers | <u>587,869</u> | <u>(426,548)</u> | <u>161,321</u> | <u>552,629</u> |
| Contributions and Transfers: | | | | |
| Transfers in | - | 30,359 | 30,359 | 155,992 |
| Transfers out | (240,000) | (275,497) | (515,497) | (8,774) |
| Total contributions and transfers | <u>(240,000)</u> | <u>(245,138)</u> | <u>(485,138)</u> | <u>147,218</u> |
| Change in net position | 347,869 | (671,686) | (323,817) | 699,847 |
| Total net position, July 1, 2012 | <u>3,682,714</u> | <u>1,219,610</u> | | <u>7,686,701</u> |
| TOTAL NET POSITION - JUNE 30, 2013 | <u><u>\$ 4,030,583</u></u> | <u><u>\$ 547,924</u></u> | | <u><u>\$8,386,548</u></u> |
| Reconciliation to government-wide statements of net position: | | | | |
| Adjustment to reflect the consolidation of Internal Service Funds' activities related to Enterprise Funds | | | <u>82,992</u> | |
| CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES | | | <u><u>\$ (240,825)</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, 2013

| | Business-type Activities | | | Governmental |
|--|---------------------------------|--|------------------------------|---------------------------------------|
| | Solid Waste | Nonmajor Enterprise Funds | Totals | Internal Service Funds |
| Cash Flows from Operating Activities: | | | | |
| Cash received from customers | \$ 4,482,014 | \$ 39,300 | \$ 4,521,314 | \$ - |
| Cash received from interfund services provided | - | - | - | 6,835,999 |
| Payments to suppliers | (2,253,104) | - | (2,253,104) | (1,022,823) |
| Payments to employees | (927,150) | (141,890) | (1,069,040) | (290,335) |
| Claims paid | - | - | - | (3,558,712) |
| Payments to internal service funds | (411,958) | (2,290) | (414,248) | - |
| Other receipts | 9,540 | 2,853 | 12,393 | - |
| Other payments | - | (1,983,297) | (1,983,297) | (1,280,320) |
| Net cash provided (used) by operating activities | <u>899,342</u> | <u>(2,085,324)</u> | <u>(1,185,982)</u> | <u>683,809</u> |
| Cash Flows from Noncapital Financing Activities: | | | | |
| Grants - program purpose | 47,200 | 1,722,663 | 1,769,863 | - |
| Transfers from other funds | - | 30,359 | 30,359 | 155,992 |
| Transfers to other funds | (240,000) | (275,497) | (515,497) | (8,774) |
| Net cash provided (used) by noncapital financing activities | <u>(192,800)</u> | <u>1,477,525</u> | <u>1,284,725</u> | <u>147,218</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | |
| Purchase of capital assets | (305,837) | - | (305,837) | (452,112) |
| Proceeds from sale of capital assets | 86,807 | - | 86,807 | 21,408 |
| Net cash provided (used) by capital and related financing activities | <u>(219,030)</u> | <u>-</u> | <u>(219,030)</u> | <u>(430,704)</u> |
| Cash Flows from Investing Activities: | | | | |
| Proceeds from sale of investment securities | 900,000 | - | 900,000 | 550,000 |
| Interest on cash and investments | 57,381 | 90 | 57,471 | 35,935 |
| Net cash provided (used) by investing activities | <u>957,381</u> | <u>90</u> | <u>957,471</u> | <u>585,935</u> |
| Net increase (decrease) in cash and cash equivalents | 1,444,893 | (607,709) | 837,184 | 986,258 |
| Cash and cash equivalents, July 1, 2012 | <u>3,416,035</u> | <u>1,174,089</u> | <u>4,590,124</u> | <u>3,701,540</u> |
| CASH AND CASH EQUIVALENTS, JUNE 30, 2013 | <u><u>\$ 4,860,928</u></u> | <u><u>\$ 566,380</u></u> | <u><u>\$ 5,427,308</u></u> | <u><u>\$ 4,687,798</u></u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities: | | | | |
| Operating income (loss) | \$ 451,770 | \$ (2,069,726) | \$ (1,617,956) | \$ 514,845 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 331,919 | 15,660 | 347,579 | 610,217 |
| Change in assets and liabilities: | | | | |
| Receivables | 153,194 | 1,035 | 154,229 | 33,892 |
| Prepaid expenses | - | - | - | (861,783) |
| Inventories | - | - | - | 15,877 |
| Unearned revenues | (33,700) | (45,478) | (79,178) | - |
| Due to other funds | - | - | - | 510,810 |
| Account and accrued payables | 43,359 | 13,185 | 56,544 | (140,049) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u><u>\$ 946,542</u></u> | <u><u>\$ (2,085,324)</u></u> | <u><u>\$ (1,138,782)</u></u> | <u><u>\$ 683,809</u></u> |

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

| <u>ASSETS</u> | Primary Government | | |
|---|---------------------------|--|-------------------------|
| | Pension Funds | Private- purpose Trusts | Agency Funds |
| Cash and cash equivalents | \$ 76,929 | \$ 3,965 | \$ 532,049 |
| Receivables: | | | |
| Interest | 28,684 | - | - |
| Investments at fair value | | | |
| Money market funds | 139,107 | 3,925 | - |
| Common stock | 2,599,294 | - | - |
| Corporate bonds | 992,120 | - | - |
| U.S. agencies bonds | 989,387 | - | - |
| Mortgage backed securities | - | - | - |
| Mutual funds | 2,395,903 | 1,090,393 | - |
| Total assets | <u>7,221,424</u> | <u>1,098,283</u> | <u>532,049</u> |
| | | | |
| <u>LIABILITIES</u> | | | |
| Voucher and accounts payable | 156 | - | - |
| Payroll taxes and withholdings payable | - | - | 532,049 |
| Total liabilities | <u>156</u> | <u>-</u> | <u>532,049</u> |
| | | | |
| <u>NET POSITION</u> | | | |
| Held in trust for pension benefits and other purposes | <u>\$ 7,221,268</u> | <u>\$ 1,098,283</u> | |

See accompanying notes to the basic financial statements

CITY OF PADUCAH, KENTUCKY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| | Pension Funds | Private- purpose Trusts |
|---|--------------------------|--|
| Additions: | | |
| Contributions: | | |
| Employer | \$ 476,951 | \$ - |
| Plan members | 5,537 | - |
| Intergovernmental revenues | - | 255 |
| | 482,488 | 6,010 |
| Investment income: | | |
| Net increase (decrease) in fair value of investments | 448,722 | 69,611 |
| Interest and dividends | 220,914 | 69,902 |
| | 669,636 | 139,513 |
| Total additions | 1,152,124 | 145,523 |
| Deductions: | | |
| Benefits | 1,549,841 | - |
| Capital outlay | - | 136,135 |
| Administrative expenses | 55,320 | 17,170 |
| | 1,605,161 | 153,305 |
| Change in net position | (453,037) | (7,782) |
| Net position - beginning | 7,674,304 | 1,106,065 |
| Net position - ending | \$ 7,221,267 | \$ 1,098,283 |

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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. The pension fund is reported as a fiduciary fund and does not issue separate financial statements.

Discretely Presented Component Units

The component unit column in the basic financial statements includes the financial data of the City's other component unit. It is reported in a separate column to emphasize that it is legally separate from the City. The following component unit is included in the reporting entity because of its financial relationship with the City; and, the City is able to impose its will on the organization.

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.

Complete financial statements of the individual component unit can be obtained from its respective administrative office at the following location:

Paducah Water Works
1801 N. 8th Street
Paducah, Kentucky 42003

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies:

Related Organizations

City officials are also responsible for appointing the members of boards of other organizations; but, the City's accountability for these organizations do not extend beyond appointing authority. The organizations listed below are notable related organizations which have not been included as component units in the City's report.

Transit Authority of the City of Paducah – The Transit Authority is a legally separate entity that provides for transit operations both within and outside the City. The Transit Authority is not financially accountable to the City.

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.

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.

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.

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.

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.

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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 1 - Summary of Significant Account Policies:

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position 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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditure or 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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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 Position 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. (The City’s deferred outflows of resources and deferred inflows of resources are noncurrent) 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 position (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 position.
- 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 Position 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

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 1 - Summary of Significant Account Policies:

Basis of Accounting

means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due. Agency funds are presented using the accrual basis of accounting.

All proprietary, 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.

Unearned revenue

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

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies:

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:

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, 2013.

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 Position, "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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies:

Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Major receivable balances for the governmental activities include property taxes, employee earnings taxes, business licenses, insurance premiums taxes, franchise taxes, grant revenue, and interlocal note receivables. Business-type activities report utilities and interest earnings as their major receivables.

Interlocal note receivables include an outstanding loan of \$911,375 at the end of the fiscal year due from the Greater Paducah Economic Development Council, Inc. related to development and construction of an intermodal industrial park. The note is non-interest bearing, secured by real property within the industrial park, and due in full by June 30, 2015. The City expects full collection of the receivable.

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 Position. 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 \$61,012 held for consumption and real property of \$1,336,235 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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies:

Capital Assets

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.

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.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of account, which qualifies for reporting in the category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies:

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 Employees' 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.

Equity Classifications

Government-wide Statements

Equity is classified as net position 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 position – 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 position – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies:

Equity Classifications

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.

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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies:

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.

Fund Accounting Requirements

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

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies:

Stewardship, Compliance, and Accountability

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, 2013, the City complied in all material respects with these revenue restrictions.

Debt Restrictions and Covenants

The City may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue without first obtaining voter approval.

Note 2 - Property Taxes:

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

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013, are as follows:

| <u>Description</u> | <u>Date</u> |
|--|--|
| Assessment and enforceable lien | January 1, 2012 |
| Levy | September 25, 2012 |
| Face value amount payment dates | 1 st half by November 1, 2012 2 nd half by February 1, 2013 |
| Delinquent date - 10% penalty plus 1/2% per month | 1 st half - November 30, 2012 2 nd half - February 28, 2013 |

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 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, 2013, 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 \$25,569,719 and \$26,787,656, respectively.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 3 - Detail Notes on Transaction Classes/Accounts:

Investments

As of June 30, 2013, 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> |
| Fiduciary and Private | | | | | | |
| Purpose Trust Funds | | | | | | |
| Money market funds | \$ 143,032 | NA | NA | NA | NA | NA |
| Common stock | 2,559,294 | NA | NA | NA | NA | NA |
| Corporate bonds | 992,120 | AA+/A- | \$ 50,269 | \$ 941,851 | \$ - | \$ - |
| U.S. agencies | 989,387 | Aaa/A | 636,982 | 259,016 | 93,389 | - |
| Mutual funds | | | | | | |
| Equity | <u>3,486,296</u> | NA | NA | NA | NA | NA |
| TOTAL FIDUCIARY AND PRIVATE PURPOSE TRUST FUNDS | <u>\$8,210,129</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.

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, 2013

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 | 45% | 55% | 65% |
| Fixed income | 35% | 45% | 55% |

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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013, was as follows:

| | <u>Balance</u> | | | <u>Balance</u> |
|--|----------------------------|-------------------------|--------------------------|-----------------------------|
| Primary Government: | <u>July 1, 2012</u> | <u>Additions</u> | <u>Deductions</u> | <u>June 30, 2013</u> |
| Capital assets, not being depreciated: | | | | |
| Land | \$11,107,875 | \$ 210,000 | \$ 941,443 | \$10,376,432 |
| Construction-in-progress | <u>3,797,562</u> | <u>3,638,928</u> | <u>908,624</u> | <u>6,527,866</u> |
| Total capital assets, not being depreciated | <u>14,905,437</u> | <u>3,848,928</u> | <u>1,850,067</u> | <u>16,904,298</u> |
| Capital assets, being depreciated: | | | | |
| Land improvements | 3,421,914 | 718,754 | - | 4,140,668 |
| Buildings and improvements | 17,257,912 | 2,809,682 | 675,000 | 19,392,594 |
| Infrastructure | 38,698,324 | 15,951 | - | 38,714,275 |
| Equipment | 9,761,738 | 803,927 | 3,000 | 10,562,665 |
| Furnishings and fixtures | 207,830 | - | - | 207,830 |
| Vehicles | <u>8,209,120</u> | <u>444,112</u> | <u>416,552</u> | <u>8,236,680</u> |
| Totals at historical cost | <u>77,556,838</u> | <u>4,792,426</u> | <u>1,094,552</u> | <u>81,254,712</u> |
| Less accumulated depreciation: | | | | |
| Land improvements | 1,519,387 | 111,933 | - | 1,631,320 |
| Buildings and improvements | 12,347,400 | 390,647 | 213,750 | 12,524,297 |
| Infrastructure | 25,349,247 | 1,459,511 | - | 26,808,758 |
| Equipment | 7,973,538 | 1,123,863 | 3,000 | 9,094,401 |
| Furnishings and fixtures | 206,308 | 257 | - | 206,565 |
| Vehicles | <u>5,326,315</u> | <u>580,406</u> | <u>396,995</u> | <u>5,509,726</u> |
| Total accumulated depreciation | <u>52,722,195</u> | <u>3,666,617</u> | <u>613,745</u> | <u>55,775,067</u> |
| Total capital assets, being depreciated, net | <u>24,834,643</u> | <u>1,125,809</u> | <u>480,807</u> | <u>25,479,645</u> |
| PRIMARY GOVERNMENT | | | | |
| ACTIVITIES CAPITAL | | | | |
| ASSETS, NET | <u>\$39,740,080</u> | <u>\$ 4,974,737</u> | <u>\$2,330,874</u> | <u>\$42,383,943</u> |

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 3 - Detail Notes on Transaction Classes/Accounts:

Capital Assets

During the year ended June 30, 2013, the City converted a direct financing lease to an operating lease (See Note 9). The capital lease receivable was removed and the related lease building and land was recorded at original cost. Accordingly, governmental capital asset activities reflect building and land additions of \$2,549,012 and \$210,000, respectively. The conversion resulted in an economic gain of \$825,461.

During the year ended June 30, 2013, TISA business type operations ceased and the remaining assets were transferred to governmental activities. Accordingly, governmental capital asset activities reflect equipment and related accumulated depreciation additions of \$486,886 and \$452,789 respectively.

| Business-type Activities: | Balance July 1, 2012 | Increases | Decreases | Balance June 30, 2013 |
|--|---------------------------------|--------------------|------------------|----------------------------------|
| 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 | 554,827 | - | - | 554,827 |
| Equipment | 1,571,867 | 115,116 | 507,635 | 1,179,348 |
| Vehicles | <u>2,575,540</u> | <u>190,721</u> | <u>374,780</u> | <u>2,391,481</u> |
| Totals at historical cost | <u>4,702,234</u> | <u>305,837</u> | <u>882,415</u> | <u>4,125,656</u> |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | 238,766 | 16,724 | - | 255,490 |
| Equipment | 1,240,678 | 126,667 | 473,538 | 893,807 |
| Vehicles | <u>1,976,368</u> | <u>204,188</u> | <u>374,780</u> | <u>1,805,776</u> |
| Total accumulated depreciation | <u>3,455,812</u> | <u>347,579</u> | <u>848,318</u> | <u>2,955,073</u> |
| Total capital assets, being depreciated, net | <u>1,246,422</u> | <u>(41,742)</u> | <u>34,097</u> | <u>1,170,583</u> |
| BUSINESS-TYPE ACTIVITIES | | | | |
| CAPITAL ASSETS, NET | <u>\$ 1,308,574</u> | <u>\$ (41,742)</u> | <u>\$ 34,097</u> | <u>\$ 1,232,735</u> |

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 3 - Detail Notes on Transaction Classes/Accounts:

Capital Assets

Depreciation expense was charged to governmental activities as follows:

| | |
|---|---------------------------|
| General government: | |
| General administration | \$ 331,535 |
| Finance | 36,805 |
| Planning | 23,228 |
| Inspections | - |
| Personnel | - |
| Information systems | 22,626 |
| Fleet maintenance | <u>10,725</u> |
| Total general government | <u>424,919</u> |
| Public safety: | |
| Police | 238,345 |
| Fire | 65,449 |
| Grants | - |
| Emergency 911 | 24,596 |
| Court awards | 4,389 |
| Fleet Lease Trust | <u>599,493</u> |
| Total public safety | <u>932,272</u> |
| Public service: | |
| Public works | 54,862 |
| Engineering | <u>46,512</u> |
| Total public service | <u>101,374</u> |
| Parks and recreation | <u>179,076</u> |
| Planning and development: | |
| Infrastructure | 1,574,315 |
| Grants | <u>1,871</u> |
| Total planning and development | <u>1,576,186</u> |
| TOTAL DEPRECIATION EXPENSE – GOVERNMENTAL ACTIVITIES | <u>\$3,213,827</u> |

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

| | |
|--|--------------------------|
| Solid Waste Fund | \$ 331,919 |
| Section Eight Housing | 5,639 |
| Civic Center | 10,021 |
| TISA Fund | <u>-</u> |
| TOTAL DEPRECIATION EXPENSE – BUSINESS-TYPE ACTIVITIES | <u>\$ 347,579</u> |

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 3 - Detail Notes on Transaction Classes/Accounts:

Capital Assets

| Discretely Presented Component Units: | Balance July 1, 2012 | Increases | Decreases | Balance June 30, 2013 |
|--|---------------------------------|---------------------------|--------------------------|----------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | <u>\$ 2,316,981</u> | <u>\$ -</u> | <u>\$ 223,205</u> | <u>\$ 2,093,776</u> |
| Total capital assets, not being depreciated | <u>2,316,981</u> | <u>-</u> | <u>223,205</u> | <u>2,093,776</u> |
| Capital assets, being depreciated: | | | | |
| Utility plant | <u>72,478,176</u> | <u>7,998,812</u> | <u>153,023</u> | <u>72,478,176</u> |
| Total capital assets, being depreciated | <u>72,478,176</u> | <u>7,998,812</u> | <u>153,023</u> | <u>72,478,176</u> |
| Less accumulated depreciation: | | | | |
| Utility plant | <u>29,783,431</u> | <u>3,772,793</u> | <u>60,995</u> | <u>33,495,229</u> |
| Total accumulated depreciation | <u>29,783,431</u> | <u>3,772,793</u> | <u>60,995</u> | <u>33,495,229</u> |
| Total capital assets, being depreciated, net | <u>42,694,745</u> | <u>4,226,019</u> | <u>92,028</u> | <u>46,828,736</u> |
| COMPONENT UNIT CAPITAL ASSETS, NET | <u>\$45,011,726</u> | <u>\$4,226,019</u> | <u>\$ 315,233</u> | <u>\$48,922,512</u> |

Increases in capital assets include \$3,731,595 in utility plant assets received from Hendron Water District as part of the merger on August 1, 2012. These assets had accumulated depreciation of \$2,044,869.

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

| | |
|---|----------------------------|
| Paducah Water Works | <u>\$ 1,727,924</u> |
| TOTAL DEPRECIATION EXPENSE BY ACTIVITY | <u>\$ 1,727,924</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, 2013

Note 3 - Detail Notes on Transaction Classes/Accounts:

Short-Term Liabilities

On October 16, 2012, the City entered into an agreement with Banterra Bank for a fixed rate line of credit not to exceed \$900,000 for construction of new residential homes for the Fountain Avenue Neighborhood Program. Short-term debt activity for the year ended June 30, 2013, was as follows:

| <u>Governmental Activities</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Payments</u> | <u>Ending Balance</u> |
|--------------------------------|------------------------------|---------------------|-----------------------|---------------------------|
| Home Grant Fund Line of Credit | \$ <u> -</u> | \$ <u> 308,112</u> | \$ <u> -</u> | \$ <u> 308,112</u> |

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, 2013, the governmental long-term liabilities consisted of the following:

| | |
|--|----------------------------|
| General obligation bonds: | |
| Current portion | \$ 1,328,726 |
| Noncurrent portion | <u>21,033,180</u> |
| TOTAL GENERAL OBLIGATION BOND COSTS | <u>\$22,361,906</u> |
| Note payable: | |
| Current portion | \$ 353,916 |
| Noncurrent portion | <u>6,566,922</u> |
| TOTAL NOTE PAYABLE PAYMENTS | <u>\$ 6,920,838</u> |
| Accrued compensated absences: | |
| Current portion | \$ 1,034,389 |
| Noncurrent portion | <u>984,424</u> |
| TOTAL ACCRUED COMPENSATED ABSENCES | <u>\$ 2,018,813</u> |

Business-type Activities

As of June 30, 2013, the long-term liabilities payable from proprietary fund resources consisted of the following:

| | |
|---|--------------------------|
| Accrued compensated absences: | |
| Current portion | \$ 86,281 |
| Noncurrent portion | <u>42,256</u> |
| TOTAL ACCRUED COMPENSATED ABSENCES | <u>\$ 128,537</u> |

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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 of approximately 3.13%. 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 Position. 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 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 Position, 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 \$8,833 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, 2013

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. This note receivable is reflected in the government-wide Statement of Net Position. In accordance with an Interlocal Cooperation Agreement between the City and McCracken County, Kentucky (the County), principal and interest payments on the bonds are being made from an operating lease with Infiniti Plastic Technologies, Inc. collected by the City. The rental revenues collected from the lease with Infiniti Plastic Technologies, Inc. during the current year were sufficient to cover the entire bond and interest payments due. The County will not be required to make any payments unless Infiniti Plastic Technologies, Inc. defaults on lease payments (See Note 9 – Operating Leases).

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 Cumberland Presbyterian Church Agreement – On June 16, 2011, the City entered into an agreement in the amount of \$188,533 with Margaret Hank Cumberland Presbyterian Church 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, 2013

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, 2013:

| Type of Liability: | Beginning Balance | Additions | Reductions | Deferred Cost Amortization | Ending Balance | Amounts Due within One Year |
|---|------------------------------|----------------------------|----------------------------|---|----------------------------|--|
| Governmental activities: | | | | | | |
| General obligation bonds: | | | | | | |
| Pension | \$ 4,895,000 | \$ - | \$ 240,000 | \$ - | \$ 4,655,000 | \$ 255,000 |
| Floodwall Rehabilitation | 2,455,210 | - | 113,420 | - | 2,341,790 | 116,926 |
| Build America Bonds | 6,100,000 | - | 275,000 | - | 5,825,000 | 280,000 |
| Refinanced Convention Center | 6,630,000 | - | 410,000 | - | 6,220,000 | 415,000 |
| Refinanced Infiniti Media Building | 3,571,283 | - | 251,167 | - | 3,320,116 | 261,800 |
| Notes payable: | | | | | | |
| Kentucky League of Cities | 2,193,730 | - | 169,436 | - | 2,024,294 | 150,319 |
| Kentucky Association of Counties | 2,276,250 | - | 95,000 | - | 2,181,250 | 91,875 |
| Margaret Hank Agreement | 176,255 | - | 24,443 | - | 151,812 | - |
| Murray State University Agreement | 2,674,093 | - | 110,611 | - | 2,563,482 | 111,722 |
| Accrued compensated absences | <u>2,028,218</u> | <u>1,230,763</u> | <u>1,240,168</u> | <u>-</u> | <u>2,018,813</u> | <u>1,034,389</u> |
| TOTAL GENERAL LONG- TERM LIABILITIES | <u>\$33,000,039</u> | <u>\$ 1,230,763</u> | <u>\$ 2,929,245</u> | <u>\$ -</u> | <u>\$31,301,557</u> | <u>\$2,717,031</u> |
| Business-type activities: | | | | | | |
| Accrued compensated Absences | <u>\$ 106,737</u> | <u>\$ 102,800</u> | <u>\$ 80,999</u> | <u>\$ -</u> | <u>\$ 128,538</u> | <u>\$ 86,282</u> |

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

| | |
|--|---------------------|
| Net Capital Assets | \$42,383,943 |
| <i>Less:</i> | |
| 19.75% of the outstanding 2010B general obligation bonds | \$(1,228,450) |
| 100% of the outstanding 2011 General obligation bonds | (3,370,000) |
| Net of the County's portion | <u>2,299,225</u> |
| | (2,299,225) |
| 78% of the outstanding 2010 general obligation bonds | (4,543,500) |
| 100% of the Margaret Hank Agreement | (151,812) |
| 100% of the outstanding Kentucky League of Cities' note payable | <u>(2,024,294)</u> |
| Net position invested in capital assets, net of related debt | <u>\$33,365,112</u> |

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013, are as follows:

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Federal Interest Subsidy</u> |
|---------------------------------------|----------------------------|----------------------------|--|
| 2014 | \$ 1,706,908 | \$ 1,009,656 | \$ (91,759) |
| 2015 | 1,760,426 | 966,079 | (89,554) |
| 2016 | 1,836,797 | 925,703 | (86,614) |
| 2017 | 1,899,140 | 865,998 | (83,315) |
| 2018 | 1,957,239 | 806,921 | (79,443) |
| 2019-2023 | 10,831,370 | 3,000,730 | (327,258) |
| 2024-2028 | 7,530,458 | 1,135,600 | (185,592) |
| 2029-2032 | <u>1,760,406</u> | <u>122,382</u> | <u>(24,649)</u> |
| TOTALS | <u>\$29,282,744</u> | <u>\$ 8,833,069</u> | <u>\$ (968,184)</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, 2013, are as follows:

Accrued Compensated Absences

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|--------------------------|---|--|
| Accrued sick leave | \$ 732,649 | \$ 47,152 |
| Accrued vacation leave | <u>1,286,164</u> | <u>81,386</u> |
| Totals | 2,018,813 | 128,538 |
| Less current portion | <u>1,034,389</u> | <u>86,282</u> |
| LONG-TERM PORTION | <u>\$ 984,424</u> | <u>\$ 42,256</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, 2013.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013, no payments 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, 2013, 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, 2013, were as follows:

| | <u>Interfund Transfers In</u> | <u>Interfund Transfers Out</u> |
|---------------------------------|--|---|
| Governmental Funds: | | |
| General Fund | \$1,096,057 | \$2,626,666 |
| Capital Project Fund | 2,692,394 | 222,474 |
| Special Revenue Investment Fund | 117,083 | 3,788,081 |
| Special Revenue Bond Fund | - | - |
| Debt Service Fund | 1,996,093 | - |
| Nonmajor Governmental Funds | 1,561,317 | 487,803 |
| Internal Service Funds | 155,992 | 8,774 |
| Proprietary Funds: | | |
| Solid Waste | - | 240,000 |
| Nonmajor Proprietary Funds | <u>30,359</u> | <u>275,497</u> |
| TOTALS | <u>\$7,649,295</u> | <u>\$7,649,295</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, 2013

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, 2013:

| | <u>Due From</u> | <u>Due To</u> |
|---------------------------------|--------------------|--------------------|
| General Fund | \$ 262,626 | \$1,105,491 |
| Special Revenue Investment Fund | 1,105,491 | - |
| Nonmajor Governmental Funds | - | 235,373 |
| Nonmajor Proprietary Funds | - | 27,253 |
| Internal Service Funds | - | - |
| | <hr/> | <hr/> |
| TOTALS | <u>\$1,368,117</u> | <u>\$1,368,117</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, 2013

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, 2013, the schedule of funding progress was as follows:

| Actuarial Value of Assets (a) | Actuarial 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) |
|--|--|--|-----------------------------------|---|---|
| \$7,145,361 | \$11,296,982 | \$4,151,621 | 63.3 | \$69,211 | 5,998.50% |

A schedule of the funded status and funding progress for the previous six years can be found on page 86, 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, 2013</u> | <u>Year Ended June 30, 2012</u> | <u>Year Ended June 30, 2011</u> |
|---|--|--|--|
| Beginning NPO balance | <u>\$(5,428,344)</u> | <u>\$(5,457,076)</u> | <u>\$(5,511,936)</u> |
| ARC | 462,154 | 361,701 | 455,139 |
| Interest on NPO | (434,268) | (436,566) | (440,955) |
| Unfunded ARC adjustment | <u>493,328</u> | <u>495,341</u> | <u>492,104</u> |
| Pension cost | 521,214 | 420,476 | 506,288 |
| Less actual contribution | <u>476,951</u> | <u>391,744</u> | <u>451,428</u> |
| Net change in NPO | <u>44,263</u> | <u>28,732</u> | <u>54,860</u> |
| ENDING NPO BALANCE | <u>\$(5,384,081)</u> | <u>\$(5,428,344)</u> | <u>\$(5,457,076)</u> |
| PERCENTAGE OF PENSION COST CONTRIBUTED | <u>92%</u> | <u>93%</u> | <u>89%</u> |

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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 Position
Police and Firefighters' Retirement Fund
June 30, 2013

Assets:

| | |
|---------------------------|------------------|
| Cash and cash equivalents | \$ 1,018 |
| Receivables | 28,684 |
| Investment at fair value | <u>7,115,811</u> |
| Total assets | 7,145,513 |

Liabilities:

| | |
|------------------------------|------------|
| Voucher and accounts payable | <u>151</u> |
|------------------------------|------------|

Net Position:

| | |
|---|---------------------|
| Held in trust for pension benefits and other purposes | <u>\$ 7,145,362</u> |
|---|---------------------|

Statement of Changes in Net Position
Police and Firefighters' Retirement Fund
For the Year Ended June 30, 2013

Additions:

| | |
|---|----------------------|
| Employer contributions | \$ 476,951 |
| Plan members' contributions | <u>5,537</u> |
| Total contributions | <u>482,488</u> |
| Investment earnings: | |
| Net change in fair value of investments | 448,772 |
| Interest and dividends | <u>219,875</u> |
| Net investment earnings | <u>668,597</u> |
| Total additions | <u>1,151,085</u> |

Deductions:

| | |
|-------------------------|----------------------|
| Benefits | 1,524,801 |
| Administrative expenses | <u>48,244</u> |
| Total deductions | <u>1,573,045</u> |

| | |
|---------------------------------|-------------------------|
| Change in net position | (421,960) |
| Net position, July 1, 2012 | <u>7,567,321</u> |
| NET POSITION, JUNE 30, 2013 | <u>\$ 7,145,361</u> |

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013. 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) |
|--|--|--|-----------------------------------|---|---|
| \$ 75,905 | \$148,208 | \$72,303 | 51.2 | n/a* | n/a* |

A schedule of the funded status and funding progress for the previous six years can be found on page 86, 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 | Year Ended June 30, 2013 | Year Ended June 30, 2012 | Year Ended June 30, 2011 |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| Beginning NPO balance | <u>\$(158,008)</u> | <u>\$(177,856)</u> | <u>\$(194,904)</u> |
| ARC | 12,217 | 7,722 | 3,760 |
| Interest on NPO | (9,480) | (10,671) | (11,694) |
| Unfunded ARC adjustment | <u>20,253</u> | <u>22,797</u> | <u>24,982</u> |
| Pension cost | 22,990 | 19,848 | 17,048 |
| Less actual contribution | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in NPO | <u>20,990</u> | <u>19,848</u> | <u>17,048</u> |
| ENDING NPO BALANCE | <u>\$(135,018)</u> | <u>\$(158,008)</u> | <u>\$(177,856)</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, 2013

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 Position
 Appointive Employees' Pension Fund
 June 30, 2013

| | |
|---|------------------|
| Assets: | |
| Cash and cash equivalents | \$ 75,911 |
| Receivables | - |
| Investment at fair value | <u>-</u> |
| Total assets | 75,911 |
| Liabilities: | |
| Voucher and accounts payable | <u>5</u> |
| Net Position: | |
| Held in trust for pension benefits and other purposes | <u>\$ 75,906</u> |

Statement of Changes in Net Position
 Appointive Employees' Pension Fund
 For the Year Ended June 30, 2013

| | |
|-----------------------------|------------------|
| Additions: | |
| Interest and dividends | \$ 1,039 |
| Employer contributions | <u>-</u> |
| Total additions | <u>1,039</u> |
| Deductions: | |
| Benefits | 25,040 |
| Administrative expenses | <u>7,076</u> |
| Total deductions | <u>32,116</u> |
| Change in net position | (31,077) |
| Net position, July 1, 2012 | <u>106,983</u> |
| NET POSITION, JUNE 30, 2013 | <u>\$ 75,906</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, 2013, 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, 2013

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>PFPF</u> | <u>AEPF</u> |
|-------------------------------|---------------------|---------------------|
| Valuation date | 7/1/13 | 7/1/13 |
| Actuarial cost method | Entry age normal | Aggregate (1) |
| Amortization method | Level dollar closed | Level dollar closed |
| Remaining amortization period | 20 Years | 10 Years |
| Asset valuation method | Market value | Market value |
| Actuarial assumptions: | | |
| Investment rate of return | 7.75% | 6.0% |
| Projected salary increases | 4.00% | (2) |
| Inflation rates adjustments | 3.00% | (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, 2013:

| | <u>PFPF</u> | <u>AEPF</u> |
|---------------------------|------------------|-----------------|
| Active participants | 1 | 0 |
| Beneficiaries | 35 | 3 |
| Retired participants | <u>29</u> | <u>1</u> |
| TOTAL PARTICIPANTS | <u><u>65</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, 2013

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, 2013, 2012, and 2011, the City contributed 37.60%, 35.76%, and 33.25%, respectively, of each hazardous employee's creditable compensation and 19.55%, 18.96%, and 16.93%, respectively, of each nonhazardous employee's creditable compensation. These actuarially determined rates are set by the Board of Trustees of Kentucky Retirement Systems. Total contributions to CERS for the years ending June 30, 2013, 2012, and 2011, were \$5,517,201, \$5,114,775, and \$4,885,288, of which \$4,471,077, \$4,144,624 and \$3,882,925 were made by the employer and \$1,046,124, \$970,151 and \$1,002,363 were made by employees, 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, 2013.

Note 6 - Component Unit Long-Term Liabilities:

Long-term liabilities of the discretely presented component units consist of the following at June 30, 2013:

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 rate is 1.00%, with a .25% annual service fee. The annual requirements to amortize the outstanding debt as of June 30, 2013, are as follows:

| Year Ending June 30 | Principal | Interest | .25% Service Fee | R & M Reserve | Total |
|--------------------------------|---------------------------|-------------------------|---------------------------------|------------------------------|---------------------------|
| 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 | 351,543 | 51,679 | 12,920 | 18,750 | 434,892 |
| 2019-2023 | 1,811,292 | 204,818 | 51,205 | 56,250 | 2,123,565 |
| 2024-2028 | 1,903,922 | 112,188 | 28,047 | - | 2,044,157 |
| 2029-2031 | <u>1,188,776</u> | <u>20,890</u> | <u>5,223</u> | - | <u>1,214,889</u> |
| TOTALS | <u>\$6,627,159</u> | <u>\$630,838</u> | <u>\$157,711</u> | <u>\$150,000</u> | <u>\$7,565,708</u> |

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013, the significant construction commitments were as follows:

| | <u>Cumulative Costs Incurred</u> | <u>Estimated Total Costs</u> |
|--|---|---|
| Olivet Church Road Improvement Project | \$ 1,738,073 | \$ 1,738,300 |
| Riverfront Development - Phase I | 2,359,808 | 5,725,000 |
| Riverfront - Other River Boat Launch Project | 927,391 | 2,878,540 |
| Greenway Trail Projects | <u>749,241</u> | <u>1,303,000</u> |
| | <u>\$ 5,774,513</u> | <u>\$11,644,840</u> |

Loan Guarantee

The City of Paducah and McCracken County Fiscal Court (County) are co-guarantors for a Greater Paducah Economic Development Council, Inc. (GPEDC) commercial loan for development of the Information Age Park. The balance outstanding as of fiscal year end is \$361,438 of which the City and County have equally guaranteed. The GPEDC is current on required payments and is expected to make full restitution of the loan.

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> |
|-------------|--|--|---|--|
| 2010 - 2011 | \$ - | \$ 70,643 | \$ 70,643 | \$ - |
| 2011 - 2012 | - | 119,319 | 117,856 | 1,463 |
| 2012 - 2013 | 1,463 | 29,551 | 31,014 | - |

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 8 - Risk Management and Litigation:

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, 2013, that number was \$3,086,787. 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 \$84,602 at June 30, 2013.

The analysis of claims activity is presented below:

| | Beginning of Fiscal Year Liability | Current Year Claims and Changes in Estimates | Actual Claim Payments | Balance at Fiscal Year End |
|-------------|---|---|--------------------------------------|---|
| 2010 - 2011 | \$228,648 | \$2,118,069 | \$2,118,437 | \$228,280 |
| 2011 - 2012 | 228,280 | 3,224,703 | 3,203,329 | 249,654 |
| 2012 - 2013 | 249,654 | 2,700,338 | 2,865,390 | 84,602 |

Several lawsuits are pending involving citizens' complaints and the City of Paducah. Various allegations have been made seeking damages which the legal counsel of the City, along with its management, has determined to be immaterial to the City's financial position.

Note 9 - Lease Agreements:

Operating Leases

The City is leasing land and building to the Luther F. Carson Four Rivers Center for the Performing Arts (Center) for a primary term of 99 years. No rental revenue is being collected from this lease. The rental for the primary term of the lease is the construction of the performing arts center. The building is deemed the property of the City; however, for financial reporting, the building is reported with the Luther F. Carson Four Rivers Center financial records. In December 2003, with the authorization of the City, the Center secured financing of \$6.5 million subject to a mortgage against the leasehold and real property on which the performing arts center is located. The City also consented to an assignment of the lease as security for the loan.

The City is leasing land and building to Infiniti Media, Inc. for use by Infiniti Plastic Technologies, Inc. Originally accounted for as a direct financing lease agreement commencing on September 1, 2007, with a monthly payment of \$33,816 and ending with the final payment due August 1, 2024 which coincides with debt service payments the City is required to make on bonds maturing annually through year ending June 30, 2024 (Note 3 – Long-Term Liabilities). During the fiscal year ending June 30, 2013, Infiniti Media, Inc. was notified it was in default per the lease agreement due to failure met its required employment covenants. In accordance with the lease terms, the default resulted in cancellation of the buyout options available. Accordingly, the City is accounting for the lease as an operating lease with required monthly payments of \$33,816 until the lease is terminated by either party under the terms of the lease agreement. Rental payments received during 2013 were \$405,796 which coincided with the debt service requirements on the related property debt.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 9 - Lease Agreements:

Operating Leases

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 2013 totaled \$442,322.

The following is an analysis of property leased under these leases at June 30, 2013:

| | |
|--------------------------------|------------------------|
| Land | \$ 480,000 |
| Buildings | 3,422,261 |
| Equipment | <u>110,126</u> |
| Total | 4,012,387 |
| Less: accumulated depreciation | <u>(919,530)</u> |
| NET BOOK VALUE | <u>\$3,092,857</u> |

Depreciation expense for the year ended June 30, 2013, on leased property was \$81,466.

The following is a schedule of future minimum rental income from operating leases at June 30, 2013:

| | <u>Lease Income</u> |
|----------------------------------|--------------------------------|
| 2014 | \$ 786,348 |
| 2015 | 448,185 |
| 2016 | 263,955 |
| 2017 | 65,024 |
| 2018 | 60,123 |
| 2019-2022 | <u>135,277</u> |
| TOTAL MINIMUM LEASE RECEIPTS | <u>\$1,758,912</u> |

Note 10 – Subsequent Events:

In September of 2013, the City issued general obligation bond series 2013A and 2013B of \$1,120,000 and \$2,475,000, respectively. The series 2013A bonds were issued for the costs of renovation and improvement of the municipal pool. The series 2013B bonds were issued for a portion of the costs of the construction of improvements to an industrial/distribution facility and a portion of the costs of the acquisition, construction, installation and equipping of an approximately 30,000 square foot building for the economic development.

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 20, 2013, the date financial statements were available to be issued.

CITY OF PADUCAH, KENTUCKY

REQUIRED SUPPLEMENTARY INFORMATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

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

Schedules of Funding Progress

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

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

| | | | | | | |
|----------|---------------|---------------|-------------|------|-----------|-------------|
| 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 |
| 7/1/2013 | 7,145,361 | 11,296,982 | 4,151,621 | 63.3 | 69,211 | 5,998.50 |

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

| | | | | | | |
|----------|------------|------------|-----------|------|------|------|
| 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* |
| 7/1/2013 | 75,905 | 148,208 | 72,303 | 51.2 | n/a* | n/a* |

* There are no active participants.

Schedules of Employer Contributions

| PFPF | | | |
|-----------------------------------|---|--|--|
| Year Ended June 30 | Annual Required Contribution (ARC) | Percent ARC Contributed | Ending Net Pension Obligation (NPO) |
| 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) |
| 2013 | 462,154 | 103 | (5,384,081) |

| AEPF | | | |
|-----------------------------------|---|--|--|
| Year Ended June 30 | Annual Required Contribution (ARC) | Percent ARC Contributed | Ending Net Pension Obligation (NPO) |
| 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) |
| 2013 | 12,217 | 0 | (135,018) |

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

CITY OF PADUCAH, KENTUCKY
GENERAL CAPITAL IMPROVEMENTS FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|---------------------|---|
| Revenues: | | | |
| Intergovernmental and grants | | | |
| Intergovernmental | \$ - | \$ - | \$ - |
| Grants | 2,255,955 | 2,255,963 | 8 |
| Interest | 5,605 | 5,609 | 4 |
| Miscellaneous | 1,160,625 | 1,160,641 | 16 |
| | <u>3,422,185</u> | <u>3,422,213</u> | <u>28</u> |
| Total revenues | | | |
| Expenditures: | | | |
| Capital outlay | 4,324,845 | 4,324,821 | 24 |
| | <u>4,324,845</u> | <u>4,324,821</u> | <u>24</u> |
| Excess (deficiency) of revenues over expenditures | (902,660) | (902,608) | 4 |
| | <u>(902,660)</u> | <u>(902,608)</u> | <u>4</u> |
| Other Financing Sources (Uses): | | | |
| Operating transfers in | 2,692,385 | 2,692,394 | 9 |
| Operating transfers out | (222,485) | (222,474) | (11) |
| | <u>2,469,900</u> | <u>2,469,920</u> | <u>(2)</u> |
| Total other financing sources | | | |
| Net change in fund balance | <u>\$ 1,567,240</u> | 1,567,312 | <u>\$ 2</u> |
| Fund balance, July 1, 2012 | | <u>1,487,938</u> | |
| FUND BALANCE, JUNE 30, 2013 | | <u>\$ 3,055,250</u> | |

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
DEBT SERVICE FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|-------------------------|---------------|---|
| Revenues: | | | |
| Intergovernmental Grants | \$ 577,245 | \$ 577,255 | \$ 10 |
| | - | 93,684 | 93,684 |
| Total revenues | 577,245 | 670,939 | 93,694 |
| Expenditures: | | | |
| Debt service: | | | |
| Principal requirement | 1,698,475 | 1,698,468 | 7 |
| Interest and fiscal requirement | 995,785 | 1,089,447 | (93,662) |
| Total expenditures | 2,694,260 | 2,787,915 | (93,655) |
| Excess (deficiency) of revenues over expenditures | (2,117,015) | (2,116,976) | 39 |
| Other Financing Sources (Uses): | | | |
| Capital lease | 405,800 | 405,796 | (4) |
| Operating transfers in | 1,996,090 | 1,996,093 | 3 |
| Total other financing sources | 2,401,890 | 2,401,889 | (1) |
| Net change in fund balance | \$ 284,875 | 284,913 | \$ 38 |
| Fund balance, July 1, 2012 | | 68,904 | |
| FUND BALANCE, JUNE 30, 2013 | | \$ 353,817 | |

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

**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.

CITY OF PADUCAH, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

| <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 | \$ 1,410,332 | \$ 302,134 | \$171,706 | \$ 11,040 |
| Receivables, net: | | | | |
| Accounts | 60,007 | 171,852 | - | - |
| Grants | - | - | - | - |
| TOTAL ASSETS | <u><u>\$ 1,470,339</u></u> | <u><u>\$ 473,986</u></u> | <u><u>\$171,706</u></u> | <u><u>\$ 11,040</u></u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | |
| Liabilities: | | | | |
| Voucher and accounts payable | \$ 168,918 | \$ 22,143 | \$112,611 | \$ 11,040 |
| Accrued payroll and payroll taxes | - | 52,969 | - | - |
| Due to other funds | - | - | - | - |
| Total liabilities | <u>168,918</u> | <u>75,112</u> | <u>112,611</u> | <u>11,040</u> |
| Fund Balances: | | | | |
| Restricted for: | | | | |
| Highway and streets | 1,301,421 | - | - | - |
| Public safety | - | - | 59,095 | - |
| Program purposes | - | - | - | - |
| Assigned for: | | | | |
| Public safety | - | 398,874 | - | - |
| Unrestricted | - | - | - | - |
| Total fund balances | <u>1,301,421</u> | <u>398,874</u> | <u>59,095</u> | <u>-</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u><u>\$ 1,470,339</u></u> | <u><u>\$ 473,986</u></u> | <u><u>\$171,706</u></u> | <u><u>\$ 11,040</u></u> |

See auditors report on pages 11-12.

| Special Revenue Funds | | | Total Nonmajor Governmental Funds |
|--------------------------------|--------------------------------|----------------------|--|
| CDBG Grant Fund | Home Grant Fund | Bond Fund | |
| \$ - | \$ 119,665 | \$ - | \$ 2,014,877 |
| - | - | - | 231,859 |
| 443,368 | 106,000 | - | 549,368 |
| <u>\$ 443,368</u> | <u>\$ 225,665</u> | <u>\$ -</u> | <u>\$ 2,796,104</u> |
| | | | |
| \$ 207,995 | \$ - | \$ - | \$ 522,707 |
| - | - | - | 52,969 |
| 235,373 | - | - | 235,373 |
| <u>443,368</u> | <u>-</u> | <u>-</u> | <u>811,049</u> |
| | | | |
| - | - | - | 1,301,421 |
| - | - | - | 59,095 |
| - | 225,665 | - | 225,665 |
| - | - | - | 398,874 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>-</u> | <u>225,665</u> | <u>-</u> | <u>1,985,055</u> |
| | | | |
| <u>\$ 443,368</u> | <u>\$ 225,665</u> | <u>\$ -</u> | <u>\$ 2,796,104</u> |

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| | Special Revenue Funds | | | |
|--|----------------------------------|---|----------------------------------|---------------------------------|
| | Municipal Aid Program | Emergency Communication Service Fund | Court Awards Fund | Small Grant Fund |
| Revenues: | | | | |
| Taxes | \$ - | \$ 434,721 | \$ - | \$ - |
| Charges for services | - | 226,431 | - | - |
| Intergovernmental | 663,057 | - | - | - |
| Grants | - | - | 27,662 | 36,372 |
| Interest | 13,662 | 2,450 | 1,615 | - |
| Miscellaneous | - | 397,363 | - | 5,052 |
| Total revenues | <u>676,719</u> | <u>1,060,965</u> | <u>29,277</u> | <u>41,424</u> |
| Expenditures: | | | | |
| Current operations: | | | | |
| Public safety | - | 1,593,690 | 50,281 | - |
| Public service | 1,191,979 | - | - | - |
| Planning and development | - | - | - | 46,473 |
| Total expenditures | <u>1,191,979</u> | <u>1,593,690</u> | <u>50,281</u> | <u>46,473</u> |
| Excess (deficiency) of revenues over expenditures | <u>(515,260)</u> | <u>(532,725)</u> | <u>(21,004)</u> | <u>(5,049)</u> |
| Other Financing Sources (Uses): | | | | |
| Proceeds of line of credit | - | - | - | - |
| Transfers in | 860,000 | 528,268 | - | 5,049 |
| Transfers out | (200,000) | - | - | - |
| Total other financing sources (uses) | <u>660,000</u> | <u>528,268</u> | <u>-</u> | <u>5,049</u> |
| Net change in fund balances | 144,740 | (4,457) | (21,004) | - |
| Fund balances, July 1, 2012 | <u>1,156,681</u> | <u>403,331</u> | <u>80,099</u> | <u>-</u> |
| FUND BALANCES, JUNE 30, 2013 | <u><u>\$ 1,301,421</u></u> | <u><u>\$ 398,874</u></u> | <u><u>\$ 59,095</u></u> | <u><u>\$ -</u></u> |

See auditors report on pages 11-12.

| Special Revenue Funds | | | Total Nonmajor Governmental Funds |
|--------------------------------|--------------------------------|----------------------|--|
| CDBG Grant Fund | Home Grant Fund | Bond Fund | |
| \$ - | \$ - | \$ - | \$ 434,721 |
| - | - | - | 226,431 |
| - | - | - | 663,057 |
| 434,593 | 107,500 | - | 606,127 |
| - | - | 1,527 | 19,254 |
| 38,197 | - | - | 440,612 |
| <u>472,790</u> | <u>107,500</u> | <u>1,527</u> | <u>2,390,202</u> |
| - | - | - | 1,643,971 |
| - | - | - | 1,191,979 |
| <u>472,790</u> | <u>357,947</u> | <u>-</u> | <u>877,210</u> |
| <u>472,790</u> | <u>357,947</u> | <u>-</u> | <u>3,713,160</u> |
| <u>-</u> | <u>(250,447)</u> | <u>1,527</u> | <u>(1,322,958)</u> |
| - | 308,112 | - | 308,112 |
| - | 168,000 | - | 1,561,317 |
| - | - | (287,803) | (487,803) |
| <u>-</u> | <u>476,112</u> | <u>(287,803)</u> | <u>1,381,626</u> |
| - | 225,665 | (286,276) | 58,668 |
| - | - | 286,276 | 1,926,387 |
| <u>\$ -</u> | <u>\$ 225,665</u> | <u>\$ -</u> | <u>\$ 1,985,055</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, 2013

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 663,055 | \$ 663,057 | \$ 2 |
| Interest | 13,660 | 13,662 | 2 |
| Other | - | - | - |
| Total revenues | <u>676,715</u> | <u>676,719</u> | <u>4</u> |
| Expenditures: | | | |
| Public service | <u>1,191,980</u> | <u>1,191,979</u> | <u>1</u> |
| Excess (deficiency) of revenues over expenditures | <u>(515,265)</u> | <u>(515,260)</u> | <u>5</u> |
| Other Financing Sources (Uses): | | | |
| Operating transfers in | 860,000 | 860,000 | - |
| Operating transfers out | <u>(200,000)</u> | <u>(200,000)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>660,000</u> | <u>660,000</u> | <u>-</u> |
| Net change in fund balance | <u>\$ 144,735</u> | <u>\$ 144,740</u> | <u>\$ 5</u> |
| Fund balance, July 1, 2012 | | <u>1,156,681</u> | |
| FUND BALANCE, JUNE 30, 2013 | | <u><u>\$1,301,421</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, 2013

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|-------------------|---|
| Revenues: | | | |
| Local contributions | \$ 434,720 | \$ 434,721 | \$ 1 |
| Telephone surcharges | 226,430 | 226,431 | 1 |
| Interest | 2,500 | 2,450 | (50) |
| Miscellaneous | 397,360 | 397,363 | 3 |
| | <u>1,061,010</u> | <u>1,060,965</u> | <u>(45)</u> |
| Expenditures: | | | |
| Public safety | 1,593,735 | 1,593,690 | 45 |
| Excess (deficiency) of revenues over expenditures | <u>(532,725)</u> | <u>(532,725)</u> | <u>-</u> |
| Other Financing Sources (Uses): | | | |
| Operating transfers in | 528,265 | 528,268 | 3 |
| Operating transfers out | - | - | - |
| | <u>528,265</u> | <u>528,268</u> | <u>3</u> |
| Net change in fund balance | <u>\$ (4,460)</u> | <u>(4,457)</u> | <u>\$ 3</u> |
| Fund balance, July 1, 2012 | | <u>403,331</u> | |
| FUND BALANCE, JUNE 30, 2013 | | <u>\$ 398,874</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, 2013

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------------|---------------|---|
| Revenues: | | | |
| Grants | \$ 27,660 | \$ 27,662 | \$ 2 |
| Interest | 1,615 | 1,615 | - |
| | 29,275 | 29,277 | 2 |
| Expenditures: | | | |
| Public safety | 50,285 | 50,281 | 4 |
| Excess (deficiency) of revenues over expenditures | (21,010) | (21,004) | 6 |
| Net change in fund balance | \$ (21,010) | (21,004) | \$ 6 |
| Fund balance, July 1, 2012 | | 80,099 | |
| FUND BALANCE, JUNE 30, 2013 | | \$ 59,095 | |

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, 2013

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|----------------|---|
| Revenues: | | | |
| Grants | \$ 36,370 | \$ 36,372 | \$ 2 |
| Other | 5,050 | 5,052 | 2 |
| Total revenues | <u>41,420</u> | <u>41,424</u> | <u>4</u> |
| Expenditures: | | | |
| Planning and development | <u>46,475</u> | <u>46,473</u> | <u>2</u> |
| Excess (deficiency) of revenues over expenditures | <u>(5,055)</u> | <u>(5,049)</u> | <u>6</u> |
| Other Financing Sources (Uses): | | | |
| Operating transfers in | 5,045 | 5,049 | 4 |
| Operating transfers out | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>5,045</u> | <u>5,049</u> | <u>4</u> |
| Net change in fund balance | <u>\$ (10)</u> | <u>-</u> | <u>\$ 10</u> |
| Fund balance, July 1, 2012 | | <u>-</u> | |
| FUND BALANCE, JUNE 30, 2013 | | <u>\$ -</u> | |

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
CDBG FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------------|---------------|---|
| Revenues: | | | |
| Grants | \$ 434,590 | \$ 434,593 | \$ 3 |
| Other | 38,195 | 38,197 | 2 |
| Total revenues | 472,785 | 472,790 | 5 |
| Expenditures: | | | |
| Planning and development | 472,790 | 472,790 | - |
| Excess (deficiency) of revenues over expenditures | (5) | - | 5 |
| Net change in fund balance | \$ (5) | - | \$ 5 |
| Fund balance, July 1, 2012 | | - | |
| FUND BALANCE, JUNE 30, 2013 | | \$ - | |

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
HOME GRANT FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|------------------|---|
| Revenues: | | | |
| Grants | \$ 107,500 | \$107,500 | \$ - |
| Total revenues | <u>107,500</u> | <u>107,500</u> | <u>-</u> |
| Expenditures: | | | |
| Planning and development | <u>357,950</u> | <u>357,947</u> | <u>3</u> |
| Excess (deficiency) of revenues over expenditures | (250,450) | (250,447) | 3 |
| Other Financing Sources (Uses): | | | |
| Proceeds from line of credit | 308,110 | 308,112 | 2 |
| Operating transfers in | 168,000 | 168,000 | - |
| Operating transfers out | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | <u>\$ 225,660</u> | 225,665 | <u>\$ 5</u> |
| Fund balance, July 1, 2012 | | <u>-</u> | |
| FUND BALANCE, JUNE 30, 2013 | | <u>\$225,665</u> | |

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
BOND FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|------------------|---|
| Revenues: | | | |
| Grants | \$ - | \$ - | \$ - |
| Interest | 1,525 | 1,527 | 2 |
| Total revenues | <u>1,525</u> | <u>1,527</u> | <u>2</u> |
| Expenditures: | | | |
| Capital outlay | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,525</u> | <u>1,527</u> | <u>2</u> |
| Other Financing Sources (Uses): | | | |
| Operating transfers in | - | - | - |
| Operating transfers out | (287,810) | (287,803) | 7 |
| Total other financing sources (uses) | <u>(287,810)</u> | <u>(287,803)</u> | <u>7</u> |
| Net change in fund balance | <u>\$ (286,285)</u> | (286,276) | <u>\$ 9</u> |
| Fund balance, July 1, 2012 | | <u>286,276</u> | |
| FUND BALANCE, JUNE 30, 2013 | | <u>\$ -</u> | |

See auditors report on pages 12-13.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

NONMAJOR PROPRIETARY FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

COMBINING FINANCIAL STATEMENTS
NONMAJOR PROPRIETARY FUNDS

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

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

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

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| | Section Eight Housing | Civic Center Fund | TISA Fund | Total Nonmajor Enterprise Funds |
|--|--------------------------------------|----------------------------------|----------------------|--|
| Operating Revenues: | | | | |
| Charges for services | \$ - | \$ 38,265 | \$ - | \$ 38,265 |
| Miscellaneous | 2,853 | - | - | 2,853 |
| Total operating income | <u>2,853</u> | <u>38,265</u> | <u>-</u> | <u>41,118</u> |
| Operating Expenses: | | | | |
| Cost of sales and service | 2,027,205 | 67,979 | - | 2,095,184 |
| Depreciation and amortization | 5,639 | 10,021 | - | 15,660 |
| Total operating expenses | <u>2,032,844</u> | <u>78,000</u> | <u>-</u> | <u>2,110,844</u> |
| Operating income (loss) | <u>(2,029,991)</u> | <u>(39,735)</u> | <u>-</u> | <u>(2,069,726)</u> |
| Non-Operating Revenues (Expenses): | | | | |
| Grants - program purpose | 1,677,185 | - | - | 1,677,185 |
| Interest and investment income | 235 | (145) | - | 90 |
| Gain (loss) on disposal of property and equipment | - | - | (34,097) | (34,097) |
| Total nonoperating revenues (expenses) | <u>1,677,420</u> | <u>(145)</u> | <u>(34,097)</u> | <u>1,643,178</u> |
| Income (loss) before contributions and transfers | <u>(352,571)</u> | <u>(39,880)</u> | <u>(34,097)</u> | <u>(426,548)</u> |
| Contributions and Operating Transfers: | | | | |
| Transfers in | - | 30,359 | - | 30,359 |
| Transfers out | - | - | (275,497) | (275,497) |
| Total contributions and operating transfers | <u>-</u> | <u>30,359</u> | <u>(275,497)</u> | <u>(245,138)</u> |
| Change in net position | (352,571) | (9,521) | (309,594) | (671,686) |
| Net position, July 1, 2012 | <u>745,469</u> | <u>164,547</u> | <u>309,594</u> | <u>1,219,610</u> |
| NET POSITION, JUNE 30, 2013 | <u>\$ 392,898</u> | <u>\$155,026</u> | <u>\$ -</u> | <u>\$ 547,924</u> |

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| | Section Eight Housing | Civic Center Fund | TISA Fund | Total Nonmajor Enterprise Funds |
|--|--------------------------------------|----------------------------------|----------------------|--|
| Cash Flows from Operating Activities: | | | | |
| Cash received from customers | \$ - | \$ 38,265 | \$ 1,035 | \$ 39,300 |
| Payments to employees | (141,890) | - | - | (141,890) |
| Payments to internal service funds | - | (2,290) | - | (2,290) |
| Other receipts | 2,853 | - | - | 2,853 |
| Other payments | (1,914,989) | (65,807) | (2,501) | (1,983,297) |
| Net cash provided (used) by operating activities | <u>(2,054,026)</u> | <u>(29,832)</u> | <u>(1,466)</u> | <u>(2,085,324)</u> |
| Cash Flows from Noncapital Financing Activities: | | | | |
| Grants - program purpose | 1,722,663 | - | - | 1,722,663 |
| Transfers from other funds | - | 30,359 | - | 30,359 |
| Transfers to other funds | - | - | (275,497) | (275,497) |
| Net cash provided (used) by noncapital financing activities | <u>1,722,663</u> | <u>30,359</u> | <u>(275,497)</u> | <u>1,477,525</u> |
| Cash Flows from Investing Activities: | | | | |
| Interest on cash and investments | 235 | (145) | - | 90 |
| Net increase (decrease) in cash and cash equivalents | (331,128) | 382 | (276,963) | (607,709) |
| Cash and cash equivalents, July 1, 2012 | <u>897,126</u> | <u>-</u> | <u>276,963</u> | <u>1,174,089</u> |
| CASH AND CASH EQUIVALENTS, JUNE 30, 2013 | <u>\$ 565,998</u> | <u>\$ 382</u> | <u>\$ -</u> | <u>\$ 566,380</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities: | | | | |
| Operating income (loss) | \$ (2,029,991) | \$ (39,735) | \$ - | \$(2,069,726) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 5,639 | 10,021 | - | 15,660 |
| Change in assets and liabilities: | | | | |
| Receivables | - | - | 1,035 | 1,035 |
| Unearned revenues | (45,478) | - | - | (45,478) |
| Accounts payable and accrued expenses | 15,804 | (118) | (2,501) | 13,185 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ (2,054,026)</u> | <u>\$ (29,832)</u> | <u>\$ (1,466)</u> | <u>\$ (2,085,324)</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, 2013

**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 POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2013

| <u>ASSETS</u> | <u>Fleet Maintenance</u> | <u>Fleet Lease Trust</u> | <u>Insurance Fund</u> | <u>Health Insurance Fund</u> | <u>Combined Total</u> |
|--|-------------------------------------|-------------------------------------|----------------------------------|---|----------------------------------|
| Current Assets: | | | | | |
| Cash and cash equivalents | \$ 26,546 | \$3,283,154 | \$ 278,437 | \$1,099,661 | \$4,687,798 |
| Investments | - | - | - | - | - |
| Receivables, net | - | - | 383 | 51,818 | 52,201 |
| Prepaid expense | - | 832,354 | - | 29,429 | 861,783 |
| Inventories | 61,012 | - | - | - | 61,012 |
| Total current assets | 87,558 | 4,115,508 | 278,820 | 1,180,908 | 5,662,794 |
| Noncurrent Assets: | | | | | |
| Net depreciable capital assets | 28,744 | 2,887,397 | - | - | 2,916,141 |
| Total assets | 116,302 | 7,002,905 | 278,820 | 1,180,908 | 8,578,935 |
| | | | | | |
| <u>LIABILITIES</u> | | | | | |
| Current Liabilities: | | | | | |
| Voucher and accounts payable | 10,039 | 35 | 4,784 | 84,602 | 99,460 |
| Accrued payroll and payroll taxes | 16,263 | - | - | - | 16,263 |
| Accrued compensated absences | 36,750 | - | - | - | 36,750 |
| Deferred revenue | - | - | - | 23,955 | 23,955 |
| Total current liabilities | 63,052 | 35 | 4,784 | 108,557 | 176,428 |
| Noncurrent Liabilities: | | | | | |
| Accrued compensated absences | 15,959 | - | - | - | 15,959 |
| Total liabilities | 79,011 | 35 | 4,784 | 108,557 | 192,387 |
| | | | | | |
| <u>NET POSITION</u> | | | | | |
| Invested in capital assets, net of related debt | 28,744 | 2,887,397 | - | - | 2,916,141 |
| Unrestricted | 8,547 | 4,115,473 | 274,036 | 1,072,351 | 5,470,407 |
| TOTAL NET POSITION | \$ 37,291 | \$7,002,870 | \$ 274,036 | \$1,072,351 | \$8,386,548 |

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| | Fleet Maintenance | Fleet Lease Trust | Insurance Fund | Health Insurance Fund | Combined Total |
|--|------------------------------|------------------------------|---------------------------|--------------------------------------|---------------------------|
| Operating Revenues: | | | | | |
| Charges for services - internal | \$371,954 | \$ 769,342 | \$ 909,105 | \$ 3,941,358 | \$ 5,991,759 |
| Charges for services - external | - | - | - | 275,582 | 275,582 |
| Total operating revenues | <u>371,954</u> | <u>769,342</u> | <u>909,105</u> | <u>4,216,940</u> | <u>6,267,341</u> |
| Operating Expenses: | | | | | |
| Vehicle maintenance | 503,049 | 425 | - | - | 503,474 |
| Administrative | - | 26,909 | - | 333,536 | 360,445 |
| Insurance | - | - | 919,732 | 3,358,959 | 4,278,691 |
| Leave expense | (331) | - | - | - | (331) |
| Depreciation | 10,724 | 599,493 | - | - | 610,217 |
| Total operating expenses | <u>513,442</u> | <u>626,827</u> | <u>919,732</u> | <u>3,692,495</u> | <u>5,752,496</u> |
| Operating income (loss) | <u>(141,488)</u> | <u>142,515</u> | <u>(10,627)</u> | <u>524,445</u> | <u>514,845</u> |
| Nonoperating Revenues and (Expenses): | | | | | |
| Interest and investment income | 22 | 35,913 | - | - | 35,935 |
| Gain (loss) on disposal of property and equipment | 131 | 1,718 | - | - | 1,849 |
| Total nonoperating revenues (expenses) | <u>153</u> | <u>37,631</u> | <u>-</u> | <u>-</u> | <u>37,784</u> |
| Income (loss) before transfers | <u>(141,335)</u> | <u>180,146</u> | <u>(10,627)</u> | <u>524,445</u> | <u>552,629</u> |
| Contributions and Transfers: | | | | | |
| Transfers in | 149,107 | - | 6,885 | - | 155,992 |
| Transfers out | - | (8,774) | - | - | (8,774) |
| Total contributions and operating transfers | <u>149,107</u> | <u>(8,774)</u> | <u>6,885</u> | <u>-</u> | <u>147,218</u> |
| Change in net position | 7,772 | 171,372 | (3,742) | 524,445 | 699,847 |
| Net position, July 1, 2012 | <u>29,519</u> | <u>6,831,498</u> | <u>277,778</u> | <u>547,906</u> | <u>7,686,701</u> |
| NET POSITION, JUNE 30, 2013 | <u>\$ 37,291</u> | <u>\$ 7,002,870</u> | <u>\$ 274,036</u> | <u>\$ 1,072,351</u> | <u>\$ 8,386,548</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, 2013

| | <u>Fleet Maintenance</u> | <u>Fleet Lease Trust</u> | <u>Insurance Fund</u> | <u>Health Insurance Fund</u> | <u>Combined Total</u> |
|---|------------------------------|------------------------------|---------------------------|--------------------------------------|---------------------------|
| Cash Flows from Operating Activities: | | | | | |
| Receipts from other funds for services | \$ 371,954 | \$ 1,285,095 | \$ 911,099 | \$ 4,267,851 | \$ 6,835,999 |
| Payments to suppliers | (190,469) | (832,354) | - | - | (1,022,823) |
| Payments to employees | (290,335) | - | - | - | (290,335) |
| Claims paid | - | - | - | (3,558,712) | (3,558,712) |
| Other payments | - | (27,298) | (919,486) | (333,536) | (1,280,320) |
| Net cash provided (used) by operating activities | <u>(108,850)</u> | <u>425,443</u> | <u>(8,387)</u> | <u>375,603</u> | <u>683,809</u> |
| Cash Flows from Noncapital Financing Activities: | | | | | |
| Transfers from other funds | 149,107 | - | 6,885 | - | 155,992 |
| Transfers to other funds | - | (8,774) | - | - | (8,774) |
| Net cash provided (used) by noncapital financing activities | <u>149,107</u> | <u>(8,774)</u> | <u>6,885</u> | <u>-</u> | <u>147,218</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | | |
| Proceeds from sale of capital assets | 132 | 21,276 | - | - | 21,408 |
| Purchase of capital assets | (16,775) | (435,337) | - | - | (452,112) |
| Net cash used by capital and related financing | <u>(16,643)</u> | <u>(414,061)</u> | <u>-</u> | <u>-</u> | <u>(430,704)</u> |
| Cash Flows from Investing Activities: | | | | | |
| Proceeds from sales and maturities of investments | - | 550,000 | - | - | 550,000 |
| Interest and dividends | 22 | 35,913 | - | - | 35,935 |
| Net cash used by investing activities | <u>22</u> | <u>585,913</u> | <u>-</u> | <u>-</u> | <u>585,935</u> |
| Net increase (decrease) in cash and cash equivalents | 23,636 | 588,521 | (1,502) | 375,603 | 986,258 |
| Cash and cash equivalents, July 1, 2012 | <u>2,910</u> | <u>2,694,633</u> | <u>279,939</u> | <u>724,058</u> | <u>3,701,540</u> |
| CASH AND CASH EQUIVALENTS, JUNE 30, 2013 | <u>\$ 26,546</u> | <u>\$ 3,283,154</u> | <u>\$ 278,437</u> | <u>\$ 1,099,661</u> | <u>\$ 4,687,798</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities: | | | | | |
| Operating income (loss) | \$(141,488) | \$ 142,515 | \$ (10,627) | \$ 524,445 | \$ 514,845 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Depreciation and amortization | 10,724 | 599,493 | - | - | 610,217 |
| Change in assets and liabilities: | | | | | |
| Receivables | - | 4,943 | 1,993 | 26,956 | 33,892 |
| Prepaid expense | - | (832,354) | - | (29,429) | (861,783) |
| Inventories | 15,877 | - | - | - | 15,877 |
| Due from other funds | - | 510,810 | - | - | 510,810 |
| Accounts payable and accrued expenses | 6,037 | 36 | 247 | (146,369) | (140,049) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ (108,850)</u> | <u>\$ 425,443</u> | <u>\$ (8,387)</u> | <u>\$ 375,603</u> | <u>\$ 683,809</u> |

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

FIDUCIARY FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

**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 POSITION
FIDUCIARY FUNDS - PENSION TRUST FUNDS
JUNE 30, 2013

| <u>ASSETS</u> | <u>Police and Firefighters' Retirement Fund</u> | <u>Appointive Employees' Pension Fund</u> | <u>Total</u> |
|--|--|--|---------------------|
| Cash and cash equivalents | \$ 1,018 | \$ 75,911 | \$ 76,929 |
| Receivables: | | | |
| Interest | 28,684 | - | 28,684 |
| Prepaid expenses | - | - | - |
| Investments at fair value | | | |
| Money market funds | 139,107 | - | 139,107 |
| Certificates of deposits | - | - | - |
| Common stock | 2,599,294 | - | 2,599,294 |
| Corporate bonds | 992,120 | - | 992,120 |
| U.S. agencies bonds | 989,387 | - | 989,387 |
| Mortgage backed securities | - | - | - |
| Mutual funds | 2,395,903 | - | 2,395,903 |
| Total assets | <u>7,145,513</u> | <u>75,911</u> | <u>7,221,424</u> |
| | | | |
| <u>LIABILITIES</u> | | | |
| Voucher and accounts payable | <u>151</u> | <u>5</u> | <u>156</u> |
| | | | |
| <u>NET POSITION</u> | | | |
| Held in trust for pension benefits and other purposes | <u>\$ 7,145,362</u> | <u>\$ 75,906</u> | <u>\$ 7,221,268</u> |

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS - PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| Additions: | Police and Firefighters' Retirement Fund | Appointive Employees' Pension Fund | Totals |
|---|---|---|---------------------|
| Contributions: | | | |
| Employer | \$ 476,951 | \$ - | \$ 476,951 |
| Plan members | 5,537 | - | 5,537 |
| Total contributions | <u>482,488</u> | <u>-</u> | <u>482,488</u> |
| Investment earnings: | | | |
| Net change in fair value of investments | 448,722 | - | 448,722 |
| Interest and dividends | 219,875 | 1,039 | 220,914 |
| Net investment earnings | <u>668,597</u> | <u>1,039</u> | <u>669,636</u> |
| Total additions | <u>1,151,085</u> | <u>1,039</u> | <u>1,152,124</u> |
| Deductions: | | | |
| Benefits | 1,524,801 | 25,040 | 1,549,841 |
| Administrative expenses | 48,244 | 7,076 | 55,320 |
| Total deductions | <u>1,573,045</u> | <u>32,116</u> | <u>1,605,161</u> |
| Change in net position | (421,960) | (31,077) | (453,037) |
| Net position - beginning | <u>7,567,321</u> | <u>106,983</u> | <u>7,674,304</u> |
| Net position - ending | <u>\$ 7,145,361</u> | <u>\$ 75,906</u> | <u>\$ 7,221,267</u> |

See auditors report on pages 11-12.

**COMBINING FINANCIAL STATEMENTS
FIDUCIARY FUNDS**

Private-purpose Trust Funds

Cemetery and Park Trusts - to account for assets held by the City in the capacity of trustee for specified purposes.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS - PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2013

| | Cemetery and Park Trusts |
|----------------------------------|---|
| <u>ASSETS</u> | |
| Cash and cash equivalents | \$ 3,965 |
| Investments at fair value | |
| Money market funds | 3,925 |
| Mutual funds | <u>1,090,393</u> |
| Total assets | <u>1,098,283</u> |
| <u>LIABILITIES</u> | |
| Accounts payable | <u>-</u> |
| <u>NET POSITION</u> | |
| Held in trust for other purposes | <u><u>\$ 1,098,283</u></u> |

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS - PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| | Cemetery and Park Trusts |
|-------------------------------------|---|
| Additions: | |
| Contributions: | |
| Intergovernmental revenues | \$ 255 |
| Private donations | 5,755 |
| Total contributions | <u>6,010</u> |
| Investment earnings: | |
| Change in fair value of investments | 69,611 |
| Interest and dividends | 69,902 |
| Net investment earnings | <u>139,513</u> |
| Interfund transfers | <u>-</u> |
| Total additions | <u>145,523</u> |
| Deductions: | |
| Capital outlay | 136,135 |
| Administrative expenses | 17,170 |
| Total deductions | <u>153,305</u> |
| Change in net position | (7,782) |
| Net position - beginning | <u>1,106,065</u> |
| Net position - ending | <u><u>\$ 1,098,283</u></u> |

See auditors report on pages 11-12.

**COMBINING FINANCIAL STATEMENTS
FIDUCIARY FUNDS**

Agency Fund

Payroll Agency Fund – to account for disbursements relative to the City payroll. The various City departments transfer amounts to this fund to cover routine payroll and the related benefits and taxes. All payroll disbursements are made from this fund.

CITY OF PADUCAH, KENTUCKY
AGENCY FUND
STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2013

| Payroll Fund: | <u>Balance</u> <u>July 1, 2012</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 2013</u> |
|--|---|-------------------------|--------------------------|--|
| Assets: | | | | |
| Cash and cash equivalents | <u>\$ 684,762</u> | <u>\$14,217,592</u> | <u>\$14,370,305</u> | <u>\$532,049</u> |
| Liabilities: | | | | |
| Payroll taxes and withholdings payable | <u>\$ 684,762</u> | <u>\$14,217,592</u> | <u>\$14,370,305</u> | <u>\$532,049</u> |

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

STATISTICAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

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. | 111-115 |
| 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. | 116-121 |
| 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. | 122-125 |
| 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. | 126-127 |
| 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. | 128-130 |

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

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

| | Fiscal Year | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2013 | 2012 | 2011 | 2010 (2) | 2009 | 2008 | 2007 | 2006 | 2005 (1) | 2004 |
| Governmental activities: | | | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 33,365,112 | \$ 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 |
| Restricted for: | | | | | | | | | | |
| Program purposes | 284,760 | 897,942 | 1,264,986 | 1,100,696 | 2,183,559 | 1,782,251 | 1,904,321 | 1,018,231 | 727,699 | 714,538 |
| Capital projects | 1,301,421 | 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 |
| Unrestricted | 13,539,204 | 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) |
| Total governmental activities net position | <u>\$ 48,490,497</u> | <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> |
| Business-type activities: | | | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 1,232,735 | 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 |
| Restricted for: | | | | | | | | | | |
| Program purposes | 385,885 | 732,817 | 999,885 | 620,800 | 369,368 | 579,460 | - | - | - | - |
| Unrestricted | 3,428,267 | 3,246,320 | 3,004,783 | 1,816,705 | 1,036,093 | (19,965) | (147,286) | 132,090 | (27,648) | 1,979,494 |
| Total business-type activities net position | <u>\$ 5,046,887</u> | <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> |
| Primary government: | | | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 34,597,847 | 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 |
| Restricted for: | | | | | | | | | | |
| Program purposes | 670,645 | 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 |
| Capital projects | 1,301,421 | 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 |
| Unrestricted | 16,967,471 | 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 |
| Total primary government net position | <u>\$ 53,537,384</u> | <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> |

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

(2) Significant change in governmental net position due to reclassification for prior year grant receivables.

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

| | Fiscal Year | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2013 | 2012 | 2011 | 2010 (3) | 2009 | 2008 (2) | 2007 | 2006 | 2005 (1) | 2004 |
| Expenses | | | | | | | | | | |
| <i>Governmental activities:</i> | | | | | | | | | | |
| General government | \$ 7,843,140 | \$ 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 |
| Public safety | 18,204,945 | 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 |
| Public service | 6,167,510 | 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 |
| Parks and recreation | 2,710,659 | 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 |
| Planning and development | 1,463,659 | 1,192,952 | 1,212,103 | 970,022 | 708,827 | 282,042 | 1,891,725 | 2,404,636 | 2,521,412 | 5,330,393 |
| Interest on long-term debt | 1,066,876 | 1,059,537 | 1,363,580 | 1,099,450 | 1,029,888 | 1,066,067 | 1,134,898 | 974,101 | 775,122 | 496,049 |
| Total governmental activities expenses | <u>37,456,789</u> | <u>41,053,917</u> | <u>39,432,102</u> | <u>38,394,895</u> | <u>43,963,262</u> | <u>38,827,250</u> | <u>37,168,600</u> | <u>36,559,811</u> | <u>33,644,350</u> | <u>36,684,575</u> |
| <i>Business-type activities:</i> | | | | | | | | | | |
| Solid Waste | 3,967,490 | 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 |
| Section Eight Housing | 2,032,843 | 1,921,004 | 1,956,728 | 2,061,370 | 2,154,360 | 1,949,899 | - | - | - | - |
| Civic Center | 78,000 | 71,069 | 76,546 | 69,537 | 75,692 | 84,908 | 54,562 | 45,894 | 39,008 | 33,181 |
| TISA | - | 173,708 | 183,546 | 206,798 | 162,848 | 156,388 | 267,192 | 269,781 | 170,264 | 184,166 |
| Total business-type activities expenses | <u>6,078,333</u> | <u>6,066,045</u> | <u>6,048,950</u> | <u>6,134,802</u> | <u>6,430,745</u> | <u>6,277,942</u> | <u>4,401,438</u> | <u>4,208,688</u> | <u>3,893,226</u> | <u>3,636,811</u> |
| Total primary government expenses | <u>\$ 43,535,122</u> | <u>\$ 47,119,962</u> | <u>\$ 45,481,052</u> | <u>\$ 44,529,697</u> | <u>\$ 50,394,007</u> | <u>\$ 45,105,192</u> | <u>\$ 41,570,038</u> | <u>\$ 40,768,499</u> | <u>\$ 37,537,576</u> | <u>\$ 40,321,386</u> |
| Program Revenue: | | | | | | | | | | |
| <i>Governmental activities:</i> | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 1,525,212 | \$ 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 |
| Public safety | 354,829 | 509,297 | 790,650 | 484,754 | 602,262 | 268,839 | 1,024,610 | 767,086 | 794,814 | 1,134,386 |
| Public service | 963,893 | 1,032,953 | 1,205,666 | 1,197,194 | 1,220,999 | 1,111,188 | 1,150,507 | 942,355 | 895,155 | 986,618 |
| Parks and recreation | 106,183 | 97,896 | 129,790 | 152,890 | 180,420 | 124,606 | 122,929 | 103,932 | 117,317 | 132,388 |
| Planning and development | - | - | - | - | 1,600 | 30,627 | 10,810 | 20,602 | 13,501 | 12,893 |
| Operating grants and contributions | 3,067,581 | 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 |
| Capital grants and contributions | 2,165,548 | 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 |
| Total governmental activities program revenues | <u>8,183,246</u> | <u>5,877,407</u> | <u>7,031,333</u> | <u>6,032,076</u> | <u>10,318,313</u> | <u>5,589,364</u> | <u>10,517,608</u> | <u>9,744,058</u> | <u>6,858,550</u> | <u>10,379,470</u> |
| <i>Business-type activities:</i> | | | | | | | | | | |
| Solid Waste | \$ 4,372,060 | \$ 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 |
| Section Eight Housing | - | - | - | - | - | - | - | - | - | - |
| Civic Center | 38,265 | 34,038 | 33,766 | 32,455 | 38,577 | 32,932 | 31,372 | 26,378 | 32,828 | 36,455 |
| TISA | - | 99,603 | 138,797 | 148,158 | 148,291 | 143,833 | 193,713 | 106,697 | 104,087 | 100,778 |
| Operating grants and contributions | 1,727,238 | 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 |
| Total business-type activities program revenues | <u>6,137,563</u> | <u>6,234,229</u> | <u>7,057,901</u> | <u>6,984,659</u> | <u>6,829,795</u> | <u>6,137,148</u> | <u>4,177,194</u> | <u>3,852,578</u> | <u>3,735,067</u> | <u>3,952,355</u> |
| Total primary government program revenues | <u>\$ 14,320,809</u> | <u>\$ 12,111,636</u> | <u>\$ 14,089,234</u> | <u>\$ 13,016,735</u> | <u>\$ 17,148,108</u> | <u>\$ 11,726,512</u> | <u>\$ 14,694,802</u> | <u>\$ 13,596,636</u> | <u>\$ 10,593,617</u> | <u>\$ 14,331,825</u> |

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

| | Fiscal Year | | | | | | | | | |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2013 | 2012 | 2011 | 2010 (3) | 2009 | 2008 (2) | 2007 | 2006 | 2005 (1) | 2004 |
| Net (Expense)/Revenue | | | | | | | | | | |
| <i>Governmental activities</i> | \$ (29,273,543) | \$ (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) |
| <i>Business-type activities</i> | 59,230 | 168,184 | 1,008,951 | 849,857 | 399,050 | (140,794) | (224,244) | (356,110) | (158,159) | 315,544 |
| Total primary government net (expense) | <u>\$ (29,214,313)</u> | <u>\$ (35,008,326)</u> | <u>\$ (31,391,818)</u> | <u>\$ (31,512,962)</u> | <u>\$ (33,245,899)</u> | <u>\$ (33,378,680)</u> | <u>\$ (26,875,236)</u> | <u>\$ (27,171,863)</u> | <u>\$ (26,943,959)</u> | <u>\$ (25,989,561)</u> |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| <i>Governmental activities:</i> | | | | | | | | | | |
| Taxes and licenses: | | | | | | | | | | |
| Property taxes, levied for general purposes | 4,502,276 | 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 |
| Insurance premium tax | 3,863,464 | 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 |
| Gross receipts license tax | 4,391,352 | 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 |
| Employee license tax | 18,336,124 | 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 |
| Other taxes | 2,799,043 | 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 |
| Intergovernmental revenue | - | - | - | - | - | 1,401,400 | 1,243,028 | 1,201,973 | 955,645 | 871,273 |
| Unrestricted investment earnings | 211,306 | 203,261 | 264,913 | 172,213 | 336,960 | 540,620 | 639,702 | 462,292 | 290,647 | 220,992 |
| Gain on sale of capital assets | 383,370 | 36,718 | 62,539 | 64,620 | 68,530 | 119,200 | 48,656 | 8,340 | - | (1,972) |
| Miscellaneous | (82,992) | - | - | - | - | - | - | - | - | - |
| Insurance recoveries | - | 27,448 | 410,462 | - | - | - | - | - | - | - |
| Litigation settlement | - | - | (1,482,743) | - | - | - | - | - | - | - |
| Transfers in/out | 485,138 | 270,620 | (125,772) | (78,893) | (110,838) | (96,609) | (58,175) | (115,754) | (133,959) | (68,964) |
| Total governmental activities | <u>34,889,081</u> | <u>33,663,606</u> | <u>31,309,295</u> | <u>31,620,788</u> | <u>32,018,533</u> | <u>33,728,092</u> | <u>32,698,545</u> | <u>30,327,401</u> | <u>26,018,367</u> | <u>24,678,162</u> |
| <i>Business-type activities:</i> | | | | | | | | | | |
| Unrestricted investment earnings | 49,382 | 48,806 | 46,052 | 33,724 | 52,961 | 73,985 | 83,854 | 85,786 | 51,508 | 32,826 |
| Gain on sale of capital assets | 52,710 | 2,443 | 67,657 | 1,112 | 98,369 | 127,131 | 16,641 | 55,337 | 27,500 | 34,975 |
| Miscellaneous | 82,992 | - | - | - | - | - | - | - | - | - |
| Transfers | (485,138) | (270,620) | 125,772 | 78,893 | 110,838 | 96,609 | 58,176 | 115,754 | 133,959 | 68,964 |
| Total business-type activities | <u>(300,054)</u> | <u>(219,371)</u> | <u>239,481</u> | <u>113,729</u> | <u>262,168</u> | <u>297,725</u> | <u>158,671</u> | <u>256,877</u> | <u>212,967</u> | <u>136,765</u> |
| Change in Net Position | | | | | | | | | | |
| <i>Governmental activities:</i> | 5,615,538 | (1,512,904) | (1,091,474) | (742,031) | (1,626,416) | 490,206 | 6,047,553 | 3,511,648 | (767,433) | (1,626,943) |
| <i>Business-type activities:</i> | (240,824) | (51,187) | 1,248,432 | 963,586 | 661,218 | 156,931 | (65,573) | (99,233) | 54,808 | 452,309 |
| Total primary government | <u>\$ 5,374,714</u> | <u>\$ (1,564,091)</u> | <u>\$ 156,958</u> | <u>\$ 221,555</u> | <u>\$ (965,198)</u> | <u>\$ 647,137</u> | <u>\$ 5,981,980</u> | <u>\$ 3,412,415</u> | <u>\$ (712,625)</u> | <u>\$ (1,174,634)</u> |

- (1) Significant change in governmental and business-type net position 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 position due to restatement of prior year grant receivables.

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

| | Fiscal Year | | | | | | | | | |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2013 | 2012 | 2011 | 2010 (3) | 2009 | 2008 (2) | 2007 | 2006 | 2005 (1) | 2004 |
| General Fund | | | | | | | | | | |
| Unassigned | \$ 12,311,565 | \$ 11,321,438 | \$ 10,940,121 | \$ 10,208,678 | \$ 10,311,490 | \$ 9,416,427 | \$ 9,976,079 | \$ 9,157,310 | \$ 8,303,702 | \$ 4,642,073 |
| Total general fund | <u>\$ 12,311,565</u> | <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> |
| All Other Governmental Funds | | | | | | | | | | |
| Restricted for: | | | | | | | | | | |
| Program purposes | \$ 284,760 | \$ 1,236,780 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Capital improvements | 1,301,421 | 286,276 | - | - | - | - | - | - | - | - |
| Committed for: | | | | | | | | | | |
| Capital improvements | 2,589,099 | 2,631,233 | 2,587,012 | 2,844,706 | 2,618,147 | 2,081,280 | 1,692,872 | 719,801 | - | - |
| Assigned for: | | | | | | | | | | |
| Program purposes | 752,691 | 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 |
| Capital improvements | 3,055,250 | 1,487,938 | 2,133,786 | 5,151,791 | 1,745,766 | 2,947,140 | 2,926,051 | 1,970,003 | 940,323 | 3,886,391 |
| Total all other governmental funds | <u>\$ 7,983,221</u> | <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> |

(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 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| Revenues: | | | | | | | | | | |
| Taxes | \$ 6,583,690 | \$ 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 |
| Licenses | 27,197,290 | 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 |
| Charges for services | 815,791 | 817,607 | 811,590 | 846,087 | 866,688 | 835,105 | 783,018 | 654,059 | 625,281 | 668,659 |
| Intergovernmental | 1,240,312 | 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 |
| Grants | 3,737,402 | 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 |
| Interest | 175,371 | 162,580 | 205,837 | 121,246 | 225,251 | 419,103 | 540,204 | 402,943 | 251,302 | 190,350 |
| Miscellaneous | 2,743,698 | 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 |
| Total revenues | 42,493,554 | 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 |
| Expenditures: | | | | | | | | | | |
| General government | 4,481,485 | 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 |
| Public safety | 18,174,349 | 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 |
| Public service | 5,710,018 | 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 |
| Parks and recreation | 2,664,164 | 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 |
| Planning and development | 1,776,897 | 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 |
| Other | 766,847 | 516,534 | 486,239 | 847,188 | 514,488 | 520,611 | 526,238 | 481,690 | 462,099 | 2,343,844 |
| Capital outlay | 4,324,821 | 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 |
| Debt service: | | | | | | | | | | |
| Principal requirement | 1,698,468 | 1,434,246 | 2,233,588 | 1,020,585 | 830,682 | 880,887 | 782,870 | 594,047 | 552,938 | 428,613 |
| Interest and fiscal requirement | 1,089,447 | 1,114,852 | 1,519,329 | 1,077,128 | 1,003,439 | 1,051,008 | 1,108,385 | 949,537 | 745,676 | 471,625 |
| Total expenditures | 40,686,496 | 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 |
| Other Financing Sources (Uses): | | | | | | | | | | |
| Bonds issued | - | - | - | 6,645,000 | 1,718,605 | - | - | 6,100,000 | - | 5,000,000 |
| Long-term debt draws | 308,112 | 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 | 405,796 | 371,979 | - | - | - | - |
| Transfers in | 7,462,944 | 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 |
| Transfers out | (7,125,024) | (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) |
| Total other financing sources (uses) | 1,051,828 | 587,087 | 1,026,015 | 8,360,720 | 1,970,999 | (472,652) | (100,078) | (547,110) | (1,042,751) | 7,143,612 |
| Net change in fund balances | \$ 2,858,886 | \$ 199,228 | \$ (2,371,234) | \$ 3,460,389 | \$ 671,135 | \$ (36,208) | \$ 2,717,458 | \$ 2,628,983 | \$ (2,891,468) | \$ (487,339) |
| Capital outlay (1) | \$ 4,034,424 | \$ 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 |
| Debt service as a percentage of noncapital expenditures | 7.61% | 6.87% | 10.02% | 6.13% | 4.64% | 5.49% | 5.46% | 4.69% | 4.26% | 2.77% |

(1) Capital outlay is reported on the *Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities*.

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

| Fiscal Year | Assessed Value | | | | Estimated Actual Value | Total Direct Tax Rate | Percent Assessed To Estimated Value | Exemptions | |
|-------------|----------------|-------------|-------------------|------------|------------------------|-----------------------|-------------------------------------|------------|------------|
| | Commercial | Residential | Personal Property | Franchise | | | | | Total |
| 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 | 48,227,212 | 2,040,297,807 | 2,108,802,723 | 0.287 | 96.8% | 68,504,916 |
| 2013 | 787,762,105 | 731,842,861 | 564,154,697 | 60,279,730 | 2,144,039,393 | 2,214,978,356 | 0.288 | 96.8% | 70,938,963 |

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 | | | | | | | | | |
| 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 |
| 2013 | 0.250 | 0.390 | 0.288 | 0.504 | 0.504 | 0.747 | 0.747 | 0.018 | 0.018 | 0.096 | 0.102 |

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 PRIOR**

| Taxpayer | 2013 | | 2004 | |
|---------------------------------|---------------------------------------|---|---------------------------------------|---|
| | (1) Assessed Valuation | (1) Percentage of Total Assessed Valuation | (2) Assessed Valuation | (2) Percentage of Total Assessed Valuation |
| Kentucky Oaks Mall | \$ 50,900,262 | 2.37% | \$ 41,626,900 | 3.10% |
| Paducah Medical Investors | 13,440,090 | 0.63% | 13,440,090 | 1.00% |
| Ducmall LLC | 13,119,800 | 0.61% | 14,225,000 | 1.06% |
| Woodstone Enterprises LP | 12,429,000 | 0.58% | - | |
| Wal Mart Real Estate Business | 10,646,400 | 0.50% | - | |
| Sams Real Estate Business Trust | 9,222,955 | 0.43% | - | |
| Computer Services Inc | 9,083,185 | 0.42% | 14,661,833 | 1.09% |
| Wal Mart Store | 9,000,000 | 0.42% | 34,007,318 | 2.53% |
| USF Propco I LLC | 8,156,900 | 0.38% | - | |
| Lowes Home Centers, Inc. | 8,134,350 | 0.38% | 13,790,170 | 1.03% |
| Sams East Inc | - | | 13,950,726 | 1.04% |
| Lourdes Medical Pavilion | - | | 19,071,118 | 1.42% |
| TOTALS | \$ 144,132,942 | 6.72% | \$ 164,773,155 | 12.27% |

(1) Source - Property Valuation Administration; Assessed value as of January 1, 2012.

(2) Source - Property Valuation Administration; Assessed value as of January 1, 2003.

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

| Fiscal Year Ended June 30, | (1) Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|-----------------------------------|---|---|----------------------------------|--|----------------------------------|----------------------------------|
| | | (1) Amount of Collections | Percent of Levy Collected | | Total Collections | Percent of Levy Collected |
| 2004 | 3,800,622 | 3,685,957 | 97.0% | 106,269 | 3,792,226 | 99.8% |
| 2005 | 3,834,188 | 3,762,592 | 98.1% | 63,654 | 3,826,246 | 99.8% |
| 2006 | 4,013,524 | 3,911,868 | 97.5% | 91,671 | 4,003,539 | 99.8% |
| 2007 | 3,999,832 | 3,855,679 | 96.4% | 132,206 | 3,987,885 | 99.7% |
| 2008 | 3,974,451 | 3,814,940 | 96.0% | 147,056 | 3,961,996 | 99.7% |
| 2009 | 4,201,359 | 4,017,032 | 95.6% | 162,116 | 4,179,148 | 99.5% |
| 2010 | 4,258,351 | 4,131,454 | 97.0% | 100,583 | 4,232,037 | 99.4% |
| 2011 | 4,198,057 | 4,110,973 | 97.9% | 53,844 | 4,164,817 | 99.2% |
| 2012 | 4,228,887 | 4,119,689 | 97.4% | 55,172 | 4,174,861 | 98.7% |
| 2013 | 4,446,362 | 4,334,698 | 97.5% | - | 4,334,698 | 97.5% |

(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 |
|------------------------|------------------------------------|--------------------------------|
| 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% |
| 2013 | 18,336,124 | 2.00% |
| | <u>156,287,169</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 SEVEN YEARS PRIOR*

| <u>Taxpayers By Range</u> | 2013 | | | |
|-------------------------------|-----------------------------|--------------------------------|------------------------------------|---|
| | <u>Number of Filers</u> | <u>Percentage of Total</u> | <u>(1) Taxes Collected</u> | <u>Percentage of Total Employee License Tax</u> |
| \$0 - \$50,000 | 2,553 | 98.04% | 8,895,868 | 48.52% |
| \$50,001 - \$100,000 | 28 | 1.08% | 2,069,371 | 11.29% |
| \$100,001 - \$500,000 | 21 | 0.81% | 4,412,746 | 24.07% |
| Greater than \$500,000 | 2 | 0.08% | 2,958,139 | 16.13% |
| TOTALS | <u>2,604</u> | <u>100.00%</u> | <u>\$ 18,336,124</u> | <u>100.00%</u> |

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

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

*Principal employee license taxpayers seven years prior 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 | Reported 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 |
|--------------------|--|--------------------------------|----------------------|------------------------------------|------------------------------------|---------------------------------|--|--|--------------------------------|
| 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 | 1.47 | 6.15% | 1,236 |
| 2013 | 22,045,448 | 6,920,838 | - | - | - | 28,966,286 | 1.31 | 5.76% | 1,158 |

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

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

(2) See Table 16 for population data.

(3) See Table 16 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 Available for Debt Service | | | |
| 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 | 1.12 | 944 |
| 2013 | 6,220,000 | 4,655,000 | 3,320,116 | 2,341,790 | 5,825,000 | 316,458 | 22,045,448 | 1.00 | 881 |

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

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

(2) See Table 16 for population data.

TABLE 13
CITY OF PADUCAH, KENTUCKY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2013

| | <u>Reported Debt Outstanding</u> | <u>(1) Percentage Applicable to the City</u> | <u>Estimated Share of Direct and Overlapping Debt</u> |
|--|--|--|---|
| City of Paducah | \$ 28,966,286 | 100.00% | \$ 28,966,286 |
| Paducah Independent School District | 50,172,345 * | 100.00% | 50,172,345 |
| McCracken County | 23,610,675 * | 45.50% | 10,742,857 |
| McCracken County Board of Education | 74,127,598 * | 30.90% | 22,905,428 |
| Overlapping debt | <u>147,910,618</u> | | <u>83,820,630</u> |
| TOTAL DIRECT AND OVERLAPPING DEBT | <u><u>\$176,876,904</u></u> | | <u><u>\$112,786,916</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 | | \$ 2,144,039,393 |
| Add exemption | | <u>70,938,963</u> |
| Total assessed value | | <u>\$ 2,214,978,356</u> |
| Debt limit - 10% of total assessed (1) | | \$ 221,497,836 |
| Debt outstanding: | | |
| General obligation bonds outstanding | \$ 22,361,906 | |
| Note payable | 6,920,838 | |
| Less debt not subject to limit | <u>-</u> | |
| Gross bonded debt | 29,282,744 | |
| Less amount available in debt service funds | <u>316,458</u> | |
| Net bonded indebtedness subject to limit | | <u>28,966,286</u> |
| LEGAL DEBT MARGIN | | <u><u>\$ 192,531,550</u></u> |

| | Fiscal Year | | | | | | | | | |
|--|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| Debt limit | <u>\$ 221,497,836</u> | <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> |
| Total net debt applicable to limit | <u>28,966,286</u> | <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> |
| LEGAL DEBT MARGIN | <u><u>\$ 192,531,550</u></u> | <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> |
| Total net debt applicable to the limited as a percentage of debt limit | 13.08% | 14.58% | 14.13% | 15.11% | 12.03% | 10.44% | 11.82% | 12.68% | 9.93% | 10.25% |

(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 |
|--------------------|---------------------------|------------------------------------|--------------------------------------|-------------------------------|--------------------------------------|--------------------------------------|
| 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% |
| 2012-2013 | 25,024 | 503,179,300 | 20,430 | 41.4 | 2,744 | 8.4% |

Sources:

(1) Bureau of the Census Count - 2000, 2010

(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 SEVEN YEARS PRIOR***

| <u>Employer</u> | <u>2013</u> | | <u>2006</u> | |
|---|----------------------|---|----------------------|---|
| | <u>Employees (1)</u> | <u>Percentage of Total Employment (2)</u> | <u>Employees (1)</u> | <u>Percentage of Total Employment (2)</u> |
| Western Baptist Hospital | 1,801 | 6.07% | 1,660 | 5.55% |
| Lourdes Hospital | 1,511 | 5.09% | 1,500 | 5.01% |
| Wal Mart | 1,123 | 3.78% | 570 | 2.01% |
| Paducah Public Schools | 564 | 1.90% | 600 | 1.91% |
| West Kentucky Community and Technical College | 512 | 1.72% | 270 | 0.90% |
| City of Paducah | 400 | 1.35% | 380 | 1.27% |
| State of Kentucky | 316 | 1.06% | 390 | 1.30% |
| Parkview Convalescent Center | 290 | 0.98% | | |
| LYNX Services | 242 | 0.82% | 390 | 1.30% |
| Paxton Media Group | | | 285 | 0.95% |
| Computer Services, Inc. | 243 | 0.82% | 280 | 0.94% |
| TOTALS | <u>7,002</u> | <u>23.58%</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 seven years prior 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 | | | | | | | | | |
|-----------------------------------|-------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | <u>2013</u> | <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> |
| <i>Governmental Activities</i> | | | | | | | | | | |
| General government | | | | | | | | | | |
| General administration | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 11 | 11 |
| Finance | 11 | 11 | 14 | 14 | 17 | 14 | 14 | 14 | 13 | 13 |
| Inspection | 0 | 11 | 11 | 10 | 13 | 13 | 13 | 12 | 12 | 12 |
| Information systems | 6 | 6 | 6 | 6 | 4 | 4 | 4 | 3 | 3 | 3 |
| Risk/Human resources | 3 | 3 | 1 | 1 | 1 | 4 | 4 | 4 | 4 | 3 |
| Public safety | | | | | | | | | | |
| Police | 88 | 90 | 90 | 90 | 93 | 93 | 93 | 93 | 96 | 94 |
| Fire | 74 | 64.5 | 64 | 65 | 69 | 69 | 71 | 76 | 75 | 76 |
| Public service | | | | | | | | | | |
| Streets | 20 | 23 | 23 | 23 | 29 | 29 | 30 | 31 | 28 | 28 |
| Facilities | 13.5 | 11.5 | 14 | 34 | 36 | 35 | 34 | 35 | 38 | 39 |
| Engineering | 7.6 | 7.6 | 7 | 5 | 8 | 9 | 9 | 9 | 9 | 8 |
| Other | 5 | 5 | 6 | 4 | 6 | 6 | 6 | 4 | 4 | 2 |
| Parks and recreation | 24 | 24 | 24 | 7 | 7 | 7 | 7 | 7 | 9 | 9 |
| Planning and development | 9 | 9 | 9 | 9 | 10 | 11 | 11 | 11 | 11 | 11 |
| Other | | | | | | | | | | |
| Paducah Riverfront Dev. Authority | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Renaissance | 3 | 4 | 5 | 3 | 5 | 0 | 0 | 0 | 0 | 0 |
| Fleet maintenance | 6.5 | 6.5 | 6.5 | 8 | 6 | 7 | 7 | 7 | 7 | 6 |
| <i>Business-type Activities</i> | | | | | | | | | | |
| Solid waste | <u>25.4</u> | <u>25.4</u> | <u>26</u> | <u>27</u> | <u>27</u> | <u>27</u> | <u>27</u> | <u>29</u> | <u>29</u> | <u>29</u> |
| TOTAL PRIMARY GOVERNMENT | <u><u>309</u></u> | <u><u>314.5</u></u> | <u><u>318</u></u> | <u><u>318</u></u> | <u><u>343</u></u> | <u><u>340</u></u> | <u><u>342</u></u> | <u><u>347</u></u> | <u><u>349</u></u> | <u><u>344</u></u> |

* Employee budget census.

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

| | Fiscal Year | | | | | | | | | |
|--|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| General government | | | | | | | | | | |
| Building and electrical permits issued | 1,202 | 1,232 | 1,239 | 1,263 | 1,179 | 1,203 | 1,411 | 1,362 | 1,376 | * |
| Business licenses issued | 3,966 | 3,956 | 3,254 | 3,397 | 3,691 | 3,507 | 3,500 | 3,700 | * | * |
| Public safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Adult arrests | 2,508 | 2,753 | 3,564 | 3,859 | 4,454 | 4,170 | 5,012 | 3,827 | * | * |
| Murder | - | 3 | 3 | 1 | 5 | - | - | - | * | * |
| Rape | 16 | 14 | 22 | 12 | 20 | 15 | 18 | 15 | * | * |
| Robberies | 38 | 14 | 31 | 56 | 41 | 49 | 42 | 35 | * | * |
| Burglary | 142 | 123 | 155 | 245 | 169 | 203 | 208 | 211 | * | * |
| Auto theft | 41 | 47 | 54 | 62 | 57 | 60 | 117 | 104 | * | * |
| Arson | 5 | 7 | 6 | 7 | 7 | 8 | 16 | 7 | * | * |
| Traffic accidents | 1,573 | 1,666 | 1,762 | 1,774 | 1,368 | 1,519 | 1,949 | 1,815 | * | * |
| Traffic violations | 10,168 | 8,573 | 7,701 | 7,240 | 9,143 | 7,109 | 7,323 | 7,468 | * | * |
| Fire | | | | | | | | | | |
| Emergency responses | 3,054 | 3,164 | 3,181 | 2,603 | 3,305 | 2,603 | 2,456 | 2,546 | 3,219 | 3,638 |
| Fires extinguished | 105 | 138 | 122 | 133 | 136 | 102 | 163 | 181 | 176 | 189 |
| Structure fires | 33 | 53 | 37 | 49 | 57 | 49 | 40 | 53 | 49 | 64 |
| Incidents with reported losses | 55 | 89 | 73 | 89 | 85 | 70 | 80 | 91 | 97 | 106 |
| Medical/rescue | 2,151 | 2,270 | 2,133 | 1,690 | 1,616 | 1,506 | 1,369 | 1,589 | 1,997 | 2,266 |
| Tours/in-services/car seats | 570 | 524 | 671 | 676 | 907 | 699 | 485 | 485 | 485 | 485 |
| Training man hours | 9,155 | 7,232 | 7,033 | 8,493 | 7,716 | 4,344 | 1,183 | 1,418 | 1,188 | 965 |
| Inspections | 1,157 | 1,417 | 1,063 | 985 | 1,183 | 1,449 | * | * | * | * |
| Refuse collection | | | | | | | | | | |
| Residential | | | | | | | | | | |
| Refuse collected (tons per day) | 36 | 34 | 34 | 38 | 32 | 25 | 28 | 34 | * | * |
| Customers served | 6478 | 9488 | 9,568 | 9,445 | 9,435 | 9,446 | 9,388 | 9,368 | * | * |
| Commercial | | | | | | | | | | |
| Refuse collected (tons per day) | 65 | 71 | 71 | 70 | 75 | 83 | 85 | 84 | * | * |
| Customers served | 805 | 803 | 806 | 810 | 810 | 821 | 832 | 801 | * | * |
| Public service | | | | | | | | | | |
| 911 dispatches | 92,786 | 79,333 | 82,268 | 79,768 | 81,525 | 83,871 | 76,815 | 83,348 | 85,273 | 91,408 |
| Police | 51,131 | 43,686 | 44,794 | 42,496 | 40,921 | 43,420 | 41,887 | 47,091 | 48,275 | 53,504 |
| Fire | 4,747 | 3,189 | 3,226 | 2,702 | 2,490 | 2,720 | 2,399 | 2,907 | 3,424 | 4,190 |
| Other | 36,908 | 32,458 | 34,248 | 34,570 | 38,114 | 37,731 | 32,529 | 33,350 | 33,574 | 33,714 |

* Information not available.

** Information from city departments.

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

| | Fiscal Year | | | | | | | | | |
|-----------------------------|-------------|------|------|------|------|------|------|------|------|------|
| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| 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 | 10 | 9 | 9 | 7 | 10 | 9 | 8 | 8 | # |
| Commercial | 4 | 4 | 4 | 5 | 4 | 5 | 5 | 4 | 4 | # |
| Other public works | | | | | | | | | | |
| Streets (miles paved) | 218 | 218 | 218 | 218 | 216 | 216 | 216 | 214 | 214 | 213 |
| Sidewalks (miles) | 47 | 47 | 47 | 47 | 45 | 45 | 45 | 45 | 45 | 45 |
| Traffic signals | 13 | 13 | 13 | 13 | 12 | 11 | 11 | 11 | 11 | 10 |
| Parks and recreation | | | | | | | | | | |
| Parks | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 18 | 18 | 18 |
| Acreage | 960 | 1125 | 1125 | 1125 | 960 | 960 | 960 | 325 | 325 | 325 |
| Community centers | 2 | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Swimming pools | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| 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, 2013

CITY OF PADUCAH, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

| <u>Federal Grantor/Pass-Through Grantor/ Program Title:</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Grantor Number</u> | <u>Expenditures</u> |
|---|------------------------------------|--|----------------------------|
| Department of Housing and Urban Development: | | | |
| Direct Programs: | | | |
| Section 8 Housing Choice Vouchers | 14.871 | N/A | \$ 2,027,204 |
| Economic Development Initiative Special Project | 14.251 | B06NIKY0016 | 1,078,709 |
| Pass-through Kentucky Governors | | | |
| Office for Local Development: | | | |
| Community Development Block Grants | 14.228 | 10-109 | 343,773 |
| | 14.228 | 13-005 | 93,945 |
| Passed-through Kentucky Housing Corporation: | | | |
| Home Investment Partnerships Program | 14.239 | HB12-198-01 | 107,500 |
| Total Department of Housing and Urban Development | | | <u>3,651,131</u> |
| Department of Justice: | | | |
| Direct Programs: | | | |
| Bulletproof Vest Partnership Program | 16.607 | N/A | 600 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | N/A | 16,031 |
| Public Safety Partnership and Community Policing Grants - ARRA | 16.710 | | 127,073 |
| Total Department of Justice | | | <u>143,704</u> |
| Department of Homeland Security: | | | |
| Direct Programs: | | | |
| Assistance to Firefighters Grant | 97.044 | N/A | 29,718 |
| Passed-through Kentucky Division of Emergency Management: | | | |
| Hazardous Mitigation Grant Program | 97.039 | PON2 095 1200003957 1 | 6,068 |
| Passed-through Kentucky Office of Homeland Security: | | | |
| Homeland Security Grant Program | 97.067 | PO2 094 1300003018 1 | 37,000 |
| Total Department of Homeland Security | | | <u>72,786</u> |
| Department of Transportation: | | | |
| Passed-through Kentucky Department of State Police: | | | |
| State and Community Highway Safety | 20.600 | PT-12-40 | 7,692 |
| State and Community Highway Safety | 20.600 | PT-13-52 | 11,028 |
| Passed-through Kentucky Governor's Office of Local Development | | | |
| Recreational Trails Program | 20.205 | P02-628-0600003374 | 452,175 |
| Passed-through Kentucky Transportation Cabinet | | | |
| Highway Research and Development Program | 20.200 | 1400001907 | 630,064 |
| Total Department of Transportation | | | <u>1,100,959</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u><u>\$ 4,968,580</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, 2013

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 | \$ 93,345 |

**INDEPENDENT AUDITOR'S 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 Gayle Kaler, Mayor
Members of the Board of Commissioners
City of Paducah
Paducah, Kentucky

We have audited, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise City of Paducah, Kentucky's basic financial statements, and have issued our report thereon dated December 20, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Paducah, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Paducah, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Paducah, Kentucky's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Paducah, Kentucky's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kemper CPA Group, LLP

Certified Public Accountants and Consultants
Paducah, Kentucky
December 20, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Honorable Gayle Kaler, Mayor
Members of the Board of Commissioners
City of Paducah
Paducah, Kentucky

Report on Compliance for Each Major Federal Program

We have audited City of Paducah, Kentucky's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Paducah, Kentucky's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Paducah, Kentucky's major federal programs based on our audit of the types of compliance requirements referred to above. 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of City of Paducah, Kentucky's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Paducah, Kentucky, complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of City of Paducah, Kentucky, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Paducah, Kentucky's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Kemper CPA Group, LLP

Certified Public Accountants and Consultants
Paducah, Kentucky
December 20, 2013

**CITY OF PADUCAH, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

Section I – Summary of Auditor’s Results

1. The independent auditor’s report expresses an unqualified opinion on the financial statements of the City of Paducah, Kentucky.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of the City of Paducah, Kentucky were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of major federal award programs are reported.
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 findings to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs included:

| <u>Name</u> | <u>CFDA</u> |
|--|-------------|
| Economic Development Initiative Special Project, Neighborhood Initiative | 14.251 |
| Public Safety Partnership and Community Policing Grants - ARRA | 16.710 |
| Highway Research and Development Program | 20.200 |
| Highway Planning and Construction | 20.205 |

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

Section II – Findings – Financial Statements Audit

There are no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Awards Programs

There are no findings or questioned costs related to the major federal programs which are required to be reported in accordance with *OMB Circular A-133, Section 510(a)*.

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

Section II – Findings – Financial Statements Audit

There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Awards Programs

There were no findings or questioned costs related to the major federal programs which are required to be reported in accordance with *OMB Circular A-133, Section 510(a)*.