

**CITY OF PADUCAH,
KENTUCKY**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

YEAR ENDED JUNE 30, 2014

**FINANCE DEPARTMENT
CITY OF PADUCAH,
KENTUCKY**



City of Paducah
Paducah, Kentucky
Comprehensive Annual Financial Report
Year Ended June 30, 2014



**Issued by the
Finance Department**

CITY OF PADUCAH, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014

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CITY OF PADUCAH, KENTUCKY

INTRODUCTORY SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014



CITY OF PADUCAH

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

December 8, 2014

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, 2014. 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, 2014, 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, an industrial park with rail and river access in western McCracken County. So far, 229 acres have been purchased.

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. 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 began at the Paducah campus in 2014.

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 over 3,000 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 12th 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 \$35,000 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 'Luther F. Carson Four Rivers Center for the Performing Arts' 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 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 307 full-time employees as of June 30, 2014. 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 FY2014, a few 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 FY2014 this contribution was \$417 thousand. This amount was \$477 thousand in FY2013.

Reserve Requirement. As part of the City's annual budget process, financial policies are reviewed and amended as necessary. In FY2014, in conjunction with the approval of the annual budget, the General Fund restricted reserve requirement was raised from 8% to 10%.

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: community redevelopment, economic development, infrastructure capital investment, and property tax relief. During the FY2014 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 and levee system protecting a large portion of the Paducah-McCracken area is approaching 70 years of age. It is still in good condition long beyond its design life; however, it is in need of necessary repairs. 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. It is anticipated the USACE will cover 65% of the expenses incurred and the City will be responsible for the remainder 35% by payment or credited by in-kind services. The USACE and the City are now initiating Preconstruction Engineering and Design (PED) and preparing plans and specifications for the reconstruction projects as listed within the Feasibility Report. The estimated City's portion for the total project costs is approximately \$6 million. In FY2009, the City proceeded with making the seriously needed repairs to the corrugated metal pipes under the Floodwall by borrowing around \$2 million, of which the USACE will allow in-kind credit for this expense.

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 has been completed. As of June 30, 2014, Phase 1a of the riverfront development project, which consists of installation of the pilings and the placement of stone for mass fill, was completed. At this time, plans and specifications for Phase 1b are being finalized. This phase will include the gangway, transient dock, wave attenuator, and the completion of the mass fill. Construction for this portion of the project will be bid out during this winter. Once construction is complete, operating costs will be a long-term planning consideration.

City Hall Structure. In May 2014, the City Commission heard the findings of an engineering firm they engaged to perform an assessment of City Hall's structure, layout, security, seismic upgrade requirements, and renovation possibilities. This study shows that the 61,000 square foot building which opened in 1964 is showing significant deterioration in its concrete roof canopy and with many of its electrical and mechanical systems. With these impending costly repairs, the Commission now faces the decision of whether to renovate the existing City Hall building or design a new facility. Either decision that is made will have a significant financial impact.

ECONOMIC CONDITION

The City continues to be aggressive in promoting economic development, since new developmental job growth is necessary to ensure the continued stability of the City's tax base. Economic indicators and trends reflect that the area's economy has remained fairly steady considering the nation's recent economic struggles. It is expected that the economy will continue to hold over the near-term. Area employment decreased slightly in comparison to the prior year, with 28,469 persons employed (McCracken County) as of June 30, 2014.

The June 2014 unemployment rate was 8.2% (McCracken County), which is a decrease from 8.4% in the prior year, and exceeds the June 2014 federal unemployment rate of 6.1%. 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 1,251 for fiscal year 2014 valued at \$54 million, which is up nearly \$5 million from fiscal year 2013.

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, 2013. This was the twenty-third consecutive year that the City achieved this prestigious award.

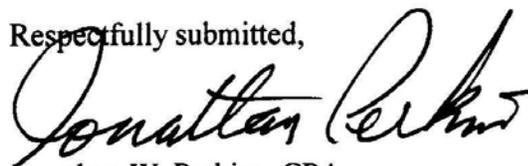
In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

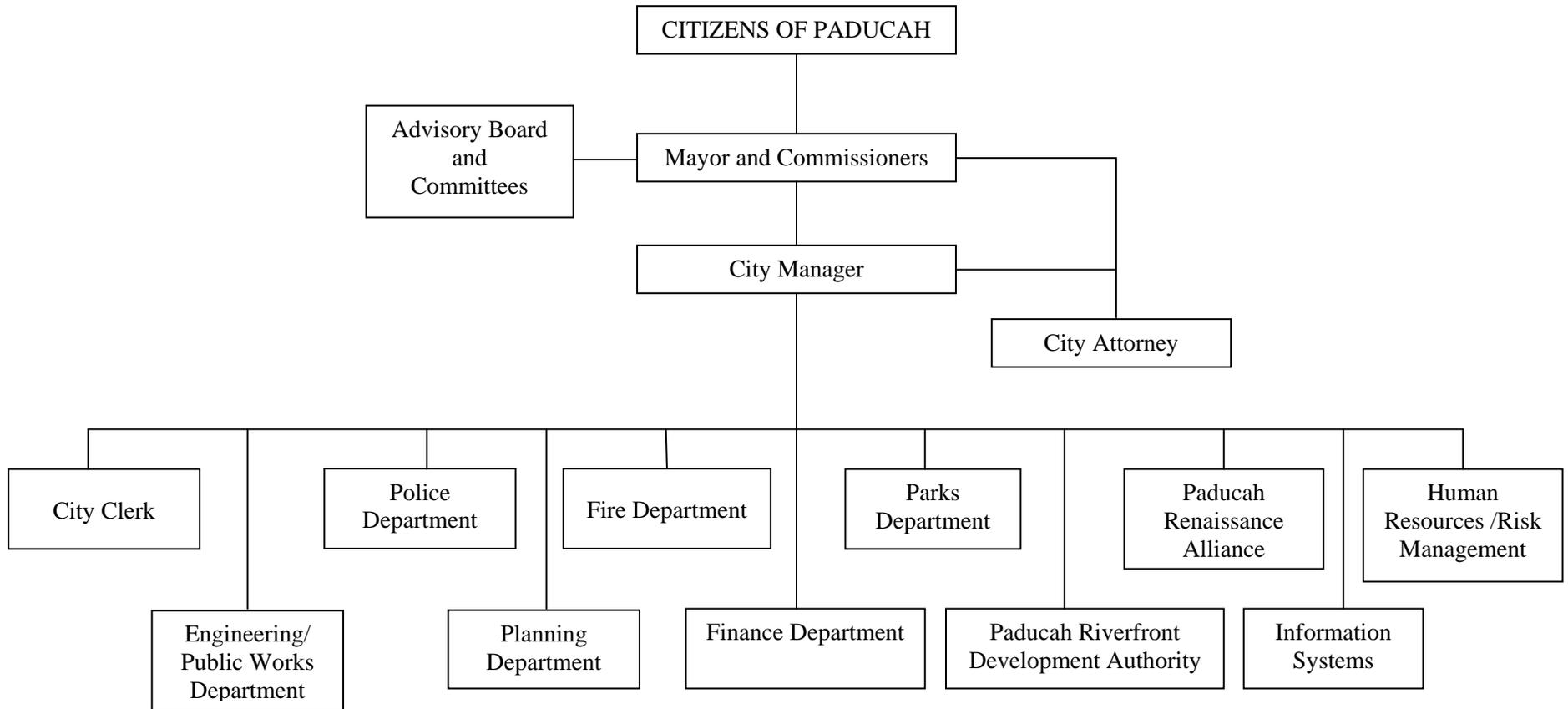
The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We wish to express our appreciation to all members of the Finance Department who assisted and contributed to its preparation, and special 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	Brandon Barnhill
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
Human Resources/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, 2013

Executive Director/CEO

CITY OF PADUCAH, KENTUCKY

FINANCIAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 did not audit the financial statements of the following component unit: Paducah Water Works, which represent 100 percent, 100 percent, and 100 percent, respectively, of the assets, net position and revenues of the Component Units column. These financial statements were audited by another auditor whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for Paducah Water Works, discretely presented component unit, is based solely on the reports of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2014, 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 86-89 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, budgetary comparison schedules, combining and individual nonmajor fund, budgetary comparison for the nonmajor funds, 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 budgetary comparison schedules, combining and individual nonmajor fund, budgetary comparison for the nonmajor funds, 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 budgetary comparison schedules, combining and individual nonmajor fund, budgetary comparison for the nonmajor funds, 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 8, 2014, 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 8, 2014

CITY OF PADUCAH, KENTUCKY

REQUIRED SUPPLEMENTARY INFORMATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

CITY OF PADUCAH, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

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, 2014. 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 \$61.1 million at the close of the 2013-2014 fiscal year. Of this amount, \$17.2 million (unrestricted net position) may be used to meet City government's ongoing obligations to citizens and creditors.
- Total net position increased \$7,689,420.
- At fiscal year end, City governmental funds reported a combined ending fund balance of \$20.8 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 balance was \$12.7 million and is available for spending at the City's discretion. Cash makes up approximately \$8.6 million. When compared to final total appropriations, the General Fund cash balance is 27%.

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 92-102.

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. 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 103-105 of this report. Individual data for the internal service funds is likewise presented in the form of combining statements on pages 106-108 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 109-112 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 92-112 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 \$61.1 million as of June 30, 2014.

For FY2014, the largest portion of the City's net position (67%) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment and infrastructure) less outstanding related debt used to acquire those assets. The City uses these capital assets to provide service to citizens and, as a result, these assets are not available for future spending. The City's capital assets investment is reported net of related debt, but the resources to pay this debt must be provided from other sources since the capital assets cannot be used to liquidate the liabilities.

An additional portion of City net position (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (28%) may be used to meet the City's ongoing obligations to citizens and creditors.

As of June 30, 2014, 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.

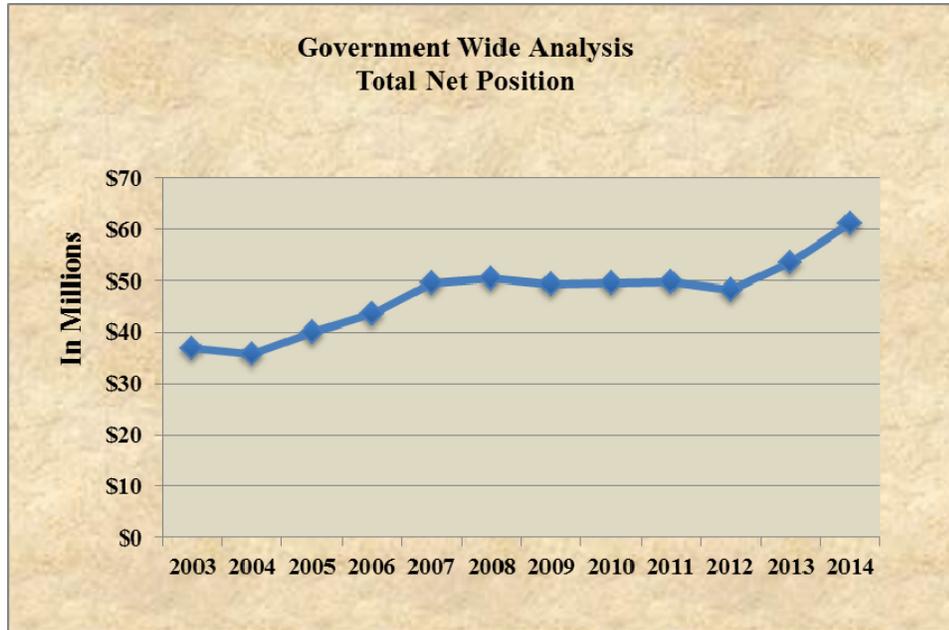
City of Paducah, Kentucky

Net Position

June 30

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2013 (Restated)</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013 (Restated)</u>
Current Assets	\$ 42,910,707	\$ 42,403,160	\$ 6,867,521	\$ 6,387,185	\$ 49,778,228	\$ 48,790,345
Capital Assets	50,620,162	42,383,943	1,210,415	1,232,735	51,830,577	43,616,678
Other noncurrent assets	4,333,300	4,906,745	-	-	4,333,300	4,906,745
Total Assets	97,864,169	89,693,848	8,077,936	7,619,920	105,942,105	97,313,768
Deferred Outflows of Resources	124,131	49,884	-	-	124,131	49,884
Current Liabilities	12,051,940	12,462,807	482,116	468,277	12,534,056	12,931,084
Noncurrent liabilities	30,335,342	28,931,282	2,110,888	2,104,756	32,446,230	31,036,038
Total liabilities	42,387,282	41,394,089	2,593,004	2,573,033	44,980,286	43,967,122
Net position:						
Invested in capital assets, net of related debt	39,844,772	33,365,112	1,210,415	1,232,735	41,055,187	34,597,847
Restricted	2,374,180	1,586,181	437,483	385,885	2,811,663	1,972,066
Unrestricted	13,382,066	13,398,350	3,837,034	3,428,267	17,219,100	16,826,617
TOTAL NET POSITION	\$ 55,601,018	\$ 48,349,643	\$ 5,484,932	\$ 5,046,887	\$ 61,085,950	\$ 53,396,530

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 \$4.5 million in revenue each year, which is used mostly for capital investment and economic development related activities.

For FY2014, the City had a significant increase in net position of \$7.7 million. The bulk of that increase occurred for the following reasons:

- This is the second consecutive year of heavy capital development that was funded primarily with grant funding. Over \$3.5 million dollars was received and expended in FY2014 for riverfront development activities, including a new boat launch and transient boat dock. At the end of FY2014 the boat launch and Phase 1A of the transient boat dock were substantially complete.
- In FY2014, the City and McCracken County began the construction of a 30,000 square foot building to be leased to TeleTech Services Corporation. The City borrowed \$1.35 million for the project and is acting as the “agent” on this project. The County and Paducah Economic Development together have contributed nearly \$2 million toward the project, leading to an increase in 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, 2014 and 2013. Governmental activities increased the City’s net position by \$7,251,375. Business-type activities increased the City’s net position by \$438,045.

City of Paducah, Kentucky

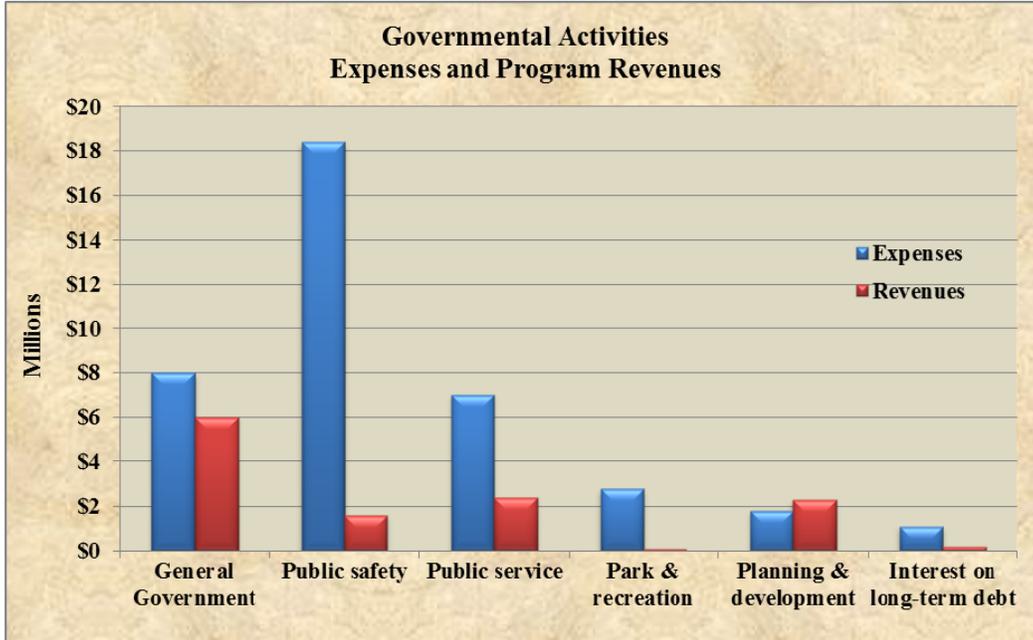
Changes in Net Position

June 30

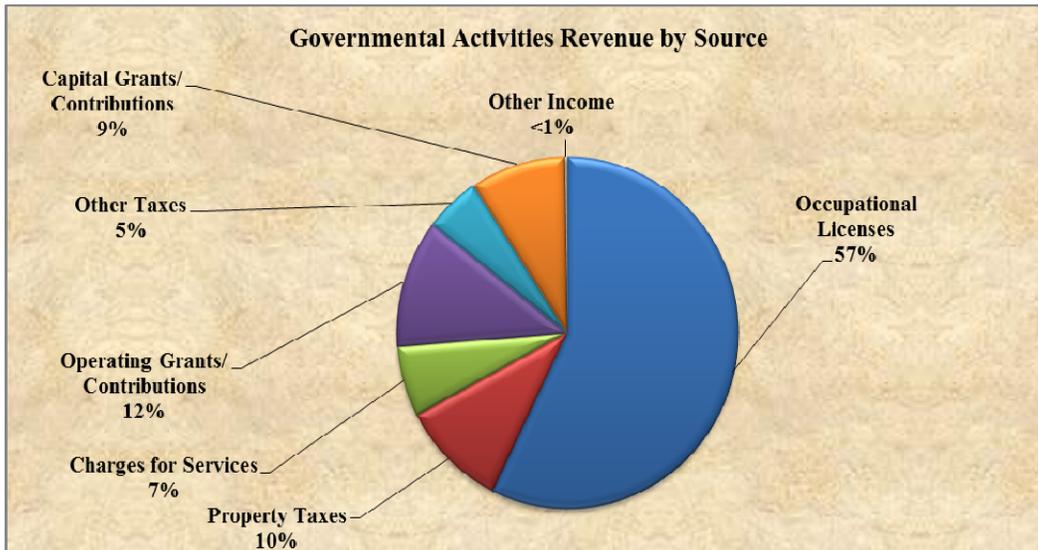
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2013 (Restated)</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013 (Restated)</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,002,214	\$ 2,950,117	\$ 4,451,325	\$ 4,410,325	\$ 7,453,539	\$ 7,360,442
Operating grants/ contributions	5,419,715	3,273,483	1,956,995	1,727,238	7,376,710	5,000,721
Capital grants/ contributions	4,136,749	2,165,548	-	-	4,136,749	2,165,548
General Revenues:						
Property taxes	4,622,292	4,502,276	-	-	4,622,292	4,502,276
Franchise taxes	178,729	199,134	-	-	178,729	199,134
Telecommunications tax	691,916	709,852	-	-	691,916	709,852
Insurance premium tax	3,831,792	3,863,464	-	-	3,831,792	3,863,464
Vehicle tax	658,289	626,772	-	-	658,289	626,772
Bank tax	225,373	243,203	-	-	225,373	243,203
Gross receipts license tax	4,444,440	4,391,352	-	-	4,444,440	4,391,352
Employee license tax	18,114,396	18,336,124	-	-	18,114,396	18,336,124
Other taxes	656,828	654,734	-	-	656,828	654,734
Intergovernmental revenue	374,198	365,348	-	-	374,198	365,348
Unrestricted investment earnings	232,204	211,306	48,255	49,382	280,459	260,688
Gain on sale of capital assets	(482,137)	383,370	13,422	52,710	(468,715)	436,080
Miscellaneous	-	(82,992)	103,260	82,992	103,260	-
Total revenues	46,106,998	42,793,091	6,573,257	6,322,647	52,680,255	49,115,738
Expenses:						
General Government	8,005,619	8,189,896	-	-	8,005,619	8,189,896
Public safety	18,439,670	18,204,945	-	-	18,439,670	18,204,945
Public service	6,982,536	6,167,510	-	-	6,982,536	6,167,510
Park & recreation	2,750,531	2,710,659	-	-	2,750,531	2,710,659
Planning & development	1,805,379	1,463,659	-	-	1,805,379	1,463,659
Interest on long-term debt	1,084,016	1,066,876	-	-	1,084,016	1,066,876
Solid Waste	-	-	3,985,233	3,967,490	3,985,233	3,967,490
Section Eight Housing	-	-	1,855,869	2,032,843	1,855,869	2,032,843
Civic Center	-	-	81,982	78,000	81,982	78,000
TISA	-	-	-	-	-	-
Total expenses	39,067,751	37,803,545	5,923,084	6,078,333	44,990,835	43,881,878
Increase (decrease) in Net position before transfers	7,039,247	4,989,546	650,173	244,314	7,689,420	5,233,860
Transfers	212,128	485,138	(212,128)	(485,138)	-	-
Change in net position	7,251,375	5,474,684	438,045	(240,824)	7,689,420	5,233,860
Net position, July 1, restated	48,349,643	42,874,959	5,046,887	5,287,711	53,396,530	48,162,670
NET POSITION, JUNE 30	\$ 55,601,018	\$ 48,349,643	\$ 5,484,932	\$ 5,046,887	\$ 61,085,950	\$ 53,396,530

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.



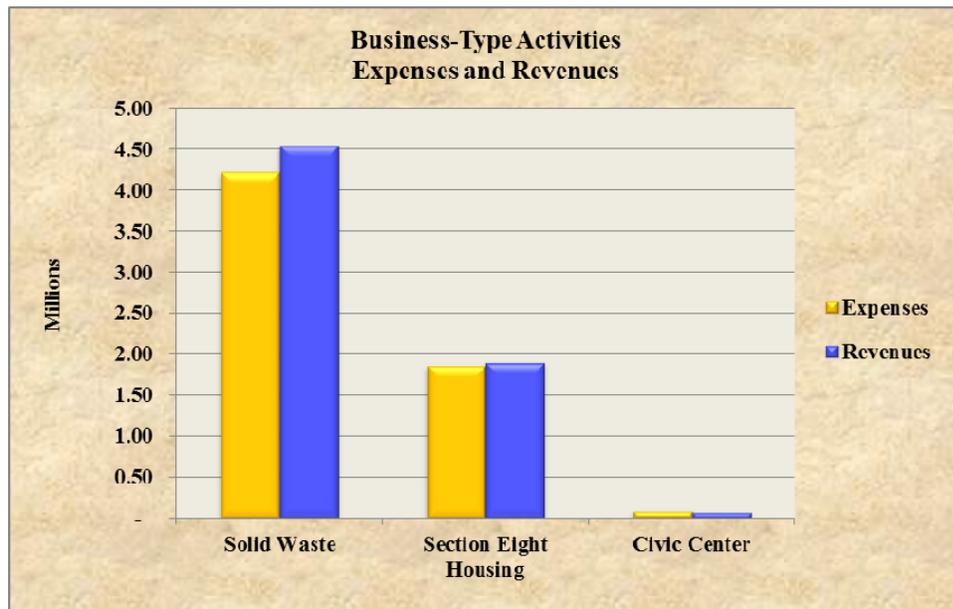
The graph below depicts the breakdown of revenue by source for fiscal year 2014.



In fiscal year 2014, the City derived 72% 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 \$26.4 million. This category of revenue decreased .8% from fiscal year 2013. All revenue sources within this category were fairly flat compared to the prior year. Business license was the one category that increased, which was by \$53,088 or 1.2%. Insurance premium tax and payroll withholding tax both decreased, by \$31,672 (.8%) and \$221,728 (1.2%), respectively. None of these changes appear to be the result of one significant taxpayer's activity, but the result of multiple entities having modest increases/decreases. Property taxes continue to be a stable source of revenue, comprising 10% of total revenue in FY2014.

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 2014, business-type activities as a whole had an increase in net position of \$438,045. 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.



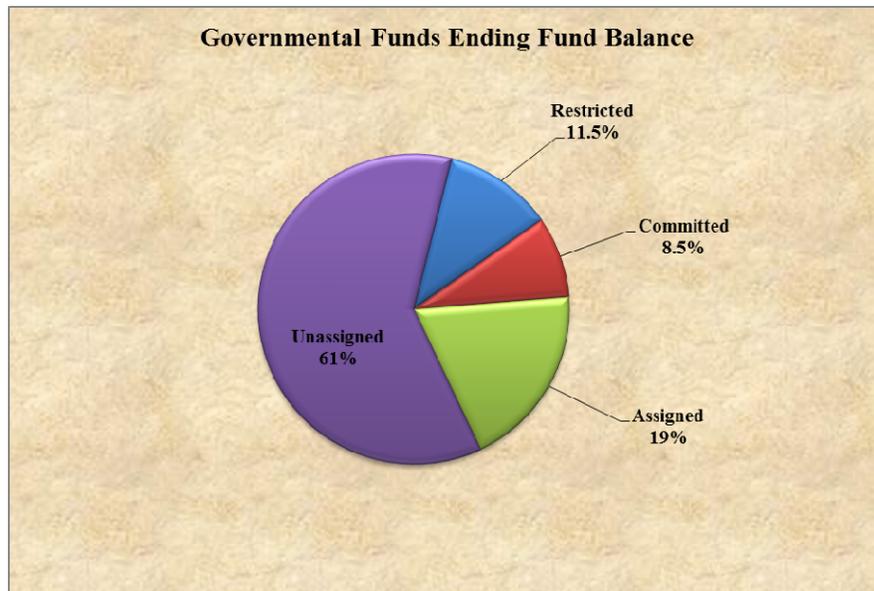
IV. Financial Analysis of the City's Funds

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 \$20.8 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:

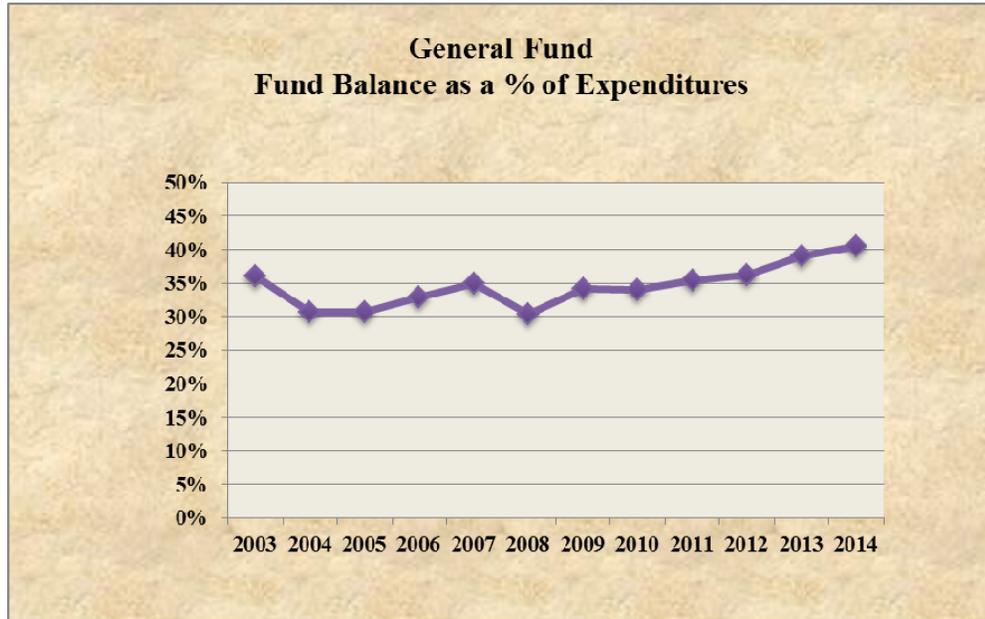
- *Restricted fund balance* has external limitations on use that may be imposed by creditors, grantors, contributors, or laws and regulations. For example, at the end of the fiscal year, the City had \$904,252 of municipal aid funds, which are restricted in use for paving by the State of Kentucky.
- *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 \$1,758,934 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, \$12.7 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 \$8.6 million available as cash; the balance is tied up in other assets including accounts receivable and property taxes collectible. City fiscal policy (Ordinance 2013-6-8042) 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 \$10.2 million as unreserved for fiscal year 2014.

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 (\$12.7 million) represents 40% of expenditures and transfers out (\$31.4 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 \$1.8 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 FY2014 budget included appropriations in excess of anticipated revenue by \$791 thousand to fulfill ongoing commitments as well as fund several large multi-year projects, including future hotel site development, riverfront development, continued support of economic development agencies, street & sidewalk resurfacing, and community development in the Fountain Avenue neighborhood. Actual results of an \$830 thousand decrease in fund balance reflect the net result of a few different issues. First of all, payroll tax revenue was slightly less than anticipated, coming in at approximately \$147 thousand under the original budget. Secondly, there were a few budgeted expenditures that did not take place, including a \$100,000 appropriation for a contractual agreement that did not occur due to the lack of performance by the other party.

Fund balance in the General Capital Improvements fund increased by approximately \$151 thousand from the prior year to \$3.2 million. The increase is due to funds set aside to complete capital projects in FY2015. 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 position of the respective proprietary funds are:

Solid Waste	\$4,341,775
Section Eight Housing	440,619
Civic Center	142,182

Combined total net asset change for the three funds was an increase of \$346,069, broken down as follows: Solid Waste (\$311 thousand increase), Section Eight Housing (\$48 thousand increase), and Civic Center (\$13 thousand decrease). The largest proprietary fund, Solid Waste, was discussed under Business Type Activities (Section III-C).

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>
	(In Thousands)	
General Administration	\$ -	\$ 122
Finance	-	29
Planning	16	-
Radio and Rental Property	-	88
Human Rights	-	4
Information Systems	-	62
Human Resources/Risk Management	-	7
Police	-	74
Fire	-	154
Public Works	-	87
Engineering Services	66	-
Recreation	-	103
PRDA	-	4
Other	881	-

General Administration had a decrease in appropriations of \$122 thousand. The majority of this decrease was due to unutilized contingency funds.

Fire and Recreation both experienced decreases in excess of \$100 thousand. Recreation had some programs that were below capacity. In addition, they only had their after-school program for the first semester and used year-round employees to staff the program rather than part-time labor. Fire's decrease resulted from the combination of several line items from their operating budget including a renegotiated phone contract and fewer than expected fleet repair charges, to name a few.

Engineering had an increase in appropriations of \$66 thousand. There were unanticipated repairs to one of the floodwall pump stations totaling over \$160 thousand. This was partially offset by an unfilled position in the administrative division.

The primary components of the "Other" department category are operating transfers out, which are typically made to the capital project fund. Large unanticipated interfund transfers were made this year to fund a downtown development project (\$200,000) and establish funding for an upcoming hotel project loan fund (\$200,000). A transfer was also made to increase the cash reserve in the debt service fund in the amount of \$150,000.

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, 2014, is \$52 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 2014, project and equipment additions totaled over \$16 million, with \$10 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 2014, are shown in the following table:

Transient Boat Dock (Construction in Progress)	\$3,799,187
TeleTech Building (Construction in Progress)	3,057,435
Riverfront – Boat Launch	2,903,021
Noble Park Pool Renovation	1,386,325
(2) Pumper Trucks	838,693
Olivet Church Road ROW & Utility Relocation (Construction in Progress)	517,150

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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 10,408,932	\$ 10,376,432	\$ 62,152	\$ 62,152	\$ 10,471,084	\$ 10,438,584
Land improvements	3,716,137	2,509,348	-	-	3,716,137	2,509,348
Construction in progress	12,299,347	6,527,866	-	-	12,299,347	6,527,866
Buildings and improvements	6,162,826	6,868,297	283,659	299,337	6,446,485	7,167,634
Infrastructure	13,413,098	11,905,517	-	-	13,413,098	11,905,517
Equipment	1,337,857	1,468,264	463,695	285,541	1,801,552	1,753,805
Furnishings and fixtures	16,165	1,265	-	-	16,165	1,265
Vehicles	3,265,800	2,726,954	400,909	585,705	3,666,709	3,312,659
TOTALS	<u>\$ 50,620,162</u>	<u>\$ 42,383,943</u>	<u>\$ 1,210,415</u>	<u>\$ 1,232,735</u>	<u>\$ 51,830,577</u>	<u>\$ 43,616,678</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 \$31,225,647 in outstanding bonds and notes payable, compared to \$29,275,256 at June 30, 2013 with maturities extending through 2032.

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Kentucky League of Cities – 2003	\$1,849,709	\$2,024,294
Police/Firefighter Pension Fund Liability – 2006	4,400,000	4,655,000
Floodwall Rehabilitation – 2008	2,224,863	2,341,790
Convention Center Renovation – 2008	2,081,250	2,181,250
Public Improvement Projects – 2010	-	5,825,000
Refinanced Convention Center – 2010	5,805,000	6,220,000
Margaret Hank Agreement – 2011	136,637	151,812
Refinanced Infiniti Media Building – 2011	3,100,000	3,370,000
Murray State University Agreement – 2011	2,451,760	2,563,482
Public Pool Renovations – 2013	1,120,000	-
Economic Development – 2013	2,475,000	-
Refinanced Public Projects – 2014	5,460,000	-
Discounts/Premiums - Net	<u>121,428</u>	<u>(57,372)</u>
TOTALS	<u>\$31,225,647</u>	<u>\$29,275,256</u>

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

Public Improvement Projects – Refinance. In May 2014, a \$5.46 million general obligation was issued to refund \$5.545 million of outstanding 2010 series bonds. The 2010 bonds were 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.

Economic Development. In September 2013, \$2.475 million in general obligation taxable bonds were issued to finance a portion of construction of 1) improvements to an industrial distribution center and 2) an approximately 30,000 square foot building. Each of these buildings are being utilized for separate economic development projects.

Public Pool Renovations. In September 2013, \$1.12 million in general obligation bonds were issued to finance Noble Park’s pool renovation project.

Debt issues prior to July 1, 2013 are described below:

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.

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.

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.

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.

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.

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.

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.

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).

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 \$227,059,775. 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 2014, only 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.

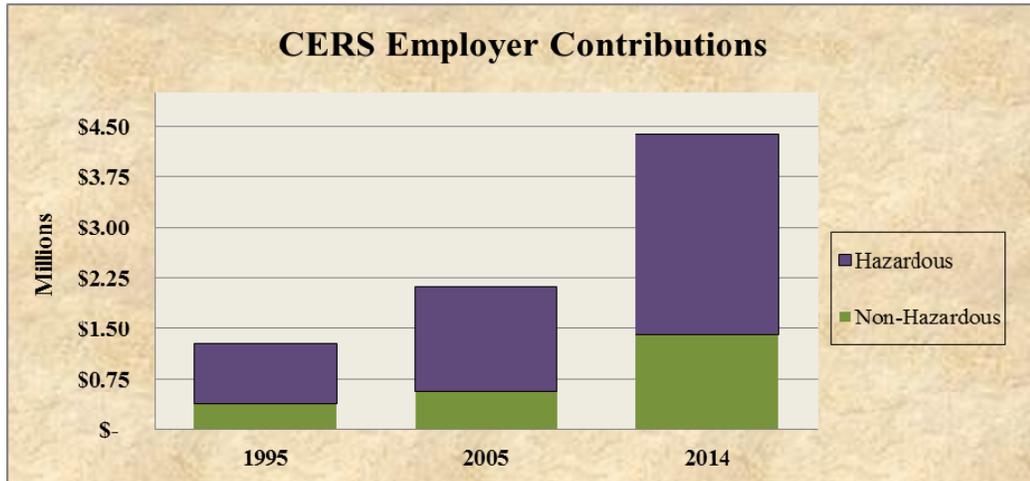
VII. Other Potentially Significant Matters.

- A. Police and Fire Pension Bonds – Refinance.** In July 2014, the City issued advance refunding bond Series 2014B for refunding of the Police and Firefighters Pension Plan Series 2005 bonds maturing on or after November 1, 2016.
- B. Hotel/Showroom Renovation.** In January 2015, the City plans to issue \$2.265 million (Series 2014C) in in general obligation bonds to finance the renovation of convention center space (formerly known as “the showroom”) located at the Julian Carroll Convention Center. Also, in January 2015, the City plans to issue \$4.325 million (Series 2014D) in taxable general obligation

bonds to pay a portion of the costs of the acquisition and construction of a hotel to be located adjacent to the Julian Carroll Convention Center. This hotel will be leased to Paducah Convention Hotel, LLC.

- C. 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 1995, 2005, and 2014.

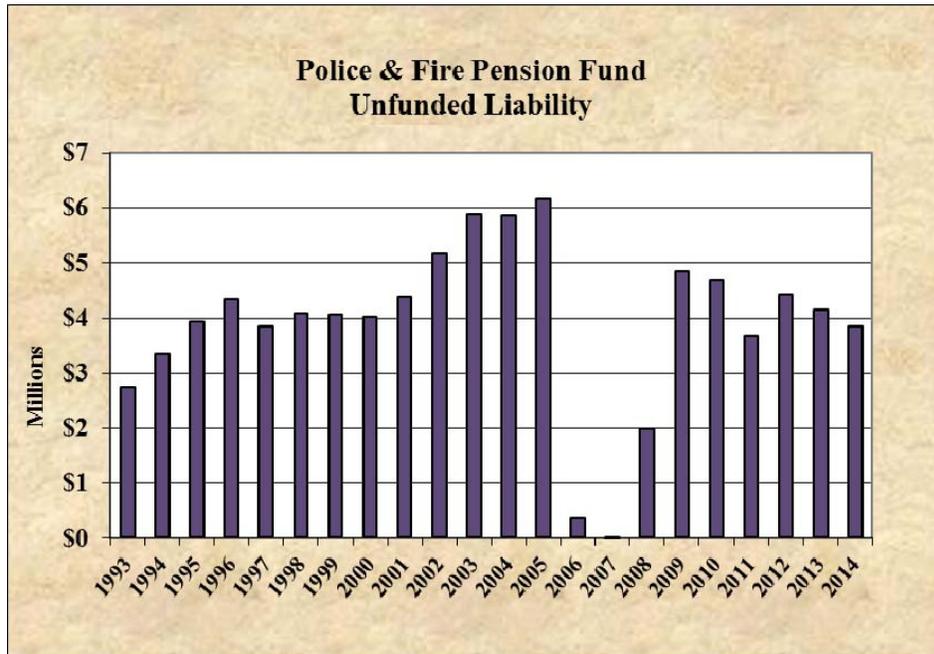
CERS Employer Contributions						
	Non-Hazardous			Hazardous		
FY	Rate	Amount	% Chg	Rate	Amount	% Chg
1995	8.82%	\$396,690		18.46%	\$879,995	
2005	8.48%	\$584,660	47%	22.08%	\$1,541,057	75%
2014	18.89%	\$1,415,877	142%	35.70%	\$2,974,471	93%



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.

- D. 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

2014 actuary study shows that the PFPF unfunded pension liability is approximately \$3.8 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, 2014, indicates the minimum actuarially sound contribution for FY2015 will be \$391,468.

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, 2014

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2014

<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	\$ 22,517,630	\$ 5,599,630	\$ 28,117,260	\$ 1,254,787
Receivables, net:				
Notes	1,261,375	-	1,261,375	-
Accounts	7,064,776	549,858	7,614,634	591,627
Grants	385,872	-	385,872	-
Interest	11,492	-	11,492	-
Property tax	5,004,528	-	5,004,528	-
Accrued unbilled revenues	-	-	-	1,099,201
Internal balances	(560,356)	560,356	-	-
Inventory	1,562,395	-	1,562,395	630,723
Prepaid pension obligation	5,410,532	-	5,410,532	-
Prepaid expenses	203,677	157,677	361,354	104,397
Other current assets	48,786	-	48,786	873,089
Total current assets	42,910,707	6,867,521	49,778,228	4,553,824
Noncurrent Assets:				
Notes receivable	4,333,300	-	4,333,300	-
Capital assets:				
Land and construction in progress	22,708,279	62,152	22,770,431	2,685,360
Depreciable capital assets	27,911,883	1,148,263	29,060,146	45,858,423
Other assets	-	-	-	4,561,661
Total noncurrent assets	54,953,462	1,210,415	56,163,877	53,105,444
Total assets	97,864,169	8,077,936	105,942,105	57,659,268
Deferred Outflows of Resources:				
Deferred charges on refunding	124,131	-	124,131	-
Total deferred outflows of resources	124,131	-	124,131	-

<u>LIABILITIES</u>	<u>Primary Government</u>			Component Unit
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Paducah Water Works Authority</u>
Current Liabilities:				
Voucher and accounts payable	2,636,630	251,830	2,888,460	747,382
Cash deficit	-	-	-	-
Line of credit	279,301	-	279,301	-
Accrued payables	1,012,302	60,587	1,072,889	782,946
Unearned revenue	4,926,350	79,190	5,005,540	-
Accrued compensated absences	1,015,737	90,509	1,106,246	239,106
Accrued interest	103,092	-	103,092	-
Notes payable due within one year	417,876	-	417,876	341,179
Bonds payable due within one year	1,660,652	-	1,660,652	-
Other current liabilities	-	-	-	233,235
Total current liabilities	<u>12,051,940</u>	<u>482,116</u>	<u>12,534,056</u>	<u>2,343,848</u>
Noncurrent Liabilities:				
Accrued compensated absences	1,188,223	48,388	1,236,611	-
Landfill post-closure costs	-	2,062,500	2,062,500	-
Notes payable	6,101,480	-	6,101,480	5,948,187
Bonds payable	23,045,639	-	23,045,639	-
Total noncurrent liabilities	<u>30,335,342</u>	<u>2,110,888</u>	<u>32,446,230</u>	<u>5,948,187</u>
Total liabilities	<u>42,387,282</u>	<u>2,593,004</u>	<u>44,980,286</u>	<u>8,292,035</u>
<u>NET POSITION</u>				
Invested in capital assets, net of related debt	39,844,772	1,210,415	41,055,187	42,254,417
Restricted for:				
Housing and development projects	83,792	437,483	521,275	-
Capital projects & infrastructure	2,168,201	-	2,168,201	-
Public safety	122,187	-	122,187	-
Unrestricted	<u>13,382,066</u>	<u>3,837,034</u>	<u>17,219,100</u>	<u>7,112,816</u>
TOTAL NET POSITION	<u><u>\$ 55,601,018</u></u>	<u><u>\$ 5,484,932</u></u>	<u><u>\$ 61,085,950</u></u>	<u><u>\$ 49,367,233</u></u>

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

<u>FUNCTIONS/PROGRAMS</u>	Program Revenues			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
General government	8,005,619	1,672,552	\$ 697,183	\$ 3,596,995
Public safety	18,439,670	264,143	769,079	539,754
Public service	6,982,536	960,271	1,468,652	-
Parks and recreation	2,750,531	105,248	-	-
Planning and development	1,805,379	-	2,332,436	-
Interest on long-term debt	1,084,016	-	152,365	-
Total governmental activities (See Note 1)	<u>39,067,751</u>	<u>3,002,214</u>	<u>5,419,715</u>	<u>4,136,749</u>
Business-type activities:				
Solid Waste	3,985,233	4,410,059	55,112	-
Section Eight Housing	1,855,869	-	1,901,883	-
Civic Center	81,982	41,266	-	-
Total business-type activities	<u>5,923,084</u>	<u>4,451,325</u>	<u>1,956,995</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u><u>\$ 44,990,835</u></u>	<u><u>\$ 7,453,539</u></u>	<u><u>\$ 7,376,710</u></u>	<u><u>\$ 4,136,749</u></u>
Component Unit:				
Paducah Water Works Authority	\$ 8,983,272	\$ 10,387,966	\$ -	\$ 430,100
TOTAL COMPONENT UNITS	<u><u>\$ 8,983,272</u></u>	<u><u>\$ 10,387,966</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 430,100</u></u>

General revenues:
Taxes and licenses:
Property taxes, levied for general purposes
Franchise tax
Telecommunications tax
Insurance premium tax
Vehicle tax
Bank tax
Gross receipts license tax
Employee license tax
Other taxes
Transient room tax
Unrestricted investment earnings
Gain (loss) on sale of capital assets
Miscellaneous
Total general revenues
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning as restated (Note 10)
Net position - ending

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Paducah Water Works Authority
\$ (2,038,889)	\$ -	\$ (2,038,889)	\$ -
(16,866,694)	-	(16,866,694)	-
(4,553,613)	-	(4,553,613)	-
(2,645,283)	-	(2,645,283)	-
527,057	-	527,057	-
(931,651)	-	(931,651)	-
<u>(26,509,073)</u>	<u>-</u>	<u>(26,509,073)</u>	<u>-</u>
-	479,938	479,938	-
-	46,014	46,014	-
-	(40,716)	(40,716)	-
<u>-</u>	<u>485,236</u>	<u>485,236</u>	<u>-</u>
<u>(26,509,073)</u>	<u>485,236</u>	<u>(26,023,837)</u>	<u>-</u>
-	-	-	1,834,794
-	-	-	1,834,794
4,622,292	-	4,622,292	-
178,729	-	178,729	-
691,916	-	691,916	-
3,831,792	-	3,831,792	-
658,289	-	658,289	-
225,373	-	225,373	-
4,444,440	-	4,444,440	-
18,114,396	-	18,114,396	-
656,828	-	656,828	-
374,198	-	374,198	-
232,204	48,255	280,459	15,849
(482,137)	13,422	(468,715)	60,017
-	103,260	103,260	3,759
<u>33,548,320</u>	<u>164,937</u>	<u>33,713,257</u>	<u>79,625</u>
<u>212,128</u>	<u>(212,128)</u>	<u>-</u>	<u>-</u>
<u>33,760,448</u>	<u>(47,191)</u>	<u>33,713,257</u>	<u>79,625</u>
<u>7,251,375</u>	<u>438,045</u>	<u>7,689,420</u>	<u>1,914,419</u>
<u>48,349,643</u>	<u>5,046,887</u>	<u>53,396,530</u>	<u>47,452,814</u>
<u>\$ 55,601,018</u>	<u>\$ 5,484,932</u>	<u>\$ 61,085,950</u>	<u>\$ 49,367,233</u>

CITY OF PADUCAH, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General Fund</u>	<u>Special Revenue Investment Fund</u>	<u>General Capital Improvements</u>
Assets			
Cash and cash equivalents	\$ 8,610,392	\$ 1,041,762	\$ 4,076,872
Receivables:			
Accounts	6,767,832	-	914,669
Grants	63,983	-	105,606
Property taxes (net of allowances for uncollectibles)	5,073,528	-	-
Due from other funds	221,069	1,117,172	-
	<u>221,069</u>	<u>1,117,172</u>	<u>-</u>
Total Assets	<u>\$ 20,736,804</u>	<u>\$ 2,158,934</u>	<u>\$ 5,097,147</u>
Liabilities			
Voucher and accounts payable	\$ 660,847	\$ -	\$ 1,081,066
Line of credit	-	-	164,669
Accrued payroll and payroll taxes	939,410	-	-
Due to other funds	1,117,172	400,000	500,000
Unearned revenue - other	2,084	-	145,000
Accrued compensated absences	337,499	-	-
	<u>337,499</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,057,012</u>	<u>400,000</u>	<u>1,890,735</u>
Deferred Inflows of Resources			
Unavailable revenue-property taxes	<u>4,985,182</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted for:			
Highways and streets	-	-	-
Public safety	-	-	-
Program purposes	-	-	-
Capital improvements	-	-	-
Committed for:			
Capital improvements	-	1,758,934	-
Assigned for:			
Capital improvements	-	-	3,206,412
Public safety	-	-	-
Debt service	-	-	-
Unassigned:			
General Fund	12,694,610	-	-
	<u>12,694,610</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>12,694,610</u>	<u>1,758,934</u>	<u>3,206,412</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 20,736,804</u>	<u>\$ 2,158,934</u>	<u>\$ 5,097,147</u>

See accompanying notes to the basic financial statements.

Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 503,817	\$ 2,754,276	\$ 16,987,119
-	260,612	7,943,113
-	216,283	385,872
-	-	5,073,528
-	500,000	1,838,241
<u>\$ 503,817</u>	<u>\$ 3,731,171</u>	<u>\$ 32,227,873</u>
\$ -	\$ 716,257	\$ 2,458,170
-	114,633	279,302
-	54,943	994,353
-	172,283	2,189,455
-	-	147,084
-	-	337,499
<u>-</u>	<u>1,058,116</u>	<u>6,405,863</u>
<u>-</u>	<u>-</u>	<u>4,985,182</u>
-	904,252	904,252
-	122,187	122,187
-	83,792	83,792
-	1,263,949	1,263,949
-	-	1,758,934
-	-	3,206,412
-	298,875	298,875
503,817	-	503,817
<u>-</u>	<u>-</u>	<u>12,694,610</u>
<u>503,817</u>	<u>2,673,055</u>	<u>20,836,828</u>
<u>\$ 503,817</u>	<u>\$ 3,731,171</u>	<u>\$ 32,227,873</u>

CITY OF PADUCAH, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balance - total governmental fund: \$ 20,836,828

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. 160,038

The long-term notes receivable are not reported in the governmental funds balance sheet since they are not available to pay current period expenditures. 4,452,500

Interest receivable on the long-term notes receivable is not reported on the governmental funds balance sheet since neither the note receivable nor the interest is available to pay current period expenditures. 11,492

Inventory is not a current financial resource and, therefore, is not reported in the governmental funds balance sheet. 1,497,659

A prepaid pension obligation is not a current financial resource, and therefore, is not reported in the governmental funds balance sheet. 5,410,532

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. 50,620,162

Premiums, discounts and deferred charges on refunding debt used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. 2,703

The portion of accrued compensated absences not due and payable in the current period, and therefore, not reported in the governmental funds balance sheet. (1,808,457)

(Continued)

CITY OF PADUCAH, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2014

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. \$ (103,092)

Long-term liabilities of (\$31,104,220) 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	\$ 2,078,528	
Due after one year	<u>29,025,692</u>	(31,104,220)

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	\$ 6,462,761	
Current liabilities	(277,532)	
Net amount allocated to business-type activities	<u>(560,356)</u>	<u>5,624,873</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 55,601,018</u></u>
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See accompanying notes to the basic financial statements

CITY OF PADUCAH, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Special Revenue Investment Fund	General Capital Improvements
Revenues:			
Taxes	\$ 6,297,086	\$ -	\$ -
Licenses	22,517,253	4,469,857	-
Charges for services	587,071	-	-
Intergovernmental	-	-	1,350,029
Grants	723,957	-	4,050,116
Interest	167,379	-	-
Property upkeep, rentals, sales and other	1,009,510	3,701	1,314,048
Total revenues	<u>31,302,256</u>	<u>4,473,558</u>	<u>6,714,193</u>
Expenditures:			
Current operations:			
General government	4,311,103	-	-
Public safety	16,802,514	-	-
Public service	4,802,274	-	-
Parks and recreation	2,763,773	-	-
Planning and development	-	718,199	-
Intergovernmental and other	640,452	-	-
Capital outlay	-	-	11,926,435
Debt service:			
Principal requirement	-	-	-
Debt issuance costs	-	-	-
Interest requirement	-	-	-
Total expenditures	<u>29,320,116</u>	<u>718,199</u>	<u>11,926,435</u>
Excess (deficiency) of revenues over expenditures	<u>1,982,140</u>	<u>3,755,359</u>	<u>(5,212,242)</u>
Other Financing Sources (Uses):			
Proceeds from debt issued	-	-	-
Payment to refunded bond escrow agent	-	-	-
Premium on debt issued	-	-	-
Discount on debt issued	-	-	-
Transfers in	490,000	2,500	5,363,404
Transfers out	<u>(2,089,095)</u>	<u>(4,588,024)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,599,095)</u>	<u>(4,585,524)</u>	<u>5,363,404</u>
Net change in fund balances	383,045	(830,165)	151,162
Fund balances - beginning	<u>12,311,565</u>	<u>2,589,099</u>	<u>3,055,250</u>
Fund balances - ending	<u>\$ 12,694,610</u>	<u>\$ 1,758,934</u>	<u>\$ 3,206,412</u>

See accompanying notes to the basic financial statements.

Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 416,803	\$ 6,713,889
-	-	26,987,110
-	264,009	851,080
677,255	597,079	2,624,363
84,467	1,065,111	5,923,651
-	32,204	199,583
202,898	741,703	3,271,860
<u>964,620</u>	<u>3,116,909</u>	<u>46,571,536</u>
-	-	4,311,103
-	1,672,957	18,475,471
-	1,521,207	6,323,481
-	-	2,763,773
-	1,368,328	2,086,527
-	-	640,452
-	-	11,926,435
1,748,233	-	1,748,233
-	109,292	109,292
1,078,357	8,509	1,086,866
<u>2,826,590</u>	<u>4,680,293</u>	<u>49,471,633</u>
<u>(1,861,970)</u>	<u>(1,563,384)</u>	<u>(2,900,097)</u>
-	9,055,000	9,055,000
-	(5,627,447)	(5,627,447)
-	220,683	220,683
-	(53,529)	(53,529)
2,011,970	1,280,887	9,148,761
-	(2,522,000)	(9,199,119)
<u>2,011,970</u>	<u>2,353,594</u>	<u>3,544,349</u>
150,000	790,210	644,252
353,817	1,882,845	20,192,576
<u>\$ 503,817</u>	<u>\$ 2,673,055</u>	<u>\$ 20,836,828</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, 2014

Net change in fund balances - total governmental fund	\$ 644,252
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>	
Inventory purchases require the use of current financial resources and, therefore, are reported as expenditures in governmental funds.	834,152
Inventory sales provide current financial resources and are reported as revenues in governmental funds.	(672,725)
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 \$970,817.	11,814,543
Collections on long-term notes receivables and related interest receivable are revenues in the government funds when collected.	(337,954)
Payments on property taxes recognized as revenues when received in the governmental funds.	(27,278)
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.	(108,567)
Proceeds of the issuance of debt provides current financial resources and is reported as an other financing source in governmental funds.	(9,055,000)
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.	(522,218)

(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, 2014

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 \$619,832. \$ (3,054,114)

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. 7,283,408

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. 31,023

Long-term accrued compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (94,444)

Governmental funds report the effect of bond premiums, discounts and refunding costs when debt is issued, whereas these amounts are deferred and amortized in the Statement of Activities. (104,555)

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	\$1,063,814	
Net of amount allocated to business-type activities	(91,976)	
Capital Outlays	(970,817)	
Depreciation expense	619,832	620,853

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 7,251,375**

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, 2014

	<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	\$ 4,905,500	\$ 5,096,280	\$ 5,096,289	\$ 9
Real and personal, prior year	145,000	139,865	139,866	1
Franchise	156,000	178,725	178,729	4
Bank taxes	240,000	225,370	225,373	3
In lieu of tax payment	312,000	299,360	299,367	7
Penalty, interest and advertising	44,000	54,990	54,998	8
Paducah Junior College tax collections	-	302,460	302,463	3
Total taxes	5,802,500	6,297,050	6,297,085	35
Licenses:				
Business licenses	4,400,000	4,444,435	4,444,440	5
Employee earnings	13,850,000	13,644,535	13,644,540	5
Comcast fees	302,000	301,850	301,854	4
Penalties	170,000	202,920	202,920	-
Alcoholic beverages	121,000	143,660	143,660	-
Insurance premium tax	3,500,000	3,831,790	3,831,792	2
Building permits	125,000	130,400	130,401	1
Electrical permits	35,000	29,010	29,010	-
Zoning change fees	6,500	5,240	5,244	4
Miscellaneous building and electrical fees	4,250	6,000	6,000	-
KJDA payroll rebate	(227,000)	(222,610)	(222,607)	3
Total licenses	22,286,750	22,517,230	22,517,254	24
Charges for services:				
Tax collection fee	161,000	163,535	163,537	2
Administrative charge	261,720	271,090	271,095	5
Base court revenue	56,000	47,190	47,191	1
Recreation fees	100,000	105,240	105,248	8
Total charges for services	578,720	587,055	587,071	16

(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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Grants:				
Police State Incentive	\$ 326,000	\$ 310,010	\$ 310,014	\$ 4
Fire State Incentive	265,000	260,280	260,281	1
Police supplemental grants	53,500	153,645	153,662	17
Total grants	644,500	723,935	723,957	22
Interest	111,000	167,375	167,379	4
Other:				
Property rent and sales	685,565	686,230	686,238	8
Property upkeep and maintenance	103,585	121,325	121,328	3
Contractual programs	5,000	3,365	3,369	4
E911 - GIS	26,880	26,880	26,883	3
Miscellaneous	163,000	171,555	171,693	138
Total other	984,030	1,009,355	1,009,511	156
Total revenues	30,407,500	31,302,000	31,302,257	257
Expenditures:				
General government:				
General administration:				
Mayor and Commissioners	182,090	187,625	187,565	60
City Manager	422,725	411,780	411,928	(148)
City Clerk	120,670	120,830	120,981	(151)
Corporate Counsel	172,520	163,795	163,743	52
Non-departmental	796,845	787,175	787,172	3
Memberships and contingency	123,750	25,605	25,599	6
Civic beautification	3,500	3,205	3,196	9
Total general administration	1,822,100	1,700,015	1,700,184	(169)
PRDA	123,725	119,840	119,630	210
Finance:				
Finance administration	254,275	254,375	254,398	(23)
Accounting and payroll	331,250	320,405	320,232	173
Revenue collection	394,055	376,205	375,951	254
Total finance	979,580	950,985	950,581	404

CITY OF PADUCAH, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
General government:				
Planning:				
Administration	\$ 266,475	\$ 267,930	\$ 267,783	\$ 147
Planning	89,610	88,435	88,413	22
Grants	143,450	137,630	137,367	263
Economic development	-	21,660	21,596	64
Total planning	499,535	515,655	515,159	496
Radio and rental property	175,845	88,005	87,972	33
Human rights	41,970	37,460	37,369	91
Information systems	668,170	605,695	605,538	157
Human resources/risk management	302,290	294,940	294,670	270
Total general government	4,613,215	4,312,595	4,311,103	1,492
Public safety:				
Police:				
Police administration	833,300	826,970	826,563	407
Patrol	6,343,705	6,240,690	6,240,444	246
Investigations	2,080,445	2,116,270	2,116,236	34
Total police	9,257,450	9,183,930	9,183,243	687
Fire:				
Fire administration	479,075	473,005	472,910	95
Suppression	6,229,925	6,064,165	6,063,841	324
Prevention and inspection	163,845	164,125	163,925	200
Training	140,130	137,515	137,541	(26)
Construction	386,695	379,390	379,347	43
Code enforcement	374,925	401,980	401,707	273
Total fire	7,774,595	7,620,180	7,619,271	909
Total public safety	17,032,045	16,804,110	16,802,514	1,596
Public service:				
Public works:				
Street maintenance	1,955,530	1,769,690	1,769,575	115
Street lighting	630,000	764,985	764,983	2
Landscape maintenance	1,126,355	1,090,610	1,090,377	233
Total public works	3,711,885	3,625,285	3,624,935	350

CITY OF PADUCAH, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<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	\$ 561,630	\$ 476,555	\$ 476,429	\$ 126
Flood control	550,690	701,270	700,910	360
Total engineering services	<u>1,112,320</u>	<u>1,177,825</u>	<u>1,177,339</u>	<u>486</u>
Total public service	<u>4,824,205</u>	<u>4,803,110</u>	<u>4,802,274</u>	<u>836</u>
Parks and recreation:				
Parks and recreation administration	790,365	784,395	784,232	163
Grounds maintenance	1,481,570	1,457,615	1,457,591	24
Pools and recreation programs	595,495	522,325	521,950	375
Total parks and recreation	<u>2,867,430</u>	<u>2,764,335</u>	<u>2,763,773</u>	<u>562</u>
Intergovernmental and other:				
Cable authority	81,595	84,050	84,041	9
Mainstreet program	448,320	168,615	168,538	77
Leave expense	-	85,410	85,409	1
Intergovernmental expense	-	302,465	302,463	2
Total intergovernmental and other	<u>529,915</u>	<u>640,540</u>	<u>640,451</u>	<u>89</u>
Total expenditures	<u>29,866,810</u>	<u>29,324,690</u>	<u>29,320,115</u>	<u>4,575</u>
Excess (deficiency) of revenues over expenditures	<u>540,690</u>	<u>1,977,310</u>	<u>1,982,142</u>	<u>4,832</u>
Other financing sources (uses):				
Operating transfers in	515,000	490,000	490,000	-
Operating transfers out	(1,228,610)	(2,089,105)	(2,089,096)	9
Total other financing sources (uses)	<u>(713,610)</u>	<u>(1,599,105)</u>	<u>(1,599,096)</u>	<u>9</u>
Net change in fund balance	(172,920)	378,205	383,046	4,841
Fund balance - beginning	<u>12,311,565</u>	<u>12,311,565</u>	<u>12,311,565</u>	<u>-</u>
Fund balance - ending	<u>\$ 12,138,645</u>	<u>\$ 12,689,770</u>	<u>\$ 12,694,611</u>	<u>\$ 4,841</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, 2014

	<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	\$ 4,617,000	\$ 4,469,855	\$ 4,469,857	\$ 2
Total licenses	4,617,000	4,469,855	4,469,857	2
Other:				
Miscellaneous	-	3,700	3,701	1
Total other	-	3,700	3,701	1
Total revenues	4,617,000	4,473,555	4,473,558	3
Expenditures:				
General government:				
Planning and development:				
Economic development	886,000	718,200	718,200	-
Total expenditures	886,000	718,200	718,200	-
Excess (deficiency) of revenues over expenditures	3,731,000	3,755,355	3,755,358	3
Other financing sources (uses):				
Operating transfers in	-	2,500	2,500	-
Operating transfers out	(4,521,680)	(4,588,030)	(4,588,024)	6
Total other financing sources (uses)	(4,521,680)	(4,585,530)	(4,585,524)	6
Net change in fund balance	(790,680)	(830,175)	(830,166)	9
Fund balance - beginning	2,589,099	2,589,099	2,589,099	-
Fund balance - ending	<u>\$ 1,798,419</u>	<u>\$ 1,758,924</u>	<u>\$ 1,758,933</u>	<u>\$ 9</u>

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

<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	\$ 4,971,751	\$ 627,879	\$ 5,599,630	\$ 5,530,512
Accounts receivable	549,858	-	549,858	263,839
Due from other funds	-	-	-	400,000
Prepaid expenses	157,677	-	157,677	203,677
Inventory	-	-	-	64,733
Total current assets	<u>5,679,286</u>	<u>627,879</u>	<u>6,307,165</u>	<u>6,462,761</u>
Noncurrent Assets:				
Net capital assets:				
Land	62,152	-	62,152	-
Depreciable capital assets	995,552	152,711	1,148,263	3,265,133
Total noncurrent assets	<u>1,057,704</u>	<u>152,711</u>	<u>1,210,415</u>	<u>3,265,133</u>
Total assets	<u>6,736,990</u>	<u>780,590</u>	<u>7,517,580</u>	<u>9,727,894</u>
	<u>LIABILITIES</u>			
Current Liabilities:				
Voucher and accounts payable	125,388	77,656	203,044	178,459
Accrued payroll and payroll taxes	60,587	-	60,587	17,948
Accrued compensated absences	88,613	1,896	90,509	40,344
Unearned revenue	26,800	52,390	79,190	23,122
Due to other funds	-	48,786	48,786	-
Total current liabilities	<u>301,388</u>	<u>180,728</u>	<u>482,116</u>	<u>259,873</u>
Noncurrent Liabilities:				
Landfill post-closure costs	2,062,500	-	2,062,500	-
Accrued compensated absences	31,327	17,061	48,388	17,659
Total noncurrent liabilities	<u>2,093,827</u>	<u>17,061</u>	<u>2,110,888</u>	<u>17,659</u>
Total liabilities	<u>2,395,215</u>	<u>197,789</u>	<u>2,593,004</u>	<u>277,532</u>
	<u>NET POSITION</u>			
Invested in capital assets	1,057,704	152,711	1,210,415	3,265,133
Restricted - Housing	-	437,483	437,483	-
Unrestricted	3,284,071	(7,393)	3,276,678	6,185,229
TOTAL NET POSITION	<u>\$ 4,341,775</u>	<u>\$ 582,801</u>	4,924,576	<u>\$ 9,450,362</u>
Reconciliation to government-wide statements of net position:				
Adjustment to reflect the consolidation of Internal Service Funds' activities related to Enterprise Funds			<u>560,356</u>	
NET POSITION OF BUSINESS-TYPE ACTIVITIES			<u>\$ 5,484,932</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, 2014

	Business-type Activities			Governmental
	Solid Waste	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Operating Revenues:				
Charges for services - internal	\$ -	\$ 41,266	\$ 41,266	\$5,288,401
Charges for services - external	4,410,059	-	4,410,059	286,492
Miscellaneous	9,643	1,639	11,282	-
Total operating revenues	<u>4,419,702</u>	<u>42,905</u>	<u>4,462,607</u>	<u>5,574,893</u>
Operating Expenses:				
Cost of sales and service	3,682,041	1,923,951	5,605,992	4,223,092
Depreciation and amortization	303,192	13,898	317,090	619,832
Total operating expenses	<u>3,985,233</u>	<u>1,937,849</u>	<u>5,923,082</u>	<u>4,842,924</u>
Operating income (loss)	<u>434,469</u>	<u>(1,894,944)</u>	<u>(1,460,475)</u>	<u>731,969</u>
Nonoperating Revenues (Expenses):				
Grants - program purpose	55,112	1,901,883	1,956,995	-
Interest and investment income	48,189	66	48,255	32,622
Gain (loss) on disposal of property and equipment	13,422	-	13,422	36,737
Total nonoperating revenues (expenses)	<u>116,723</u>	<u>1,901,949</u>	<u>2,018,672</u>	<u>69,359</u>
Income (loss) before contributions and transfers	<u>551,192</u>	<u>7,005</u>	<u>558,197</u>	<u>801,328</u>
Contributions and Transfers:				
Transfers in	-	27,872	27,872	270,986
Transfers out	(240,000)	-	(240,000)	(8,500)
Total contributions and transfers	<u>(240,000)</u>	<u>27,872</u>	<u>(212,128)</u>	<u>262,486</u>
Change in net position	311,192	34,877	346,069	1,063,814
Total net position (as restated), July 1, 2013	<u>4,030,583</u>	<u>547,924</u>		<u>8,386,548</u>
TOTAL NET POSITION - JUNE 30, 2014	<u><u>\$ 4,341,775</u></u>	<u><u>\$ 582,801</u></u>		<u><u>\$9,450,362</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>91,976</u>	
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES			<u><u>\$ 438,045</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, 2014

	<u>Business-type Activities</u>			<u>Governmental</u>
	<u>Solid</u>	<u>Nonmajor</u>	<u>Totals</u>	<u>Internal</u>
	<u>Waste</u>	<u>Enterprise</u>		<u>Service</u>
		<u>Funds</u>		<u>Funds</u>
Cash Flows from Operating Activities:				
Cash received from customers	\$ 4,378,498	\$ 41,266	\$ 4,419,764	\$ -
Cash received from interfund services provided	-	-	-	5,611,044
Payments to suppliers	(2,489,823)	-	(2,489,823)	(226,502)
Payments to employees	(970,534)	(146,544)	(1,117,078)	(311,983)
Claims paid	-	-	-	(2,198,521)
Payments to internal service funds	(398,914)	(2,338)	(401,252)	-
Other receipts	9,643	1,639	11,282	-
Other payments	-	(1,769,257)	(1,769,257)	(1,394,345)
Net cash provided (used) by operating activities	<u>528,870</u>	<u>(1,875,234)</u>	<u>(1,346,364)</u>	<u>1,479,693</u>
Cash Flows from Noncapital Financing Activities:				
Grants - program purpose	55,112	1,908,795	1,963,907	-
Transfers from other funds	-	27,872	27,872	270,986
Transfers to other funds	(240,000)	-	(240,000)	(8,500)
Net cash provided (used) by noncapital financing activities	<u>(184,888)</u>	<u>1,936,667</u>	<u>1,751,779</u>	<u>262,486</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(294,770)	-	(294,770)	(970,817)
Proceeds from sale of capital assets	13,422	-	13,422	38,730
Net cash provided (used) by capital and related financing activities	<u>(281,348)</u>	<u>-</u>	<u>(281,348)</u>	<u>(932,087)</u>
Cash Flows from Investing Activities:				
Interest on cash and investments	48,189	66	48,255	32,622
Net cash provided (used) by investing activities	<u>48,189</u>	<u>66</u>	<u>48,255</u>	<u>32,622</u>
Net increase (decrease) in cash and cash equivalents	110,823	61,499	172,322	842,714
Cash and cash equivalents, July 1, 2013	<u>4,860,928</u>	<u>566,380</u>	<u>5,427,308</u>	<u>4,687,798</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2014	<u>\$ 4,971,751</u>	<u>\$ 627,879</u>	<u>\$ 5,599,630</u>	<u>\$ 5,530,512</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 434,469	\$ (1,894,944)	\$ (1,460,475)	\$ 731,969
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	303,192	13,898	317,090	619,832
Change in assets and liabilities:				
Receivables	(58,361)	-	(58,361)	(211,638)
Prepaid expenses	(157,677)	-	(157,677)	658,106
Inventories	-	-	-	(3,721)
Unearned revenues	26,800	(6,912)	19,888	-
Due to other funds	-	-	-	(400,000)
Account and accrued payables	(19,553)	12,724	(6,829)	85,145
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 528,870</u>	<u>\$ (1,875,234)</u>	<u>\$ (1,346,364)</u>	<u>\$ 1,479,693</u>

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

<u>ASSETS</u>	Primary Government		
	Pension Funds	Private- purpose Trusts	Agency Funds
Cash and cash equivalents	\$ 52,557	\$ 6,280	\$ 563,646
Receivables:			
Interest	17,299	-	-
Investments at fair value			
Money market funds	139,544	-	-
Common stock	2,969,572	-	-
Corporate bonds	954,013	-	-
U.S. agencies bonds	253,006	-	-
Mortgage backed securities	-	-	-
Mutual funds	2,797,666	1,207,517	-
Total assets	<u>7,183,657</u>	<u>1,213,797</u>	<u>\$ 563,646</u>
<u>LIABILITIES</u>			
Payroll taxes and withholdings payable	-	-	\$ 563,646
Total liabilities	<u>-</u>	<u>-</u>	<u>\$ 563,646</u>
<u>NET POSITION</u>			
Held in trust for pension benefits and other purposes	<u>\$ 7,183,657</u>	<u>\$ 1,213,797</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, 2014

	Pension Funds	Private- purpose Trusts
Additions:		
Contributions:		
Employer	\$ 420,834	\$ -
Plan members	5,354	-
Private donations	-	2,615
	<hr/>	<hr/>
Total contributions	426,188	2,615
	<hr/>	<hr/>
Investment income:		
Net increase (decrease) in fair value of investments	877,920	115,525
Interest and dividends	180,403	59,541
	<hr/>	<hr/>
Net investment income	1,058,323	175,066
	<hr/>	<hr/>
Total additions	1,484,511	177,681
	<hr/>	<hr/>
Deductions:		
Benefits	1,466,232	-
Capital outlay	-	47,771
Administrative expenses	55,889	14,396
	<hr/>	<hr/>
Total deductions	1,522,121	62,167
	<hr/>	<hr/>
Change in net position	(37,610)	115,514
Net position - beginning	7,221,267	1,098,283
	<hr/>	<hr/>
Net position - ending	<u>\$ 7,183,657</u>	<u>\$ 1,213,797</u>

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, 2014

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014

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, 2014

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.

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.

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.

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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Note 1 - Summary of Significant Account Policies:

Basis of Presentation

Fund Financial Statements

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.

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 Employees' 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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Note 1 - Summary of Significant Account Policies:

Basis of Accounting

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due. Agency funds are presented using the accrual basis of accounting.

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, 2014

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, 2014.

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. The pension trust fund has investment policies separately approved by their oversight board. The private purpose trust has not adopted a 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, 2014

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 \$64,733 held for consumption and real property of \$1,497,662 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, 2014

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 Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents the consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has only one item that qualifies for reporting in the category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A summary of change in deferred charge on refunding is as follows:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2014</u>
Deferred charge on refunding	\$ 49,884	\$ 82,447	\$ (8,200)	\$ 124,131

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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Note 1 - Summary of Significant Accounting Policies:

Deferred Outflows/Inflows of Resources

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.

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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Note 1 - Summary of Significant Accounting Policies:

Equity Classifications

- 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.”

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, 2014

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 function:	Current (further classified by character)
	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, 2014

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
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, 2014, 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, 2014

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, 2014, are as follows:

<u>Description</u>	<u>Date</u>
Assessment and enforceable lien	January 1, 2014
Levy	September 25, 2014
Face value amount payment dates	1 st half by November 1, 2014 2 nd half by February 1, 2015
Delinquent date - 10% penalty plus 1/2% per month	1 st half - November 30, 2014 2 nd half - February 28, 2015

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, 2014, 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 \$28,739,743 and \$29,437,648, respectively.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Note 3 - Detail Notes on Transaction Classes/Accounts:

Investments

As of June 30, 2014, 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	\$ 139,544	NA	NA	NA	NA	NA
Common stock	2,969,572	NA	NA	NA	NA	NA
Corporate bonds	954,013	AA-/A	\$ -	\$ 496,595	\$ 457,418	\$ -
U.S. agencies	253,006	Aaa	30,464	222,542	-	-
Mutual funds						
Equity	<u>4,005,183</u>	NA	NA	NA	NA	NA
TOTAL FIDUCIARY AND PRIVATE PURPOSE TRUST FUNDS	<u>\$8,321,318</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, 2014

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, 2014

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, 2014, was as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Primary Government:				
Capital assets, not being depreciated:				
Land	\$10,376,432	\$ 225,000	\$ 192,500	\$10,408,932
Construction-in-progress	<u>6,527,866</u>	<u>10,060,826</u>	<u>4,289,345</u>	<u>12,299,347</u>
Total capital assets, not being depreciated	<u>16,904,298</u>	<u>10,285,826</u>	<u>4,481,845</u>	<u>22,708,279</u>
Capital assets, being depreciated:				
Land improvements	4,140,668	1,386,325	-	5,526,993
Buildings and improvements	19,392,594	-	488,153	18,904,441
Infrastructure	38,714,275	2,911,711	-	41,625,986
Equipment	10,562,665	349,638	765,015	10,147,288
Furnishings and fixtures	207,830	15,534	5,428	217,936
Vehicles	<u>8,236,680</u>	<u>1,154,856</u>	<u>762,968</u>	<u>8,628,568</u>
Totals at historical cost	<u>81,254,712</u>	<u>5,818,064</u>	<u>2,021,564</u>	<u>85,051,212</u>
Less accumulated depreciation:				
Land improvements	1,631,320	179,536	-	1,810,856
Buildings and improvements	12,524,297	376,952	159,634	12,741,615
Infrastructure	26,808,758	1,404,129	-	28,212,887
Equipment	9,094,401	478,845	763,815	8,809,431
Furnishings and fixtures	206,565	635	5,428	201,772
Vehicles	<u>5,509,726</u>	<u>614,017</u>	<u>760,975</u>	<u>5,362,768</u>
Total accumulated depreciation	<u>55,775,067</u>	<u>3,054,114</u>	<u>1,689,852</u>	<u>57,139,329</u>
Total capital assets, being depreciated, net	<u>25,479,645</u>	<u>2,763,950</u>	<u>331,712</u>	<u>27,911,883</u>
PRIMARY GOVERNMENT ACTIVITIES CAPITAL ASSETS, NET	<u>\$42,383,943</u>	<u>\$13,049,776</u>	<u>\$4,813,557</u>	<u>\$50,620,162</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Note 3 - Detail Notes on Transaction Classes/Accounts:

Capital Assets

During the year ended June 30, 2014, a vehicle was transferred to business-type activities from governmental activities. Accordingly, business-type capital asset activities reflect vehicle and related accumulated depreciation additions of \$18,000 and \$18,000, respectively.

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 62,152	\$ -	\$ -	\$ 62,152
Construction-in-progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, not being depreciated	<u>62,152</u>	<u>-</u>	<u>-</u>	<u>62,152</u>
Capital assets, being depreciated:				
Buildings and improvements	554,827	-	-	554,827
Equipment	1,179,348	294,770	108,815	1,365,303
Vehicles	<u>2,391,481</u>	<u>18,000</u>	<u>-</u>	<u>2,409,481</u>
Totals at historical cost	<u>4,125,656</u>	<u>312,770</u>	<u>108,815</u>	<u>4,329,611</u>
Less accumulated depreciation:				
Buildings and improvements	255,490	15,678	-	271,168
Equipment	893,807	116,616	108,815	901,608
Vehicles	<u>1,805,776</u>	<u>202,796</u>	<u>-</u>	<u>2,008,572</u>
Total accumulated depreciation	<u>2,955,073</u>	<u>335,090</u>	<u>108,815</u>	<u>3,181,348</u>
Total capital assets, being depreciated, net	<u>1,170,583</u>	<u>(22,320)</u>	<u>-</u>	<u>1,148,263</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 1,232,735</u>	<u>\$ (22,320)</u>	<u>\$ -</u>	<u>\$ 1,210,415</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Note 3 - Detail Notes on Transaction Classes/Accounts:

Capital Assets

Depreciation expense was charged to governmental activities as follows:

General government:	
General administration	\$ 278,749
Finance	12,990
Planning	21,512
Inspections	-
Human resources/risk management	-
Information systems	11,222
Fleet maintenance	<u>10,480</u>
Total general government	<u>334,953</u>
Public safety:	
Police	216,414
Fire	51,619
Grants	-
Emergency 911	24,596
Court awards	-
Fleet Lease Trust	<u>609,352</u>
Total public safety	<u>901,981</u>
Public service:	
Public works	47,664
Engineering	<u>12,090</u>
Total public service	<u>59,754</u>
Parks and recreation	<u>236,391</u>
Planning and development:	
Infrastructure	1,519,164
Grants	<u>1,871</u>
Total planning and development	<u>1,521,035</u>
TOTAL DEPRECIATION EXPENSE – GOVERNMENTAL ACTIVITIES	<u>\$3,054,114</u>

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

Solid Waste Fund	\$ 303,192
Section Eight Housing	3,877
Civic Center	<u>10,021</u>
TOTAL DEPRECIATION EXPENSE – BUSINESS-TYPE ACTIVITIES	<u>\$ 317,090</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Note 3 - Detail Notes on Transaction Classes/Accounts:

Capital Assets

Discretely Presented Component Units:	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets, not being depreciated:				
Land & construction in progress	<u>\$ 2,093,776</u>	<u>\$ 591,584</u>	<u>\$ -</u>	<u>\$ 2,685,360</u>
Total capital assets, not being depreciated	<u>2,093,776</u>	<u>591,584</u>	<u>-</u>	<u>2,685,360</u>
Capital assets, being depreciated:				
Utility plant	<u>78,230,189</u>	<u>3,168,191</u>	<u>604,417</u>	<u>80,793,963</u>
Total capital assets, being depreciated	<u>78,230,189</u>	<u>3,168,191</u>	<u>604,417</u>	<u>80,793,963</u>
Less accumulated depreciation:				
Utility plant	<u>33,495,229</u>	<u>1,828,770</u>	<u>388,459</u>	<u>34,935,540</u>
Total accumulated depreciation	<u>33,495,229</u>	<u>1,828,770</u>	<u>388,459</u>	<u>34,935,540</u>
Total capital assets, being depreciated, net	<u>44,734,960</u>	<u>1,339,421</u>	<u>215,958</u>	<u>45,858,423</u>
COMPONENT UNIT CAPITAL ASSETS, NET	<u>\$ 46,828,736</u>	<u>\$ 1,931,005</u>	<u>\$ 215,958</u>	<u>\$ 48,543,783</u>

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

Paducah Water Works	<u>\$ 1,828,770</u>
TOTAL DEPRECIATION EXPENSE BY ACTIVITY	<u>\$ 1,828,770</u>

Accounts Payable

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

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Note 3 - Detail Notes on Transaction Classes/Accounts:

Short-Term Liabilities

On May 21, 2014, the City renewed an agreement with Banterra Bank for a fixed rate line of credit not to exceed \$350,000 for construction of new residential homes for the Fountain Avenue Neighborhood Program. Short-term debt activity for the year ended June 30, 2014, 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>\$ 308,112</u>	<u>\$ 598,728</u>	<u>\$ 627,539</u>	<u>\$279,301</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, 2014, the governmental long-term liabilities consisted of the following:

General obligation bonds:	
Current portion	\$ 1,660,652
Noncurrent portion	<u>23,045,639</u>
TOTAL GENERAL OBLIGATION BOND COSTS, NET OF PREMIUMS AND DISCOUNTS	<u>\$ 24,706,291</u>
Note payable:	
Current portion	\$ 417,876
Noncurrent portion	<u>6,101,480</u>
TOTAL NOTE PAYABLE PAYMENTS	<u>\$ 6,519,356</u>
Accrued compensated absences:	
Current portion	\$ 1,015,737
Noncurrent portion	<u>1,188,223</u>
TOTAL ACCRUED COMPENSATED ABSENCES	<u>\$ 2,203,960</u>

Business-type Activities

As of June 30, 2014, the long-term liabilities payable from proprietary fund resources consisted of the following:

Accrued compensated absences:	
Current portion	\$ 90,509
Noncurrent portion	<u>48,388</u>
TOTAL ACCRUED COMPENSATED ABSENCES	<u>\$ 138,897</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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 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%. The 2001 series bonds were issued to finance construction of the Performing Arts Center and Convention Center expansion. 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 issued for an economic development project in the Industrial Park West 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. 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 supported by an operating lease collected by the City. The rental revenues collected from the lease during the current year cover \$202,898 of the bond and interest payments due with the remaining amount of \$191,116 shared equally by the City and County.

Series 2013A Bond Issue – The City of Paducah issued general obligation bonds of \$1,120,000 in September 2013, to finance the municipality pool renovations. Interest rates range from 0.70% to 3.60%. These bonds are required to be fully paid within 15 years from the date of issue and are backed by the full faith and credit of the City.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Note 3 - Detail Notes on Transaction Classes/Accounts:

Long-Term Liabilities

General Obligation Bonds

Series 2013B Bond Issue – The City of Paducah issued general obligation taxable bonds of \$2,475,000 in September 2013, to finance 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. Interest rates range from 0.60% to 4.00%. These bonds are required to be fully paid within 15 years from the date of issue and are backed by the full faith and credit of the City.

Series 2014A Bond Issue – The City of Paducah issued general obligation refunding bonds of \$5,460,000 in May 2014 with interest rates ranging from 2.00% to 3.50%, to refund \$5,545,000 of outstanding 2010 series bonds issued to finance several public improvement projects with interest rates ranging from 1.00% to 5.50%. 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.

Current Refunding

On May 21, 2014, the City issued general obligation refunding bonds of \$5,460,000 with interest rates varying from 2.00% to 3.50% to current refund 2010 series Build America Bonds with interest rates varying from 1.00% to 5.50%. The net proceeds of the new issue were deposited into an irrevocable trust with an escrow agent to redeem outstanding 2010 series Build America Bonds maturing on or after March 1, 2015 in the principle amount of \$5,545,000 on June 27, 2014 at the redemption price of 100%. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$82,447. This amount was deferred and amortized over the remaining life of the refunded debt. This current refunding was undertaken to reduce future total debt service payments over the next 16 years by \$380,692 with a resulting net economic gain of \$356,383. As of June 30, 2014, none of these defeased bonds were still outstanding with applicable assets held in trust for future payoff.

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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Note 3 - Detail Notes on Transaction Classes/Accounts:

Long-Term Liabilities

Notes Payable

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%.

Changes in Long-Term Liabilities

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

Type of Liability:	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
<i>General obligation bonds:</i>					
Pension	\$ 4,655,000	\$ -	\$ (255,000)	\$ 4,400,000	\$ 270,000
Floodwall Rehabilitation	2,341,790	-	(116,927)	2,224,863	120,652
Build America Bonds (BABS)	5,825,000	-	(5,825,000)	-	-
Refinanced Convention Center	6,220,000	-	(415,000)	5,805,000	420,000
Refinanced Infiniti Media Building	3,370,000	-	(270,000)	3,100,000	280,000
Public Pool Renovations	-	1,120,000	-	1,120,000	65,000
Economic Development	-	2,475,000	-	2,475,000	145,000
Refinancing BABS Public Projects	-	5,460,000	-	5,460,000	360,000
Premiums	-	220,683	-	220,683	-
Discounts	(57,372)	(53,529)	11,646	(99,255)	-
<i>Total bonds payable</i>	<u>22,354,418</u>	<u>9,222,154</u>	<u>(6,870,281)</u>	<u>24,706,291</u>	<u>1,660,652</u>
<i>Notes payable:</i>					
Kentucky League of Cities	2,024,294	-	(174,585)	1,849,709	179,889
Kentucky Association of Counties	2,181,250	-	(100,000)	2,081,250	104,583
Margaret Hank Agreement	151,812	-	(15,175)	136,637	20,559
Murray State University Agreement	2,563,482	-	(111,722)	2,451,760	112,845
<i>Total notes payable</i>	<u>6,920,838</u>	<u>-</u>	<u>(401,482)</u>	<u>6,519,356</u>	<u>417,876</u>
Accrued Compensated Absences	<u>2,018,813</u>	<u>1,429,146</u>	<u>(1,243,999)</u>	<u>2,203,960</u>	<u>1,015,737</u>
TOTAL GENERAL LONG- TERM LIABILITIES	<u>\$31,294,069</u>	<u>\$10,651,300</u>	<u>\$(8,515,762)</u>	<u>\$33,429,607</u>	<u>\$ 3,094,265</u>
Business-type activities:					
Accrued compensated Absences	<u>\$ 128,538</u>	<u>\$ 92,548</u>	<u>\$ (82,188)</u>	<u>\$ 138,897</u>	<u>\$ 90,509</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Note 3 - Detail Notes on Transaction Classes/Accounts:

Long-Term Liabilities

Changes in Long-Term Liabilities

(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		\$50,620,162
<i>Less:</i>		
19.75% of the outstanding 2010B general obligation bonds		\$(1,146,488)
100% of the outstanding 2011 General obligation bonds		(3,100,000)
Net of the County's portion		<u>2,123,244</u>
		(2,123,244)
78% of the outstanding 2014A general obligation bonds		(4,258,800)
100% of the outstanding 2013A general obligation bonds		(1,120,000)
52% of the outstanding 2013B general obligation bonds		(1,287,000)
100% of the Margaret Hank Agreement		(136,637)
100% of the outstanding Kentucky League of Cities' note payable		<u>(1,849,709)</u>
Net position invested in capital assets, net of related debt		<u>\$39,844,772</u>

Annual Debt Service Requirements

The annual debt service requirements to maturity for bonds and notes as of June 30, 2014, are as follows:

Year Ending	Principal	Interest
<u>June 30</u>		
2015	\$ 2,078,528	\$ 923,093
2016	2,065,160	923,319
2017	2,146,669	867,269
2018	2,209,386	807,173
2019	2,228,864	741,501
2020-2024	11,860,439	2,609,100
2025-2029	7,616,248	779,061
2030-2032	<u>898,925</u>	<u>40,074</u>
TOTALS	<u>\$31,104,219</u>	<u>\$ 7,690,589</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Note 3 - Detail Notes on Transaction Classes/Accounts:

Accrued Compensated Absences

Compensated absence obligations arise from amounts due to City employees for vested amounts of vacation pay and sick pay which will be payable in the future. Typically, the compensated absence obligations have been paid by the General Fund, Emergency Communication Service Fund, Section Eight Housing Fund, Solid Waste Fund, and Fleet Maintenance Fund. Amounts accrued at June 30, 2014, are as follows:

Accrued Compensated Absences

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accrued sick leave	\$ 788,601	\$ 50,478
Accrued vacation leave	<u>1,415,359</u>	<u>88,419</u>
Totals	2,203,960	138,897
Less current portion	<u>1,015,737</u>	<u>90,509</u>
LONG-TERM PORTION	<u>\$1,188,223</u>	<u>\$ 48,388</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, 2014.

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, 2014, \$11,715 of payments was 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, 2014, approval had not yet been granted. The County estimated post-closure care costs totaling \$4,125,000 or \$125,000 per year plus 10% for inflation. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. In the year ending June 30, 2001, the City entered into an inter-local agreement to share equally the costs for post-closure costs and, accordingly, has recorded a long-term liability for 50% of the estimated closure expense. It is anticipated that post-closure costs will be paid out of the Solid Waste Fund to the extent that funds are available with any excess costs being funded using long-term borrowing.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Note 3 - Detail Notes on Transaction Classes/Accounts:

Interfund Transactions and Balances

Interfund transfers during the year ended June 30, 2014, were as follows:

	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
Governmental Funds:		
General Fund	\$ 490,000	\$2,089,095
Special Revenue Investment Fund	2,500	4,588,024
Special Revenue Municipal Aid Fund	513,000	-
Capital Project Fund	5,363,404	
Debt Service Fund	2,011,970	-
Nonmajor Governmental Funds	767,887	2,522,000
Internal Service Funds	270,986	8,500
Proprietary Funds:		
Solid Waste	-	240,000
Nonmajor Proprietary Funds	<u>27,872</u>	<u>-</u>
 TOTALS	 <u>\$9,447,619</u>	 <u>\$9,447,619</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.

Due To/From Balances

Due to/from balances used to cover current operating expenses were as follows as of June 30, 2014:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 221,069	\$1,117,172
Special Revenue Investment Fund	1,117,172	400,000
Capital Project Fund	-	500,000
Nonmajor Governmental Funds	500,000	172,283
Nonmajor Proprietary Funds	-	48,786
Internal Service Funds	<u>400,000</u>	<u>-</u>
 TOTALS	 <u>\$2,238,241</u>	 <u>\$2,238,241</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 Employees' 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:

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Note 4 - Pension Plans - City of Paducah:

Cost-Sharing Multiple-Employer Defined Benefit Plan

County Employees' Retirement System

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

Funding Policy: Hazardous position employees are required to contribute 8% to the plan and nonhazardous position employees are required to contribute 5% of their creditable compensation by State statute. 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, 2014, 2013, and 2012, the City contributed 35.70%, 37.60%, and 35.76%, respectively, of each hazardous employee's creditable compensation and 18.89%, 19.55%, and 18.96%, 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, 2014, 2013, and 2012, were \$5,428,734, \$5,517,201, and \$5,114,775, of which \$4,364,052, \$4,471,077 and \$4,144,624 were made by the employer and \$1,062,830, \$1,046,124 and \$970,151 were made by employees, respectively, equal to the required contributions for each year.

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

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.

Administration – The Appointive Employees' Pension Fund Board and the City of Paducah Police and Firefighters' 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. See investment policies in Note 3 for the pension trusts.

Plan Administration – Management of the PFPF, as authorized by Kentucky Revised Statute 95.869, is vested in the PFPF Board of Trustees, which consist of the Mayor, City Treasurer, an active firefighter, a retired firefighter and a retired police officer. Management of the AEPF, as authorized by Kentucky Revised Statute 90.400, is vested in the AEPF Board of Trustees, which consists of the Mayor, City Manager and an elected retired employee.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Note 4 - Pension Plans - City of Paducah:

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

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 does not issue a separate, stand-alone report. Accordingly, the plan financial statements are included in this audit report.

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, 2014. AEPF does not issue a separate, stand-alone report. Accordingly, the plan financial statements are included in this audit report.

Membership Information:

Membership of each plan consisted of the following at June 30, 2014:

	<u>PFPF</u>	<u>AEPF</u>
Active participants	1	0
Beneficiaries	27	3
Retired participants	<u>34</u>	<u>1</u>
TOTAL PARTICIPANTS	<u><u>62</u></u>	<u><u>4</u></u>

These plans are closed to new members.

Benefits provided:

PFPF provides retirement, disability, and death benefits. These benefits are determined by Kentucky Revised Statutes (KRS) sections 95.851 to 95.884. Retirement benefits for general plan members are 2½% of average salary times years of service up to and including 30 years. The maximum is 75% of average salary. Average salary is the highest average salary of the member for any 3 consecutive years of service. Retirement allowed any time after attainment of age 50, provided that at least 20 years of service have been completed. Occupational disability benefits equal to 70% of the members' final rate of pay. Non-occupational disability benefits are available after completing 10 years of service and are determined in a similar manner as retirement benefits subject to a maximum of 50% of average salary. Surviving beneficiaries may receive death benefits per the terms of the plan. Benefit terms provide for an annual cost-of-living adjustment up to 5% a year provided the adjustment is supportable on an actuarially sound basis. Kentucky Revised Statute 95.859(2) provides that the widow's minimum benefit shall be increased by the same percentage as the increase in Social Security benefits, not to exceed 5%.

AEPF provides retirement, disability, and death benefits. Retirement allowed any time after attainment of age 60, provided that at least 20 years of service have been completed. Retirement benefits for general plan members are 50% of monthly salary at the time of retirement. Occupational disability benefits equal to 50% of the members' final rate of pay. Surviving beneficiaries may receive death benefits per the terms of the plan. Effective January 1, 1998, all persons receiving benefits received a one-time increase of 10%.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Note 4 - Pension Plans - City of Paducah:

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

Funding policy:

PFPF - 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.

AEPF - 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.

Annual pension cost (APC) and Net pension asset (NPA) – The City's APC and NPA for the PFPF and AEPF are as follows:

	<u>PFPF</u>	<u>AEPF</u>	<u>Total</u>
Annual required contribution (ARC)	\$ 421,933	\$ 10,779	\$ 432,712
Interest on NPA	(403,806)	(8,101)	(411,907)
Adjustment to the ARC	<u>491,290</u>	<u>17,306</u>	<u>508,596</u>
Annual pension cost (APC)	\$ 509,417	\$ 19,984	\$ 529,401
Contributions made	<u>(420,834)</u>	<u>-</u>	<u>(420,834)</u>
Decrease in net pension asset	88,583	19,984	108,567
Net pension asset, beginning of year	<u>(5,384,081)</u>	<u>(135,018)</u>	<u>(5,519,099)</u>
Net pension asset, end of year	<u><u>\$ (5,295,498)</u></u>	<u><u>\$ (115,034)</u></u>	<u><u>\$ (5,410,532)</u></u>

The City's APC, percentage of APC contributed, and NPA for the plans for the current and each of the two preceding years were as follows:

Police and Firefighters' Pension Fund

<u>Fiscal Year</u> <u>June 30,</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Asset</u>
2014	\$ 509,417	82.61%	\$(5,295,498)
2013	521,214	91.51%	(5,384,081)
2012	420,476	93.17%	(5,428,344)

Appointive Employees' Pension Fund

<u>Fiscal Year</u> <u>June 30,</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Asset</u>
2014	\$ 19,984	n/a	\$ (115,034)
2013	22,990	n/a	(135,018)
2012	19,848	n/a	(158,008)

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Note 4 - Pension Plans - City of Paducah:

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

Funding status and funding progress - As of the most recent actuarial valuation dated July 1, 2014, the funding statuses of the plans were as follows:

	<u>PFPF</u>	<u>AEPF</u>	<u>Total</u>
Actuarial accrued liability (AAL)	\$10,975,910	\$ 104,709	\$11,080,619
Actuarial value of plan assets	<u>7,135,789</u>	<u>47,868</u>	<u>7,183,657</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 3,840,121</u>	<u>\$ 56,841</u>	<u>\$ 3,896,962</u>
Funded ratio (actuarial value of plan assets/AAL)	65.0%	45.7%	64.8%
Covered payroll (annual payroll of active Employees covered by the plan)	\$ 66,982	\$ -	\$ 66,982
UAAL as a percentage of covered payroll	5,737.6%	n/a	5,817.9%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

Actuarial assumption

	<u>PFPF</u>	<u>AEPF</u>
Valuation date	7/1/14	7/1/14
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	7.25% (3)	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.

(3) 7.25% Effective July 1, 2014

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Note 4 - Pension Plans - City of Paducah:

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

Actuarial assumption

Post-retirement mortality – The mortality rates for the plans were based as follows:

PFPF	1971 Group annuity mortality (GAM) table UP-1984 table set forward 5 years for participants retiring due to disability
AEPF	GAM 1983 Male GAM 1983 Female

Rate of return – Investment return is anticipated to be the major source of additional funds for payment of benefits. The assumed rate of return is a long-term average. The fund's rate of return is determined primarily by the asset allocation – the classes in which it is invested, and the performance of the associated markets. For the July 1, 2013 PFPF plan year, the assumed rate of return was 7.50%. Beginning with the July 1, 2014 plan year, the assumed rate of return was changed to 7.25%. For the AEPF July 1, 2013 and 2014 plan years, the assumed rate of return was 6%.

Discount Rate – The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that City contributions will be made equal to the difference between actuarially determined contribution and the member contribution. The pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plans investment was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate used to measure the total pension liability as of July 1, 2014 was as follows:

PFPF	7.25% - changed from 7.50% for the prior plan year.
AEPF	6.00%

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the City's plans would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
PFPF Net Pension Liability	\$ 4,604,430	\$ 3,840,121	\$ 3,168,291
AEPF Net Pension Liability	\$ 62,447	\$ 56,841	\$ 51,804

Note 5 - Appropriations Deficit:

No departments that adopted budgets annually had excess expenditures over appropriations for the fiscal year ended June 30, 2014.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Note 6 - Component Unit Long-Term Liabilities:

Long-term liabilities of the discretely presented component units consist of the following at June 30, 2014:

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, 2014, are as follows:

Year Ending June 30	Principal	Interest	.25% Service Fee	R & M Reserve	Total
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	355,068	48,155	12,039	18,750	434,012
2020-2024	1,829,450	186,660	46,665	37,500	2,100,275
2025-2029	1,923,008	93,102	23,275	-	2,039,385
2030-2031	<u>796,464</u>	<u>9,980</u>	<u>2,495</u>	-	<u>808,939</u>
TOTALS	<u>\$6,289,366</u>	<u>\$565,410</u>	<u>\$141,353</u>	<u>\$131,250</u>	<u>\$7,127,379</u>

Note 7 - Commitments and Contingencies:

Grant Contingencies

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

Construction Commitments

The City has various on-going contracts for construction, renovations, paving materials, equipment, and labor. As of June 30, 2014, the significant construction commitments were as follows:

	Cumulative Costs Incurred	Estimated Total Costs
Greenway Trail Projects – Phase II	\$ 471,335	\$ 756,402
Noble Park Lake Bank Stabilization	<u>23,110</u>	<u>215,700</u>
	<u>\$ 494,445</u>	<u>\$ 972,102</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Note 7 - Commitments and Contingencies:

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 \$341,438 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:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Actual Claim Payments	Balance at Fiscal Year End
2011 - 2012	\$ -	\$ 119,319	\$ 117,856	\$ 1,463
2012 - 2013	1,463	29,551	31,014	-
2013 - 2014	-	35,888	35,888	-

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 \$175,000 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, 2014, that amount was \$2,774,791. 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 \$157,941 at June 30, 2014.

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
2011 - 2012	\$ 228,280	\$ 3,224,703	\$3,203,329	\$249,654
2013 - 2013	249,654	2,700,338	2,865,390	84,602
2013 - 2014	84,602	1,662,555	1,589,216	157,941

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

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Note 9 - Lease Agreements:

Operating Leases

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

The City also leases certain other property to various lessees under non-cancelable agreements that have various expiration dates through November 30, 2021. Rental revenue received from leased property during 2014 totaled \$650,573.

The following is an analysis of property leased under these leases at June 30, 2014:

Land	\$ 480,000
Buildings	3,422,261
Equipment	<u>110,126</u>
 Total	 4,012,387
Less: accumulated depreciation	<u>(1,000,996)</u>
 NET BOOK VALUE	 <u>\$3,011,391</u>

Depreciation expense for the year ended June 30, 2014, on leased property was \$81,466.

The following is a schedule of future minimum rental income from operating leases at June 30, 2014:

	<u>Lease Income</u>
2014	\$ 448,185
2015	263,955
2016	65,024
2017	60,123
2018	60,123
2019-2022	<u>75,154</u>
 TOTAL MINIMUM LEASE RECEIPTS	 <u>\$ 972,564</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Note 10 – Restatement of Fund Balance and Net Position:

During the year ended June 30, 2014, the City corrected classification of short-term borrowing and recorded related receivables for the non-major special revenue Home Grant Fund for the year ended June 30, 2013. The net effect of the correction reduced beginning non-major governmental funds balance by \$102,210 and increased beginning net position by \$205,902.

During the year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for years beginning after June 15, 2013. This GASB statement reclassified certain items that were previously reported as assets and liabilities as deferred inflows and outflows of resources, or current-period outflows and inflows. Implementation of the new statement reclassified certain bond issue costs previously reported as an asset in the City’s statement of net position. The effect of the new statement reduced beginning net position by \$346,756.

Beginning fund balance and net position restatement are as follows:

	Home Grant Fund	Non-major Governmental Funds	Government- Wide Governmental Activities
Fund balance/net position – as previously stated	\$ 225,665	\$ 683,634	\$ 48,490,497
Home Grant Fund receivables	205,902	205,902	205,902
Reclassification for short-term borrowing	(308,112)	(308,112)	-
Reclassification for expensing bond issue costs	-	-	(346,756)
Fund balance/net position – as restated	<u>\$ 123,455</u>	<u>\$ 581,424</u>	<u>\$ 48,349,643</u>

Note 11 – Subsequent Events:

In July of 2014, the City issued advance refunding bond series 2014B of \$4,225,000. The series 2014B bonds were issued for refunding the Pension bond series 2005 maturing on or after November 1, 2016.

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 8, 2014, the date financial statements were available to be issued.

CITY OF PADUCAH, KENTUCKY

REQUIRED SUPPLEMENTARY INFORMATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

CITY OF PADUCAH, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE POLICE AND FIREFIGHTERS' PENSION
TRUST FUND'S NET PENSION LIABILITY AND RELATED RATIOS

Last Fiscal Year Ending June 30 (1)

(dollar amounts in thousands)

	2014
Total pension liability	
Service cost	\$ 5
Interest	792
Changes in benefit terms	-
Differences between expected and actual experience	151
Changes in assumptions	176
Benefit payments/refunds	(1,445)
Net change in total pension liability	(321)
Total pension liability - beginning	11,297
Total pension liability - ending (a)	\$ 10,976
Plan fiduciary net position	
Contributions - employer	\$ 421
Contributions - member	5
Net investment income	1,058
Benefit payments/refunds	(1,445)
Administrative expenses	(48)
Other	-
Net change in plan fiduciary net position	(9)
Plan fiduciary net position - beginning	7,145
Plan fiduciary net position - ending (b)	\$ 7,136
Net pension liability ending (a) - (b)	\$ 3,840
Plan fiduciary net position as a percentage of total pension liability	65%
Covered-employee payroll	\$ 67
Net pension liability as a percentage of covered-employee payroll	5738%

(1) Additional ten year of supplementary information will be provided as this information becomes available.

CITY OF PADUCAH, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE APPOINTIVE EMPLOYEES' PENSION
TRUST FUND'S NET PENSION LIABILITY AND RELATED RATIOS

Last Fiscal Year Ending June 30 (1)

(dollar amounts in thousands)

	2014
Total pension liability	
Service cost	\$ -
Interest	8.3
Changes in benefit terms	-
Differences between expected and actual experience	(30.6)
Changes in assumptions	-
Benefit payments/refunds	(21.2)
Net change in total pension liability	(43.5)
Total pension liability - beginning	148.2
Total pension liability - ending (a)	\$ 104.7
Plan fiduciary net position	
Contributions - employer	\$ -
Contributions - member	-
Net investment income	0.6
Benefit payments/refunds	(21.1)
Administrative expenses	(7.5)
Other	-
Net change in plan fiduciary net position	(28.0)
Plan fiduciary net position - beginning	75.9
Plan fiduciary net position - ending (b)	\$ 47.9
Net pension liability ending (a) - (b)	\$ 56.8
Plan fiduciary net position as a percentage of total pension liability	45.7%
Covered-employee payroll	n/a
Net pension liability as a percentage of covered-employee payroll	n/a

(1) Additional ten year of supplementary information will be provided as this information becomes available.

**CITY OF PADUCAH, KENTUCKY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF POLICE AND FIREFIGHTERS' PENSION TRUST FUND
 CONTRIBUTIONS AND INVESTMENT RETURNS**

Last Fiscal Year Ending June 30 (1)

(dollar amounts in thousands)

Schedule of Contributions

	2014
Actuarially determined contribution	\$ 422
Contributions in relation to the actuarially determined contribution	421
Contribution deficiency (excess)	\$ 1
 Covered-employee payroll	 \$ 67
 Contributions as a percentage of covered-employee payroll	 628%

Schedule of Investment Returns

	2014
Annual money-weighted rate of return, net of investment expense	15.95%

(1) Additional ten year of supplementary information will be provided as this information becomes available.

**CITY OF PADUCAH, KENTUCKY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF APPOINTIVE EMPLOYEES' PENSION TRUST FUNDS
 CONTRIBUTIONS AND INVESTMENT RETURNS**

Last Fiscal Year Ending June 30 (1)

(dollar amounts in thousands)

Schedule of Contributions

	2014
Actuarially determined contribution	\$ 10.8
Contributions in relation to the actuarially determined contribution	-
Contribution deficiency (excess)	\$ 10.8
 Covered-employee payroll	 n/a
 Contributions as a percentage of covered-employee payroll	 n/a

Schedule of Investment Returns

	2014
Annual money-weighted rate of return, net of investment expense	0.97%

(1) Additional ten year of supplementary information will be provided as this information becomes available.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

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, 2014

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental and grants			
Intergovernmental	\$ 1,350,025	\$ 1,350,029	\$ 4
Grants	4,050,100	4,050,116	16
Interest	-	-	-
Miscellaneous	1,314,035	1,314,047	12
Total revenues	<u>6,714,160</u>	<u>6,714,192</u>	<u>32</u>
Expenditures:			
Capital outlay	11,926,460	11,926,435	25
Excess (deficiency) of revenues over expenditures	<u>(5,212,300)</u>	<u>(5,212,243)</u>	<u>57</u>
Other Financing Sources (Uses):			
Long-term debt issued	-	-	-
Operating transfers in	5,363,390	5,363,404	14
Operating transfers out	-	-	-
Total other financing sources	<u>5,363,390</u>	<u>5,363,404</u>	<u>14</u>
Net change in fund balance	<u>\$ 151,090</u>	151,161	<u>\$ 71</u>
Fund balance, July 1, 2013		<u>3,055,250</u>	
FUND BALANCE, JUNE 30, 2014		<u>\$ 3,206,411</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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 677,250	\$ 677,255	\$ 5
Grants*	-	84,467	84,467
Property upkeep, rentals, sales and other	202,895	202,898	3
Total revenues	<u>880,145</u>	<u>964,620</u>	<u>84,475</u>
Expenditures:			
Debt service:			
Principal requirement	1,748,240	1,748,233	7
Interest and fiscal requirement*	993,925	1,078,357	(84,432)
Total expenditures	<u>2,742,165</u>	<u>2,826,590</u>	<u>(84,425)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,862,020)</u>	<u>(1,861,970)</u>	<u>50</u>
Other Financing Sources (Uses):			
Operating transfers in	<u>2,011,965</u>	<u>2,011,970</u>	<u>5</u>
Total other financing sources	<u>2,011,965</u>	<u>2,011,970</u>	<u>5</u>
Net change in fund balance	<u>\$ 149,945</u>	150,000	<u>\$ 55</u>
Fund balance, July 1, 2013		<u>353,817</u>	
FUND BALANCE, JUNE 30, 2014		<u>\$ 503,817</u>	

* Non-cash federal interest subsidies are not budgeted.

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

**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, 2014

<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	\$ 1,473,393	\$ 243,565	\$206,314	\$ -
Receivables, net:				
Accounts	51,846	121,396	-	-
Grants	-	-	-	-
Due from other funds	-	-	-	-
TOTAL ASSETS	<u><u>\$ 1,525,239</u></u>	<u><u>\$ 364,961</u></u>	<u><u>\$206,314</u></u>	<u><u>\$ -</u></u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Voucher and accounts payable	\$ 620,987	\$ 11,143	\$ 84,127	\$ -
Line of credit		-	-	-
Accrued payroll and payroll taxes	-	54,943	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>620,987</u>	<u>66,086</u>	<u>84,127</u>	<u>-</u>
Fund Balances:				
Restricted for:				
Highway and streets	904,252	-	-	-
Public safety	-	-	122,187	-
Capital Improvements	-	-	-	-
Program purposes	-	-	-	-
Assigned for:				
Public safety		298,875		
Unrestricted	-	-	-	-
Total fund balances	<u>904,252</u>	<u>298,875</u>	<u>122,187</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,525,239</u></u>	<u><u>\$ 364,961</u></u>	<u><u>\$206,314</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	
\$ -	\$ 67,055	\$ 763,949	\$ 2,754,276
-	87,370	-	260,612
172,283	44,000	-	216,283
-	-	500,000	500,000
<u>\$ 172,283</u>	<u>\$ 198,425</u>	<u>\$ 1,263,949</u>	<u>\$ 3,731,171</u>
\$ -	\$ -	\$ -	\$ 716,257
-	114,633	-	114,633
-	-	-	54,943
172,283	-	-	172,283
<u>172,283</u>	<u>114,633</u>	<u>-</u>	<u>1,058,116</u>
-	-	-	904,252
-	-	-	122,187
-	-	1,263,949	1,263,949
-	83,792	-	83,792
-	-	-	298,875
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>83,792</u>	<u>1,263,949</u>	<u>2,673,055</u>
<u>\$ 172,283</u>	<u>\$ 198,425</u>	<u>\$ 1,263,949</u>	<u>\$ 3,731,171</u>

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Funds			
	Municipal Aid Program	Emergency Communication Service Fund	Court Awards Fund	Small Grant Fund
Revenues:				
Taxes	\$ -	\$ 416,803	\$ -	\$ -
Charges for services	-	264,009	-	-
Intergovernmental	597,079	-	-	-
Grants	-	-	82,704	21,500
Interest	13,959	2,341	1,954	-
Miscellaneous	-	395,445	-	-
Total revenues	<u>611,038</u>	<u>1,078,598</u>	<u>84,658</u>	<u>21,500</u>
Expenditures:				
Current operations:				
Public safety	-	1,651,391	21,566	-
Planning and development	-	-	-	21,500
Capital Outlay	-	-	-	-
Debt Service:				
Debt issuance costs	-	-	-	-
Interest and fiscal requirement	-	-	-	-
Total expenditures	<u>1,521,207</u>	<u>1,651,391</u>	<u>21,566</u>	<u>21,500</u>
Excess (deficiency) of revenues over expenditures	<u>(910,169)</u>	<u>(572,793)</u>	<u>63,092</u>	<u>-</u>
Other Financing Sources (Uses):				
Proceeds of debt	-	-	-	-
Payment to refunded bond escrow agent				
Premium on debt issued				
Discount on debt issued				
Transfers in	513,000	472,794	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>513,000</u>	<u>472,794</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(397,169)	(99,999)	63,092	-
Fund balances (as restated), July 1, 2013	<u>1,301,421</u>	<u>398,874</u>	<u>59,095</u>	<u>-</u>
FUND BALANCES, JUNE 30, 2014	<u><u>\$ 904,252</u></u>	<u><u>\$ 298,875</u></u>	<u><u>\$ 122,187</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	
\$ -	\$ -	\$ -	\$ 416,803
-	-	-	264,009
-	-	-	597,079
802,907	158,000	-	1,065,111
-	-	13,950	32,204
<u>75,903</u>	<u>270,355</u>	<u>-</u>	<u>741,703</u>
<u>878,810</u>	<u>428,355</u>	<u>13,950</u>	<u>3,116,909</u>
-	-	-	1,672,957
878,810	468,018	-	1,368,328
-	-	-	-
-	-	109,292	109,292
-	-	<u>8,509</u>	<u>8,509</u>
<u>878,810</u>	<u>468,018</u>	<u>117,801</u>	<u>4,680,293</u>
<u>-</u>	<u>(39,663)</u>	<u>(103,851)</u>	<u>(1,563,384)</u>
-	-	9,055,000	9,055,000
-	-	(5,627,447)	(5,627,447)
-	-	220,683	220,683
-	-	(53,529)	(53,529)
-	-	295,093	1,280,887
-	-	<u>(2,522,000)</u>	<u>(2,522,000)</u>
-	-	<u>1,367,800</u>	<u>2,353,594</u>
-	(39,663)	1,263,949	790,210
-	<u>123,455</u>	<u>-</u>	<u>1,882,845</u>
<u>\$ -</u>	<u>\$ 83,792</u>	<u>\$ 1,263,949</u>	<u>\$ 2,673,055</u>

CITY OF PADUCAH, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL AID PROGRAM FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 597,075	\$ 597,079	\$ 4
Interest	13,955	13,959	4
Other	-	-	-
Total revenues	<u>611,030</u>	<u>611,038</u>	<u>8</u>
Expenditures:			
Public service	<u>1,521,210</u>	<u>1,521,207</u>	<u>3</u>
Excess (deficiency) of revenues over expenditures	<u>(910,180)</u>	<u>(910,169)</u>	<u>11</u>
Other Financing Sources (Uses):			
Operating transfers in	513,000	513,000	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>513,000</u>	<u>513,000</u>	<u>-</u>
Net change in fund balance	(397,180)	(397,169)	11
Fund balance, July 1, 2013	<u>1,301,421</u>	<u>1,301,421</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2014	<u><u>\$ 904,241</u></u>	<u><u>\$ 904,252</u></u>	<u><u>\$ 11</u></u>

See accompanying notes to the basic financial statements.

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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Local contributions	\$ 416,800	\$ 416,803	\$ 3
Telephone surcharges	264,005	264,009	4
Interest	2,340	2,341	1
Miscellaneous	395,440	395,445	5
Total revenues	<u>1,078,585</u>	<u>1,078,598</u>	<u>13</u>
Expenditures:			
Public safety	<u>1,651,525</u>	<u>1,651,391</u>	<u>134</u>
Excess (deficiency) of revenues over expenditures	<u>(572,940)</u>	<u>(572,793)</u>	<u>147</u>
Other Financing Sources (Uses):			
Operating transfers in	472,790	472,794	4
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>472,790</u>	<u>472,794</u>	<u>4</u>
Net change in fund balance	<u>\$ (100,150)</u>	<u>(99,999)</u>	<u>\$ 151</u>
Fund balance, July 1, 2013		<u>398,874</u>	
FUND BALANCE, JUNE 30, 2014		<u>\$ 298,875</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, 2014

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Grants	\$ 82,700	\$ 82,704	\$ 4
Interest	1,950	1,954	4
	84,650	84,658	8
Expenditures:			
Public safety	21,570	21,566	4
Excess (deficiency) of revenues over expenditures	63,080	63,092	12
Net change in fund balance	\$ 63,080	63,092	\$ 12
Fund balance, July 1, 2013		59,095	
FUND BALANCE, JUNE 30, 2014		\$ 122,187	

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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Grants	\$ 21,500	\$ 21,500	\$ -
Other	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	21,500	21,500	-
	<hr/>	<hr/>	<hr/>
Expenditures:			
Planning and development	21,500	21,500	-
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	-	-	-
	<hr/>	<hr/>	<hr/>
Other Financing Sources (Uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-
	<hr/>	<hr/>	<hr/>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, July 1, 2013		<hr/>	
FUND BALANCE, JUNE 30, 2014		<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, 2014

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Grants	\$ 802,900	\$ 802,907	\$ 7
Other	75,900	75,903	3
Total revenues	878,800	878,810	10
Expenditures:			
Planning and development	878,815	878,810	5
Excess (deficiency) of revenues over expenditures	(15)	-	5
Net change in fund balance	\$ (15)	-	\$ 5
Fund balance, July 1, 2013		-	
FUND BALANCE, JUNE 30, 2014		\$ -	

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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Grants	\$ 158,000	\$ 158,000	\$ -
Other	270,355	270,355	-
Total revenues	<u>428,355</u>	<u>428,355</u>	<u>-</u>
Expenditures:			
Planning and development	<u>468,020</u>	<u>468,018</u>	<u>2</u>
Excess (deficiency) of revenues over expenditures	<u>(39,665)</u>	<u>(39,663)</u>	<u>2</u>
Other Financing Sources (Uses):			
Proceeds from line of credit	-	-	-
Operating transfers in	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ (39,665)</u>	<u>(39,663)</u>	<u>\$ 2</u>
Fund balance, July 1, 2013		<u>123,455</u>	
FUND BALANCE, JUNE 30, 2014		<u>\$ 83,792</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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Grants	\$ -	\$ -	\$ -
Interest	13,945	13,950	5
Total revenues	<u>13,945</u>	<u>13,950</u>	<u>5</u>
Expenditures:			
Debt issuance costs	109,295	109,292	3
Interest and fiscal requirement	8,510	8,509	1
Total expenditures	<u>117,805</u>	<u>117,801</u>	<u>4</u>
Excess (deficiency) of revenues over expenditures	<u>(103,860)</u>	<u>(103,851)</u>	<u>9</u>
Other Financing Sources (Uses):			
Proceeds of debt	9,054,995	9,055,000	5
Payment to refunded bond escrow agent	(5,627,450)	(5,627,447)	3
Premium on debt issued	220,680	220,683	3
Discount on debt issued	(53,530)	(53,529)	1
Operating transfers in	295,095	295,093	(2)
Operating transfers out	<u>(2,522,000)</u>	<u>(2,522,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,367,790</u>	<u>1,367,800</u>	<u>(2)</u>
Net change in fund balance	<u>\$ 1,263,930</u>	1,263,949	<u>\$ 7</u>
Fund balance, July 1, 2013		<u>-</u>	
FUND BALANCE, JUNE 30, 2014		<u>\$ 1,263,949</u>	

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

NONMAJOR PROPRIETARY FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

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.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2014

<u>ASSETS</u>	<u>Section Eight Housing</u>	<u>Civic Center Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
Current Assets:			
Cash and cash equivalents	\$ 627,878	\$ 1	\$ 627,879
Receivables, net	-	-	-
Prepaid expense	-	-	-
	<hr/>	<hr/>	<hr/>
Total current assets	627,878	1	627,879
	<hr/>	<hr/>	<hr/>
Noncurrent Assets:			
Net depreciable capital assets	3,136	149,575	152,711
	<hr/>	<hr/>	<hr/>
Total assets	631,014	149,576	780,590
	<hr/>	<hr/>	<hr/>
<u>LIABILITIES</u>			
Current Liabilities:			
Voucher and accounts payable	70,262	7,394	77,656
Accrued compensated absences	1,896	-	1,896
Unearned revenues	52,390	-	52,390
Due to other funds	48,786	-	48,786
	<hr/>	<hr/>	<hr/>
Total current liabilities	173,334	7,394	180,728
	<hr/>	<hr/>	<hr/>
Noncurrent Liabilities:			
Accrued compensated absences	17,061	-	17,061
	<hr/>	<hr/>	<hr/>
Total liabilities	190,395	7,394	197,789
	<hr/>	<hr/>	<hr/>
<u>NET POSITION</u>			
Invested in capital assets	3,136	149,575	152,711
Restricted - Housing	437,483	-	437,483
Unrestricted	-	(7,393)	(7,393)
	<hr/>	<hr/>	<hr/>
TOTAL NET POSITION	\$ 440,619	\$142,182	\$ 582,801
	<hr/>	<hr/>	<hr/>

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Section Eight Housing	Civic Center Fund	Total Nonmajor Enterprise Funds
Operating Revenues:			
Charges for services	\$ -	\$ 41,266	\$ 41,266
Miscellaneous	1,639	-	1,639
	<u>1,639</u>	<u>41,266</u>	<u>42,905</u>
Operating Expenses:			
Cost of sales and service	1,851,990	71,961	1,923,951
Depreciation and amortization	3,877	10,021	13,898
	<u>1,855,867</u>	<u>81,982</u>	<u>1,937,849</u>
Operating income (loss)	<u>(1,854,228)</u>	<u>(40,716)</u>	<u>(1,894,944)</u>
Non-Operating Revenues (Expenses):			
Grants - program purpose	1,901,883	-	1,901,883
Interest and investment income	66	-	66
Gain (loss) on disposal of property and equipment	<u>-</u>	<u>-</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>1,901,949</u>	<u>-</u>	<u>1,901,949</u>
Income (loss) before contributions and transfers	<u>47,721</u>	<u>(40,716)</u>	<u>7,005</u>
Contributions and Operating Transfers:			
Transfers in	-	27,872	27,872
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total contributions and operating transfers	<u>-</u>	<u>27,872</u>	<u>27,872</u>
Change in net position	47,721	(12,844)	34,877
Net position, July 1, 2013	<u>392,898</u>	<u>155,026</u>	<u>547,924</u>
NET POSITION, JUNE 30, 2014	<u>\$ 440,619</u>	<u>\$142,182</u>	<u>\$ 582,801</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, 2014

	Section Eight Housing	Civic Center Fund	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities:			
Cash received from customers	\$ -	\$ 41,266	\$ 41,266
Payments to employees	(146,544)	-	(146,544)
Payments to internal service funds	-	(2,338)	(2,338)
Other receipts	1,639	-	1,639
Housing assistance and other payments	(1,702,076)	(67,181)	(1,769,257)
Net cash provided (used) by operating activities	<u>(1,846,981)</u>	<u>(28,253)</u>	<u>(1,875,234)</u>
Cash Flows from Noncapital Financing Activities:			
Grants - program purpose	1,908,795	-	1,908,795
Transfers from other funds	-	27,872	27,872
Transfers to other funds	-	-	-
Net cash provided (used) by noncapital financing activities	<u>1,908,795</u>	<u>27,872</u>	<u>1,936,667</u>
Cash Flows from Investing Activities:			
Interest on cash and investments	66	-	66
Net increase (decrease) in cash and cash equivalents	61,880	(381)	61,499
Cash and cash equivalents, July 1, 2013	<u>565,998</u>	<u>382</u>	<u>566,380</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2014	<u>\$ 627,878</u>	<u>\$ 1</u>	<u>\$ 627,879</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ (1,854,228)	\$ (40,716)	\$(1,894,944)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	3,877	10,021	13,898
Change in assets and liabilities:			
Unearned revenues	(6,912)	-	(6,912)
Accounts payable and accrued expenses	10,282	2,442	12,724
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (1,846,981)</u>	<u>\$ (28,253)</u>	<u>\$ (1,875,234)</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, 2014

**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 REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Fleet Maintenance	Fleet Lease Trust	Insurance Fund	Health Insurance Fund	Combined Total
Operating Revenues:					
Charges for services - internal	\$355,011	\$ 721,421	\$ 929,614	\$ 3,282,355	\$ 5,288,401
Charges for services - external	-	-	-	286,492	286,492
Total operating revenues	<u>355,011</u>	<u>721,421</u>	<u>929,614</u>	<u>3,568,847</u>	<u>5,574,893</u>
Operating Expenses:					
Vehicle maintenance	540,382	-	-	-	540,382
Administrative	-	28,501	-	416,622	445,123
Insurance	-	-	950,949	2,281,344	3,232,293
Leave expense	5,294	-	-	-	5,294
Depreciation	10,480	609,352	-	-	619,832
Total operating expenses	<u>556,156</u>	<u>637,853</u>	<u>950,949</u>	<u>2,697,966</u>	<u>4,842,924</u>
Operating income (loss)	<u>(201,145)</u>	<u>83,568</u>	<u>(21,335)</u>	<u>870,881</u>	<u>731,969</u>
Nonoperating Revenues and (Expenses):					
Interest and investment income	25	32,597	-	-	32,622
Gain (loss) on disposal of property and equipment	-	36,737	-	-	36,737
Total nonoperating revenues (expenses)	<u>25</u>	<u>69,334</u>	<u>-</u>	<u>-</u>	<u>69,359</u>
Income (loss) before transfers	<u>(201,120)</u>	<u>152,902</u>	<u>(21,335)</u>	<u>870,881</u>	<u>801,328</u>
Contributions and Transfers:					
Transfers in	163,829	8,500	98,657	-	270,986
Transfers out	-	-	(8,500)	-	(8,500)
Total contributions and operating transfers	<u>163,829</u>	<u>8,500</u>	<u>90,157</u>	<u>-</u>	<u>262,486</u>
Change in net position	<u>(37,291)</u>	<u>161,402</u>	<u>68,822</u>	<u>870,881</u>	<u>1,063,814</u>
Net position, July 1, 2013	<u>37,291</u>	<u>7,002,870</u>	<u>274,036</u>	<u>1,072,351</u>	<u>8,386,548</u>
NET POSITION, JUNE 30, 2014	<u>\$ -</u>	<u>\$ 7,164,272</u>	<u>\$ 342,858</u>	<u>\$ 1,943,232</u>	<u>\$ 9,450,362</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, 2014

	<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	\$ 355,011	\$ 752,543	\$ 929,997	\$ 3,573,493	\$ 5,611,044
Payments to suppliers	(226,502)	-	-	-	(226,502)
Payments to employees	(311,983)	-	-	-	(311,983)
Claims paid	-	-	-	(2,198,521)	(2,198,521)
Other payments	-	(28,536)	(949,187)	(416,622)	(1,394,345)
Net cash provided (used) by operating activities	<u>(183,474)</u>	<u>724,007</u>	<u>(19,190)</u>	<u>958,350</u>	<u>1,479,693</u>
Cash Flows from Noncapital Financing Activities:					
Transfers from other funds	163,829	8,500	98,657	-	270,986
Transfers to other funds	-	-	(8,500)	-	(8,500)
Net cash provided (used) by noncapital financing activities	<u>163,829</u>	<u>8,500</u>	<u>90,157</u>	<u>-</u>	<u>262,486</u>
Cash Flows from Capital and Related Financing Activities:					
Proceeds from sale of capital assets	-	38,730	-	-	38,730
Purchase of capital assets	-	(970,817)	-	-	(970,817)
Net cash used by capital and related financing	<u>-</u>	<u>(932,087)</u>	<u>-</u>	<u>-</u>	<u>(932,087)</u>
Cash Flows from Investing Activities:					
Interest and dividends	25	32,597	-	-	32,622
Net cash used by investing activities	<u>25</u>	<u>32,597</u>	<u>-</u>	<u>-</u>	<u>32,622</u>
Net increase (decrease) in cash and cash equivalents	(19,620)	(166,983)	70,967	958,350	842,714
Cash and cash equivalents, July 1, 2013	26,546	3,283,154	278,437	1,099,661	4,687,798
CASH AND CASH EQUIVALENTS, JUNE 30, 2014	<u><u>\$ 6,926</u></u>	<u><u>\$3,116,171</u></u>	<u><u>\$ 349,404</u></u>	<u><u>\$ 2,058,011</u></u>	<u><u>\$ 5,530,512</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating income (loss)	\$(201,145)	\$ 83,568	\$ (21,335)	\$ 870,881	\$ 731,969
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	10,480	609,352	-	-	619,832
Change in assets and liabilities:					
Receivables	-	(217,500)	383	5,479	(211,638)
Prepaid expense	-	648,622	-	9,484	658,106
Inventories	(3,721)	-	-	-	(3,721)
Due from other funds	-	(400,000)	-	-	(400,000)
Accounts payable and accrued expenses	10,912	(35)	1,762	72,506	85,145
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$(183,474)</u></u>	<u><u>\$ 724,007</u></u>	<u><u>\$ (19,190)</u></u>	<u><u>\$ 958,350</u></u>	<u><u>\$ 1,479,693</u></u>

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

FIDUCIARY FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

**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, 2014

<u>ASSETS</u>	<u>Police and Firefighters' Retirement Fund</u>	<u>Appointive Employees' Pension Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ 4,689	\$ 47,868	\$ 52,557
Receivables:			
Interest	17,299	-	17,299
Prepaid expenses	-	-	-
Investments at fair value			
Money market funds	139,544	-	139,544
Certificates of deposits	-	-	-
Common stock	2,969,572	-	2,969,572
Corporate bonds	954,013	-	954,013
U.S. agencies bonds	253,006	-	253,006
Mortgage backed securities	-	-	-
Mutual funds	2,797,666	-	2,797,666
Total assets	<u>7,135,789</u>	<u>47,868</u>	<u>7,183,657</u>
<u>LIABILITIES</u>			
Voucher and accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
<u>NET POSITION</u>			
Held in trust for pension benefits and other purposes	<u>\$ 7,135,789</u>	<u>\$ 47,868</u>	<u>\$ 7,183,657</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, 2014

Additions:	Police and Firefighters' Retirement Fund	Appointive Employees' Pension Fund	Totals
Contributions:			
Employer	\$ 420,834	\$ -	\$ 420,834
Plan members	5,354	-	5,354
Total contributions	<u>426,188</u>	<u>-</u>	<u>426,188</u>
Investment earnings:			
Net change in fair value of investments	877,920	-	877,920
Interest and dividends	179,806	597	180,403
Net investment earnings	<u>1,057,726</u>	<u>597</u>	<u>1,058,323</u>
Total additions	<u>1,483,914</u>	<u>597</u>	<u>1,484,511</u>
Deductions:			
Benefits	1,445,080	21,152	1,466,232
Administrative expenses	48,406	7,483	55,889
Total deductions	<u>1,493,486</u>	<u>28,635</u>	<u>1,522,121</u>
Change in net position	(9,572)	(28,038)	(37,610)
Net position - beginning	<u>7,145,361</u>	<u>75,906</u>	<u>7,221,267</u>
Net position - ending	<u>\$ 7,135,789</u>	<u>\$ 47,868</u>	<u>\$ 7,183,657</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, 2014

	Cemetery and Park Trusts
<u>ASSETS</u>	
Cash and cash equivalents	\$ 6,280
Investments at fair value	
Money market funds	-
Mutual funds	<u>1,207,517</u>
Total assets	<u>1,213,797</u>
<u>LIABILITIES</u>	
Accounts payable	<u>-</u>
<u>NET POSITION</u>	
Held in trust for other purposes	<u><u>\$ 1,213,797</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, 2014

	<u>Cemetery and Park Trusts</u>
Additions:	
Contributions:	
Intergovernmental revenues	\$ -
Private donations	2,615
Total contributions	<u>2,615</u>
Investment earnings:	
Change in fair value of investments	115,525
Interest and dividends	59,541
Net investment earnings	<u>175,066</u>
Interfund transfers	<u>-</u>
Total additions	<u>177,681</u>
Deductions:	
Capital outlay	47,771
Administrative expenses	14,396
Total deductions	<u>62,167</u>
Change in net position	115,514
Net position - beginning	<u>1,098,283</u>
Net position - ending	<u><u>\$ 1,213,797</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, 2014

Payroll Fund:	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Assets:				
Cash and cash equivalents	<u>\$ 532,049</u>	<u>\$14,245,555</u>	<u>\$14,213,958</u>	<u>\$563,646</u>
Liabilities:				
Payroll taxes and withholdings payable	<u>\$ 532,049</u>	<u>\$14,245,555</u>	<u>\$14,213,958</u>	<u>\$563,646</u>

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

STATISTICAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

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.	114-118
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.	119-124
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.	125-128
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.	129-130
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.	131-133

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									
	2014	2013	2012	2011	2010 (2)	2009	2008	2007	2006	2005 (1)
Governmental activities:										
Invested in Capital Assets, Net of Related Debt	\$ 39,844,772	\$ 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
Restricted for:										
Program purposes	205,979	284,760	897,942	1,264,986	1,100,696	2,183,559	1,782,251	1,904,321	1,018,231	727,699
Capital projects	2,168,201	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
Unrestricted	13,382,066	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
Total governmental activities net position	<u>\$ 55,601,018</u>	<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>
Business-type activities:										
Invested in Capital Assets, Net of Related Debt	1,210,415	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
Restricted for:										
Program purposes	437,483	385,885	732,817	999,885	620,800	369,368	579,460	-	-	-
Unrestricted	3,837,034	3,428,267	3,246,320	3,004,783	1,816,705	1,036,093	(19,965)	(147,286)	132,090	(27,648)
Total business-type activities net position	<u>\$ 5,484,932</u>	<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>
Primary government:										
Invested in Capital Assets, Net of Related Debt	41,055,187	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
Restricted for:										
Program purposes	643,462	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
Capital projects	2,168,201	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
Unrestricted	17,219,100	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
Total primary government net position	<u>\$ 61,085,950</u>	<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>

(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									
	2014	2013	2012	2011	2010 (3)	2009	2008 (2)	2007	2006	2005 (1)
Expenses										
<i>Governmental activities:</i>										
General government	\$ 8,005,619	\$ 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
Public safety	18,439,670	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
Public service	6,982,536	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
Parks and recreation	2,750,531	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
Planning and development	1,805,379	1,463,659	1,192,952	1,212,103	970,022	708,827	282,042	1,891,725	2,404,636	2,521,412
Interest on long-term debt	1,084,016	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
Total governmental activities expenses	<u>39,067,751</u>	<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>
<i>Business-type activities:</i>										
Solid Waste	3,985,233	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
Section Eight Housing	1,855,869	2,032,843	1,921,004	1,956,728	2,061,370	2,154,360	1,949,899	-	-	-
Civic Center	81,982	78,000	71,069	76,546	69,537	75,692	84,908	54,562	45,894	39,008
TISA	-	-	173,708	183,546	206,798	162,848	156,388	267,192	269,781	170,264
Total business-type activities expenses	<u>5,923,084</u>	<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>
Total primary government expenses	<u>\$ 44,990,835</u>	<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>
Program Revenue:										
<i>Governmental activities:</i>										
Charges for services:										
General government	\$ 1,672,552	\$ 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
Public safety	264,143	354,829	509,297	790,650	484,754	602,262	268,839	1,024,610	767,086	794,814
Public service	960,271	963,893	1,032,953	1,205,666	1,197,194	1,220,999	1,111,188	1,150,507	942,355	895,155
Parks and recreation	105,248	106,183	97,896	129,790	152,890	180,420	124,606	122,929	103,932	117,317
Planning and development	-	-	-	-	-	1,600	30,627	10,810	20,602	13,501
Operating grants and contributions	5,419,715	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
Capital grants and contributions	4,136,749	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
Total governmental activities program revenues	<u>12,558,678</u>	<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>
<i>Business-type activities:</i>										
Solid Waste	\$ 4,410,059	\$ 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
Section Eight Housing	-	-	-	-	-	-	-	-	-	-
Civic Center	41,266	38,265	34,038	33,766	32,455	38,577	32,932	31,372	26,378	32,828
TISA	-	-	99,603	138,797	148,158	148,291	143,833	193,713	106,697	104,087
Operating grants and contributions	1,956,995	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
Total business-type activities program revenues	<u>6,408,320</u>	<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>
Total primary government program revenues	<u>\$ 18,966,998</u>	<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>

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

	Fiscal Year									
	2014	2013	2012	2011	2010 (3)	2009	2008 (2)	2007	2006	2005 (1)
Net (Expense)/Revenue										
<i>Governmental activities</i>	\$ (26,509,073)	\$ (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)
<i>Business-type activities</i>	485,236	59,230	168,184	1,008,951	849,857	399,050	(140,794)	(224,244)	(356,110)	(158,159)
Total primary government net (expense)	<u>\$ (26,023,837)</u>	<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>
General Revenues and Other Changes in Net Position										
<i>Governmental activities:</i>										
Taxes and licenses:										
Property taxes, levied for general purpos	4,622,292	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
Insurance premium tax	3,831,792	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
Gross receipts license tax	4,444,440	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
Employee license tax	18,114,396	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
Other taxes	2,785,333	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
Intergovernmental revenue	-	-	-	-	-	-	1,401,400	1,243,028	1,201,973	955,645
Unrestricted investment earnings	232,204	211,306	203,261	264,913	172,213	336,960	540,620	639,702	462,292	290,647
Gain on sale of capital assets	(482,137)	383,370	36,718	62,539	64,620	68,530	119,200	48,656	8,340	-
Miscellaneous	-	(82,992)	-	-	-	-	-	-	-	-
Insurance recoveries	-	-	27,448	410,462	-	-	-	-	-	-
Litigation settlement	-	-	-	(1,482,743)	-	-	-	-	-	-
Transfers in/out	212,128	485,138	270,620	(125,772)	(78,893)	(110,838)	(96,609)	(58,175)	(115,754)	(133,959)
Total governmental activities	<u>33,760,448</u>	<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>
<i>Business-type activities:</i>										
Unrestricted investment earnings	48,255	49,382	48,806	46,052	33,724	52,961	73,985	83,854	85,786	51,508
Gain on sale of capital assets	13,422	52,710	2,443	67,657	1,112	98,369	127,131	16,641	55,337	27,500
Miscellaneous	103,260	82,992	-	-	-	-	-	-	-	-
Transfers	(212,128)	(485,138)	(270,620)	125,772	78,893	110,838	96,609	58,176	115,754	133,959
Total business-type activities	<u>(47,191)</u>	<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>
Change in Net Position										
<i>Governmental activities:</i>	7,251,375	5,615,538	(1,512,904)	(1,091,474)	(742,031)	(1,626,416)	490,206	6,047,553	3,511,648	(767,433)
<i>Business-type activities:</i>	438,045	(240,824)	(51,187)	1,248,432	963,586	661,218	156,931	(65,573)	(99,233)	54,808
Total primary government	<u>\$ 7,689,420</u>	<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>

- (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									
	2014	2013	2012	2011	2010 (3)	2009	2008 (2)	2007	2006	2005 (1)
General Fund										
Unassigned	\$ 12,694,610	\$ 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
Total general fund	<u>\$ 12,694,610</u>	<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>
All Other Governmental Funds										
Restricted for:										
Program purposes	\$ 205,979	\$ 284,760	\$ 1,236,780	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital improvements	2,168,201	1,301,421	286,276	-	-	-	-	-	-	-
Committed for:										
Capital improvements	1,758,934	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	802,692	752,691	472,235	683,578	1,402,731	1,634,547	1,193,968	1,543,547	1,573,977	1,548,082
Capital improvements	3,206,412	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
Total all other governmental funds	<u>\$ 8,142,218</u>	<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>

(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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Taxes	\$ 6,713,889	\$ 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
Licenses	26,987,110	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
Charges for services	851,080	815,791	817,607	811,590	846,087	866,688	835,105	783,018	654,059	625,281
Intergovernmental	2,624,363	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
Grants	5,923,651	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
Interest	199,583	175,371	162,580	205,837	121,246	225,251	419,103	540,204	402,943	251,302
Other	3,271,860	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
Total revenues	46,571,536	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
Expenditures:										
General government	4,311,103	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
Public safety	18,475,471	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
Public service	6,323,481	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
Parks and recreation	2,763,773	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
Planning and development	2,086,527	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
Other	640,452	766,847	516,534	486,239	847,188	514,488	520,611	526,238	481,690	462,099
Capital outlay	11,926,435	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
Debt service:										
Principal requirement	1,748,233	1,698,468	1,434,246	2,233,588	1,020,585	830,682	880,887	782,870	594,047	552,938
Debt issuance costs	109,292	-	-	-	-	-	-	-	-	-
Interest and fiscal requirement	1,086,866	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
Total expenditures	49,471,633	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
Other Financing Sources (Uses):										
Bonds issued	9,055,000	-	-	-	6,645,000	1,718,605	-	-	6,100,000	-
Payment to bond escrow agent	(5,627,447)	-	-	-	-	-	-	-	-	-
Premium on debt issued	220,683	-	-	-	-	-	-	-	-	-
Discount on debt issued	(53,529)	-	-	-	-	-	-	-	-	-
Long-term debt draws/issued	-	308,112	101,983	366,039	1,480,781	69,032	-	246,667	-	275,000
Capital lease	-	405,796	405,796	405,796	405,796	405,796	371,979	-	-	-
Transfers in	9,148,761	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
Transfers out	(9,199,119)	(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)
Total other financing sources (uses)	3,544,349	1,051,828	587,087	1,026,015	8,360,720	1,970,999	(472,652)	(100,078)	(547,110)	(1,042,751)
Net change in fund balances	\$ 644,252	\$ 2,858,886	\$ 199,228	\$ (2,371,234)	\$ 3,460,389	\$ 671,135	\$ (36,208)	\$ 2,717,458	\$ 2,628,983	\$ (2,891,468)
Capital outlay (1)	\$ 10,843,726	\$ 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
Debt service as a percentage of noncapital expenditures	7.34%	7.61%	6.87%	10.02%	6.13%	4.64%	5.49%	5.46%	4.69%	4.26%

(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
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
2014	826,805,152	743,249,074	585,142,381	41,487,586	2,196,684,193	2,270,597,754	0.292	96.7%	73,913,561

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									
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	0.020	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	0.018	0.018	0.096	0.106
2010	0.250	0.390	0.286	0.504	0.504	0.678	0.678	0.018	0.018	0.095	0.095
2011	0.250	0.390	0.288	0.504	0.504	0.711	0.711	0.018	0.018	0.095	0.098
2012	0.250	0.390	0.287	0.504	0.504	0.747	0.747	0.018	0.018	0.098	0.119
2013	0.250	0.390	0.288	0.504	0.504	0.747	0.747	0.017	0.017	0.096	0.102
2014	0.255	0.390	0.292	0.504	0.504	0.767	0.767	0.017	0.017	0.095	0.101

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	2014		2005	
	(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%	\$ 42,611,499	3.07%
Paducah Medical Investors	13,440,090	0.63%	13,440,090	0.97%
Ducmall LLC	13,119,800	0.61%	14,225,000	1.03%
Woodstone Enterprises LP	12,429,000	0.58%		
Paducah Hospitality Partners	11,000,000	0.51%		
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%	9,083,185	0.66%
Wal Mart Store	9,000,000	0.42%	33,968,895	2.45%
USF Propco I LLC	8,156,900	0.38%		
Lowe's			12,136,826	0.88%
Sams East Inc			14,711,574	1.06%
Lourdes Medical Pavilion			15,982,400	1.15%
TOTALS	\$ 146,998,592	6.85%	\$ 156,159,469	11.27%

(1) Source - Property Valuation Administration; Assessed value as of January 1, 2013.

(2) Source - Property Valuation Administration; Assessed value as of January 1, 2004.

**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
2005	3,832,923	3,762,592	98.2%	64,191	3,826,783	99.8%
2006	4,011,918	3,911,868	97.5%	92,180	4,004,048	99.8%
2007	3,998,236	3,855,679	96.4%	132,926	3,988,605	99.8%
2008	3,972,547	3,814,940	96.0%	147,896	3,962,836	99.8%
2009	4,198,580	4,017,032	95.7%	165,599	4,182,631	99.6%
2010	4,255,451	4,131,454	97.1%	104,155	4,235,609	99.5%
2011	4,195,341	4,110,973	98.0%	59,398	4,170,371	99.4%
2012	4,225,290	4,119,689	97.5%	72,679	4,192,368	99.2%
2013	4,438,878	4,334,698	97.7%	58,410	4,393,108	99.0%
2014	4,607,868	4,509,874	97.9%	-	4,509,874	97.9%

(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
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%
2014	18,114,396	2.00%
	<u>163,785,343</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 EIGHT YEARS PRIOR*

Taxpayers By Range	2014			
	Number of Filers	Percentage of Total	(1) Taxes Collected	Percentage of Total Employee License Tax
\$0 - \$50,000	2,479	98.10%	8,768,786	48.41%
\$50,001 - \$100,000	23	0.91%	1,721,032	9.50%
\$100,001 - \$500,000	23	0.91%	4,761,329	26.28%
Greater than \$500,000	2	0.08%	2,863,249	15.81%
TOTALS	2,527	100.00%	\$ 18,114,396	100.00%

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

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

*Principal employee license taxpayers eight 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
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	22,037,960	6,920,838	-	-	-	28,958,798	1.31	5.76%	1,157
2014	24,202,474	6,519,356	-	-	-	30,721,830	1.35	6.11%	1,228

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	Convention & Art Center Bonds	Police and Fire Pension Fund Bonds	Infiniti Media Building Bonds	Floodwall Rehabilitation Bonds	Public Improvement Project Bonds	Public Pool Renovation Bonds	Economic Development Bonds	Less Resources Available for Debt Service	Total	(1) Ratio of Net Bonds to Actual Value	(2) Net Bonds Per Capita
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	3,630,000	2,455,210	6,100,000	-	-	35,088	23,675,122	1.12	946
2013	6,220,000	4,655,000	3,370,000	2,341,790	5,825,000	-	-	316,458	22,095,332	1.00	883
2014	5,805,000	4,400,000	3,100,000	2,224,863	5,460,000	1,120,000	2,475,000	503,817	24,081,046	1.06	962

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, 2014

	<u>Reported Debt Outstanding</u>	⁽¹⁾ <u>Percentage Applicable to the City</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
City of Paducah	\$ 28,958,798	100.00%	\$ 28,958,798
Paducah Independent School District	49,054,401 *	100.00%	49,054,401
McCracken County	27,208,678 *	46.00%	12,515,992
McCracken County Board of Education	<u>71,350,973 *</u>	<u>31.60%</u>	<u>22,546,907</u>
Overlapping debt	<u>147,614,052</u>		<u>84,117,300</u>
TOTAL DIRECT AND OVERLAPPING DEBT	<u><u>\$176,572,850</u></u>		<u><u>\$113,076,098</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		\$2,196,684,193
Add exemption		<u>73,913,561</u>
Total assessed value		<u>\$2,270,597,754</u>
Debt limit - 10% of total assessed (1)		\$ 227,059,775
Debt outstanding:		
General obligation bonds outstanding	\$ 24,706,291	
Note payable	6,519,356	
Less debt not subject to limit	<u>-</u>	
Gross bonded debt	31,225,647	
Less amount available in debt service funds	<u>503,817</u>	
Net bonded indebtedness subject to limit		<u>30,721,830</u>
LEGAL DEBT MARGIN		<u><u>\$ 196,337,945</u></u>

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Debt limit	<u>\$ 227,059,775</u>	<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>
Total net debt applicable to limit	<u>30,721,830</u>	<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>
LEGAL DEBT MARGIN	<u><u>\$ 196,337,945</u></u>	<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>
Total net debt applicable to the limited as a percentage of debt limit	13.53%	13.08%	14.58%	14.13%	15.11%	12.03%	10.44%	11.82%	12.68%	9.93%

(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
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%
2013-2014	25,024	503,179,300	20,430	41.4	3,138	8.2%

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 EIGHT YEARS PRIOR***

<u>Employer</u>	<u>2014</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	1,636	5.75%	1,660	5.55%
Lourdes Hospital	1,511	5.31%	1,500	5.01%
Wal Mart	1,002	3.52%	570	2.01%
Paducah Public Schools	591	2.08%	600	1.91%
West Kentucky Community and Technical College	532	1.87%	270	0.90%
City of Paducah	307	1.08%	353	1.27%
State of Kentucky	346	1.22%	390	1.30%
Parkview Convalescent Center	300	1.05%		
LYNX Services	312	1.10%	390	1.30%
Paxton Media Group	244	0.86%	285	0.95%
Computer Services, Inc.	249	0.87%	280	0.94%
TOTALS	<u>7,030</u>	<u>24.69%</u>	<u>6,298</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 eight 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>2014</u>	<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>
<i>Governmental Activities</i>										
General government										
General administration	11	12	12	12	12	12	12	12	12	11
Finance	11	11	11	14	14	17	14	14	14	13
Inspection	0	0	11	11	10	13	13	13	12	12
Information systems	5	6	6	6	6	4	4	4	3	3
Risk/Human resources	3	3	3	1	1	1	4	4	4	4
Public safety										
Police	87	88	90	90	90	93	93	93	93	96
Fire	76	74	64.5	64	65	69	69	71	76	75
Public service										
Streets	20	20	23	23	23	29	29	30	31	28
Facilities	13.5	13.5	11.5	14	34	36	35	34	35	38
Engineering	6.6	7.6	7.6	7	5	8	9	9	9	9
Other	5	5	5	6	4	6	6	6	4	4
Parks and recreation	24	24	24	24	7	7	7	7	7	9
Planning and development	9	9	9	9	9	10	11	11	11	11
Other										
Paducah Riverfront Dev. Authority	1	1	1	0	0	0	0	0	0	0
Renaissance	3	3	4	5	3	5	0	0	0	0
Fleet maintenance	6.5	6.5	6.5	6.5	8	6	7	7	7	7
<i>Business-type Activities</i>										
Solid waste	<u>25.4</u>	<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>
TOTAL PRIMARY GOVERNMENT	<u><u>307</u></u>	<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>

* Employee budget census.

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General government										
Building and electrical permits issued	1,251	1,202	1,232	1,239	1,263	1,179	1,203	1,411	1,362	1,376
Business licenses issued	3,717	3,966	3,956	3,254	3,397	3,691	3,507	3,500	3,700	*
Public safety										
Police										
Adult arrests	2,546	2,508	2,753	3,564	3,859	4,454	4,170	5,012	3,827	*
Murder	3	-	3	3	1	5	-	-	-	*
Rape	17	16	14	22	12	20	15	18	15	*
Robberies	36	38	14	31	56	41	49	42	35	*
Burglary	127	142	123	155	245	169	203	208	211	*
Auto theft	60	41	47	54	62	57	60	117	104	*
Arson	3	5	7	6	7	7	8	16	7	*
Traffic accidents	1,664	1,573	1,666	1,762	1,774	1,368	1,519	1,949	1,815	*
Traffic violations	6,821	10,168	8,573	7,701	7,240	9,143	7,109	7,323	7,468	*
Fire										
Emergency responses	2,935	3,054	3,164	3,181	2,603	3,305	2,603	2,456	2,546	3,219
Fires extinguished	115	105	138	122	133	136	102	163	181	176
Structure fires	35	33	53	37	49	57	49	40	53	49
Incidents with reported losses	56	55	89	73	89	85	70	80	91	97
Medical/rescue	2,080	2,151	2,270	2,133	1,690	1,616	1,506	1,369	1,589	1,997
Tours/in-services/car seats	378	570	524	671	676	907	699	485	485	485
Training man hours	8,959	9,155	7,232	7,033	8,493	7,716	4,344	1,183	1,418	1,188
Inspections	1,710	1,157	1,417	1,063	985	1,183	1,449	*	*	*
Refuse collection										
Residential										
Refuse collected (tons per day)	36	36	34	34	38	32	25	28	34	*
Customers served	9,600	9,478	9,488	9,568	9,445	9,435	9,446	9,388	9,368	*
Commercial										
Refuse collected (tons per day)	61	65	71	71	70	75	83	85	84	*
Customers served	927	805	803	806	810	810	821	832	801	*
Public service										
911 dispatches	83,614	92,786	79,333	82,268	79,768	81,525	83,871	76,815	83,348	85,273
Police	43,877	51,131	43,686	44,794	42,496	40,921	43,420	41,887	47,091	48,275
Fire	3,517	4,747	3,189	3,226	2,702	2,490	2,720	2,399	2,907	3,424
Other	36,220	36,908	32,458	34,248	34,570	38,114	37,731	32,529	33,350	33,574

* Information not available.

** Information from city departments.

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
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	10	9	9	7	10	9	8	8
Commercial	4	4	4	4	5	4	5	5	4	4
Other public works										
Streets (miles paved)	218	218	218	218	218	216	216	216	214	214
Sidewalks (miles)	47	47	47	47	47	45	45	45	45	45
Traffic signals	13	13	13	13	13	12	11	11	11	11
Parks and recreation										
Parks	28	27	27	27	27	27	27	27	18	18
Acreage	960	960	1125	1125	1125	960	960	960	325	325
Community centers	2	2	2	2	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 from city departments.

CITY OF PADUCAH, KENTUCKY

SINGLE AUDIT SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

CITY OF PADUCAH, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Federal Grantor/Pass-Through Grantor/ Program Title:</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Expenditures</u>
Department of Housing and Urban Development:			
Direct Programs:			
Section 8 Housing Choice Vouchers	14.871	N/A	\$ 1,851,991
Economic Development Initiative Special Project	14.251	B06NIKY0016	1,891,291
Pass-through Kentucky Governors			
Office for Local Development:			
Community Development Block Grants	14.228	10-109	656,227
	14.228	13-005	156,055
Passed-through Kentucky Housing Corporation:			
Home Investment Partnerships Program	14.239	HB12-198-01	158,000
Total Department of Housing and Urban Development			<u>4,713,564</u>
Department of Justice:			
Direct Programs:			
Bulletproof Vest Partnership Program	16.607	N/A	7,436
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	13,382
Total Department of Justice			<u>20,818</u>
Department of Homeland Security:			
Direct Programs:			
Assistance to Firefighters Grant	97.044	N/A	49,040
Passed-through Kentucky Division of Emergency Management:			
Hazardous Mitigation Grant Program	97.039	PON2 095 1200003957 1	5,037
Passed-through Kentucky Office of Homeland Security:			
Homeland Security Grant Program	97.067	PO2 094 1400002736 1	32,000
Total Department of Homeland Security			<u>86,077</u>
Department of Transportation:			
Passed-through Kentucky Transportation Cabinet			
State and Community Highway Safety	20.600	PT-13-52	25,172
State and Community Highway Safety	20.600	PT-14-36	23,215
Highway Planning and Construction	20.205	DD-13-05	10,000
Highway Planning and Construction	20.205	DD-14-08	30,000
Highway Planning and Construction	20.205	DD-14-40	3,838
Highway Planning and Construction	20.205	P02-628-0600003374	213,949
Highway Planning and Construction	20.205	1400001907	1,646,936
Total Department of Transportation			<u>1,953,110</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 6,773,569</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, 2014

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	\$156,055

**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, 2014, 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 8, 2014.

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 8, 2014

**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, 2014. 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, 2014.

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 8, 2014

**CITY OF PADUCAH, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

Section I – Summary of Auditor’s Results

1. The independent auditor’s report expresses an unmodified 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 unmodified 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>
Section 8 Housing Choice Vouchers	14.871

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, 2013**

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)*.