CITY OF PADUCAH, KENTUCKY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

FINANCE DEPARTMENT
CITY OF PADUCAH,
KENTUCKY

City of Paducah

Paducah, Kentucky

Comprehensive Annual Financial Report

Year Ended June 30, 2016

Issued by the
Finance Department

CITY OF PADUCAH, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2016

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CITY OF PADUCAH, KENTUCKY

INTRODUCTORY SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

CITY OF PADUCAH

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

December 6, 2016

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, 2016. 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, 2016, 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 feet 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 650 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, footgolf, 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 180-year-old historic neighborhood. The LowerTown Art and Music Festival is an outdoor-juried show in its 14th 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. A second annual show is scheduled to begin in September 2017.

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 40,000 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 $40,000 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 306 full-time employees as of June 30, 2016. 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; 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 FY2016, one of the City's financial policies did have a significant impact on the financial statements:

Pension Obligation Costs. In FY2006, the City issued general obligation bonds of $6,100,000 to finance the police and firefighters' pension fund actuary liability. Since the issuance of these bonds, the City has made it policy to contribute the normal cost as well as the minimum actuarially sound contribution annually that would arise from the fund being in a deficit position as of the actuarial date. For FY2016 this contribution was $417 thousand. This amount was $391 thousand in FY2015.

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 FY2016 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 exceeds 70 years of age. Its age has marginalized its electrical and mechanical components well beyond their 50 year useful design life; therefore, it is in need of necessary repairs. In FY2011, the U.S. Army Corps of Engineers (USACE) issued a Feasibility Report, which recommended a comprehensive reconstruction, rehabilitation, and restoration project to improve the reliability and restore

the system performance of the original floodwall construction. 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. This project will have multiple phases and priorities of which cannot be complete within one project package. The City has targeted pump stations #2 and #9 to have active construction during calendar years 2017 and 2018. Based on USACE revised authorization, it is estimated that the City's portion for the total overall project cost is approximately $10.9 million. The City has aligned itself with USACE to receive future in-kind credit approximating $2.1 million it expended in FY2009 for identified project components requiring reconstruction, i.e., slip lining 37 of its corrugated metal pipes.

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 340 foot transient boat dock, boat ramp, recreational trails, and shoreline enhancements. 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, 2015, Phase 1-A of the riverfront development project, which consists of installation of the pilings and the placement of stone for mass fill, was completed. The Phase 1-B project is currently under construction and will be completed in early 2017. This phase will include the gangway platforms, gangways, transient dock, wave attenuator, and the completion of the mass fill. This facility will allow for the mooring of several transient and local recreational boating with full City services, including power, water, and sewer pump out, with the capacity to supply gasoline and diesel for refueling vessels. 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 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. In October 2015 the Commission approved an ordinance to obtain design and architectural services to examine options of renovating or rebuilding City Hall. A decision has not yet been made as to which route will be pursued. 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 26,866 persons employed (McCracken County) as of June 30, 2016.

The June 2016 unemployment rate was 6.2% (McCracken County), which is a increase from 5.6% in the prior year, and exceeds the June 2016 federal unemployment rate of 4.9%. 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 1,344 for fiscal year 2016 valued at $87 million, which is up approximately $37 million from fiscal year 2015.

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, 2015. This was the twenty-fifth 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.

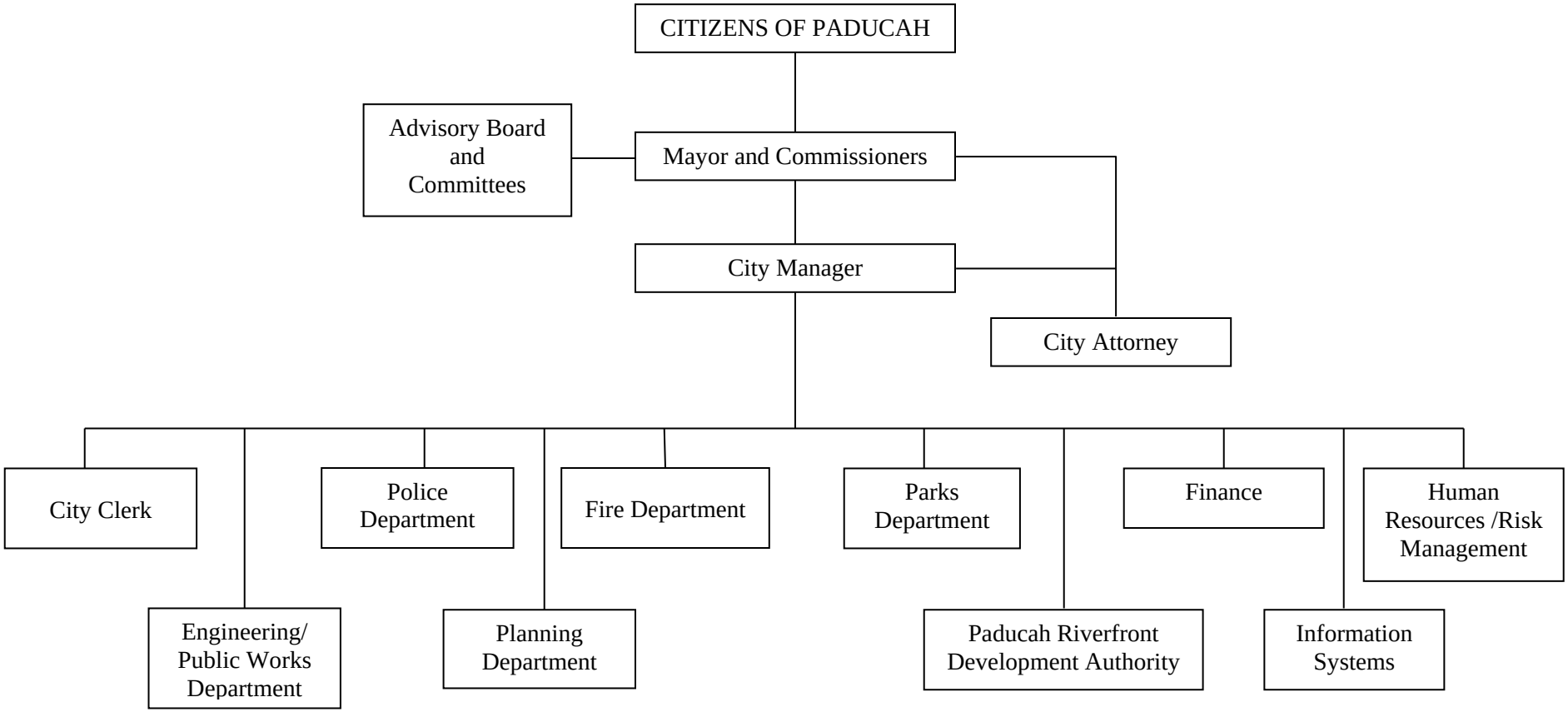
ACKNOWLEDGMENTS

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	Allan Rhodes, Jr.
Commissioner	Richard Abraham
Commissioner	Sandra Wilson
Commissioner	Carol Gault

CITY MANAGER

Jeff Pederson

Finance	Jonathan Perkins, CPA
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 Sanderson
Human Resources/Risk Manager	Steve Doolittle
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, 2015

Executive Director/CEO

CITY OF PADUCAH, KENTUCKY

FINANCIAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

KEMPER
CPA GROUP LLP
Certified Public Accountants and Consultants

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 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, 2016, 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 is presented as a discretely presented component unit in the statement of net position and statement of activities. 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Paducah, Kentucky, as of June 30, 2016, 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.

100 South 4th Street ▪ Suite 300 ▪ Paducah, KY 42001
Phone: (270)443-4400 Fax: (270)443-0963 kempercpa.com

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 94-99 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 on pages 1-10; budgetary comparison schedules, combining and individual nonmajor fund financial statements, budgetary comparison schedules for the nonmajor funds, nonmajor enterprise financial statements, internal service and fiduciary financial statements on pages 100-119; and statistical section on pages 120-139, 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 on pages 140-141 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The budgetary comparison schedules, combining and individual nonmajor fund financial statements, budgetary comparison schedules for the nonmajor funds, nonmajor enterprise financial statements, 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 6, 2016, 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 6, 2016

CITY OF PADUCAH, KENTUCKY

REQUIRED SUPPLEMENTARY INFORMATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

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, 2016. 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 29-93) 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 $29 million at the close of the 2015-2016 fiscal year.
- Total net position increased $5,270,431.
- At fiscal year end, City governmental funds reported a combined ending fund balance of $23.4 million. Approximately 14% of this total amount, $3.2 million, is restricted or committed for highways/streets and capital improvements. Assigned fund balance comprises 27% of combined fund balance; the majority of which is set aside for capital improvements.
- At the end of the current fiscal year, unassigned General Fund fund balance was $13.2 million and is available for spending at the City's discretion. Cash makes up approximately $7.5 million. When compared to final total appropriations, the General Fund cash balance is 23%.

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.

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 nine (9) 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 five (5) 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 102-110.

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 111-113 of this report. Individual data for the internal service funds is likewise presented in the form of combining statements on pages 114-116 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 89-90 and 117-119 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 51-93 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 102-119 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 $29 million as of June 30, 2016.

For FY2016, the largest portion of the City's net position ($48.1 million) 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 ($1.3 million) represents resources that are subject to external restrictions on how they may be used.

In FY2015 the City implemented Government Accounting Standards Board (GASB) Statement No. 68, which requires that the City report and fully disclose its share of net pension liability, which is $43.1 million as of June 30, 2016. Disclosing the City's participation in the County Employee Retirement System (CERS) has been the primary factor in driving the City's unrestricted net position to a negative $20.1 million in FY2016.

As of June 30, 2016, the City reports positive balances of total net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

City of Paducah, Kentucky

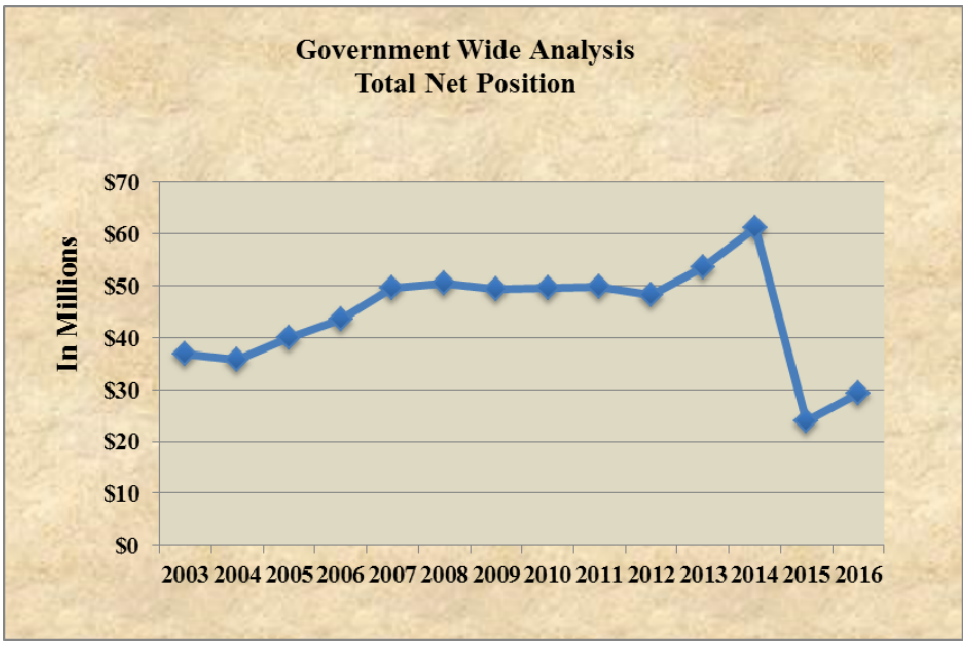
Net Position

June 30

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	**2015***	**2016**	**2015***	**2016**	**2015***
Current Assets	$ 40,457,159	$ 37,866,007	$ 7,328,926	$ 7,177,768	$ 47,786,085	$ 45,043,775
Capital Assets	55,617,018	49,322,057	1,678,728	1,133,226	57,295,746	50,455,283
Other noncurrent assets	3,573,410	3,954,388	-	-	3,573,410	3,954,388
Total Assets	99,647,587	91,142,452	9,007,654	8,310,994	108,655,241	99,453,446
Deferred Outflows of Resources	9,697,728	4,615,407	440,338	198,406	10,138,066	4,813,813
Current Liabilities	10,283,408	11,698,595	390,146	403,880	10,673,554	12,102,475
Noncurrent liabilities	67,008,754	61,082,324	4,014,302	3,642,371	71,023,056	64,724,695
Total liabilities	77,292,162	72,780,919	4,404,448	4,046,251	81,696,610	76,827,170
Deferred Inflows of Resources	7,690,538	3,264,613	132,341	172,089	7,822,879	3,436,702
Net position:						
Net Invested in Capital Assets	46,389,685	39,349,789	1,678,728	1,133,226	48,068,413	40,483,015
Restricted	1,296,007	2,572,075	38,247	124,012	1,334,254	2,696,087
Unrestricted	(23,323,077)	(22,209,537)	3,194,228	3,033,822	(20,128,849)	(19,175,715)
TOTAL NET POSITION	$ 24,362,615	$ 19,712,327	$ 4,911,203	$ 4,291,060	$ 29,273,818	$ 24,003,387

*Beginning net position as of July 1, 2014, was restated for implementation of GASB 68.

The exhibit below charts the City's total net position from the implementation of GASB 34 through the present (as previously mentioned, prior years have not been restated for implementation of GASB 68).



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 $5 million in revenue each year, which is used mostly for capital investment and economic development related activities. After leveling off for several years, the City experienced a significant increase in net position in FY2013 and FY2014. This was due to two consecutive years of heavy capital development that was funded primarily with grant funding.

The City's net position decreased significantly in FY2015 due to the implementation of GASB 68. As discussed earlier in this report, the City's participation in the County Employee Retirement System (CERS) has led to the addition of a noncurrent liability in excess of $30 million. The upswing in the current year is continuation of grant-fund capital development that began in FY2013.

A. Analysis of the City's Operations

The following table provides a summary of the City's operations for the years ended June 30, 2016 and 2015. Governmental activities increased the City's net position by $4,650,288. Business-type activities increased the City's net position by $620,143.

City of Paducah, Kentucky

Changes in Net Position

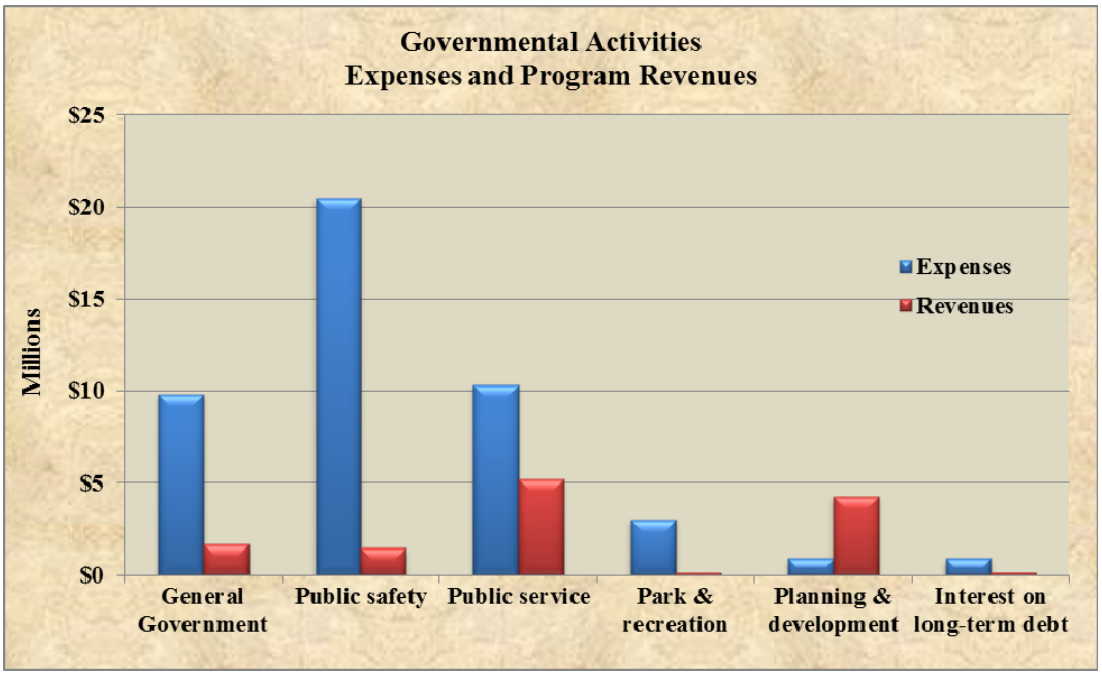
June 30

	Governmental Activities		Business-Type Activities		Total Primary Government	
Revenues:	**2016**	**2015***	**2016**	**2015***	**2016**	**2015***
Program revenues:						
Charges for services	$ 2,564,345	$ 2,222,494	$ 4,560,232	$ 4,497,350	$ 7,124,577	$ 6,719,844
Operating grants/contributions	6,179,709	3,360,731	1,845,549	1,744,364	8,025,258	5,105,095
Capital grants/contributions	4,139,036	899,522	-	-	4,139,036	899,522
General Revenues:						
Property taxes	4,943,962	4,726,244	-	-	4,943,962	4,726,244
Franchise taxes	162,593	207,742	-	-	162,593	207,742
Telecommunications tax	656,214	689,843	-	-	656,214	689,843
Insurance premium tax	4,170,381	3,786,514	-	-	4,170,381	3,786,514
Vehicle tax	673,786	800,603	-	-	673,786	800,603
Bank tax	242,344	229,722	-	-	242,344	229,722
Gross receipts license tax	4,711,708	4,397,888	-	-	4,711,708	4,397,888
Employee license tax	20,130,249	19,092,912	-	-	20,130,249	19,092,912
Other taxes	656,647	665,057	-	-	656,647	665,057
Intergovernmental revenue	368,318	371,718	-	-	368,318	371,718
Unrestricted investment earnings	137,224	176,229	30,302	39,565	167,526	215,794
Gain on sale of capital assets	-	-	-	-	-	-
Miscellaneous	189,489	16,870	85,649	8,338	275,138	25,208
Total revenues	49,926,005	41,644,089	6,521,732	6,289,617	56,447,737	47,933,706
Expenses:						
General Government	9,777,876	9,801,490	-	-	9,777,876	9,801,490
Public safety	20,503,784	17,974,548	-	-	20,503,784	17,974,548
Public service	10,266,856	7,600,982	-	-	10,266,856	7,600,982
Park & recreation	3,052,360	2,811,533	-	-	3,052,360	2,811,533
Planning & development	911,830	1,000,020	-	-	911,830	1,000,020
Interest on long-term debt	900,593	850,827	-	-	900,593	850,827
Solid Waste	-	-	3,815,476	3,843,081	3,815,476	3,843,081
Section Eight Housing	-	-	1,874,074	1,819,328	1,874,074	1,819,328
Civic Center	-	-	74,457	98,318	74,457	98,318
Total expenses	45,413,299	40,039,400	5,764,007	5,760,727	51,177,306	45,800,127
Increase (decrease) in Net position before transfers	4,512,706	1,604,689	757,725	528,890	5,270,431	2,133,579
Transfers	137,582	194,014	(137,582)	(194,014)	-	-
Change in net position	4,650,288	1,798,703	620,143	334,876	5,270,431	2,133,579
Net position, July 1, restated	19,712,327	17,913,624	4,291,060	3,956,184	24,003,387	21,869,808
NET POSITION, JUNE 30	$ 24,362,615	$ 19,712,327	$ 4,911,203	$ 4,291,060	$ 29,273,818	$ 24,003,387

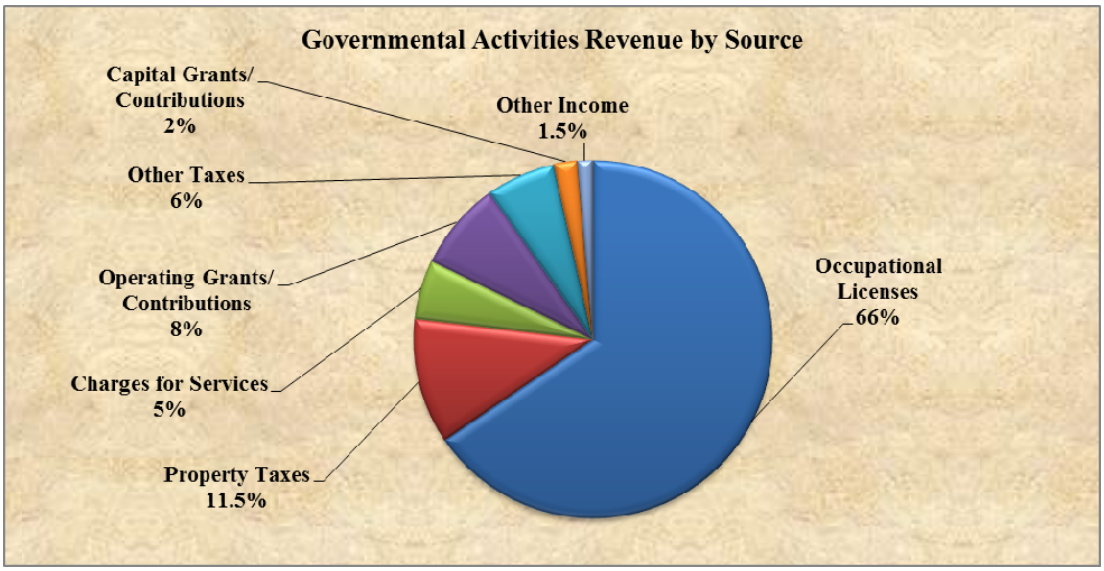
*Beginning net position as of July 1, 2014 was restated for implementation of GASB 68.

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 2016.

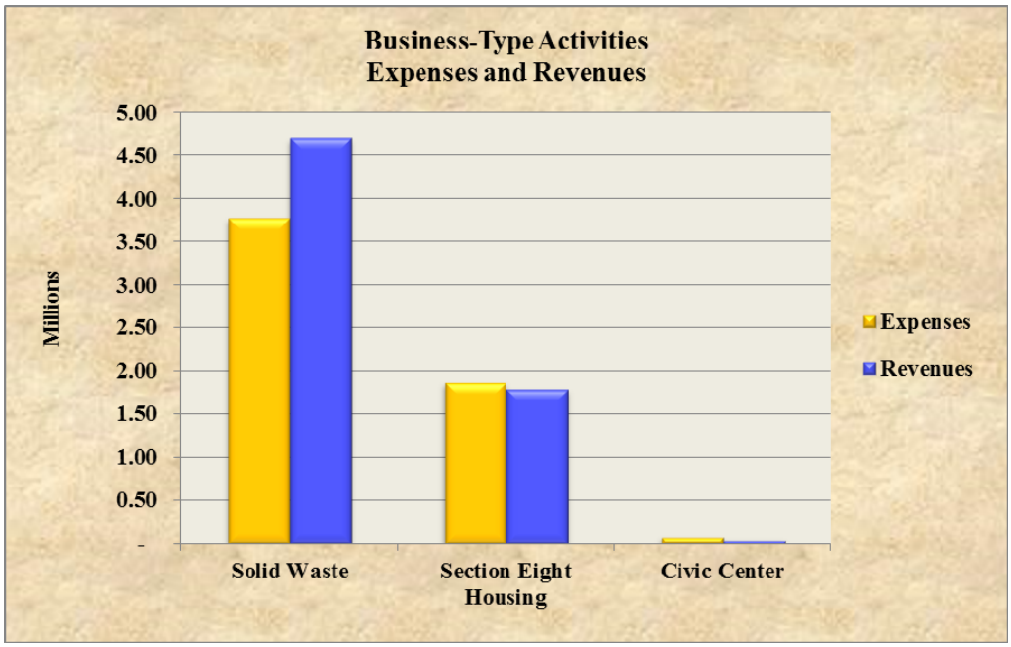


In fiscal year 2016, the City derived approximately 84% of its revenue from taxes/licenses. Occupational licenses, which include payroll withholding tax, business licenses, and insurance

premium tax is the largest source of income to the City, totaling $29 million. This category of revenue increased 6.4% from fiscal year 2015. All of the taxes within this category had increases in excess of 5%. 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 nearly 10% of total revenue in FY2016.

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 2016, business-type activities as a whole had an increase in net position of $620,143. 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 $240,000 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.



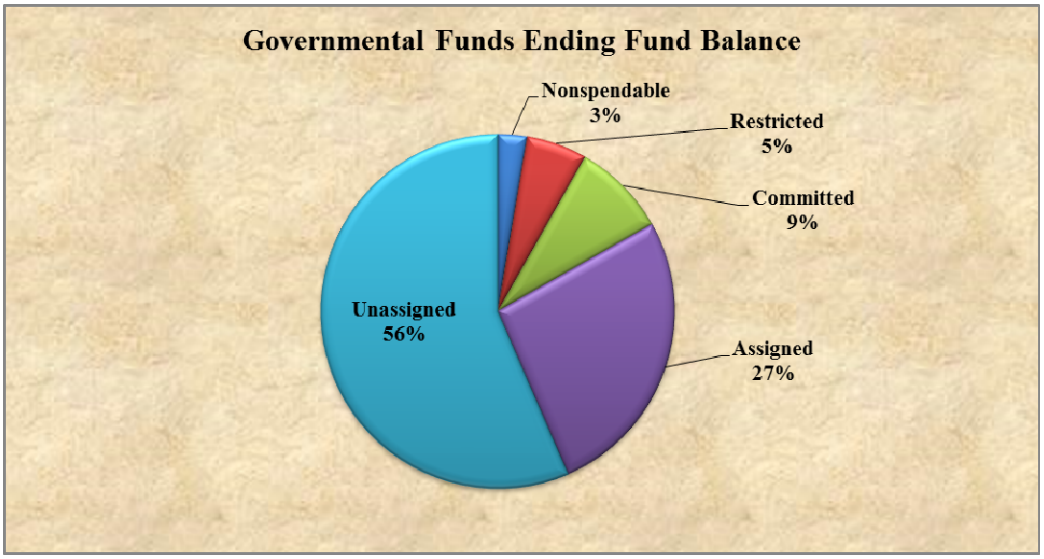
IV. Financial Analysis of the City's Funds

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 $23.4 million. In FY2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The redefined categories of fund balance are described below:

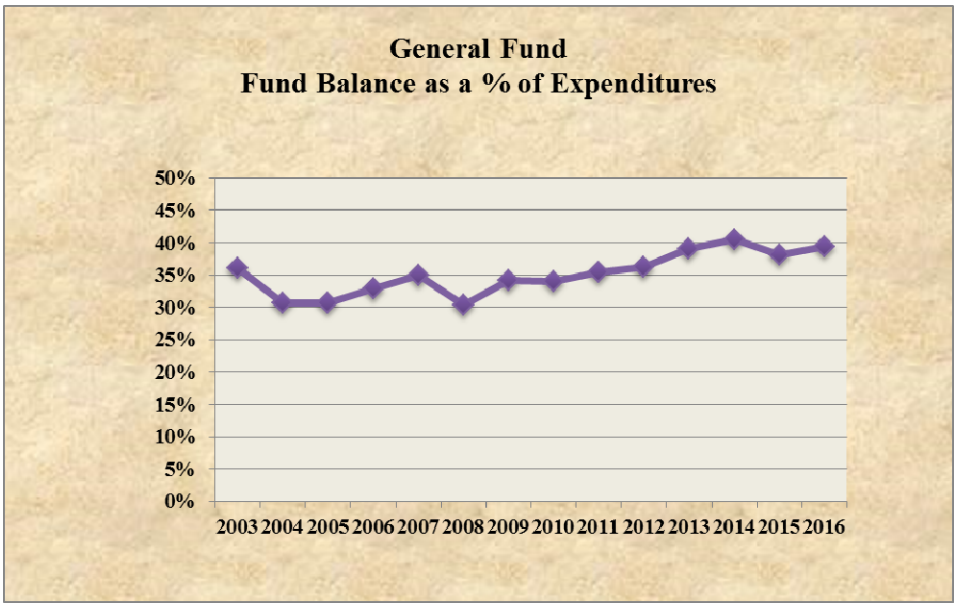
- *Nonspendable fund balance* includes amounts that are not in a spendable form or are required to be maintained intact indefinitely. For example, at the end of the fiscal year, the City had $623,735 of real property held in inventory for urban development.
- *Restricted fund balance* has external limitations on use that may be imposed by creditors, grantors, contributors, or laws and regulations. For example, at the end of the fiscal year, the City had $1,148,789 of municipal aid funds, which are restricted in use for paving by the State of Kentucky
- *Committed fund balance* has self-imposed limitations enacted by the highest level of decision making that requires formal action at the same level to remove the limitations. The City had $2,018,581 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 27% 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 56% of total fund balance, $13.2 million is unassigned General Fund fund balance, which is available for spending at the government's discretion but only up to the amount represented by cash. At year-end there was $7.5 million available as cash; the balance is tied up in other assets

including accounts receivable and property taxes collectible. City fiscal policy (Ordinance 2015-6-8254) requires that an amount not less than 10% of the General Fund's budgeted expenditures remain undesignated in the fund balance, or $3.4 million, which leaves $9.8 million as unreserved for fiscal year 2016.

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 ($13.2 million) represents 39% of expenditures and transfers out ($33.5 million). This has remained stable since the implementation of GASB 34, as illustrated in the table below.



The Investment Fund had a fund balance of $2.0 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 slight increase in fund balance of approximately $200 thousand was primarily due to revenue being higher than anticipated.

Fund balance in the General Capital Improvements fund increased by approximately $309 thousand from the prior year to $5.8 million. The increase is due to funds set aside to complete capital projects in FY2017. 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	$4,151,057
Section Eight Housing	38,813
Civic Center	201,445

Combined total net asset change for the three funds was an increase of $617,260, broken down as follows: Solid Waste ($636 thousand increase), Section Eight Housing ($87 thousand decrease), and Civic Center ($68 thousand increase). 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 $1.1 million increase in appropriations and can be briefly summarized as follows:

Department	Appropriations Increase	Appropriations Decrease
	(In Thousands)	
General Administration	$ -	$ 88
Finance	-	2
Planning	-	-
Radio and Rental Property	-	41
Human Rights	-	8
Information Systems	-	77
Human Resources/Risk Management	-	89
Police	-	481
Fire	-	120
Public Works	-	390
Engineering Services	44	-
Recreation	-	226
PRDA	-	1
Other	2,616	-

General Administration had a decrease in appropriations of $88 thousand. The majority of this decrease was due to unutilized contingency funds. Human Resources/Risk Management decreased by $89 thousand. This department was without a director for the entire fiscal year.

Several departments experienced decreases in excess of $100 thousand. These decreases were generally a result of salary slippage and equipment replacement that was budgeted but not purchased.

Engineering Services had an increase in appropriations of $44 thousand. This was due to flood control equipment repairs.

The primary components of the “Other” department category are operating transfers out, which are typically made to the capital project fund. Following the adoption of the original FY2016 budget, the Commission made the decision to appropriate General Fund funds in excess of the 10% reserve requirement. A total of $2 million was appropriated and appears on the financial statements as interfund transfers (to the Capital Projects fund).

Design of City Hall Renovations	$761,400
Study Stormwater/Sewer System Replacement Needs	986,600
Consultant for 911 Communication Services Equipment Replacement	252,000
	$2,000,000

An unanticipated interfund transfer was also made in the amount of $230 thousand to fund the rehabilitation of the recently expanded Police operating headquarters, as well as a transfer to increase the cash reserve in the debt service fund in the amount of $100,000.

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, 2016, is $57 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 2016, project and equipment additions totaled over $12 million, with $9.3 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 2016**,** are shown in the following table:

Olivet Church Road Construction (Construction in Progress)	$3,916,986
Riverfront Phase 1B (Construction in Progress)	3,736,954
Dome Relocation	1,285,671
Hotel Site Development	904,498
432 Broadway Demolition	704,537
City Hall Design	404,602

The City's Construction in Progress balance at year end was in excess of $13 million. Two very large projects that have composed Construction in Progress for multiple years are anticipated to be placed into service in FY2017. At fiscal year end the Olivet Church Road project had total expenditures of nearly $7.4 million, and the Riverfront Phase 1B project totaled $3.8 million.

In the upcoming years, several street, economic development, riverfront development, 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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Land	$ 10,393,332	$ 10,383,332	$ 62,152	$ 62,152	$ 10,455,484	$ 10,445,484
Land improvements	9,749,732	10,486,724	-	-	9,749,732	10,486,724
Construction in progress	13,293,457	4,025,248	-	-	13,293,457	4,025,248
Buildings and improvements	5,830,257	7,709,771	271,324	269,025	6,101,581	7,978,796
Infrastructure	10,876,077	12,062,994	-	-	10,876,077	12,062,994
Equipment	1,675,520	1,488,273	360,648	397,284	2,036,168	1,885,557
Furnishings and fixtures	12,542	14,353	-	-	12,542	14,353
Vehicles	3,786,101	3,151,362	984,604	404,765	4,770,705	3,556,127
TOTALS	$ 55,617,018	$ 49,322,057	$ 1,678,728	$ 1,133,226	$ 57,295,746	$50,455,283

Additional information on City capital assets can be found in Note 3 in the notes to financial statements on pages 67-70.

B. Long-Term Debt

At year-end, the City had $27,281,531 in outstanding bonds and notes payable, compared to $29,421,411 at June 30, 2015 with maturities extending through 2032.

	Governmental Activities	
	2016	**2015**
Kentucky League of Cities – 2003	$1,500,126	$1,669,821
Police/Firefighter Pension Fund Liability – 2006	-	285,000
Floodwall Rehabilitation – 2008	1,990,271	2,104,212
Convention Center Renovation – 2008	1,866,666	1,976,250
Refinanced Convention Center – 2010	4,955,000	5,385,000
Margaret Hank Agreement – 2011	94,851	116,078
Refinanced Rental Building – 2011	2,530,000	2,820,000
Murray State University Agreement – 2011	2,224,792	2,338,915
Public Pool Renovations – 2013	990,000	1,055,000
Economic Development – 2013	2,185,000	2,330,000
Refinanced Public Projects – 2014	4,805,000	5,100,000
Refinanced Police/Firefighter Pension Fund Liability - 2014	4,055,000	4,150,000
Net Premiums/Discounts	84,825	91,135
TOTALS	$27,281,531	$29,421,411

During the year, the City had no new debt issues. Debt issues prior to July 1, 2015 are described below:

Police/Firefighter Pension Fund Liability – Refinance. In November 2014, a $4.225 million general obligation was issued to advance refund $3.845 of outstanding 2005 series bonds. The 2005 bonds were issued to finance the police and firefighters' pension fund estimated pension liability.

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 a speculative building and 2) an approximately 30,000 square foot building (TeleTech). 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.

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.

Rental 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 a rental 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.

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 $239,483,487. 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.

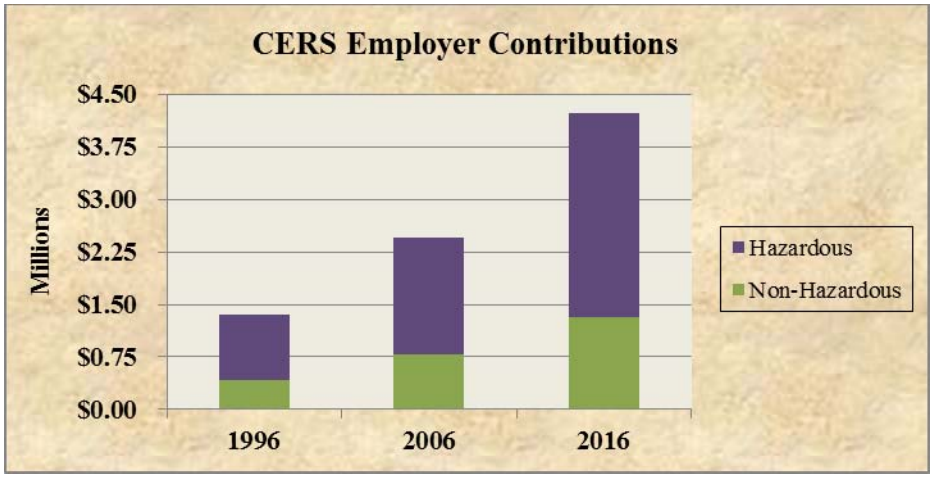
The City of Paducah, Kentucky, issues and incurs debt in order to fund capital improvement projects, purchase major capital equipment and facilities, and respond to other special funding needs. In fiscal year 2016, less than 2% of the General Fund budget was expended for debt service, and thus has minimal impact on current and future operations.

Additional information on the City's long-term debt can be found in Note 3 in the notes to financial statements on pages 71-76.

VII. Other Potentially Significant Matters.

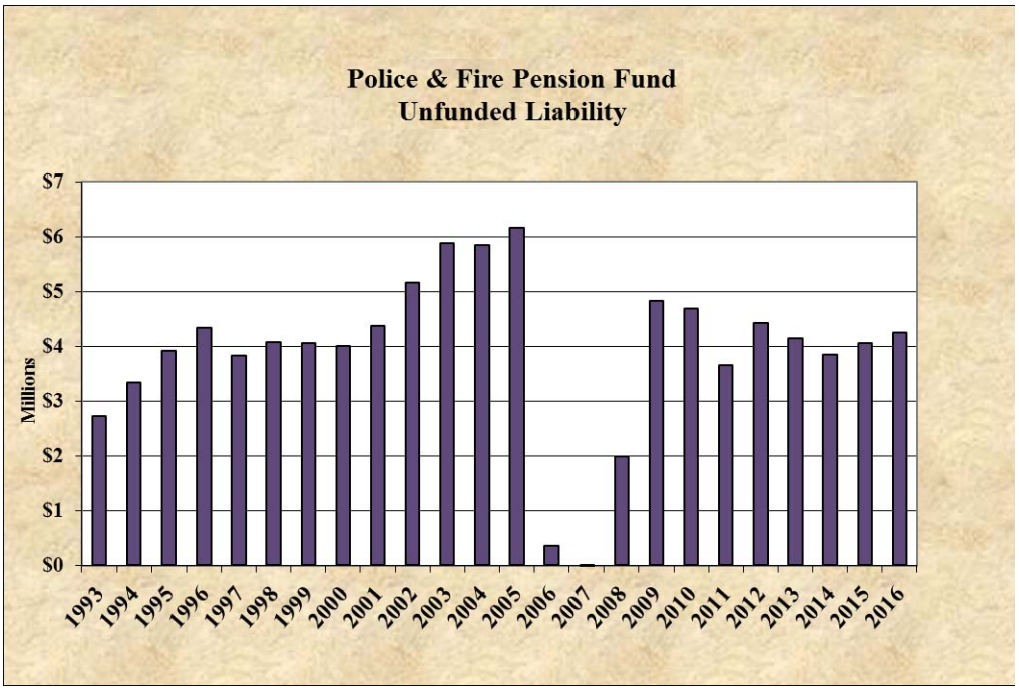
A. Post-employment Benefits. Over the years, the City's contribution to the Kentucky Retirement System (CERS) has seen a substantial rise in costs that has significantly impacted the City's operating budget. The table and graph below show the actual cost of the City's contributions to CERS for both Non-Hazardous and Hazardous employees for selected fiscal years 1996, 2006, and 2016.

CERS Employer Contributions						
	Non-Hazardous			Hazardous		
FY	Rate	Amount	% Chg	Rate	Amount	% Chg
1996	8.94%	$428,100		18.21%	$923,059	
2006	10.98%	$780,337	82%	25.01%	$1,680,348	82%
2016	17.06%	$1,312,181	68%	32.95%	$2,920,343	74%



In early spring 2013, the State of Kentucky 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.

B. Police & Fire Pension Fund (PFPF) Unfunded Liability. In fiscal year 2006, the City issued $6.1 million in general obligation bonds to eliminate the unfunded pension liability. With the sharp decline in value of the national stock market in 2009, the PFPF's equity investment dropped accordingly. PFPF net assets dropped in 2009 by nearly $3.5 million, or 28.5% of the beginning net assets (July 1, 2008). The Fund still remains in an unfunded position due to these events. The July 2016 actuary study shows that the PFPF unfunded pension liability is approximately $4.2 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, 2016, indicates the minimum actuarially sound contribution for FY2016 will be $434,758.

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, 2016

Exhibit 1

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS	**Primary Government**			**Component Unit**
	Governmental Activities	**Business-type Activities**	**Total**	**Paducah Water Works Authority**
Current Assets:				
Cash and cash equivalents	$ 22,631,278	$ 6,252,069	$ 28,883,347	$ 963,676
Receivables, net:				
Notes	1,281,375	-	1,281,375	-
Accounts	8,282,988	556,969	8,839,957	669,769
Grants	2,822,150	-	2,822,150	-
Interest	9,909	-	9,909	-
Property tax	5,237,767	-	5,237,767	-
Accrued unbilled revenues	-	-	-	1,170,165
Internal balances	(519,888)	519,888	-	-
Inventory	679,851	-	679,851	719,415
Other current assets	31,729	-	31,729	922,544
Total current assets	40,457,159	7,328,926	47,786,085	4,445,569
Noncurrent Assets:				
Notes receivable	3,573,410	-	3,573,410	-
Capital assets:				
Land and construction in progress	23,686,789	62,152	23,748,941	1,626,870
Depreciable capital assets	31,930,229	1,616,576	33,546,805	49,954,022
Other assets	-	-	-	6,024,445
Total noncurrent assets	59,190,428	1,678,728	60,869,156	57,605,337
Total assets	99,647,587	9,007,654	108,655,241	62,050,906
Deferred Outflows of Resources:				
Deferred pension related outflows	9,377,005	440,338	9,817,343	915,349
Deferred charges on refunding	320,723	-	320,723	-
Total deferred outflows of resources	9,697,728	440,338	10,138,066	915,349

See accompanying notes to the basic financial statements.

LIABILITIES	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Paducah Water Works Authority
Current Liabilities:				
Voucher and accounts payable	4,976,806	195,087	5,171,893	736,316
Accrued payables	1,298,819	63,024	1,361,843	749,390
Unearned revenue	339,431	25,500	364,931	-
Accrued compensated absences	1,336,751	106,535	1,443,286	236,631
Accrued interest	90,739	-	90,739	-
Notes payable due within one year	467,714	-	467,714	348,054
Bonds payable due within one year	1,773,148	-	1,773,148	-
Other current liabilities	-	-	-	232,153
Total current liabilities	10,283,408	390,146	10,673,554	2,302,544
Noncurrent Liabilities:				
Accrued compensated absences	746,510	67,384	813,894	-
Landfill post-closure costs	-	2,062,500	2,062,500	-
Pensions obligation	41,221,575	1,884,418	43,105,993	4,863,028
Notes payable	5,218,721	-	5,218,721	5,255,533
Bonds payable	19,821,948	-	19,821,948	-
Total noncurrent liabilities	67,008,754	4,014,302	71,023,056	10,118,561
Total liabilities	77,292,162	4,404,448	81,696,610	12,421,105
Deferred Inflows of Resources				
Unavailable revenues - property taxes	5,023,063	-	5,023,063	-
Deferred pension related inflows	2,667,475	132,341	2,799,816	98,592
Total deferred inflows of resources	7,690,538	132,341	7,822,879	98,592
NET POSITION				
Net invested in capital assets	46,389,685	1,678,728	48,068,413	45,977,305
Restricted for:				
Housing and development projects	-	38,247	38,247	-
Capital projects & infrastructure	1,148,789	-	1,148,789	-
Public safety	147,218	-	147,218	-
Unrestricted (deficit)	(23,323,077)	3,194,228	(20,128,849)	4,469,253
TOTAL NET POSITION	$ 24,362,615	$ 4,911,203	$ 29,273,818	$ 50,446,558

Exhibit 2

CITY OF PADUCAH, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

FUNCTIONS/PROGRAMS		Program Revenues		
Primary Government:	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Governmental activities:				
General government	9,777,876	1,128,785	$ 548,732	$ 11,569
Public safety	20,503,784	237,641	619,437	608,707
Public service	10,266,856	1,065,010	4,130,035	-
Parks and recreation	3,052,360	132,909	-	-
Planning and development	911,830	-	737,500	3,518,760
Interest on long-term debt	900,593	-	144,005	-
Total governmental activities (See Note 1)	45,413,299	2,564,345	6,179,709	4,139,036
Business-type activities:				
Solid Waste	3,815,476	4,520,084	60,070	-
Section Eight Housing	1,874,074	-	1,785,479	-
Civic Center	74,457	40,148	-	-
Total business-type activities	5,764,007	4,560,232	1,845,549	-
TOTAL PRIMARY GOVERNMENT	$ 51,177,306	$ 7,124,577	$ 8,025,258	$ 4,139,036
Component Unit:				
Paducah Water Works Authority	$ 9,743,527	$ 10,862,483	$ -	$ 1,041,432
TOTAL COMPONENT UNITS	$ 9,743,527	$ 10,862,483	$ -	$ 1,041,432

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
Miscellaneous

Total general revenues

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Paducah Water Works Authority
$ (8,088,790)	$ -	$ (8,088,790)	$ -
(19,037,999)	-	(19,037,999)	-
(5,071,811)	-	(5,071,811)	-
(2,919,451)	-	(2,919,451)	-
3,344,430	-	3,344,430	-
(756,588)	-	(756,588)	-
(32,530,209)	-	(32,530,209)	-
-	764,678	764,678	-
-	(88,595)	(88,595)	-
-	(34,309)	(34,309)	-
-	641,774	641,774	-
(32,530,209)	641,774	(31,888,435)	-
-	-	-	2,160,388
-	-	-	2,160,388
4,943,962	-	4,943,962	-
162,593	-	162,593	-
656,214	-	656,214	-
4,170,381	-	4,170,381	-
673,786	-	673,786	-
242,344	-	242,344	-
4,711,708	-	4,711,708	-
20,130,249	-	20,130,249	-
656,647	-	656,647	-
368,318	-	368,318	-
137,224	30,302	167,526	14,225
189,489	85,649	275,138	2,945
37,042,915	115,951	37,158,866	17,170
137,582	(137,582)	-	-
37,180,497	(21,631)	37,158,866	17,170
4,650,288	620,143	5,270,431	2,177,558
19,712,327	4,291,060	24,003,387	48,269,000
$ 24,362,615	$ 4,911,203	$ 29,273,818	$ 50,446,558

CITY OF PADUCAH, KENTUCKY

BASIC FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

Exhibit 3

CITY OF PADUCAH, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Special Revenue Investment Fund	General Capital Improvements
Assets			
Cash and cash equivalents	$ 7,540,290	$ 971,404	$ 5,995,364
Receivables:			
Accounts	7,450,358	-	1,465,933
Grants	12,265	-	2,809,885
Property taxes (net of allowances for uncollectibles)	5,302,767	-	-
Inventory	-	-	623,735
Due from other funds	1,317,401	1,247,177	-
Total Assets	$ 21,623,081	$ 2,218,581	$ 10,894,917
Liabilities			
Voucher and accounts payable	$ 497,443	$ -	$ 3,514,694
Accrued payroll and payroll taxes	1,214,332	-	-
Due to other funds	1,247,177	200,000	1,285,671
Unearned revenue - other	-	-	291,487
Accrued compensated absences	213,533	-	-
Total liabilities	3,172,485	200,000	5,091,852
Deferred Inflows of Resources			
Unavailable revenue-property taxes	5,252,470	-	-
Fund Balances:			
Nonspendable			
Inventory	-	-	623,735
Restricted for:			
Highways and streets	-	-	-
Public safety	-	-	-
Capital improvements	-	-	-
Committed for:			
Capital improvements	-	2,018,581	-
Assigned for:			
Capital improvements	-	-	5,179,330
Public safety	-	-	-
Debt service	-	-	-
Unassigned:			
General Fund	13,198,126	-	-
Total fund balances	13,198,126	2,018,581	5,803,065
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 21,623,081	$ 2,218,581	$ 10,894,917

See accompanying notes to the basic financial statements.

Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ 791,761	$ 1,683,568	$ 16,982,387
-	234,498	9,150,789
-	-	2,822,150
-	-	5,302,767
-	-	623,735
-	-	2,564,578
$ 791,761	$ 1,918,066	$ 37,446,406
$ 16,859	$ 261,008	$ 4,290,004
-	62,073	1,276,405
-	-	2,732,848
24,078	-	315,565
-	-	213,533
40,937	323,081	8,828,355
-	-	5,252,470
-	-	623,735
-	1,148,789	1,148,789
-	147,218	147,218
-	-	-
-	-	2,018,581
-	-	5,179,330
-	298,978	298,978
750,824	-	750,824
-	-	13,198,126
750,824	1,594,985	23,365,581
$ 791,761	$ 1,918,066	$ 37,446,406

Exhibit 4

CITY OF PADUCAH, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2016

Total fund balance - total governmental funds		$ 23,365,581
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.		164,407
The long-term notes receivable are not reported in the governmental funds balance sheet since they are not available to pay current period expenditures.		3,742,500
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.		9,905
Accrued retainage on construction projects do not require the use of current financial resources and, therefore, is not reported in the governmental funds balance sheet.		(456,577)
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.		55,617,018
Premiums, discounts and deferred refunding costs and deferred pension activity in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet:		
Bond Premiums	(179,492)	
Bond Discounts	94,667	
Deferred refunding costs	320,723	
Deferred pension related inflows	(2,667,475)	
Deferred pension related outflows	9,377,005	6,945,428

See accompanying notes to the basic financial statements.

(Continued)

CITY OF PADUCAH, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2016

The portion of accrued compensated absences not due and payable in the current period, and therefore, not reported in the governmental funds balance sheet.		(1,812,592)
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.		$ (90,739)
Long-term liabilities of ($62,119,098) 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	$ 2,240,862	
Due after one year	66,177,418	(68,418,280)
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	$ 6,149,491	
Current liabilities	(333,639)	
Net amount allocated to business-type activities	(519,888)	5,295,964
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 24,362,615

See accompanying notes to the basic financial statements

Exhibit 5

CITY OF PADUCAH, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Investment Fund	General Capital Improvements
Revenues:			
Taxes	$ 6,595,802	$ -	$ -
Licenses	24,658,566	4,947,986	-
Charges for services	646,623	-	-
Intergovernmental	-	-	-
Grants	616,178	-	7,509,619
Interest	101,542	-	-
Property upkeep, rentals, sales and other	1,005,483	-	416,799
Total revenues	33,624,194	4,947,986	7,926,418
Expenditures:			
Current operations:			
General government	4,526,828	-	-
Public safety	16,943,529	-	-
Public service	4,768,109	-	-
Parks and recreation	2,929,404	-	-
Planning and development	-	672,879	-
Intergovernmental and other	441,742	-	-
Capital outlay	-	-	13,305,919
Debt service:			
Principal requirement	-	-	-
Interest requirement	-	-	-
Total expenditures	29,609,612	672,879	13,305,919
Excess (deficiency) of revenues over expenditures	4,014,582	4,275,107	(5,379,501)
Other Financing Sources (Uses):			
Transfers in	526,187	261,000	5,795,359
Transfers out	(3,891,875)	(4,332,360)	(106,687)
Total other financing sources (uses)	(3,365,688)	(4,071,360)	5,688,672
Net change in fund balances	648,894	203,747	309,171
Fund balances - beginning	12,549,232	1,814,834	5,493,894
Fund balances - ending	$ 13,198,126	$ 2,018,581	$ 5,803,065

See accompanying notes to the basic financial statements.

Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ 381,131	$ 6,976,933
-	-	29,606,552
-	237,636	884,259
635,705	497,147	1,132,852
-	766,732	8,892,529
-	14,380	115,922
289,005	374,125	2,085,412
924,710	2,271,151	49,694,459
-	-	4,526,828
-	1,491,836	18,435,365
-	1,338,664	6,106,773
-	-	2,929,404
-	237,500	910,379
-	-	441,742
-	-	13,305,919
2,133,570	-	2,133,570
849,798	-	849,798
2,983,368	3,068,000	49,639,778
(2,058,658)	(796,849)	54,681
2,157,163	1,295,142	10,034,851
-	(1,774,360)	(10,105,282)
2,157,163	(479,218)	(70,431)
98,505	(1,276,067)	(15,750)
652,319	2,871,052	23,381,331
$ 750,824	$ 1,594,985	$ 23,365,581

Exhibit 6

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, 2016

Net change in fund balances - total governmental fund	$ (15,750)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in the current period. This amount includes Internal Service Fund's capital outlays of $1,462,735.	11,181,296
Collections on long-term notes receivables and related interest receivable are revenues in the government funds when collected.	(360,803)
Payments on property taxes recognized as revenues when received in the governmental funds.	31,738
The payments of a pension contribution requires the use of current financial resources and, therefore, is reported as an expenditure in governmental funds. However, the current year payments are deferred outflows of resources in the government-wide statements. Deferred outflows of resources related to pension expense decreased by this amount this year.	(2,695,391)
Accrued retainage on construction projects do not require the use of current financial resources. However, in the government-wide statements, accrued expense are recorded when incurred.	(456,577)
Only the loss on the disposal of capital assets is reported in the Statement of Activities, whereas in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs by the net book value of capital assets disposed.	(1,476,865)
Depreciation expense on capital assets is reported in the government-wide Statement of Activities and Changes in Net Position, 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 $734,995.	$ (3,388,650)

See accompanying notes to the basic financial statements. (Continued)

Exhibit 6
(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, 2016

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 position in the government-wide Statement of Activities.		2,133,570
Accrued interest payments on debt do not require the use of current financial resources. Interest expense is reported net of the change in accrued interest payable in the government-wide Statement of Activities.		4,617
Long-term accrued compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		70,235
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.		(56,919)
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 position	$ 410,410	
Net of amount allocated to business-type activities	(2,883)	
Capital Outlays	(1,462,735)	
Depreciation expense	734,995	(320,213)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 4,650,288

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
Revenues:				
Taxes:				
Real and personal, current year	$ 5,276,500	$ 5,421,765	$ 5,421,774	$ 9
Real and personal, prior year	125,000	112,440	112,444	4
Franchise	170,000	162,585	162,593	8
Bank taxes	230,000	242,340	242,344	4
In lieu of tax payment	295,000	276,395	276,401	6
Penalty, interest and advertising	57,000	60,170	60,177	7
Paducah Junior College tax collections	-	320,065	320,069	4
Total taxes	6,153,500	6,595,760	6,595,802	42
Licenses:				
Business licenses	4,450,000	4,711,705	4,711,708	3
Employee earnings	14,400,000	15,182,260	15,182,262	2
Comcast fees	300,000	299,880	299,886	6
Penalties	175,000	201,095	201,095	-
Alcoholic beverages	121,000	131,150	131,150	-
Insurance premium tax	3,900,000	4,170,380	4,170,381	1
Building permits	140,000	210,015	210,016	1
Electrical permits	32,000	49,575	49,576	1
Zoning change fees	6,500	5,975	5,975	-
Miscellaneous building and electrical fees	5,000	4,500	4,500	-
Payroll tax sharing with County	(290,000)	(307,985)	(307,983)	2
Total licenses	23,239,500	24,658,550	24,658,566	16
Charges for services:				
Tax collection fee	180,000	176,180	176,182	2
Administrative charge	284,520	297,020	297,020	-
Base court revenue	42,000	40,510	40,512	2
Recreation fees	113,300	132,900	132,909	9
Total charges for services	619,820	646,610	646,623	13

See accompanying notes to the basic financial statements. (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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Grants:				
Police State Incentive	$ 315,000	$ 292,855	$ 292,858	$ 3
Fire State Incentive	265,000	259,170	259,172	2
Police supplemental grants	32,000	64,215	64,148	(67)
Total grants	612,000	616,240	616,178	(62)
Interest	94,800	101,540	101,542	2
Other:				
Property rent and sales	694,880	679,320	679,331	11
Property upkeep and maintenance	106,930	129,255	129,218	(37)
Contractual programs	5,400	2,025	2,029	4
E911 - GIS	28,515	30,890	30,891	1
Miscellaneous	153,000	163,945	164,014	69
Total other	988,725	1,005,435	1,005,483	48
Total revenues	31,708,345	33,624,135	33,624,194	59
Expenditures:				
General government:				
General administration:				
Mayor and Commissioners	180,395	177,900	177,887	13
City Manager	459,725	454,925	454,914	11
City Clerk	126,735	127,490	127,531	(41)
Corporate Counsel	151,420	221,870	222,019	(149)
Non-departmental	822,400	776,605	776,599	6
Memberships and contingency	126,000	22,310	22,283	27
Civic beautification	3,000	-	-	-
Total general administration	1,869,675	1,781,100	1,781,233	(133)
PRDA	134,165	133,230	133,370	(140)
Finance:				
Finance administration	260,165	259,470	259,335	135
Accounting and payroll	340,335	341,720	341,729	(9)
Revenue collection	398,290	395,325	395,244	81
Total finance	998,790	996,515	996,308	207

See accompanying notes to the basic financial statements.

(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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
General government:				
Planning:				
Administration	$ 274,955	$ 273,850	$ 273,738	$ 112
Planning	92,315	94,835	94,746	89
Grants	153,170	152,365	152,269	96
Economic development	134,535	134,435	134,299	136
Total planning	654,975	655,485	655,052	433
Radio and rental property	157,345	116,510	116,357	153
Human rights	41,955	34,280	34,076	204
Information systems	667,530	590,645	590,508	137
Human resources/risk management	309,050	220,045	219,924	121
Total general government	4,833,485	4,527,810	4,526,828	982
Public safety:				
Police:				
Police administration	994,300	1,029,540	1,029,370	170
Patrol	6,487,155	6,122,220	6,122,001	219
Investigations	2,015,000	1,863,945	1,863,887	58
Total police	9,496,455	9,015,705	9,015,258	447
Fire:				
Fire administration	562,200	537,385	537,219	166
Suppression	6,367,305	6,276,120	6,275,965	155
Prevention and inspection	168,150	984,835	984,693	142
Training	149,250	130,440	130,394	46
Construction	409,700	-	-	-
Code enforcement	392,670	-	-	-
Total fire	8,049,275	7,928,780	7,928,271	509
Total public safety	17,545,730	16,944,485	16,943,529	956
Public service:				
Public works:				
Street maintenance	2,077,105	1,705,855	1,705,770	85
Street lighting	765,000	788,180	788,182	(2)
Landscape maintenance	1,117,490	1,075,560	1,075,392	168
Total public works	3,959,595	3,569,595	3,569,344	251

See accompanying notes to the basic financial statements.

(Continued)

Exhibit 7
(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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
Public service:				
Engineering services:				
Engineering services	$ 580,115	$ 495,585	$ 495,269	$ 316
Flood control	574,990	703,615	703,496	119
Total engineering services	1,155,105	1,199,200	1,198,765	435
Total public service	5,114,700	4,768,795	4,768,109	686
Parks and recreation:				
Parks and recreation administration	832,650	768,610	768,330	280
Grounds maintenance	1,525,310	1,426,550	1,425,982	568
Pools and recreation programs	798,555	735,345	735,092	253
Total parks and recreation	3,156,515	2,930,505	2,929,404	1,101
Intergovernmental and other:				
Cable authority	83,610	93,930	93,912	18
Leave expense	-	27,765	27,761	4
Intergovernmental expense	-	320,070	320,069	1
Total intergovernmental and other	83,610	441,765	441,742	23
Total expenditures	30,734,040	29,613,360	29,609,612	3,748
Excess (deficiency) of revenues over expenditures	974,305	4,010,775	4,014,582	3,807
Other financing sources (uses):				
Operating transfers in	419,500	526,175	526,187	12
Operating transfers out	(1,633,720)	(3,891,885)	(3,891,875)	10
Total other financing sources (uses)	(1,214,220)	(3,365,710)	(3,365,688)	22
Net change in fund balance	(239,915)	645,065	648,894	3,829
Fund balance - beginning	12,549,232	12,549,232	12,549,232	-
Fund balance - ending	$ 12,309,317	$ 13,194,297	$ 13,198,126	$ 3,829

See accompanying notes to the basic financial statements.

Exhibit 8

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Licenses:				
Employee earnings	$ 4,800,000	$ 4,947,985	$ 4,947,986	$ 1
Total licenses	4,800,000	4,947,985	4,947,986	1
Other:				
Miscellaneous	-	-	-	-
Total other	-	-	-	-
Total revenues	4,800,000	4,947,985	4,947,986	1
Expenditures:				
General government:				
Planning and development:				
Economic development	690,500	672,880	672,879	1
Total expenditures	690,500	672,880	672,879	1
Excess (deficiency) of revenues over expenditures	4,109,500	4,275,105	4,275,107	2
Other financing sources (uses):				
Operating transfers in	261,000	261,000	261,000	-
Operating transfers out	(4,369,670)	(4,332,365)	(4,332,360)	5
Total other financing sources (uses)	(4,108,670)	(4,071,365)	(4,071,360)	5
Net change in fund balance	830	203,740	203,747	7
Fund balance - beginning	1,758,934	1,814,835	1,814,834	(1)
Fund balance - ending	$ 1,759,764	$ 2,018,575	$ 2,018,581	$ 6

See accompanying notes to the basic financial statements.

Exhibit 8

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Licenses:				
Employee earnings	$ 4,800,000	$ 4,947,985	$ 4,947,986	$ 1
Total licenses	4,800,000	4,947,985	4,947,986	1
Other:				
Miscellaneous	-	-	-	-
Total other	-	-	-	-
Total revenues	4,800,000	4,947,985	4,947,986	1
Expenditures:				
General government:				
Planning and development:				
Economic development	690,500	672,880	672,879	1
Total expenditures	690,500	672,880	672,879	1
Excess (deficiency) of revenues over expenditures	4,109,500	4,275,105	4,275,107	2
Other financing sources (uses):				
Operating transfers in	261,000	261,000	261,000	-
Operating transfers out	(4,369,670)	(4,332,365)	(4,332,360)	5
Total other financing sources (uses)	(4,108,670)	(4,071,365)	(4,071,360)	5
Net change in fund balance	830	203,740	203,747	7
Fund balance - beginning	1,758,934	1,814,835	1,814,834	(1)
Fund balance - ending	$ 1,759,764	$ 2,018,575	$ 2,018,581	$ 6

See accompanying notes to the basic financial statements.

Exhibit 9

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Business-type Activities			Governmental Activities
ASSETS				
Current Assets:	**Solid Waste**	**Nonmajor Enterprise Funds**	**Totals**	**Internal Service Funds**
Cash and cash equivalents	$ 5,837,161	$ 414,908	$ 6,252,069	$ 5,648,890
Accounts receivable	556,969	-	556,969	244,485
Due from other funds	-	-	-	200,000
Inventory	-	-	-	56,116
Total current assets	6,394,130	414,908	6,809,038	6,149,491
Noncurrent Assets:				
Net capital assets:				
Land	62,152	-	62,152	-
Depreciable capital assets	1,486,478	130,098	1,616,576	3,884,310
Total noncurrent assets	1,548,630	130,098	1,678,728	3,884,310
Total assets	7,942,760	545,006	8,487,766	10,033,801
Deferred Outflows of Resources:				
Deferred pension contributions	377,374	62,964	440,338	125,310
LIABILITIES				
Current Liabilities:				
Voucher and accounts payable	129,337	34,020	163,357	230,226
Accrued payroll and payroll taxes	63,024	-	63,024	22,414
Accrued compensated absences	104,574	1,962	106,536	35,704
Unearned revenue	25,500	-	25,500	23,865
Due to other funds	-	31,729	31,729	-
Total current liabilities	322,435	67,711	390,146	312,209
Noncurrent Liabilities:				
Pensions obligation	1,619,918	264,500	1,884,418	479,013
Landfill post-closure costs	2,062,500	-	2,062,500	-
Accrued compensated absences	49,730	17,654	67,384	21,430
Total noncurrent liabilities	3,732,148	282,154	4,014,302	500,443
Total liabilities	4,054,583	349,865	4,404,448	812,652
Deferred Inflows of Resources				
Difference between projected and actuarial earnings on pension plan investments	114,494	17,847	132,341	44,484
NET POSITION				
Net invested in capital assets	1,548,630	130,098	1,678,728	3,884,310
Restricted - Housing	-	38,247	38,247	-
Unrestricted	2,602,427	71,913	2,674,340	5,417,665
TOTAL NET POSITION	$ 4,151,057	$ 240,258	4,391,315	$ 9,301,975
Reconciliation to government-wide statements of net position:				
Adjustment to reflect the consolidation of Internal Service Funds' activities related to Enterprise Funds			519,888	
NET POSITION OF BUSINESS-TYPE ACTIVITIES			$ 4,911,203	

See accompanying notes to the basic financial statements.

Exhibit 10

CITY OF PADUCAH, KENTUCKY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities			Governmental Activities
Operating Revenues:	**Solid Waste**	**Nonmajor Enterprise Funds**	**Totals**	**Internal Service Funds**
Charges for services - internal	$ -	$ 40,148	$ 40,148	$5,906,661
Charges for services - external	4,520,084	-	4,520,084	280,639
Miscellaneous	2,466	1,500	3,966	-
Total operating revenues	4,522,550	41,648	4,564,198	6,187,300
Operating Expenses:				
Cost of sales and service	3,434,867	1,937,227	5,372,094	5,505,396
Depreciation and amortization	334,743	11,306	346,049	734,995
Total operating expenses	3,769,610	1,948,533	5,718,143	6,240,391
Operating income (loss)	752,940	(1,906,885)	(1,153,945)	(53,091)
Nonoperating Revenues (Expenses):				
Grants - program purpose	60,070	1,785,479	1,845,549	-
Interest and investment income	30,255	47	30,302	21,300
Gain (loss) on disposal of property and equipment	78,802	-	78,802	188,322
Total nonoperating revenues (expenses)	169,127	1,785,526	1,954,653	209,622
Income (loss) before contributions and transfers	922,067	(121,359)	800,708	156,531
Contributions and Transfers:				
Transfers in	-	102,418	102,418	253,879
Transfers out	(285,866)	-	(285,866)	-
Total contributions and transfers	(285,866)	102,418	(183,448)	253,879
Change in net position	636,201	(18,941)	617,260	410,410
Net position - beginning	3,514,856	259,199		8,891,565
Net position - ending	$ 4,151,057	$ 240,258		$9,301,975

Reconciliation to government-wide statements of net position:	
Adjustment to reflect the consolidation of Internal Service Funds' activities related to Enterprise Funds	2,883
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES	$ 620,143

See accompanying notes to the basic financial statements.

Exhibit 11

CITY OF PADUCAH, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities			Governmental Activities
	Solid Waste	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Cash Flows from Operating Activities:				
Cash received from customers	$ 4,508,714	$ 40,148	$ 4,548,862	$ -
Cash received from interfund services provided	-	-	-	6,295,564
Payments to suppliers	(2,023,181)	-	(2,023,181)	(190,725)
Payments to employees	(830,275)	(181,319)	(1,011,594)	(311,735)
Claims paid	-	-	-	(3,338,437)
Payments to internal service funds	(487,278)	(2,301)	(489,579)	-
Other receipts	2,466	1,500	3,966	-
Other payments	-	(1,769,922)	(1,769,922)	(1,712,959)
Net cash provided (used) by operating activities	1,170,446	(1,911,894)	(741,448)	741,708
Cash Flows from Noncapital Financing Activities:				
Grants - program purpose	60,070	1,785,479	1,845,549	-
Transfers from other funds	-	102,418	102,418	253,879
Transfers to other funds	(285,866)	-	(285,866)	-
Net cash provided (used) by noncapital financing activities	(225,796)	1,887,897	1,662,101	253,879
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(891,552)	-	(891,552)	(1,462,735)
Proceeds from sale of capital assets	78,802	-	78,802	209,141
Net cash provided (used) by capital and related financing activities	(812,750)	-	(812,750)	(1,253,594)
Cash Flows from Investing Activities:				
Interest on cash and investments	30,255	47	30,302	21,300
Net cash provided (used) by investing activities	30,255	47	30,302	21,300
Net increase (decrease) in cash and cash equivalents	162,155	(23,950)	138,205	(236,707)
Cash and cash equivalents, July 1, 2015	5,675,006	438,858	6,113,864	5,885,597
CASH AND CASH EQUIVALENTS, JUNE 30, 2016	$ 5,837,161	$ 414,908	$ 6,252,069	$ 5,648,890
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	$ 752,940	$ (1,906,885)	$ (1,153,945)	$ (53,091)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	334,743	11,306	346,049	734,995
Change in assets and liabilities:				
Receivables	(10,070)	-	(10,070)	8,871
Prepaid expenses	-	-	-	-
Inventories	-	-	-	7,999
Due to other funds	-	-	-	100,000
Pension obligation and related deferrals	42,438	18,619	61,057	(5,327)
Account and accrued payables	51,695	(34,934)	16,761	(51,739)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 1,171,746	$ (1,911,894)	$ (740,148)	$ 741,708

See accompanying notes to the basic financial statements.

Exhibit 12

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Primary Government		
ASSETS	**Pension Funds**	**Private-purpose Trusts**	**Agency Funds**
Cash and cash equivalents	$ 20,819	$ 108,472	$ 519,942
Receivables:			
Interest	6,292	-	-
Investments at fair value			
Money market funds	358,229	-	-
Common stock	2,317,643	-	-
Corporate bonds	-	-	-
Mutual funds	2,941,319	998,298	-
Total assets	5,644,302	1,106,770	$ 519,942
LIABILITIES			
Voucher and accounts payable	42	-	-
Payroll taxes and withholdings payable	-	-	$ 519,942
Total liabilities	42	-	$ 519,942
NET POSITION			
Net position restricted for pensions	$ 5,644,260		
Held in trust for other purposes		$ 1,106,770	

See accompanying notes to the basic financial statements

Exhibit 13

CITY OF PADUCAH, KENTUCKY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Pension Funds	Private-purpose Trusts
Additions:		
Contributions:		
Employer	$ 426,951	$ -
Plan members	4,494	-
Private donations	-	2,540
Total contributions	431,445	2,540
Investment income:		
Net increase (decrease) in fair value of investments	29,617	(89,646)
Interest and dividends	135,916	92,271
Net investment income	165,533	2,625
Total additions	596,978	5,165
Deductions:		
Benefits	1,328,146	-
Capital outlay	-	54,685
Administrative expenses	53,962	12,968
Total deductions	1,382,108	67,653
Change in net position	(785,130)	(62,488)
Net position - beginning	6,429,390	1,169,258
Net position - ending	$ 5,644,260	$ 1,106,770

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, 2016

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)

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)

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)

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, property and casualty insurance, and self-funded health 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. 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)

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)

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 departments and their line items; however, any revisions that alter the total expenditures 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 the modified accrued basis of accounting.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures 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, 2016.

Cash and Investments

The City Commission 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)

Note 1 - Summary of Significant Accounting Policies:

Receivables

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 on demand. 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 $56,116 held for consumption and real property of $623,735 held for urban development. The cost is recorded as an expenditure at the time individual items are consumed or sold for urban development rather than when purchased.

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)

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

Government-wide Statement

In addition to assets, the statement of net 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 two items that qualifies for reporting in the category. These are the deferred charge on refunding and deferred pension related outflows reported in the statements 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.

The deferred related pension outflows results from pension contributions subsequent to the measurement date of the pension plan and various changes resulting from actuarial pension measurement. The pension contribution amount is deferred and recognized as a component of the change in pension plan liability in the next measurement period. The various changes resulting from actuarial pension measurement are deferred and amortized in future periods as a component of the pension expense.

(Continued)

Note 1 - Summary of Significant Accounting Policies:

Deferred Outflows/Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two type of items reported in this category. These are property taxes levied during the fiscal year for the next fiscal year and inflows related to the City's pension plans that qualifies for reporting in this category – deferred pension related inflows. The various changes resulting from actuarial pension measurement are deferred and amortized in future periods as a component of the pension expense.

A summary of change in deferred outflows/inflows of resources is as follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
Governmental Activities				
Deferred outflows of resources				
Deferred charge on refunding	$ 383,952	$ -	$ (63,229)	$ 320,723
Deferred pension contributions	$ 4,079,846	$ 2,479,961	$ (4,079,846)	$ 2,479,961
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	137,958	(28,270)	109,688
Differences between expected and actual experience	-	824,383	(179,768)	644,615
Change of assumptions	-	4,385,003	(1,030,063)	3,354,940
Difference between projected and actuarial earnings	151,609	3,342,828	(706,636)	2,787,801
Pension related deferred outflows	$ 4,231,455	$ 11,170,133	$ (6,024,583)	$ 9,377,005
Deferred inflows of resources				
Changes in proportion and differences between employer contributions and proportionate share of contributions	$ -	$ 344,313	$ (98,095)	$ 246,218
Difference between projected and actuarial earnings	3,264,613	-	(843,356)	2,421,257
Pension related deferred inflows	$ 3,264,613	$ 344,313	$ (941,451)	$ 2,667,475
Business-Type Activities				
Deferred outflows of resources				
Deferred pension contributions	$ 198,406	$ 125,218	$ (198,406)	$ 125,218
Differences between expected and actual experience	-	21,899	(6,239)	15,660
Change of assumptions	-	265,729	(75,706)	190,023
Difference between projected and actuarial earnings	-	136,796	(27,359)	109,437
Pension related deferred outflows	$ 198,406	$ 549,642	$ (307,710)	$ 440,338
Deferred inflows of resources				
Unavailable revenues – property taxes	$ 4,985,182	$ 5,023,063	$ (4,985,182)	$ 5,023,063
Changes in proportion and differences between employer contributions and proportionate share of contributions	$ -	$ 55,651	$ (15,855)	$ 39,796
Difference between projected and actuarial earnings	123,394		(30,849)	92,545
Pension related deferred inflows	$ 123,394	$ 55,651	$ (46,704)	$ 132,341

(Continued)

Note 1 - Summary of Significant Accounting Policies:

Deferred Outflows/Inflows of Resources

Fund Financial Statements

The government has only one type of item, which arises only under a modified accrual basis of account, which qualifies for reporting as deferred inflows of resources. 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.

(Continued)

Note 1 - Summary of Significant Accounting Policies:

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

a. Net Invested in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net position – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position – All other net assets that do not meet the definition of "restricted" or "net invested in capital assets."

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. The General Fund is the only governmental fund which reports an unassigned 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.

(Continued)

Note 1 - Summary of Significant Accounting Policies:

Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

Program Revenues

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

Operating and Non-Operating Revenues and Expenses – Proprietary Funds

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

Expenditures/Expenses

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

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

Governmental Funds – by 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.

(Continued)

Note 1 - Summary of Significant Accounting Policies:

Use of Estimates

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

Stewardship, Compliance, and Accountability

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

Fund Accounting Requirements

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

Revenue Restrictions

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

Revenue Source	Legal Restrictions of Use
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
Transient Room 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

For the year ended June 30, 2016, the City complied in all material respects with these revenue restrictions.

Debt Restrictions and Covenants

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

Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 6, 2016, the date financial statements were available to be issued.

(Continued)

Note 2 - Property Taxes:

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

The due dates and collection period for all property taxes, exclusive of vehicle taxes, for the fiscal year ended June 30, 2016, are as follows:

Description	Date
Assessment and enforceable lien	January 1, 2015
Levy	October 6, 2015
Face value amount payment dates	1st half by November 1, 2015 2nd half by February 1, 2016
Delinquent date - 10% penalty plus 1/2% per month	1st half - November 30, 2015 2nd half - February 28, 2016

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, 2016, 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 $29,532,580 and $30,469,258, respectively.

(Continued)

Note 3 - Detail Notes on Transaction Classes/Accounts:

Investments

As of June 30, 2016, the City's reporting entity had the following investments:

Types of Investments	Fair Value/ Carrying Amount	Average Credit Quality/ Rating (1)	Investment Maturities (In Years) (2) Less Than 1	1-5	6-10	Greater Than 10
Fiduciary and Private Purpose Trust Funds						
Money market funds	$ 358,229	NA	NA	NA	NA	NA
Common stock	2,317,643	NA	NA	NA	NA	NA
Corporate bonds	-	NA	$ -	$ -	$ -	$ -
U.S. agencies	-		-	-	-	-
Mutual funds						
Equity	3,939,617	NA	NA	NA	NA	NA
TOTAL FIDUCIARY AND PRIVATE PURPOSE TRUST FUNDS	$6,615,489					

(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;

4. Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities;

(Continued)

Note 3 - Detail Notes on Transaction Classes/Accounts:

Investment Policies

City Policy

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:

	PFPF Retirement Plan		
	Minimum	**Target**	**Maximum**
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.

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.

(Continued)

Note 3 - Detail Notes on Transaction Classes/Accounts:

Investment Policies

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, 2016, was as follows:

Primary Government:	**Balance July 1, 2015**	**Additions**	**Deductions**	**Balance June 30, 2016**
Capital assets, not being depreciated:				
Land	$10,383,332	$ 10,000	$ -	$10,393,332
Construction-in-progress	4,025,248	9,300,717	32,508	13,293,457
Total capital assets, not being depreciated	14,408,580	9,310,717	32,508	23,686,789
Capital assets, being depreciated:				
Land improvements	12,898,307	3,355	-	12,901,662
Buildings and improvements	20,814,867	32,508	1,812,656	19,034,719
Infrastructure	41,625,986	-	-	41,625,986
Equipment	8,102,749	482,226	173,436	8,411,539
Furnishings and fixtures	217,436	-	1,500	215,936
Vehicles	8,931,234	1,384,998	1,155,824	9,160,408
Totals at historical cost	92,590,579	1,903,087	3,143,416	91,350,250
Less accumulated depreciation:				
Land improvements	2,411,583	740,347	-	3,151,930
Buildings and improvements	13,105,096	436,722	337,356	13,204,462
Infrastructure	29,562,992	1,186,917	-	30,749,909
Equipment	6,614,476	293,414	171,871	6,736,019
Furnishings and fixtures	203,083	1,811	1,500	203,394
Vehicles	5,779,872	729,439	1,135,004	5,374,307
Total accumulated depreciation	57,677,102	3,388,650	1,645,731	59,420,021
Total capital assets, being depreciated, net	34,913,477	(1,485,563)	1,497,685	31,930,229
PRIMARY GOVERNMENT ACTIVITIES CAPITAL ASSETS, NET	$49,322,057	$ 7,825,154	$1,530,193	$55,617,018

During the year ended June 30, 2016, the City donated a portable dome building to the Paducah-McCracken County Convention Center resulting in a net decrease in net position of $1,475,301.

(Continued)

Note 3 - Detail Notes on Transaction Classes/Accounts:

Capital Assets

Depreciation expense was charged to governmental activities as follows:

General government:	
General administration	$ 300,540
Finance	-
Planning	19,922
Inspections	-
Human resources/risk management	909
Information systems	7,708
Fleet maintenance	4,861
Total general government	333,940
Public safety:	
Police	197,498
Fire	54,823
Grants	-
Emergency 911	25,553
Court awards	687
Fleet Lease Trust	730,133
Total public safety	1,008,694
Public service:	
Public works	38,850
Engineering	22,311
Total public service	61,161
Parks and recreation	795,223
Planning and development:	
Infrastructure	1,187,761
Grants	1,871
Total planning and development	1,189,632
TOTAL DEPRECIATION EXPENSE – GOVERNMENTAL ACTIVITIES	$3,388,650

(Continued)

Note 3 - Detail Notes on Transaction Classes/Accounts:

Capital Assets

Business-type Activities:	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	$ 62,152	$ -	$ -	$ 62,152
Construction-in-progress	-	-	-	-
Total capital assets, not being depreciated	62,152	-	-	62,152
Capital assets, being depreciated:				
Buildings and improvements	554,827	16,932	-	571,759
Equipment	1,429,568	86,484	-	1,516,052
Vehicles	2,461,145	788,136	328,026	2,921,255
Totals at historical cost	4,445,540	891,552	328,026	5,009,066
Less accumulated depreciation:				
Buildings and improvements	285,802	14,633	-	300,435
Equipment	1,032,285	123,119	-	1,155,404
Vehicles	2,056,380	208,297	328,026	1,936,651
Total accumulated depreciation	3,374,467	346,049	328,026	3,392,490
Total capital assets, being depreciated, net	1,071,073	545,503	-	1,616,576
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	$ 1,133,225	$ 545,503	$ -	$ 1,678,728

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

Solid Waste Fund	$ 334,743
Section Eight Housing	1,285
Civic Center	10,021
TOTAL DEPRECIATION EXPENSE – BUSINESS-TYPE ACTIVITIES	$ 346,049

(Continued)

Note 3 - Detail Notes on Transaction Classes/Accounts:

Capital Assets

Discretely Presented Component Units:	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets, not being depreciated:				
Land & construction in progress	$ 531,621	$ 1,095,249	$ -	$ 1,626,870
Total capital assets, not being depreciated	531,621	1,095,249	-	1,626,870
Capital assets, being depreciated:				
Utility plant	86,180,280	2,392,566	655,805	87,917,041
Total capital assets, being depreciated	86,180,280	2,392,566	655,805	87,917,041
Less accumulated depreciation:				
Utility plant	36,235,553	2,115,895	388,429	37,963,019
Total accumulated depreciation	36,235,553	2,115,895	388,429	37,963,019
Total capital assets, being depreciated, net	49,944,727	276,671	267,376	49,954,022
COMPONENT UNIT CAPITAL ASSETS, NET	$ 50,476,348	$ 1,371,920	$ 267,376	$ 51,580,892

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

Paducah Water Works	$ 2,115,895
TOTAL DEPRECIATION EXPENSE BY ACTIVITY	$ 2,115,895

Accounts Payable

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

(Continued)

Note 3 - Detail Notes on Transaction Classes/Accounts:

Long-Term Liabilities

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

Governmental Activities

As of June 30, 2016, the governmental long-term liabilities consisted of the following:

General obligation bonds:	
Current portion	$ 1,773,148
Noncurrent portion	19,821,948
TOTAL GENERAL OBLIGATION BOND COSTS, NET OF PREMIUMS AND DISCOUNTS	$ 21,595,096
Note payable:	
Current portion	$ 467,714
Noncurrent portion	5,218,721
TOTAL NOTE PAYABLE PAYMENTS	$ 5,686,435
Accrued compensated absences:	
Current portion	$ 1,336,751
Noncurrent portion	746,510
TOTAL ACCRUED COMPENSATED ABSENCES	$ 2,083,261
Pension obligations:	
County Employee Retirement System	$ 36,877,136
Appointive Employee's Pension Fund	95,226
Police and Firefighters Pension Plan	4,249,213
TOTAL PENSION OBLIGATIONS	$ 41,221,575

(Continued)

Note 3 - Detail Notes on Transaction Classes/Accounts:

Long-Term Liabilities

Business-type Activities

As of June 30, 2016, the long-term liabilities payable from proprietary fund resources consisted of the following:

Accrued compensated absences:	
Current portion	$ 106,535
Noncurrent portion	67,384
TOTAL ACCRUED COMPENSATED ABSENCES	$ 173,919
Pension obligations:	
County Employee Retirement System	$ 1,884,418
TOTAL PENSION OBLIGATIONS	$ 1,884,418

General Obligation Bonds

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 ranging between 2% and 3.7%. 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.

(Continued)

Note 3 - Detail Notes on Transaction Classes/Accounts:

Long-Term Liabilities

General Obligation Bonds

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 $289,000 of the bond and interest payments due with the remaining amount of $108,080 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.

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.

Series 2014B Bond Issue – The City of Paducah issued general obligation refunding bonds of $4,225,000 in November 2014 with interest rate of 2.55%, to advance refund $3,845,000 of outstanding 2005 series bonds issued to finance the police and firefighter's pension fund estimated actuary liability. These bonds are required to be fully paid within 10 years from the date of issue and are backed by the full faith and credit of the City.

(Continued)

Note 3 - Detail Notes on Transaction Classes/Accounts:

Long-Term Liabilities

Advance Refunding

On November 1, 2014, the City issued general obligation refunding bonds of $4,225,000 with interest rate of 2.55% to advance refund 2005 series bonds with interest rate of 5.35%. The net proceeds of the new issue were deposited into an irrevocable trust with an escrow agent to redeem outstanding 2005 series bonds maturing on or after November 1, 2016 in the principle amount of $3,845,000 on November 1, 2015 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 $298,964. This amount was deferred and amortized over the remaining life of the refunded debt. This advance refunding was undertaken to reduce future total debt service payments over the next 10 years by $490,923 with a resulting net economic gain of $365,026. As of June 30, 2010, $0 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.

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

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

(Continued)

Note 3 - Detail Notes on Transaction Classes/Accounts:

Long-Term Liabilities

Changes in Long-Term Liabilities

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

Type of Liability:	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
General obligation bonds:					
Pension	$ 285,000	$ -	$ (285,000)	$ -	$ -
Floodwall Rehabilitation	2,104,212	-	(113,941)	1,990,271	128,148
Refinanced Pension	4,150,000	-	(95,000)	4,055,000	395,000
Refinanced Convention Center	5,385,000	-	(430,000)	4,955,000	440,000
Refinanced Rental Building	2,820,000	-	(290,000)	2,530,000	300,000
Public Pool Renovations	1,055,000	-	(65,000)	990,000	65,000
Economic Development	2,330,000	-	(145,000)	2,185,000	145,000
Refinancing Public Projects	5,100,000	-	(295,000)	4,805,000	300,000
Premiums	203,549	-	(24,057)	179,492	-
Discounts	(112,414)	-	17,747	(94,667)	-
Total bonds payable	23,320,347	-	(1,725,251)	21,595,096	1,773,148
Notes payable:					
Kentucky League of Cities	1,669,821	-	(169,695)	1,500,126	190,510
Kentucky Association of Counties	1,976,250	-	(109,584)	1,866,666	114,583
Margaret Hank Agreement	116,078	-	(21,227)	94,851	46,917
Murray State University Agreement	2,338,915	-	(114,123)	2,224,792	115,704
Total notes payable	6,101,064	-	(414,629)	5,686,435	467,714
Pension Obligations	32,788,823	11,017,715	(2,584,963)	41,221,575	-
Accrued Compensated Absences	2,130,965	1,173,985	(1,221,689)	2,083,261	1,336,751
TOTAL GENERAL LONG-TERM LIABILITIES	$64,341,199	$12,191,700	$(5,946,532)	$ 70,586,367	$ 3,577,613
Business-type activities:					
Pension Obligations	$ 1,541,681	$ 473,594	$ (130,857)	$ 1,884,418	-
Accrued compensated Absences	125,323	130,534	(81,938)	173,919	106,535
TOTAL BUSINESS LONG-TERM LIABILITIES	$ 1,667,004	$ 604,128	$ (212,795)	$ 2,058,337	$ 106,535

(Continued)

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		$55,617,018
Less:		
19.75% of the outstanding 2010B general obligation bonds	$ (986,513)	
100% of the outstanding 2011 General obligation bonds	(2,530,000)	
Net of the County's portion	1,758,256	
		(1,758,256)
78% of the outstanding 2014A general obligation bonds		(3,747,900)
100% of the outstanding 2013A general obligation bonds		(990,000)
52% of the outstanding 2013B general obligation bonds		(1,136,200)
100% of the Margaret Hank Agreement		(94,851)
100% of the outstanding Kentucky League of Cities' note payable		(1,500,126)
Net position invested in capital assets, net of related debt		$46,389,685

Annual Debt Service Requirements

The annual debt service requirements to maturity for bonds and notes as of June 30, 2016, are as follows:

Year Ending June 30	Principal	Interest
2017	$ 2,240,862	$ 844,232
2018	2,298,545	787,311
2019	2,308,002	719,446
2020	2,360,816	650,195
2021	2,430,402	576,613
2022-2026	11,248,112	1,729,940
2027-2031	4,137,976	343,731
2032	171,990	3,010
TOTALS	$27,196,705	$ 5,654,478

(Continued)

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, 2016, are as follows:

Accrued Compensated Absences

	Governmental Activities	Business-type Activities
Accrued sick leave	$ 755,527	$ 83,064
Accrued vacation leave	1,327,734	90,855
Totals	2,083,261	173,919
Less current portion	1,336,751	106,535
LONG-TERM PORTION	$ 746,510	$ 67,384

Termination Benefits

Nine 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, 2016.

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, 2016, $115,544 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, 2016, 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)

Note 3 - Detail Notes on Transaction Classes/Accounts:

Interfund Transactions and Balances

Interfund transfers during the year ended June 30, 2016, were as follows:

	Interfund Transfers In	Interfund Transfers Out
Governmental Funds:		
General Fund	$ 526,187	$3,891,875
Special Revenue Investment Fund	261,000	4,332,360
Capital Project Fund	5,795,359	106,687
Debt Service Fund	2,157,163	-
Nonmajor Governmental Funds	1,295,142	1,774,360
Internal Service Funds	253,879	-
Proprietary Funds:		
Solid Waste	-	285,866
Nonmajor Proprietary Funds	102,418	-
TOTALS	$10,391,148	$10,391,148

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. Significant transfers from the general fund transfers includes $470,142 for E911 support; $589,733 for debt service; and $2,338,569 for capital projects. Significant transfers from the special revenue investment fund includes $825,000 for municipal aid street resurfacing program; $1,567,430 for debt service; and $1,682,430 for capital projects.

Due To/From Balances

Due to/from balances used to cover current operating expenses were as follows as of June 30, 2016:

	Due From	Due To
General Fund	$1,317,401	$1,247,177
Special Revenue Investment Fund	1,247,177	200,000
General Capital Improvements Fund	-	1,285,671
Nonmajor Proprietary Funds	-	31,730
Internal Service Funds	200,000	-
TOTALS	$2,764,578	$2,764,578

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)

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 multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from http://kyret.ky.gov/.

Benefits provided - CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, non-hazardous and hazardous employees are grouped into three tiers, based on hire date:

Non-hazardous members:

Tier 1	Participation date	Prior to September 1, 2008
	Unreduced retirement	27 years of service or 65 years old
	Reduced retirement	Minimum 5 years of service and 55 years old
		Minimum 25 years of service and any age
Tier 2	Participation date	September 1, 2008 to December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 65 years old
		Age of 57 or older and sum of service years plus age equal 87
	Reduced retirement	Minimum 10 years of service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 65 years old
		Age of 57 or older and sum of service years plus age equal 87
	Reduced retirement	Not available

Hazardous members:

Tier 1	Participation date	Prior to September 1, 2008
	Unreduced retirement	20 years of service and any age
		Minimum 5 years of service and 55 years old
	Reduced retirement	Minimum 15 years of service and 50 years old
Tier 2	Participation date	September 1, 2008 to December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 60 years old
		25 years of service and any age
	Reduced retirement	Minimum 15 years of service and 50 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 60 years old
		25 years of service and any age
	Reduced retirement	Not available

(Continued)

Note 4 - Pension Plans - City of Paducah:

Cost-Sharing Multiple-Employer Defined Benefit Plan

County Employees' Retirement System

Cost of living adjustments are provided at the discretion of the General Assembly. Retirements is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are $5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and $10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for non-service related disability benefits.

Plan Funding – State statute requires active members to contribute % of creditable compensation based on the tier:

Non-hazardous		***Hazardous***	
	Required Contribution		**Required Contribution**
Tier 1	5%	Tier 1	8%
Tier 2	5% plus 1% for insurance	Tier 2	8% plus 1% for insurance
Tier 3	5% plus 1% for insurance	Tier 3	8% plus 1% for insurance

Employers contribute at the rate determined by the CERS Board to be necessary for the actuarial soundness of the system, as required by KRS 61.565 and 61.752. The City's required contribution rate was 17.06% for non-hazardous employees and 32.95% for hazardous employees for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the City reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the City as its proportionate share of the net pension liability that was associated with the City was as follows:

City's non-hazardous proportionate share of the CERS net pension liability	$ 13,543,354
City's hazardous proportionate share of the CERS net pension liability	25,218,200
Total CERS net pension liability associated with the City	$ 38,761,554

(Continued)

Note 4 - Pension Plans - City of Paducah:

Cost-Sharing Multiple-Employer Defined Benefit Plan

County Employees' Retirement System

The net pension liability for each plan was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The City's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2015, the City's non-hazardous proportion was 0.314997% percent and hazardous proportion was 1.642766% percent.

For the year ended June 30, 2016, the City recognized pension expense of $3,923,034 related to CERS pension plans. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to the CERS pension plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 660,275	$ -
Changes in assumptions	3,544,963	-
Net difference between projected and actual earnings on pension plan investments	2,566,191	2,286,458
Changes in proportion and differences between City contributions and proportionate share of contributions	109,688	286,014
City contributions subsequent to the Measurement date	2,605,179	-
Total	$ 9,486,296	$ 2,572,471

The City reported $2,605,179 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

	Fiscal Year Ending June 30	
	Hazardous	Non-Hazardous
2017	$ 650,100	$ 435,391
2018	650,100	435,391
2019	650,100	202,644
2020	1,044,706	240,214
	-	-

(Continued)

Note 4 - Pension Plans - City of Paducah:

Cost-Sharing Multiple-Employer Defined Benefit Plan

County Employees' Retirement System

Actuarial assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Projected salary increases	4.00%
Investment rate of return, net of investment expense & inflation	7.50%

For CERS, Mortality rates for the period after service retirement are according to the RP-2000 Combined Mortality Table projected with Scale BB to 2013 for all active and retired employees and beneficiaries. The RP-2000 Combined Mortality Table projected with Scale BB to 2013 set back four years for males is used for the period after disability retirement. The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

(Continued)

Note 4 - Pension Plans - City of Paducah:

Cost-Sharing Multiple-Employer Defined Benefit Plan

County Employees' Retirement System

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Combined Equity	44.0%	5.40%
Combined Fixed Income	19.0%	1.50%
Real Estate	5.0%	4.50%
Private Equity	10.0%	8.50%
Real Return (Diversified Inflation Strategies)	10.0%	3.50%
Absolute Return (Diversified Hedge Funds)	10.0%	5.50%
Cash	2.0%	(0.25%)
Total	100.0%	

Discount rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.50%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of CERS proportionate share of net pension liability to changes in the discount rate - The following table presents the net pension liability of the City, calculated using the discount rates selected by the pension system, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
CERS	6.50%	7.50%	8.50%
Non-hazardous' proportionate share of net pension liability	$17,289,774	$13,543,354	$10,334,878
Hazardous' proportionate share of net pension liability	$32,280,158	$25,218,200	$19,367,241

(Continued)

Note 4 - Pension Plans - City of Paducah:

Cost-Sharing Multiple-Employer Defined Benefit Plan

County Employees' Retirement System

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the CERS.

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.

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, 2016. AEPF does not issue a separate, stand-alone report. Accordingly, the plan financial statements are included in this audit report.

(Continued)

Note 4 - Pension Plans - City of Paducah:

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

Membership Information:

Membership of each plan consisted of the following at June 30, 2016:

	PFPF	AEPF
Active participants	1	0
Beneficiaries	29	2
Retired participants	25	1
TOTAL PARTICIPANTS	55	3

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%.

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.

(Continued)

Note 4 - Pension Plans - City of Paducah:

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

Changes in PFPF and AEPF's Net Pension Liability is as follows:

PFPF	**Total Pension Liability**	**Plan Net Position**	**Net Pension Liability**
	(a)	(b)	(a) – (b)
Balance – June 30, 2015	$10,462,911	$ 6,408,638	$ 4,054,273
Service cost	7,183	-	7,183
Interest expense	686,614	-	686,614
Experience losses (gains)	(111,824)	-	(111,824)
Change in assumptions	156,880	-	156,880
Contributions – City	-	420,352	(420,352)
Contributions – Members	-	4,494	(4,494)
Investment income	-	165,489	(165,489)
Benefits paid	(1,308,290)	(1,308,290)	-
Plan administrative expenses	-	(46,422)	46,422
Net change	(569,437)	(764,377)	194,940
Balance – June 30, 2016	$ 9,893,474	$ 5,644,261	$ 4,249,213

AEPF	**Total Pension Liability**	**Plan Net Position**	**Net Pension Liability**
	(a)	(b)	(a) – (b)
Balance – June 30, 2015	$ 99,931	$ 20,743	$ 79,188
Service cost	-	-	-
Interest expense	5,400	-	5,400
Experience losses (gains)	9,751	-	9,751
Change in assumptions	-	-	-
Contributions – City	-	6,599	(6,599)
Contributions – Members	-	-	-
Investment income	-	53	(53)
Benefits paid	(19,856)	(19,856)	-
Plan administrative expenses	-	(7,539)	7,539
Net change	(4,705)	(20,743)	16,038
Balance – June 30, 2016	$ 95,226	$ -	$ 95,226

For the year ended June 30, 2016, the City recognized pension expense of $336,043 and $23,363 related to PFPF and AEPF pension plans, respectively.

(Continued)

Note 4 - Pension Plans - City of Paducah:

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

At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to the PFPF and AEPF pension plans from the following sources:

	PFPF		AEPF	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -	$ -	$ -
Changes in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	318,626	217,620	2,969	-
Total	$ 318,626	$ 217,620	$ 2,969	$ -

Amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

	Fiscal Year Ending June 30	
	PFPF	AEPF
2016	$ (19,892)	$ 1,096
2017	(19,892)	1,096
2018	51,892	431
2019	51,892	74

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

	PFPF	AEPF
Valuation date	7/1/16	7/1/16
Actuarial cost method	Entry age normal	Aggregate (1)
Amortization method	Level dollar closed	Level dollar closed
Remaining amortization period	17 Years	10 Years
Asset valuation method	Market value	Market value

(Continued)

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 assumptions:		
Investment rate of return	6.75% (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) 6.75% Effective July 1, 2016

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, 2015 PFPF plan year, the assumed rate of return was 7.00%. Beginning with the July 1, 2016 plan year, the assumed rate of return was changed to 6.75%. For the AEPF July 1, 2015 and 2016 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, 2016 was as follows:

PFPF	6.75% - changed from 7.00% for the prior plan year.
AEPF	6.00%

(Continued)

Note 4 - Pension Plans - City of Paducah:

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

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:

	1% Decrease	Current Rate	1% Increase
PFPF Net Pension Liability	$ 4,929,754	$ 4,249,213	$ 3,649,973
AEPF Net Pension Liability	$ 99,993	$ 95,226	$ 90,920

Financial Reports

The Police and Firefighters' Pension Fund (PFPF) and Appointive Employees' Pension Fund (AEPF) plans do not issue stand-alone financial reports. The Plans financial statements are as follows:

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
JUNE 30, 2016

	PFPF	AEPF	Total
Assets			
Cash and cash equivalents	$ 20,819	$ -	$ 20,819
Receivables:			
Interest	6,292	-	6,292
Investments at fair value			
Money market accounts	358,229	-	358,229
Common stock	2,317,643	-	2,317,643
Corporate bonds	-	-	-
Mutual funds	2,941,319	-	2,941,319
Total assets	5,644,302	-	5,644,302
Liabilities			
Vouchers and accounts payable	42	-	42
Net Position			
Held in trust for pension benefits	$ 5,644,260	$ -	$ 5,644,260

(Continued)

Note 4 - Pension Plans - City of Paducah:

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

COMBINING STATEMENT OF CHANGES IN NET POSITION
PENSION TRUST FUNDS
JUNE 30, 2016

	PFPF	AEPF	Total
Additions:			
Contributions			
Employer	$ 420,352	$ 6,599	$ 426,951
Plan members	4,494	-	4,494
Total contributions	424,846	6,599	431,445
Investments earnings:			
Net change in fair value of investments	29,617	-	29,617
Interest and dividends	135,872	44	135,916
Net investment earnings	165,489	44	165,533
Total additions	590,335	6,643	596,978
Deductions:			
Benefits	1,308,290	19,856	1,328,146
Administrative expenses	46,423	7,539	53,962
Total deductions	1,354,713	27,395	1,382,108
Change in net position	(764,378)	(20,752)	(785,130)
Net position - beginning	6,408,638	20,752	6,429,390
Net position - ending	$ 5,644,260	$ -	$ 5,644,260

Note 5 - Component Unit Long-Term Liabilities:

Long-term liabilities of the discretely presented component units consist of the following at June 30, 2016:

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, 2016, are as follows:

Year Ending June 30	Principal	Interest	.25% Service Fee	R & M Reserve	Total
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	358,627	44,595	11,149	18,750	433,121
2021	342,222	41,000	10,250	18,750	412,222
2022-2026	1,886,314	149,795	37,449	-	2,073,558
2027-2031	1,961,759	54,352	13,587	-	2,029,698
TOTALS	$5,603,587	$444,744	$111,186	$ 93,750	$6,253,267

(Continued)

Note 6 - Appropriations Deficit:

No departments that adopted budgets annually had excess expenditures over appropriations for the fiscal year ended June 30, 2016.

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, 2016, the most significant construction commitment was as follows:

	Cumulative Costs Incurred	Estimated Total Costs
Riverfront Development – Phase 1b	$ 3,833,074	$ 8,113,110
Olivet Church Road Improvement Project	4,183,308	6,380,137
	$ 8,016,382	$14,493,247

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 $301,438 of which the City and County have equally guaranteed. The GPEDC is current on required payments and is expected to make full repayment 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
2013 - 2014	$ -	$ 35,888	$ 35,888	$ -
2014 - 2015	-	32,834	32,834	-
2015 - 2016	-	95,720	95,720	-

(Continued)

Note 8 - Risk Management and Litigation:

During fiscal year 1999, the City established the Health Insurance Fund (an internal service fund) to account for and finance employee medical costs relating to the City's employee self-insured medical benefit plan that went into effect as of July 1, 1999. The health insurance provides coverage for up to $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, 2016, that amount was $2,601,438. 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 $202,365 at June 30, 2016.

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
2013 - 2014	$ 84,602	$ 1,662,555	$1,589,216	$ 157,941
2014 - 2015	157,941	2,833,917	2,728,374	263,484
2015 - 2016	263,484	2,596,080	2,657,199	202,365

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

Note 9 - Lease Agreements:

Operating Leases

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

The City also leases certain other property to various lessees under non-cancelable agreements that have various expiration dates through June 30, 2024. Rental revenue received from leased property during 2016 totaled $746,754.

The following is an analysis of property leased under these leases at June 30, 2016:

Land	$ 480,000
Buildings	3,422,261
Equipment	110,126
Total	4,012,387
Less: accumulated depreciation	(1,163,928)
NET BOOK VALUE	$2,848,459

(Continued)

Note 9 - Lease Agreements:

Operating Leases

Depreciation expense for the year ended June 30, 2016, on leased property was $81,466.

The following is a schedule of future minimum rental income from operating leases at June 30, 2016:

	Lease Income
2017	$ 746,749
2018	746,749
2019	746,749
2020	738,415
2021	490,343
2022-2024	867,000
TOTAL MINIMUM LEASE RECEIPTS	$4,336,005

Note 11 – Subsequent Events:

Loan to Genova Products, Inc.

The Board of Commissioners approved a term loan with a multiple advance draw feature from the City of Paducah to Genova Products, Inc. of up to $1,100,000 to be financed jointly with McCracken County. There were no draws on this loan during the year ended June 30, 2016. The first draw was made in July, 2016.

CITY OF PADUCAH, KENTUCKY

REQUIRED SUPPLEMENTARY INFORMATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

Exhibit A-1

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 Three Fiscal Years Ending June 30 (1)

	2016	2015	2014
Total pension liability			
Service cost	$ 7,183	$ 5,576	$ 4,871
Interest	686,614	744,910	792,267
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(111,824)	(43,965)	150,977
Changes in assumptions	156,880	166,753	175,893
Benefit payments/refunds	(1,308,290)	(1,386,273)	(1,445,080)
Net change in total pension liability	(569,437)	(512,999)	(321,072)
Total pension liability - beginning	10,462,911	10,975,910	11,296,982
Total pension liability - ending (a)	$ 9,893,474	$ 10,462,911	$ 10,975,910
Plan fiduciary net position			
Contributions - employer	$ 420,352	$ 391,468	$ 420,834
Contributions - member	4,494	6,088	5,354
Net investment income	165,489	310,681	1,057,726
Benefit payments/refunds	(1,308,290)	(1,386,273)	(1,445,080)
Administrative expenses	(46,422)	(49,115)	(48,406)
Other	-	-	-
Net change in plan fiduciary net position	(764,377)	(727,151)	(9,572)
Plan fiduciary net position - beginning	6,408,638	7,135,789	7,145,361
Plan fiduciary net position - ending (b)	$ 5,644,261	$ 6,408,638	$ 7,135,789
Net pension liability ending (a) - (b)	$ 4,249,213	$ 4,054,273	$ 3,840,121
Plan fiduciary net position as a percentage of total pension liability	57%	61%	65%
Covered-employee payroll	$ 56,175	$ 76,102	$ 66,928
Net pension liability as a percentage of covered-employee payroll	7564%	5327%	5738%

(1) Schedule is intended to show information for 10 years. Additional years of supplementary information will be provided as this information becomes available.

Exhibit A-2

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 Three Fiscal Years Ending June 30 (1)

	2016	2015	2014
Total pension liability			
Service cost	$ -	$ -	$ -
Interest	5,400	5,687	8,258
Changes in benefit terms	-	-	-
Differences between expected and actual experience	9,751	9,391	(30,605)
Changes in assumptions	-	-	-
Benefit payments/refunds	(19,856)	(19,856)	(21,152)
Net change in total pension liability	(4,705)	(4,778)	(43,499)
Total pension liability - beginning	99,931	104,709	148,208
Total pension liability - ending (a)	$ 95,226	$ 99,931	$ 104,709
Plan fiduciary net position			
Contributions - employer	$ 6,599	$ -	$ -
Contributions - member	-	-	-
Net investment income	53	264	598
Benefit payments/refunds	(19,856)	(19,856)	(21,152)
Administrative expenses	(7,539)	(7,533)	(7,483)
Other	-	-	-
Net change in plan fiduciary net position	(20,743)	(27,125)	(28,037)
Plan fiduciary net position - beginning	20,743	47,868	75,905
Plan fiduciary net position - ending (b)	$ -	$ 20,743	$ 47,868
Net pension liability ending (a) - (b)	$ 95,226	$ 79,188	$ 56,841
Plan fiduciary net position as a percentage of total pension liability	0.0%	20.8%	45.7%
Covered-employee payroll	n/a	n/a	n/a
Net pension liability as a percentage of covered-employee payroll	n/a	n/a	n/a

(1) Schedule is intended to show information for 10 years. Additional years of supplementary information will be provided as this information becomes available.

Exhibit A-3

CITY OF PADUCAH, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF POLICE AND FIREFIGHTERS' PENSION TRUST FUND
CONTRIBUTIONS AND INVESTMENT RETURNS
Last Three Fiscal Years Ending June 30 (1)

Schedule of Contributions

	2016	2015	2014
Actuarially determined contribution	$ 416,844	$ 391,468	$ 421,933
Contributions in relation to the actuarially determined contribution	420,352	391,468	420,834
Contribution deficiency (excess)	$ (3,508)	$ -	$ 1,099
Covered-employee payroll	$ 56,175	$ 76,102	$ 66,928
Contributions as a percentage of covered-employee payroll	748%	514%	629%

Schedule of Investment Returns

	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	2.78%	4.69%	15.95%

(1) Schedule is intended to show information for 10 years. Additional years of supplementary information will be provided as this information becomes available.

Exhibit A-4

CITY OF PADUCAH, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF APPOINTIVE EMPLOYEES' PENSION TRUST FUNDS
CONTRIBUTIONS AND INVESTMENT RETURNS
Last Three Fiscal Years Ending June 30 (1)

Schedule of Contributions

	2016	2015	2014
Actuarially determined contribution	$ 19,856	$ 15,734	$ 10,779
Contributions in relation to the actuarially determined contribution	-	-	-
Contribution deficiency (excess)	$ 19,856	$ 15,734	$ 10,779
Covered-employee payroll	n/a	n/a	n/a
Contributions as a percentage of covered-employee payroll	n/a	n/a	n/a

Schedule of Investment Returns

	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	0.47%	0.75%	0.97%

(1) Schedule is intended to show information for 10 years. Additional years of supplementary information will be provided as this information becomes available.

Exhibit A-5

CITY OF PADUCAH, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST THREE FISCAL YEARS*

Year Ended June 30	City's proportion of the net pension liability	City's proportionate share of the net pension liability (asset)	City's covered employee payroll	City's share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
CERS Nonhazardous					
2016	0.3150%	13,543,354	7,349,249	184.2821%	59.9684%
2015	0.3261%	$ 10,579,475	$ 7,477,608	141.4821%	66.8010%
2014	0.3261%	$ 11,970,884	$ 7,466,979	160.3176%	61.2209%
CERS Hazardous					
2016	1.6428%	$ 25,218,200	$ 8,402,943	300.1115%	57.5152%
2015	1.6323%	$ 19,617,569	$ 8,267,598	237.2826%	63.4574%
2014	1.6323%	$ 21,907,757	$ 8,016,505	273.2831%	65.7178%

* The amounts presented were determined as of the measurement date June 30 of the prior year.

* Schedule is intended to show information for 10 years. Additional years of supplementary information will be provided as this information becomes available.

Exhibit A-6

CITY OF PADUCAH, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST THREE FISCAL YEARS*

Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	City's covered employee payroll	Contributions as a percentage of covered employee payroll
CERS Nonhazardous					
2016	$ 940,471	$ 940,471	$ -	$ 7,349,249	12.7968%
2015	$ 1,095,109	$ 1,095,109	$ -	$ 7,477,608	14.6452%
2014	$ 977,540	$ 977,540	$ -	$ 7,466,979	13.0915%
CERS Hazardous					
2016	$ 1,775,349	$ 1,775,349	$ -	$ 8,402,943	21.1277%
2015	$ 1,727,101	$ 1,727,101	$ -	$ 8,267,598	20.8900%
2014	$ 1,661,821	$ 1,661,821	$ -	$ 8,016,505	20.7300%

* The amounts presented for each fiscal year were determined as of the measurement date June 30 of the prior year.

* Schedule is intended to show information for 10 years. Additional years of supplementary information will be provided as this information becomes available.

Notes to Required Supplementary Information
For the Year Ended June 30, 2016

Changes of Benefit Terms:
A cash balance plan was introduced for member whose participation date is on or after January 1, 2014.

Changes of assumptions:
The assumptions were updated as of result of an experience study for the three year period ending June 30, 2008.

The amortization period of the unfunded accrued liability was reset to a closed 30 year period for the year ended June 30, 2013.

The discount rate changed from 7.75% to 7.50% from the prior measurement date.

The inflation rate changed from 3.50% to 3.25% from the prior measurment date.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

Exhibit B-1

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, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Grants	$ 7,509,610	$ 7,509,619	$ 9
Miscellaneous	416,795	416,799	4
Total revenues	7,926,405	7,926,418	13
Expenditures:			
Capital outlay	13,305,945	13,305,920	25
Excess (deficiency) of revenues over expenditures	(5,379,540)	(5,379,502)	38
Other Financing Sources (Uses):			
Operating transfers in	5,795,310	5,795,359	49
Operating transfers out	(106,690)	(106,687)	(3)
Total other financing sources	5,688,620	5,688,672	46
Net change in fund balance	$ 309,080	309,170	$ 84
Fund balance, July 1, 2015		5,493,894	
FUND BALANCE, JUNE 30, 2016		$ 5,803,064	

See auditors report on pages 11-12.

Exhibit B-2

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, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	$ 635,705	$ 635,705	$ -
Property upkeep, rentals, sales and other	289,000	289,005	5
Total revenues	924,705	924,710	5
Expenditures:			
Debt service:			
Principal requirement	2,137,770	2,133,570	4,200
Interest and fiscal requirement	845,630	849,798	(4,168)
Total expenditures	2,983,400	2,983,368	32
Excess (deficiency) of revenues over expenditures	(2,058,695)	(2,058,658)	37
Other Financing Sources (Uses):			
Operating transfers in	2,157,160	2,157,163	3
Total other financing sources	2,157,160	2,157,163	3
Net change in fund balance	$ 98,465	98,505	$ 40
Fund balance, July 1, 2015		652,319	
FUND BALANCE, JUNE 30, 2016		$ 750,824	

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

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, 2016

	Special Revenue Funds		
ASSETS	**Municipal Aid Program**	**Emergency Communication Service Fund**	**Court Awards Fund**
Cash and cash equivalents	$ 1,307,207	$ 175,938	$200,423
Receivables, net:			
Accounts	45,781	188,717	-
TOTAL ASSETS	$ 1,352,988	$ 364,655	$200,423
LIABILITIES AND FUND BALANCES			
Liabilities:			
Voucher and accounts payable	$ 204,199	$ 3,604	$ 53,205
Accrued payroll and payroll taxes	-	62,073	-
Total liabilities	204,199	65,677	53,205
Fund Balances:			
Restricted for:			
Highway and streets	1,148,789	-	-
Public safety	-	-	147,218
Capital Improvements	-	-	-
Assigned for:			
Public safety	-	298,978	-
Total fund balances	1,148,789	298,978	147,218
TOTAL LIABILITIES AND FUND BALANCES	$ 1,352,988	$ 364,655	$200,423

See auditors report on pages 11-12.

Special Revenue Funds		
CDBG Grant Fund	Bond Fund	Total Nonmajor Governmental Funds
$ -	$ -	$ 1,683,568
-	-	234,498
$ -	$ -	$ 1,918,066
$ -	$ -	$ 261,008
-	-	62,073
-	-	323,081
-	-	1,148,789
-	-	147,218
-	-	-
-	-	298,978
-	-	1,594,985
$ -	$ -	$ 1,918,066

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds		
Revenues:	**Municipal Aid Program**	**Emergency Communication Service Fund**	**Court Awards Fund**
Taxes	$ -	$ 381,131	$ -
Charges for services	-	237,636	-
Intergovernmental	497,147	-	-
Grants	-	-	29,232
Interest	7,133	785	1,147
Miscellaneous	-	374,125	-
Total revenues	504,280	993,677	30,379
Expenditures:			
Current operations:			
Public safety	-	1,463,818	28,018
Public service	1,338,664	-	-
Planning and development	-	-	-
Total expenditures	1,338,664	1,463,818	28,018
Excess (deficiency) of revenues over expenditures	(834,384)	(470,141)	2,361
Other Financing Sources (Uses):			
Transfers in	825,000	470,142	-
Transfers out	-	-	-
Total other financing sources (uses)	825,000	470,142	-
Net change in fund balances	(9,384)	1	2,361
Fund balances, July 1, 2015	1,158,173	298,977	144,857
FUND BALANCES, JUNE 30, 2016	$ 1,148,789	$ 298,978	$ 147,218

See auditors report on pages 11-12.

Special Revenue Funds		
CDBG Grant Fund	Bond Fund	Total Nonmajor Governmental Funds
$ -	$ -	$ 381,131
-	-	237,636
-	-	497,147
737,500	-	766,732
-	5,315	14,380
-	-	374,125
737,500	5,315	2,271,151
-	-	1,491,836
-	-	1,338,664
237,500	-	237,500
237,500	-	3,068,000
500,000	5,315	(796,849)
-	-	1,295,142
(500,000)	(1,274,360)	(1,774,360)
(500,000)	(1,274,360)	(479,218)
-	(1,269,045)	(1,276,067)
-	1,269,045	2,871,052
$ -	$ -	$ 1,594,985

Exhibit B-5

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, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	$ 497,145	$ 497,147	$ 2
Interest	7,130	7,133	3
Total revenues	504,275	504,280	5
Expenditures:			
Public service	1,338,670	1,338,664	6
Excess (deficiency) of revenues over expenditures	(834,395)	(834,384)	11
Other Financing Sources (Uses):			
Operating transfers in	825,000	825,000	-
Operating transfers out	-	-	-
Total other financing sources (uses)	825,000	825,000	-
Net change in fund balance	(9,395)	(9,384)	11
Fund balance, July 1, 2015	1,158,173	1,158,173	-
FUND BALANCE, JUNE 30, 2016	$1,148,778	$1,148,789	$ 11

See auditors report on pages 11-12.

Exhibit B-6

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, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Local contributions	$ 381,130	$ 381,131	$ 1
Telephone surcharges	237,635	237,636	1
Interest	785	785	-
Miscellaneous	374,120	374,125	5
Total revenues	993,670	993,677	7
Expenditures:			
Public safety	1,464,120	1,463,818	302
Excess (deficiency) of revenues over expenditures	(470,450)	(470,141)	309
Other Financing Sources (Uses):			
Operating transfers in	470,140	470,142	2
Operating transfers out	-	-	-
Total other financing sources (uses)	470,140	470,142	2
Net change in fund balance	$ (310)	1	$ 311
Fund balance, July 1, 2015		298,977	
FUND BALANCE, JUNE 30, 2016		$ 298,978	

See auditors report on pages 11-12.

Exhibit B-7

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, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Grants	$ 29,230	$ 29,232	$ 2
Interest	1,145	1,147	2
Total revenues	30,375	30,379	4
Expenditures:			
Public safety	28,020	28,018	2
Excess (deficiency) of revenues over expenditures	2,355	2,361	6
Net change in fund balance	$ 2,355	2,361	$ 6
Fund balance, July 1, 2015		144,857	
FUND BALANCE, JUNE 30, 2016		$ 147,218	

See auditors report on pages 11-12.

Exhibit B-8

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, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Grants	$ 737,500	$ 737,500	$ -
Total revenues	737,500	737,500	-
Expenditures:			
Planning and development	237,500	237,500	-
Excess (deficiency) of revenues over expenditures	500,000	500,000	-
Other Financing Sources (Uses):			
Operating transfers in	-	-	-
Operating transfers out	(500,000)	(500,000)	-
Total other financing sources (uses)	(500,000)	(500,000)	-
Net change in fund balance	$ -	-	$ -
Fund balance, July 1, 2015		-	
FUND BALANCE, JUNE 30, 2016		$ -	

See auditors report on pages 11-12.

Exhibit B-9

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, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Grants	$ -	$ -	$ -
Interest	5,315	5,315	-
Total revenues	5,315	5,315	-
Expenditures:			
Debt issuance costs	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over expenditures	5,315	5,315	-
Other Financing Sources (Uses):			
Proceeds of debt	-	-	-
Payment to refunded bond escrow agent	-	-	-
Discount on debt issued	-	-	-
Total other financing sources (uses)	(1,274,360)	(1,274,360)	-
Net change in fund balance	$ (1,269,045)	(1,269,045)	$ -
Fund balance, July 1, 2015		1,269,045	
FUND BALANCE, JUNE 30, 2016		$ -	

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

NONMAJOR PROPRIETARY FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

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.

Exhibit C-1

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2016

ASSETS	**Section Eight Housing**	**Civic Center Fund**	**Total Nonmajor Enterprise Funds**
Current Assets:			
Cash and cash equivalents	$ 336,908	$ 78,000	$ 414,908
Total current assets	336,908	78,000	414,908
Noncurrent Assets:			
Net depreciable capital assets	566	129,532	130,098
Total assets	337,474	207,532	545,006
Deferred Outflows of Resources:			
Deferred pension related outflows	62,964	-	62,964
LIABILITIES			
Current Liabilities:			
Voucher and accounts payable	27,933	6,087	34,020
Accrued compensated absences	1,962	-	1,962
Due to other funds	31,729	-	31,729
Total current liabilities	61,624	6,087	67,711
Noncurrent Liabilities:			
Pensions obligation	264,500	-	264,500
Accrued compensated absences	17,654	-	17,654
Total noncurrent liabilities	282,154	-	282,154
Total liabilities	343,778	6,087	349,865
Deferred Inflows of Resources			
Deferred pension related inflows	17,847	-	17,847
NET POSITION			
Net invested in capital assets	566	129,532	130,098
Restricted - Housing	38,247	-	38,247
Unrestricted	-	71,913	71,913
TOTAL NET POSITION	$ 38,813	$201,445	$ 240,258

See auditors report on pages 11-12.

Exhibit C-2

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Section Eight Housing	Civic Center Fund	Total Nonmajor Enterprise Funds
Operating Revenues:			
Charges for services	$ -	$ 40,148	$ 40,148
Miscellaneous	1,500	-	1,500
Total operating income	1,500	40,148	41,648
Operating Expenses:			
Cost of sales and service	1,872,791	64,436	1,937,227
Depreciation and amortization	1,285	10,021	11,306
Total operating expenses	1,874,076	74,457	1,948,533
Operating income (loss)	(1,872,576)	(34,309)	(1,906,885)
Non-Operating Revenues (Expenses):			
Grants - program purpose	1,785,479	-	1,785,479
Interest and investment income	47	-	47
Total nonoperating revenues (expenses)	1,785,526	-	1,785,526
Income (loss) before contributions and transfers	(87,050)	(34,309)	(121,359)
Contributions and Operating Transfers:			
Transfers in	-	102,418	102,418
Transfers out	-	-	-
Total contributions and operating transfers	-	102,418	102,418
Change in net position	(87,050)	68,109	(18,941)
Net position - beginning	125,863	133,336	259,199
Net position - ending	$ 38,813	$201,445	$ 240,258

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, 2016

	Section Eight Housing	Civic Center Fund	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities:			
Cash received from customers	$ -	$ 40,148	$ 40,148
Payments to employees	(181,319)	-	(181,319)
Payments to internal service funds	-	(2,301)	(2,301)
Other receipts	1,500	-	1,500
Housing assistance and other payments	(1,707,657)	(62,265)	(1,769,922)
Net cash provided (used) by operating activities	(1,887,476)	(24,418)	(1,911,894)
Cash Flows from Noncapital Financing Activities:			
Grants - program purpose	1,785,479	-	1,785,479
Transfers from other funds	-	102,418	102,418
Transfers to other funds	-	-	-
Net cash provided (used) by noncapital financing activities	1,785,479	102,418	1,887,897
Cash Flows from Investing Activities:			
Interest on cash and investments	47	-	47
Net increase (decrease) in cash and cash equivalents	(101,950)	78,000	(23,950)
Cash and cash equivalents, July 1, 2015	438,858	-	438,858
CASH AND CASH EQUIVALENTS, JUNE 30, 2016	$ 336,908	$ 78,000	$ 414,908
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating income (loss)	$ (1,872,576)	$ (34,309)	$ (1,906,885)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	1,285	10,021	11,306
Change in assets and liabilities:			
Unearned revenues	-	-	-
Pension obligation and related deferrals	18,619	-	18,619
Accounts payable and accrued expenses	(34,804)	(130)	(34,934)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (1,887,476)	$ (24,418)	$ (1,911,894)

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

INTERNAL SERVICE FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

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.

Exhibit D-1

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2016

ASSETS					
Current Assets:	**Fleet Maintenance**	**Fleet Lease Trust**	**Insurance Fund**	**Health Insurance Fund**	**Combined Total**
Cash and cash equivalents	$ 303	$3,239,796	$ 406,270	$2,002,521	$5,648,890
Investments	-	-	-	-	-
Receivables, net	-	200,075	641	43,769	244,485
Due from other funds	-	200,000	-	-	200,000
Inventories	56,116	-	-	-	56,116
Total current assets	56,419	3,639,871	406,911	2,046,290	6,149,491
Noncurrent Assets:					
Net depreciable capital assets	30,412	3,853,898	-	-	3,884,310
Total assets	86,831	7,493,769	406,911	2,046,290	10,033,801
Deferred Outflows of Resources:					
Deferred pension related outflows	125,310	-	-	-	125,310
LIABILITIES					
Current Liabilities:					
Voucher and accounts payable	15,860	829	11,172	202,365	230,226
Accrued payroll and payroll taxes	22,414	-	-	-	22,414
Accrued compensated absences	35,704	-	-	-	35,704
Deferred revenue	-	-	-	23,865	23,865
Total current liabilities	73,978	829	11,172	226,230	312,209
Noncurrent Liabilities:					
Pensions obligation	479,013	-	-	-	479,013
Accrued compensated absences	21,430	-	-	-	21,430
Total noncurrent liabilities	500,443	-	-	-	500,443
Total liabilities	574,421	829	11,172	226,230	812,652
Deferred Inflows of Resources					
Deferred pension related inflows	44,484	-	-	-	44,484
NET POSITION					
Net invested in capital assets	30,412	3,853,898	-	-	3,884,310
Unrestricted	(437,176)	3,639,042	395,739	1,820,060	5,417,665
TOTAL NET POSITION	$(406,764)	$7,492,940	$ 395,739	$1,820,060	$9,301,975

See auditors report on pages 11-12.

Exhibit D-2

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Fleet Maintenance	Fleet Lease Trust	Insurance Fund	Health Insurance Fund	Combined Total
Operating Revenues:					
Charges for services - internal	$ 346,739	$ 803,797	$ 1,098,638	$ 3,657,487	$ 5,906,661
Charges for services - external	-	-	-	280,639	280,639
Total operating revenues	346,739	803,797	1,098,638	3,938,126	6,187,300
Operating Expenses:					
Vehicle maintenance	506,743	1,393	-	-	508,136
Administrative	-	39,180	-	539,772	578,952
Insurance	-	-	1,140,990	3,277,318	4,418,308
Depreciation	4,861	730,134	-	-	734,995
Total operating expenses	511,604	770,707	1,140,990	3,817,090	6,240,391
Operating income (loss)	(164,865)	33,090	(42,352)	121,036	(53,091)
Nonoperating Revenues and (Expenses):					
Interest and investment income	15	21,285	-	-	21,300
Gain (loss) on disposal of property and equipment	3,440	184,882	-	-	188,322
Total nonoperating revenues (expenses)	3,455	206,167	-	-	209,622
Income (loss) before transfers	(161,410)	239,257	(42,352)	121,036	156,531
Contributions and Transfers:					
Transfers in	158,159	-	95,720	-	253,879
Transfers out	-	-	-	-	-
Total contributions and operating transfers	158,159	-	95,720	-	253,879
Change in net position	(3,251)	239,257	53,368	121,036	410,410
Net position - beginning	(403,513)	7,253,683	342,371	1,699,024	8,891,565
Net position - ending	$ (406,764)	$ 7,492,940	$ 395,739	$ 1,820,060	$ 9,301,975

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, 2016

	Fleet Maintenance	Fleet Lease Trust	Insurance Fund	Health Insurance Fund	Combined Total
Cash Flows from Operating Activities:					
Receipts from other funds for services	$ 346,923	$ 906,972	$ 1,097,997	$ 3,943,672	$ 6,295,564
Payments to suppliers	(190,725)	-	-	-	(190,725)
Payments to employees	(311,735)	-	-	-	(311,735)
Claims paid	-	-	-	(3,338,437)	(3,338,437)
Other payments	-	(39,744)	(1,133,443)	(539,772)	(1,712,959)
Net cash provided (used) by operating activities	(155,537)	867,228	(35,446)	65,463	741,708
Cash Flows from Noncapital Financing Activities:					
Transfers from other funds	158,159	-	95,720	-	253,879
Transfers to other funds	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	158,159	-	95,720	-	253,879
Cash Flows from Capital and Related Financing Activities:					
Proceeds from sale of capital assets	3,440	205,701	-	-	209,141
Purchase of capital assets	(25,650)	(1,437,085)	-	-	(1,462,735)
Net cash used by capital and related financing	(22,210)	(1,231,384)	-	-	(1,253,594)
Cash Flows from Investing Activities:					
Interest and dividends	15	21,285	-	-	21,300
Net cash used by investing activities	15	21,285	-	-	21,300
Net increase (decrease) in cash and cash equivalents	(19,573)	(342,871)	60,274	65,463	(236,707)
Cash and cash equivalents, July 1, 2015	19,876	3,582,667	345,996	1,937,058	5,885,597
CASH AND CASH EQUIVALENTS, JUNE 30, 2016	$ 303	$3,239,796	$ 406,270	$ 2,002,521	$ 5,648,890
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating income (loss)	$(164,865)	$ 33,090	$ (42,352)	$ 121,036	$ (53,091)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	4,861	730,134	-	-	734,995
Change in assets and liabilities:					
Receivables	184	3,175	(641)	6,153	8,871
Inventories	7,999	-	-	-	7,999
Due form other funds	-	100,000	-	-	100,000
Pension obligation and related deferrals	(5,327)	-	-	-	(5,327)
Accounts payable and accrued expenses	1,611	829	7,547	(61,726)	(51,739)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$(155,537)	$ 867,228	$ (35,446)	$ 65,463	$ 741,708

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

FIDUCIARY FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

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.

Exhibit E-1

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS - PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2016

	Cemetery and Park Trusts
ASSETS	
Cash and cash equivalents	$ 108,472
Investments at fair value	
Money market funds	-
Mutual funds	998,298
Total assets	1,106,770
LIABILITIES	
Accounts payable	-
NET POSITION	
Held in trust for other purposes	$ 1,106,770

See auditors report on pages 11-12.

Exhibit E-2

CITY OF PADUCAH, KENTUCKY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS - PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Cemetery and Park Trusts
Additions:	
Contributions:	
Intergovernmental revenues	$ -
Private donations	2,540
Total contributions	2,540
Investment earnings:	
Change in fair value of investments	(89,646)
Interest and dividends	92,271
Net investment earnings	2,625
Interfund transfers	-
Total additions	5,165
Deductions:	
Capital outlay	54,685
Administrative expenses	12,968
Total deductions	67,653
Change in net position	(62,488)
Net position - beginning	1,169,258
Net position - ending	$ 1,106,770

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.

Exhibit E-3

CITY OF PADUCAH, KENTUCKY
AGENCY FUND
STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2016

Payroll Fund:	**Balance July 1, 2015**	**Additions**	**Deductions**	**Balance June 30, 2016**
Assets:				
Cash and cash equivalents	$ 531,828	$12,914,403	$12,926,289	$519,942
Liabilities:				
Payroll taxes and withholdings payable	$ 531,828	$12,914,403	$12,926,289	$519,942

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

STATISTICAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

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.

Contents **Page**

Financial Trends **120-124**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being changed over time.

Revenue Capacity **125-130**

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and employee taxes.

Debt Capacity **131-134**

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.

Economic and Demographic Information **135-136**

These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information **137-139**

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.

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									
	2016	**2015 (1)**	**2014**	**2013**	**2012**	**2011**	**2010 (2)**	**2009**	**2008**	**2007**
Governmental activities:										
Net Invested in Capital Assets	$ 46,389,685	$ 39,349,789	$ 39,844,772	$ 33,365,112	$ 31,957,381	$ 32,905,977	$ 31,136,514	$ 31,215,252	$ 31,766,783	$ 32,557,572
Restricted for:										
Program purposes	147,218	144,857	205,979	284,760	897,942	1,264,986	1,100,696	2,183,559	1,782,251	1,904,321
Capital projects	1,148,789	2,427,218	2,168,201	1,301,421	4,105,639	5,987,399	5,077,026	4,363,913	5,028,420	4,618,923
Unrestricted	(23,323,077)	(22,209,537)	13,382,066	13,539,204	5,913,997	4,229,501	8,165,101	8,621,077	9,432,763	9,057,641
Total governmental activities net position	$ 24,362,615	$ 19,712,327	$ 55,601,018	$ 48,490,497	$ 42,874,959	$ 44,387,863	$ 45,479,337	$ 46,383,801	$ 48,010,217	$ 48,138,457
Business-type activities:										
Net Invested in Capital Assets	1,678,728	1,133,226	1,210,415	1,232,735	1,308,574	1,334,230	1,652,961	1,721,419	1,863,975	1,491,523
Restricted for:										
Program purposes	38,247	124,012	437,483	385,885	732,817	999,885	620,800	369,368	579,460	-
Unrestricted	3,194,228	3,033,822	3,837,034	3,428,267	3,246,320	3,004,783	1,816,705	1,036,093	(19,965)	(147,286)
Total business-type activities net postion	$ 4,911,203	$ 4,291,060	$ 5,484,932	$ 5,046,887	$ 5,287,711	$ 5,338,898	$ 4,090,466	$ 3,126,880	$ 2,423,470	$ 1,344,237
Primary government:										
Net Invested in Capital Assets	48,068,413	40,483,015	41,055,187	34,597,847	33,265,955	34,240,207	32,789,475	32,936,671	33,630,758	34,049,095
Restricted for:										
Program purposes	185,465	268,869	643,462	670,645	1,630,759	2,264,871	1,721,496	2,552,927	2,361,711	1,904,321
Capital projects	1,148,789	2,427,218	2,168,201	1,301,421	4,105,639	5,987,399	5,077,026	4,363,913	5,028,420	4,618,923
Unrestricted	(20,128,849)	(19,175,715)	17,219,100	16,967,471	9,160,317	7,234,284	9,981,806	9,657,170	9,412,798	8,910,355
Total primary government net position	$ 29,273,818	$ 24,003,387	$ 61,085,950	$ 53,537,384	$ 48,162,670	$ 49,726,761	$ 49,569,803	$ 49,510,681	$ 50,433,687	$ 49,482,694

(1) Significant change in governmental and business-type net position due to implementation of GASB No. 68 - Accounting and Financial Reporting for Pensions.

(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									
	2016	**2015 (1)**	**2014**	**2013**	**2012**	**2011**	**2010 (3)**	**2009**	**2008 (2)**	**2007**
Expenses										
Governmental activities:										
General government	$ 9,777,876	$ 9,801,489	$ 8,005,619	$ 7,843,140	$ 12,937,997	$ 9,786,052	$ 9,763,178	$ 12,148,118	$ 10,709,641	$ 9,462,543
Public safety	20,503,784	17,974,548	18,439,670	18,204,945	17,045,731	16,993,228	16,239,042	15,734,557	15,938,831	15,182,704
Public service	10,266,856	6,855,234	6,982,536	6,167,510	6,163,602	7,328,806	7,669,729	12,849,566	9,543,714	8,299,658
Parks and recreation	3,052,360	2,811,533	2,750,531	2,710,659	2,654,098	2,748,333	2,653,474	1,492,306	1,286,955	1,197,072
Planning and development	911,830	1,000,020	1,805,379	1,463,659	1,192,952	1,212,103	970,022	708,827	282,042	1,891,725
Interest on long-term debt	900,593	850,827	1,084,016	1,066,876	1,059,537	1,363,580	1,099,450	1,029,888	1,066,067	1,134,898
Total governmental activities expenses	45,413,299	39,293,651	39,067,751	37,456,789	41,053,917	39,432,102	38,394,895	43,963,262	38,827,250	37,168,600
Business-type activities:										
Solid Waste	3,815,476	3,843,081	3,985,233	3,967,490	3,900,264	3,832,130	3,797,097	4,037,845	4,086,747	4,079,684
Section Eight Housing	1,874,074	1,819,328	1,855,869	2,032,843	1,921,004	1,956,728	2,061,370	2,154,360	1,949,899	-
Civic Center	74,457	98,318	81,982	78,000	71,069	76,546	69,537	75,692	84,908	54,562
TISA	-	-	-	-	173,708	183,546	206,798	162,848	156,388	267,192
Total business-type activities expenses	5,764,007	5,760,727	5,923,084	6,078,333	6,066,045	6,048,950	6,134,802	6,430,745	6,277,942	4,401,438
Total primary government expenses	$ 51,177,306	$ 45,054,378	$ 44,990,835	$ 43,535,122	$ 47,119,962	$ 45,481,052	$ 44,529,697	$ 50,394,007	$ 45,105,192	$ 41,570,038
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 1,128,785	$ 185,745	$ 1,672,552	$ 1,525,212	$ 1,488,845	$ 1,051,509	$ 993,371	$ 1,303,667	$ 1,415,943	$ 1,730,046
Public safety	237,641	237,222	264,143	354,829	509,297	790,650	484,754	602,262	268,839	1,024,610
Public service	1,065,010	945,471	960,271	963,893	1,032,953	1,205,666	1,197,194	1,220,999	1,111,188	1,150,507
Parks and recreation	132,909	108,307	105,248	106,183	97,896	129,790	152,890	180,420	124,606	122,929
Planning and development	-	-	-	-	-	-	-	1,600	30,627	10,810
Operating grants and contributions	6,179,709	3,360,731	5,419,715	3,067,581	2,215,247	2,086,625	1,813,019	2,119,845	1,340,261	2,797,216
Capital grants and contributions	4,139,036	899,522	4,136,749	2,165,548	533,169	1,767,093	1,390,848	4,889,520	1,297,900	3,681,490
Total governmental activities program revenues	12,883,090	5,736,998	12,558,678	8,183,246	5,877,407	7,031,333	6,032,076	10,318,313	5,589,364	10,517,608
Business-type activities:										
Solid Waste	$ 4,520,084	$ 4,453,865	$ 4,410,059	$ 4,372,060	$ 4,437,341	$ 4,476,139	$ 4,436,540	$ 4,547,959	$ 4,165,094	$ 3,928,140
Section Eight Housing	-	-	-	-	-	-	-	-	-	-
Civic Center	40,148	43,486	41,266	38,265	34,038	33,766	32,455	38,577	32,932	31,372
TISA					99,603	138,797	148,158	148,291	143,833	193,713
Operating grants and contributions	1,845,549	1,744,364	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
Total business-type activities program revenues	6,405,781	6,241,715	6,408,320	6,137,563	6,234,229	7,057,901	6,984,659	6,829,795	6,137,148	4,177,194
Total primary government program revenues	$ 19,288,871	$ 11,978,713	$ 18,966,998	$ 14,320,809	$ 12,111,636	$ 14,089,234	$ 13,016,735	$ 17,148,108	$ 11,726,512	$ 14,694,802

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

	Fiscal Year									
	2016	**2015 (1)**	**2014**	**2013**	**2012**	**2011**	**2010 (3)**	**2009**	**2008 (2)**	**2007**
Net (Expense)/Revenue										
Governmental activities	$ (32,530,209)	$ (33,556,653)	$ (26,509,073)	$ (29,273,543)	$ (35,176,510)	$ (32,400,769)	$ (32,362,819)	$ (33,644,949)	$ (33,237,886)	$ (26,650,992)
Business-type activities	641,774	480,988	485,236	59,230	168,184	1,008,951	849,857	399,050	(140,794)	(224,244)
Total primary government net (expense)	$ (31,888,435)	$ (33,075,665)	$ (26,023,837)	$ (29,214,313)	$ (35,008,326)	$ (31,391,818)	$ (31,512,962)	$ (33,245,899)	$ (33,378,680)	$ (26,875,236)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes and licenses:										
Property taxes, levied for general purpose	4,943,962	4,726,244	4,622,292	4,502,276	4,267,812	4,402,226	4,207,736	$ 3,986,760	4,221,957	$ 4,122,538
Insurance premium tax	4,170,381	3,786,514	3,831,792	3,863,464	3,690,806	3,476,309	3,797,347	4,055,228	4,699,458	4,414,672
Gross receipts license tax	4,711,708	4,397,888	4,444,440	4,391,352	4,359,835	4,243,511	4,229,102	4,320,850	4,061,587	4,050,057
Employee license tax	20,130,249	19,092,912	18,114,396	18,336,124	18,095,182	17,345,033	16,384,509	16,584,636	16,520,523	16,273,966
Other taxes	2,759,902	2,964,685	2,785,333	2,799,043	2,711,924	2,712,817	2,844,154	2,776,407	2,259,956	1,964,101
Intergovernmental revenue	-	-	-	-	-	-	-	-	1,401,400	1,243,028
Unrestricted investment earnings	137,224	176,229	232,204	211,306	203,261	264,913	172,213	336,960	540,620	639,702
Miscellaneous	189,489	16,870	(482,137)	300,378	36,718	62,539	64,620	68,530	119,200	48,656
Insurance recoveries	-	-	-	-	27,448	410,462	-	-	-	-
Litigation settlement	-	-	-	-	-	(1,482,743)	-	-	-	-
Transfers in/out	137,582	194,014	212,128	485,138	270,620	(125,772)	(78,893)	(110,838)	(96,609)	(58,175)
Total governmental activities	37,180,497	35,355,356	33,760,448	34,889,081	33,663,606	31,309,295	31,620,788	32,018,533	33,728,092	32,698,545
Business-type activities:										
Unrestricted investment earnings	30,302	39,565	48,255	49,382	48,806	46,052	33,724	52,961	73,985	83,854
Miscellaneous	85,649	8,339	116,682	135,702	2,443	67,657	1,112	98,369	127,131	16,641
Transfers	(137,582)	(194,014)	(212,128)	(485,138)	(270,620)	125,772	78,893	110,838	96,609	58,176
Total business-type activities	(21,631)	(146,110)	(47,191)	(300,054)	(219,371)	239,481	113,729	262,168	297,725	158,671
Change in Net Position										
Governmental activities:	4,650,288	1,798,703	7,251,375	5,615,538	(1,512,904)	(1,091,474)	(742,031)	(1,626,416)	490,206	6,047,553
Business-type activities:	620,143	334,878	438,045	(240,824)	(51,187)	1,248,432	963,586	661,218	156,931	(65,573)
Total primary government	$ 5,270,431	$ 2,133,581	$ 7,689,420	$ 5,374,714	$ (1,564,091)	$ 156,958	$ 221,555	$ (965,198)	$ 647,137	$ 5,981,980

(1) Significant change in governmental and business-type net position due to implementation of GASB No. 68 - Accounting and Financial Reporting for Pensions.

(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									
	2016	**2015**	**2014**	**2013**	**2012**	**2011**	**2010 (2)**	**2009**	**2008 (1)**	**2007**
General Fund										
Unassigned	$ 13,198,126	$ 12,549,232	$ 12,694,610	$ 12,311,565	$ 11,321,438	$ 10,940,121	$ 10,208,678	$ 10,311,490	$ 9,416,427	$ 9,976,079
Total general fund	$ 13,198,126	$ 12,549,232	$ 12,694,610	$ 12,311,565	$ 11,321,438	$ 10,940,121	$ 10,208,678	$ 10,311,490	$ 9,416,427	$ 9,976,079
All Other Governmental Funds										
Nonspendable:										
Inventory	$ 623,735	$ 828,419	$ 1,497,659	$ 1,336,234	$ 1,098,304	$ 1,253,953	$ 1,416,130	$ 2,019,630	$ 1,208,749	$ 808,216
Restricted for:										
Program purposes	1,296,007	1,303,030	205,979	284,760	1,236,780	-	-	-	-	-
Capital improvements	-	1,269,045	2,168,201	1,301,421	286,276	-	-	-	-	-
Committed for:										
Capital improvements	2,018,581	1,814,834	1,758,934	2,589,099	2,631,233	2,587,012	2,844,706	2,618,147	2,081,280	1,692,872
Assigned for:										
Program purposes	1,049,802	951,296	802,692	752,691	472,235	683,578	1,402,731	1,634,547	1,193,968	1,543,547
Capital improvements	5,179,330	4,665,475	3,206,412	3,055,250	1,487,938	2,133,786	5,151,791	1,745,766	2,947,140	2,926,051
Total all other governmental funds	$ 10,167,455	$ 10,832,099	$ 9,639,877	$ 9,319,455	$ 7,212,766	$ 6,658,329	$ 10,815,358	$ 8,018,090	$ 7,431,137	$ 6,970,686

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

(2) 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									
	2016	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
Revenues:										
Taxes	$ 6,976,933	$ 6,987,173	$ 6,713,889	$ 6,583,690	$ 6,343,608	$ 6,223,511	$ 6,326,740	$ 5,867,782	$ 6,139,164	$ 6,044,069
Licenses	29,606,552	27,804,759	26,987,110	27,197,290	26,753,432	25,704,849	24,979,768	25,411,112	25,924,562	25,140,615
Charges for services	884,259	848,971	851,080	815,791	817,607	811,590	846,087	866,688	835,105	783,018
Intergovernmental	1,132,852	1,244,417	2,624,363	1,240,312	1,191,835	1,148,362	1,091,324	1,086,377	1,565,348	1,676,783
Grants	8,892,529	2,496,329	5,923,651	3,737,402	1,699,399	2,992,519	2,062,554	5,405,810	1,673,936	6,089,711
Interest	115,922	148,411	199,583	175,371	162,580	205,837	121,246	225,251	419,103	540,204
Other	2,085,412	2,408,193	3,271,860	2,743,698	1,902,075	1,790,890	2,653,382	2,250,344	1,944,310	1,832,161
Total revenues	49,694,459	41,938,253	46,571,536	42,493,554	38,870,536	38,877,558	38,081,101	41,113,364	38,501,528	42,106,561
Expenditures:										
General government	4,526,828	4,484,105	4,311,103	4,481,485	5,117,194	5,151,370	5,277,916	4,726,435	5,051,374	4,763,839
Public safety	18,435,365	18,524,763	18,475,471	18,174,349	18,479,428	16,854,136	15,999,437	15,599,613	15,696,728	14,759,735
Public service	6,106,773	6,165,664	6,323,481	5,710,018	5,596,702	6,446,503	5,984,115	7,855,846	7,935,188	7,226,542
Parks and recreation	2,929,404	2,842,460	2,602,348	2,426,234	2,677,781	2,781,663	2,582,382	1,490,732	1,298,329	1,192,727
Planning and development	910,379	950,297	2,086,527	1,776,897	2,372,314	1,842,474	2,471,869	1,000,202	481,523	1,784,685
Other	441,742	247,878	640,452	766,847	516,534	486,239	847,188	514,488	520,611	526,238
Capital outlay	13,305,919	4,708,663	11,926,435	4,324,821	2,104,993	5,121,682	8,324,312	8,580,910	4,826,983	6,504,491
Debt service:										
Principal requirement	2,137,759	2,158,385	1,748,233	1,698,468	1,434,246	2,233,588	1,020,585	830,682	880,887	782,870
Debt issuance costs	-	51,461	109,292	-	-	-	-	-	-	-
Interest and fiscal requirement	845,609	817,191	1,086,866	1,089,447	1,114,852	1,519,329	1,077,128	1,003,439	1,051,008	1,108,385
Total expenditures	49,639,778	40,950,867	49,310,208	40,448,566	39,414,044	42,436,984	43,584,932	41,602,347	37,742,631	38,649,512
Other Financing Sources (Uses):										
Bonds issued	-	4,225,000	9,055,000	-	-	-	6,645,000	1,718,605	-	-
Payment to bond escrow agent	-	(4,143,964)	(5,627,447)	-	-	-	-	-	-	-
Premium on debt issued	-	-	220,683	-	-	-	-	-	-	-
Discount on debt issued	-	(29,576)	(53,529)	-	-	-	-	-	-	-
Long-term debt draws/issued	-	-	-	308,112	101,983	366,039	1,480,781	69,032	-	246,667
Capital lease	-	-	-	405,796	405,796	405,796	405,796	405,796	371,979	-
Transfers in	10,034,851	7,785,410	9,148,761	7,462,944	5,888,847	8,455,433	9,722,852	5,928,413	6,241,886	5,209,977
Transfers out	(10,105,282)	(7,780,785)	(9,199,119)	(7,125,024)	(5,809,539)	(8,201,253)	(9,893,709)	(6,150,847)	(7,086,517)	(5,556,722)
Total other financing sources (uses)	(70,431)	56,085	3,544,349	1,051,828	587,087	1,026,015	8,360,720	1,970,999	(472,652)	(100,078)
Net change in fund balances	$ (15,750)	$ 1,043,471	$ 805,677	$ 3,096,816	$ 43,579	$ (2,533,411)	$ 2,856,889	$ 1,482,016	$ 286,245	$ 3,356,971
Capital outlay (1)	$ 9,718,561	$ 1,481,948	$ 10,843,726	$ 4,034,424	$ 2,156,290	$ 4,833,547	$ 8,763,073	$ 2,850,717	$ 2,857,189	$ 4,638,045
Debt service as a percentage of noncapital expenditures	7.47%	7.54%	7.37%	7.66%	6.84%	9.98%	6.02%	4.73%	5.54%	5.56%

(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
	Real Estate		Personal Property	Franchise	Total				
	Commercial	Residential							
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
2015	851,731,625	751,761,832	582,368,709	73,944,847	2,259,807,013	2,333,746,718	0.291	96.8%	73,939,705
2016	902,687,182	783,886,570	573,896,954	57,561,993	2,318,032,699	2,394,834,871	0.289	96.8%	76,802,172

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

	City Direct Rates										
	General Fund			McCracken Co. School Districts		City of Paducah School Districts		Paducah Junior College		McCracken County	
Fiscal Year	Real Estate	Personal	Total Direct Rate	Real Estate	Personal	Real Estate	Personal	Real Estate	Personal	Real Estate	Personal
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
2015	0.255	0.390	0.291	0.495	0.495	0.771	0.771	0.017	0.017	0.094	0.095
2016	0.255	0.390	0.289	0.524	0.524	0.800	0.800	0.017	0.017	0.098	0.102

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

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

	2016		2007	
Taxpayer	**(1) Assessed Valuation**	**(1) Percentage of Total Assessed Valuation**	**(2) Assessed Valuation**	**(2) Percentage of Total Assessed Valuation**
Kentucky Oaks Mall	$ 50,900,262	2.20%	$ 50,900,262	2.88%
Superior Care Homes Properties	14,791,539	0.64%		
Paducah Medical Investors	13,440,090	0.58%	13,440,090	0.76%
Ducmall LLC	13,119,800	0.57%	14,374,800	0.81%
Woodstone Enterprises LP	12,429,000	0.54%		
Wal Mart Real Estate Business	10,646,400	0.46%		
Paducah Hospitality Partners	9,600,000	0.41%		
Sams Real Estate Business Trust	9,222,955	0.40%		
Computer Service Inc	9,083,185	0.39%	15,362,263	0.87%
Wal Mart Store	9,000,000	0.39%	34,849,607	1.97%
Lowe's			14,201,793	0.80%
Olivet Church 1031 LLC			23,261,290	1.32%
Lourdes Medical Pavilion			15,982,400	0.90%
TOTALS	$ 152,233,231	6.58%	$ 182,372,505	10.31%

(1) Source - Property Valuation Administration; Assessed value as of January 1, 2015.
(2) Source - Property Valuation Administration; Assessed value as of January 1, 2006.

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
2007	3,995,992	3,855,679	96.5%	134,677	3,990,356	99.9%
2008	3,970,104	3,814,940	96.1%	149,758	3,964,698	99.9%
2009	4,195,755	4,017,032	95.7%	167,918	4,184,950	99.7%
2010	4,252,290	4,131,454	97.2%	107,607	4,239,061	99.7%
2011	4,191,047	4,110,973	98.1%	65,783	4,176,756	99.7%
2012	4,220,129	4,119,689	97.6%	84,620	4,204,309	99.6%
2013	4,433,546	4,334,698	97.8%	80,773	4,415,471	99.6%
2014	4,600,347	4,509,874	98.0%	64,156	4,574,030	99.4%
2015	4,725,239	4,644,522	98.3%	44,866	4,689,388	99.2%
2016	4,886,268	4,802,067	98.3%	-	4,802,067	98.3%

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

* Source - City of Paducah Finance Department.

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

Fiscal Year	(1) Taxes Collected	Direct Tax Rate
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%**
2015	19,092,911	**2.00%**
2016	20,130,158	**2.00%**
	176,877,420	

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

TABLE 10
CITY OF PADUCAH, KENTUCKY
PRINCIPAL EMPLOYEE LICENSE TAXPAYERS
CURRENT YEAR AND NINE YEARS PRIOR

	2016			
Taxpayers By Range	**Number of Filers**	**Percentage of Total**	**(1) Taxes Collected**	**Percentage of Total Employee License Tax**
$0 - $50,000	2,444	97.80%	9,458,851	46.99%
$50,001 - $100,000	28	1.12%	2,061,308	10.24%
$100,001 - $500,000	25	1.00%	5,304,313	26.35%
Greater than $500,000	2	0.08%	3,305,686	16.42%
TOTALS	2,499	100.00%	$ 20,130,158	100.00%

	2007			
Taxpayers By Range	**Number of Filers**	**Percentage of Total**	**(1) Taxes Collected**	**Percentage of Total Employee License Tax**
$0 - $50,000	2,264	98.18%	8,747,840	53.80%
$50,001 - $100,000	22	0.95%	1,602,865	9.86%
$100,001 - $500,000	18	0.78%	3,681,440	22.64%
Greater than $500,000	2	0.09%	2,226,801	13.70%
TOTALS	2,306	100.00%	$ 16,258,946	100.00%

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

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
2007	18,310,000	3,320,522	-	-	-	21,630,522	1.17	4.46%	821
2008	17,680,000	2,946,303	-	-	-	20,626,303	1.05	4.26%	784
2009	19,799,638	5,187,262	-	-	-	24,986,900	1.21	5.16%	950
2010	25,661,440	5,808,267	-	-	-	31,469,707	1.52	6.50%	1,196
2011	24,879,948	4,910,742	-	-	-	29,790,690	1.42	5.92%	1,190
2012	23,651,493	7,320,328	-	-	-	30,971,821	1.47	6.16%	1,238
2013	22,361,906	6,920,838	-	-	-	29,282,744	1.32	5.82%	1,170
2014	24,706,291	6,519,356	-	-	-	31,225,647	1.38	6.21%	1,248
2015	23,320,347	6,101,064	-	-	-	29,421,411	1.26	5.85%	1,176
2016	21,595,096	5,686,435	-	-	-	27,281,531	1.14	5.42%	1,090

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	Amortization of Discounts and Premiums	Total	(1) Ratio of Net Bonds to Actual Value	(2) Net Bonds Per Capita
2007	7,870,000	5,925,000	4,515,000	-	-	-	-		18,310,000	0.99	695
2008	7,600,000	5,740,000	4,340,000	-	-	-	-		17,680,000	0.90	672
2009	7,320,000	5,545,000	4,160,000	2,774,638	-	-	-		19,799,638	0.96	753
2010	7,030,000	5,340,000	3,975,000	2,671,440	6,645,000	-	-		25,661,440	1.24	975
2011	7,040,000	5,125,000	3,780,000	2,564,948	6,370,000	-	-		24,879,948	1.18	994
2012	6,630,000	4,895,000	3,630,000	2,455,210	6,100,000	-	-	(58,717)	23,651,493	1.12	945
2013	6,220,000	4,655,000	3,370,000	2,341,790	5,825,000	-	-	(49,884)	22,361,906	1.01	894
2014	5,805,000	4,400,000	3,100,000	2,224,863	5,460,000	1,120,000	2,475,000	121,428	24,706,291	1.09	987
2015	5,385,000	4,435,000	2,820,000	2,104,212	5,100,000	1,055,000	2,330,000	91,135	23,320,347	1.00	932
2016	4,955,000	4,055,000	2,530,000	1,990,271	4,805,000	990,000	2,185,000	84,825	21,595,096	0.90	863

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 yea
(2) See Table 16 for population data.

TABLE 13
CITY OF PADUCAH, KENTUCKY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2016

	Reported Debt Outstanding		(1) Percentage Applicable to the City	Estimated Share of Direct and Overlapping Debt
City of Paducah	$ 27,281,531		100.00%	$ 27,281,531
Paducah Independent School District	47,420,445	*	100.00%	47,420,445
McCracken County	19,271,760	*	46.60%	8,980,640
McCracken County Board of Education	63,896,975	*	32.90%	21,022,105
Overlapping debt	130,589,180			77,423,190
TOTAL DIRECT AND OVERLAPPING DEBT	$157,870,711			$104,704,721

(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		$ 2,318,032,699
Add exemption		76,802,172
Total assessed value		$ 2,394,834,871
Debt limit - 10% of total assessed (1)		$ 239,483,487
Debt outstanding:		
General obligation bonds outstanding	$ 21,595,096	
Note payable	5,686,435	
Less debt not subject to limit	-	
Gross bonded debt	27,281,531	
Less amount available in debt service funds	791,761	
Net bonded indebtedness subject to limit		26,489,770
LEGAL DEBT MARGIN		$ 212,993,717

	Fiscal Year									
	2016	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
Debt limit	$ 239,483,487	$ 233,374,672	$ 227,059,775	$ 221,497,836	$ 212,207,634	$ 210,312,025	$ 207,696,169	$ 206,945,061	$ 197,015,689	$ 182,759,543
Total net debt applicable to limit	26,489,770	28,769,092	30,721,830	28,966,286	30,936,733	29,716,418	31,377,263	24,893,656	20,561,255	21,598,686
LEGAL DEBT MARGIN	$ 212,993,717	$ 204,605,580	$ 196,337,945	$ 192,531,550	$ 181,270,901	$ 180,595,607	$ 176,318,906	$ 182,051,405	$ 176,454,434	$ 161,160,857
Total net debt applicable to the limited as a percentage of debt limit	11.06%	12.33%	13.08%	14.58%	14.13%	15.11%	12.03%	10.44%	11.82%	12.68%

(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 valu 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
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%
2014-2015	25,024	503,179,300	20,430	41.4	2,843	5.6%
2015-2016	25,024	503,179,300	20,430	41.4	3,139	6.2%

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 NINE YEARS PRIOR

	2016		2007	
Employer	**Employees (1)**	**Percentage of Total Employment (2)**	**Employees (1)**	**Percentage of Total Employment (2)**
Western Baptist Hospital	820	3.05%	1,660	5.55%
Lourdes Hospital	1,445	5.38%	1,500	5.01%
Wal Mart	1,022	3.80%	570	1.91%
Paducah Public Schools	774	2.88%	600	2.01%
West Kentucky Community and Technical College	451	1.68%	270	
City of Paducah	486	1.81%	380	1.27%
State of Kentucky	346	1.29%	390	1.30%
Parkview Convalescent Center	278	1.03%		
Paxton Media Group	209	0.78%	285	0.95%
Computer Services, Inc.	270	1.00%		
LYNX Services			390	1.30%
NRE Acquisitions			270	0.90%
TOTALS	6,101	22.71%	6,315	20.20%

(1) Source - City of Paducah Finance Department
(2) State of Kentucky - Office of Employment and Training. Ratio based on employment within County of McCracken.

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

	Fiscal Year									
	2016	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
Governmental Activities										
General government										
General administration	11	11	11	12	12	12	12	12	12	12
Finance	11	11	11	11	11	14	14	17	14	14
Inspection	0	0	0	0	11	11	10	13	13	13
Information systems	5	5	5	6	6	6	6	4	4	4
Risk/Human resources	3	3	3	3	3	1	1	1	4	4
Public safety										
Police	87	87	87	88	90	90	90	93	93	93
Fire	75	76	76	74	64.5	64	65	69	69	71
Public service										
Streets	21	21	20	20	23	23	23	29	29	30
Facilities	12.5	12.5	13.5	13.5	11.5	14	34	36	35	34
Engineering	6.6	6.6	6.6	7.6	7.6	7	5	8	9	9
Other	5	5	5	5	5	6	4	6	6	6
Parks and recreation	25	25	24	24	24	24	7	7	7	7
Planning and development	10	10	9	9	9	9	9	10	11	11
Other										
Paducah Riverfront Dev. Authority	1	1	1	1	1	0	0	0	0	0
Renaissance		0	3	3	4	5	3	5	0	0
Fleet maintenance	6.5	6.5	6.5	6.5	6.5	6.5	8	6	7	7
Business-type Activities										
Solid waste	25.4	25.4	25.4	25.4	25.4	26	27	27	27	27
TOTAL PRIMARY GOVERNMENT	306	306	307	309	314.5	318	318	343	340	342

* Employee budget census.

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

	Fiscal Year									
	2016	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
General government										
Building and electrical permits issued	1,344	1,175	1,251	1,202	1,232	1,239	1,263	1,179	1,203	1,411
Business licenses issued	3,826	3,729	3,717	3,966	3,956	3,254	3,397	3,691	3,507	3,500
Public safety										
Police										
Adult arrests	2,174	2,293	2,546	2,508	2,753	3,564	3,859	4,454	4,170	5,012
Murder	2	2	3	-	3	3	1	5	-	-
Rape	11	10	17	16	14	22	12	20	15	18
Robberies	42	41	36	38	14	31	56	41	49	42
Burglary	185	138	127	142	123	155	245	169	203	208
Auto theft	59	49	60	41	47	54	62	57	60	117
Larceny	1,173	1,138	1,090	1,110	1,005	1,013	1,092	1,106	*	*
Arson	7	2	3	5	7	6	7	7	8	16
Traffic accidents	1,936	1,722	1,664	1,573	1,666	1,762	1,774	1,368	1,519	1,949
Traffic violations	4,231	5,501	6,821	10,168	8,573	7,701	7,240	9,143	7,109	7,323
Fire										
Emergency responses	3,201	2,956	2,935	3,054	3,164	3,181	2,603	3,305	2,603	2,456
Fires extinguished	124	118	115	105	138	122	133	136	102	163
Structure fires	42	42	35	33	53	37	49	57	49	40
Incidents with reported losses	72	73	56	55	89	73	89	85	70	80
Medical/rescue	2,259	2,150	2,080	2,151	2,270	2,133	1,690	1,616	1,506	1,369
Tours/in-services/car seats	305	400	378	570	524	671	676	907	699	485
Training man hours	10,589	10,860	8,959	9,155	7,232	7,033	8,493	7,716	4,344	1,183
Inspections	2,060	1,324	1,710	1,157	1,417	1,063	985	1,183	1,449	*
Refuse collection										
Residential										
Refuse collected (tons per day)	41	34	36	36	34	34	38	32	25	28
Customers served	9,801	9,639	9,600	9,478	9,488	9,568	9,445	9,435	9,446	9,388
Commercial										
Refuse collected (tons per day)	61	64	61	65	71	71	70	75	83	85
Customers served	854	861	927	805	803	806	810	810	821	832
Public service										
911 dispatches	85,380	83,465	83,614	92,786	79,333	82,268	79,768	81,525	83,871	76,815
Police	46,660	44,337	43,877	51,131	43,686	44,794	42,496	40,921	43,420	41,887
Fire	32,320	3,152	3,517	4,747	3,189	3,226	2,702	2,490	2,720	2,399
Other	35,490	35,976	36,220	36,908	32,458	34,248	34,570	38,114	37,731	32,529

* Information not available.
** Information from city departments.

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

	Fiscal Year									
	2016	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
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	10	10	9	9	7	10	9
Commercial	4	4	4	4	4	4	5	4	5	5
Other public works										
Streets (miles paved)	218	218	218	218	218	218	218	216	216	216
Sidewalks (miles)	47	47	47	47	47	47	47	45	45	45
Traffic signals	13	13	13	13	13	13	13	12	11	11
Parks and recreation										
Parks	28	28	28	27	27	27	27	27	27	27
Acreage	960	960	960	960	1125	1125	1125	960	960	960
Community centers	2	2	2	2	2	2	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, 2016

CITY OF PADUCAH, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/ Program Title:	Federal CFDA Number	Pass-Through Grantor Number	Pass-Through To Subrecipients	Expenditures
Department of Housing and Urban Development:				
Direct Programs:				
Section 8 Housing Choice Vouchers	14.871	N/A	$ -	$ 1,872,789
Pass-through Kentucky Governors Office for Local Development:				
Community Development Block Grants	14.228	N/A	250,000	750,000
Total Department of Housing and Urban Development			250,000	2,622,789
Department of the Interior:				
Pass-through Kentucky Department of Fish and Wildlife Resources				
Sportfishing and Boating Safety Act	15.622	PON2-094-1500003154-1	-	437,895
Passed-through Kentucky Heritage Council:				
Historic Preservation Fund Grants in Aid	15.904	KY-15-111	-	3,795
Total Department of the Interior			-	441,690
Department of Justice:				
Direct Programs:				
Bulletproof Vest Partnership Program	16.607	N/A	-	12,645
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	-	10,912
Total Department of Justice			-	23,557
Department of Homeland Security:				
Direct Programs:				
Port Security Program	97.056	N/A	-	34,233
Passed-through Kentucky Division of Emergency Management:				
Disaster Grants - Public Assistance	97.036	FEMA-4216-DR-KY	-	26,683
Passed-through Kentucky Office of Homeland Security				
Homeland Security Grant Program	97.067	PO2-094-1500003154-1	-	75,000
Total Department of Homeland Security			-	135,916
Department of Transportation:				
Passed-through Kentucky Transportation Cabinet				
State and Community Highway Safety	20.600	PT-15-36	-	8,867
State and Community Highway Safety	20.600	PT-16-43	-	15,074
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	20.614	DD-15-01	-	1,178
Highway Planning and Construction	20.205	P02-625-1500004634	-	3,035,720
Total Department of Transportation			-	3,060,839
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 250,000	$ 6,284,791

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, 2016

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Award* (Uniform Guidance). 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:

Program Title	Federal CFDA Number	Amount Provided
Four Rivers Recovery Center	14.228	$250,000

Note 3 – Indirect Cost Rate:

The City of Paducah has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 – Reconciliation of Federal Awards to the Financial Statements:

Total Federal Awards	$ 6,284,791
Federal Awards by Fund	
General Fund	$ 41,414
Capital Improvement Fund	4,133,088
Special Revenue Fund	237,500
Proprietary Fund	1,872,789
Total Federal Awards	$ 6,284,791

KEMPER
CPA GROUP LLP
Certified Public Accountants and Consultants

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, 2016, 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 6, 2016.

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*.

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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 6, 2016

KEMPER
CPA GROUP LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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.

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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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kemper CPA Group, LLP

Certified Public Accountants and Consultants
Paducah, Kentucky
December 6, 2016, except for Community Developments Block Grant CFDA 14.228, for which the date is February 17, 2017

CITY OF PADUCAH, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RESTATED FOR ADDITIONAL MAJOR PROGRAM
YEAR ENDED JUNE 30, 2016

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 relating to the audit of the financial statements are reported. No 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 relating to the audit of major federal award programs are reported. No 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 2 CFR Section 200.516(a) in this schedule.

7. The programs tested as major programs included:

Name	CFDA
Sportfishing and Boating Safety Act	15.622
Highway Planning and Construction	20.205
Community Development Block Grants	14.228

8. The threshold used for distinguishing Types A and B programs was $750,000.

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Award* (Uniform Guidance).

CITY OF PADUCAH, KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2015

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Award* (Uniform Guidance).