

**CITY OF PADUCAH,
KENTUCKY**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

YEAR ENDED JUNE 30, 2017

**FINANCE DEPARTMENT
CITY OF PADUCAH,
KENTUCKY**



City of Paducah
Paducah, Kentucky
Comprehensive Annual Financial Report
Year Ended June 30, 2017



**Issued by the
Finance Department**

CITY OF PADUCAH, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017

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CITY OF PADUCAH, KENTUCKY

INTRODUCTORY SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017



CITY OF PADUCAH

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

December 21, 2017

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, 2017. 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, 2017, 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 and cultural center. Multi-state computer services, significant banking corporations, wholesale and retail trade, river-related services, the health care industry and related services are the major employment centers.

Economic Development Activities

Paducah Economic Development (PED) coordinates the City's efforts in strengthening and building economic development activities. Representatives of financial institutions, utilities, local government, education and the business community serve as the Board of Directors. In existence since 1987, PED assumes and carries out the responsibility of working with existing industry and business, as well as identifying and recruiting new companies to the City of Paducah. Additionally, PED is responsible for development of long-term strategy for economic development activities and coordinates local entities in the accomplishment of those strategies.

In the early 1990s, the City of Paducah, the State of Kentucky and several federal agencies, in conjunction with business, developed a 650-acre 'Information Age' Park. This park is designed to appeal to firms needing advanced telecommunications and computing capabilities.

In 1997, the City of Paducah jointly with the County of McCracken acquired the 'Industrial Park West of Paducah and McCracken County'. This park contains 218 acres with immediate access to two major railroad lines, Paducah and Louisville and Paducah and Illinois (formerly Illinois Central). The park is located within the southwest quadrant of the I-24/Cairo Road interchange.

In 2007, PED began assembling property to establish Riverport West, an industrial park with rail and river access in western McCracken County. So far, 229 acres have been purchased.

Churches And Schools

A relatively strong religious base is evident in the community, as demonstrated by the many churches in Paducah. Numerous churches, representing many of the major denominations, are located within the City. Several area churches offer televised activities as a convenience to those who do not attend church.

Elementary and secondary education in Paducah is provided by the Paducah Independent School System, the McCracken County School System, Community Christian Academy, and by the St. Mary's Parochial School System.

The availability of higher education in the area is continuing to flourish. West Kentucky Community and Technical College (WKCTC), formerly known as Paducah Community College, is a two-year institution affiliated with the University of Kentucky's community college system. WKCTC also serves as a site for the University of Kentucky extended campus graduate programs, in addition to a four-year engineering college in conjunction with the University of Kentucky. In 2008, WKCTC opened a Paducah School of Art. In 2010, a new 65,000 square foot Emergency Technology Center was opened, offering industrial and manufacturing technologies, engineering technology, as well as business and industry training and information technology programs. This is the first state supported new building to be constructed on the WKCTC campus in over 20 years. In 2011, Murray State University entered into an agreement with the City, McCracken County, and Paducah Economic Development to construct an approximately 40,000 square foot educational building to serve as their Paducah campus. Classes began at the Paducah campus in 2014.

Medical Facilities

Paducah serves as the regional medical center for much of the Jackson Purchase Area of Western Kentucky, a large portion of Southern Illinois, and Northwestern Tennessee. Paducah's medical industry has almost every major medical specialty represented in the physician population. The medical industry, represented by Lourdes Hospital and Western Baptist Hospital, provides over 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 15th 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 began in September 2017, which had an estimated 15,000 in attendance.

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 City Manager plan 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 330 full-time employees as of June 30, 2017. 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 FY2017, 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 FY2017 this contribution was \$435 thousand. This amount was \$417 thousand in FY2016.

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 FY2017 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 and upgrades. 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 remaining 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 completed within one project package. The City has targeted pump stations #2 and #9 to have active construction during calendar years 2018 and 2019. 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.

Storm Water Master Plan. In March 2017, the City Commission approved an ordinance to execute an agreement for professional engineering, consulting, and related services for the development of a comprehensive storm water master plan (CSMP). The CSMP will provide the City the identification of ten priority flood areas, the analysis of flood mitigation alternatives, a prioritized raking of projects along with a benefit cost analysis, and the development of a capital project program. The CSMP process has an anticipated completion date by the end of 2018. Decisions made once this process is complete will require long-term financial planning consideration.

ECONOMIC CONDITION

The City continues to be aggressive in promoting economic development, since new developmental job growth is necessary to ensure the continued stability of the City's tax base. Economic indicators and trends reflect that the area's economy has remained fairly steady considering the nation's recent economic struggles. It is expected that the economy will continue to hold over the near-term. Area employment increased slightly in comparison to the prior year, with 27,883 persons employed (McCracken County) as of June 30, 2017. The June 2017 unemployment rate was 6.8% (McCracken County), which is a 10% increase from 6.2% in the prior year, and exceeds the June 2017 federal unemployment rate of 4.4%.

INDEPENDENT AUDIT

Kentucky Revised Statute 91A-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, 2016. This was the twenty-sixth consecutive year that the City achieved this prestigious award.

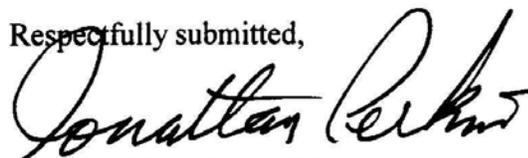
In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

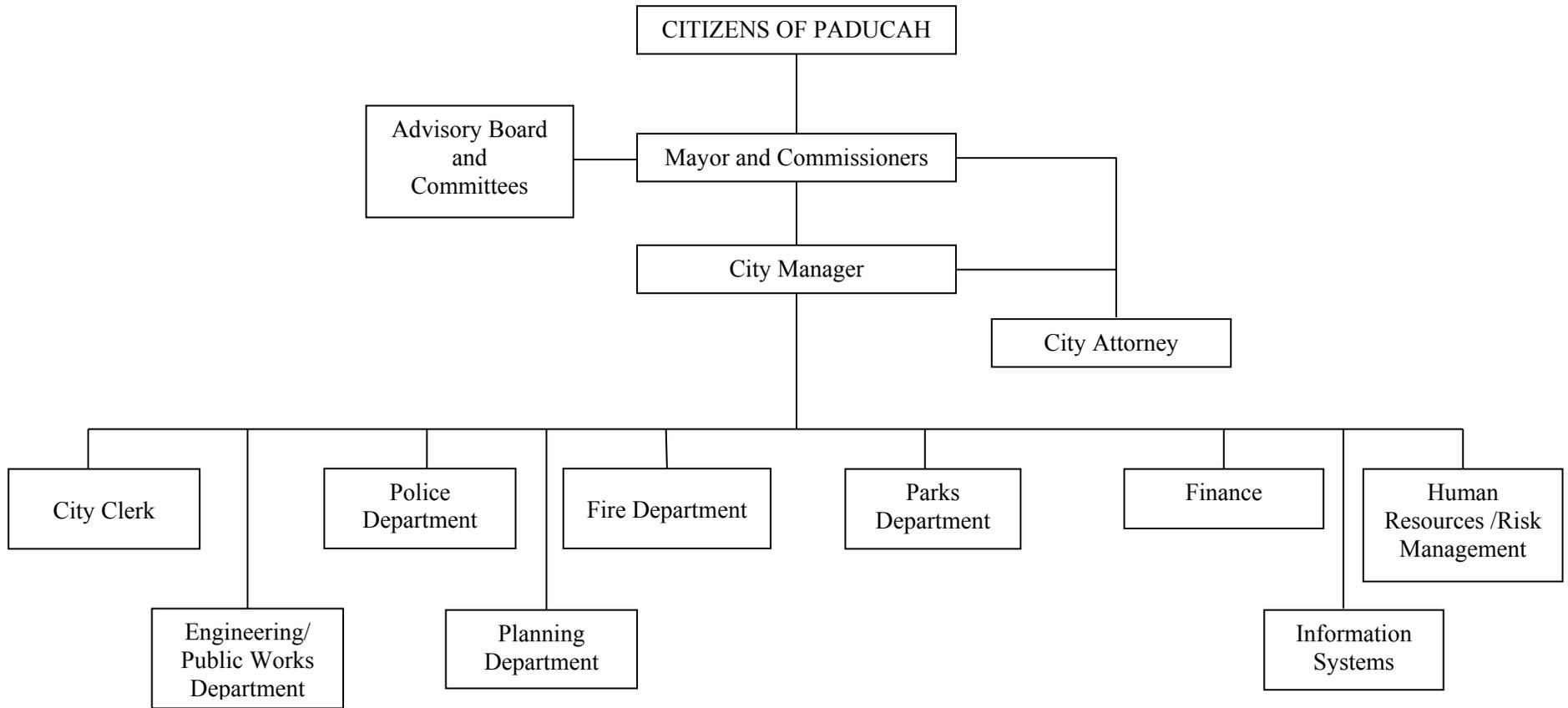
The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We wish to express our appreciation to all members of the Finance Department who assisted and contributed to its preparation, and special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

A handwritten signature in black ink, appearing to read "Jonathan Perkins". The signature is written in a cursive style with a large initial "J".

Jonathan W. Perkins, CPA
Finance Director/Treasurer

**CITY OF PADUCAH, KENTUCKY
ORGANIZATIONAL CHART**



**CITY OF PADUCAH, KENTUCKY
PRINCIPAL OFFICIALS**

BOARD OF COMMISSIONERS

Mayor	Brandi Harless
Mayor Pro tem	Sandra Wilson
Commissioner	Allan Rhodes, Jr.
Commissioner	Richard Abraham
Commissioner	Sarah Stewart Holland

CITY MANAGER

Jeff Pederson

Finance	Jonathan Perkins, CPA
Police Chief	Brandon Barnhill
Fire Chief	Steve Kyle
City Engineer/Public Works	Richard Murphy
Planning	Tammara Tracy
Parks Services	Mark Thompson
Information Services	Greg Mueller
City Clerk	Tammy Sanderson
Human Resources/Risk Manager	Martin Russell
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, 2016

Executive Director/CEO

CITY OF PADUCAH, KENTUCKY

FINANCIAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017



INDEPENDENT AUDITOR'S REPORT

Honorable Brandi Harless, 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, 2017, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Special Revenue Investment Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension trust fund schedules on pages 13-28 and 96-101 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 102-121; and statistical section on pages 122-141, 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 142-143 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 21, 2017, 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 21, 2017

CITY OF PADUCAH, KENTUCKY

REQUIRED SUPPLEMENTARY INFORMATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

CITY OF PADUCAH, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

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, 2017. 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 \$41 million at the close of the 2016-2017 fiscal year.
- Total net position increased \$11,725,459.
- At fiscal year end, City governmental funds reported a combined ending fund balance of \$29.3 million. Approximately 15% of this total amount, \$4.5 million, is restricted or committed for highways/streets and capital improvements. Assigned fund balance comprises 30% of combined fund balance; the majority of which is set aside for capital improvements.
- At the end of the current fiscal year, unassigned General Fund's fund balance was \$15.3 million and is available for spending at the City's discretion. Cash makes up approximately \$10.5 million. When compared to final total appropriations, the General Fund cash balance is 29%.

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, Civic Center, and the Transient Boat Dock.

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 103-110.

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 four enterprise funds to account for Solid Waste, Section Eight Housing, Civic Center, and Transient Boat Dock. 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 117-118 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 pension obligation to its employees as well 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 \$41 million as of June 30, 2017.

For FY2017, the largest portion of the City's net position (\$55.1 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 (\$2.3 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 \$46.4 million as of June 30, 2017. 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 \$16.3 million in FY2017.

As of June 30, 2017, 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.

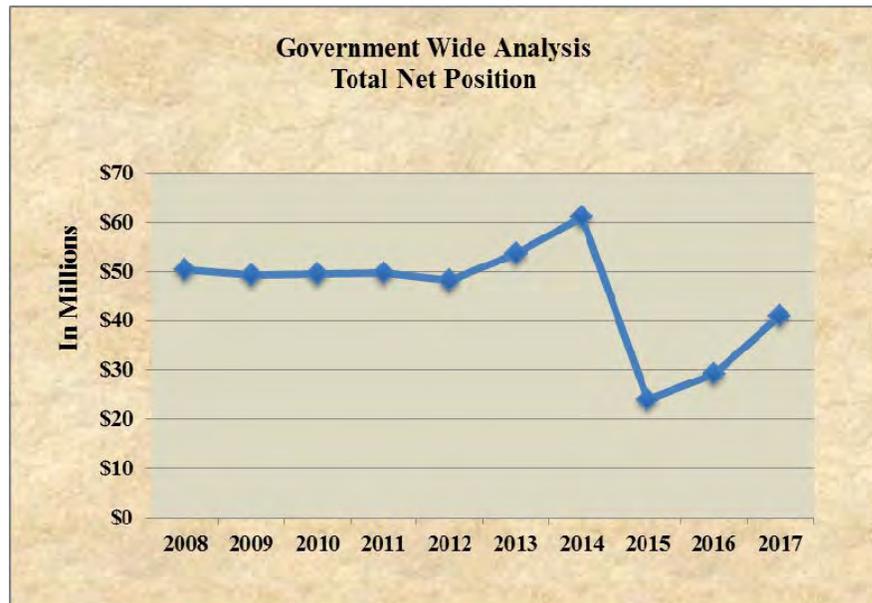
City of Paducah, Kentucky

Net Position

June 30

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current Assets	\$ 44,454,697	\$ 40,457,159	\$ 5,849,858	\$ 7,328,926	\$ 50,304,555	\$ 47,786,085
Capital Assets	61,316,723	55,617,018	2,152,827	1,678,728	63,469,550	57,295,746
Other noncurrent assets	6,643,477	3,573,410	-	-	6,643,477	3,573,410
Total Assets	112,414,897	99,647,587	8,002,685	9,007,654	120,417,582	108,655,241
Deferred Outflows of Resources	9,544,779	9,697,728	454,939	440,338	9,999,718	10,138,066
Current Liabilities	7,145,085	10,283,408	501,801	390,146	7,646,886	10,673,554
Noncurrent liabilities	70,805,403	67,008,754	4,227,219	4,014,302	75,032,622	71,023,056
Total liabilities	77,950,488	77,292,162	4,729,020	4,404,448	82,679,508	81,696,610
Deferred Inflows of Resources	6,676,017	7,690,538	62,496	132,341	6,738,513	7,822,879
Net position:						
Net Invested in Capital Assets	52,898,618	46,389,685	2,152,827	1,678,728	55,051,445	48,068,413
Restricted	2,268,705	1,296,007	-	38,247	2,268,705	1,334,254
Unrestricted	(17,834,152)	(23,323,077)	1,513,281	3,194,228	(16,320,871)	(20,128,849)
TOTAL NET POSITION	\$ 37,333,171	\$ 24,362,615	\$ 3,666,108	\$ 4,911,203	\$ 40,999,279	\$ 29,273,818

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



After several years of keeping a level net position, the City experienced significant increases 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 of \$42.7 million.

The upswing in the last two years has been due to capital development primarily funded by grants and previously set-aside funds. This includes the completion of Riverfront Development Phase 1B, the Olivet Church Road project, and Phase 1 of the Jim & Pat Brockenborough Rotary Health Park.

A. Analysis of the City's Operations

The following table provides a summary of the City's operations for the years ended June 30, 2017 and 2016. Governmental activities increased the City's net position by \$12,970,556 and whereas business-type activities decreased the City's net position by \$1,245,097.

City of Paducah, Kentucky

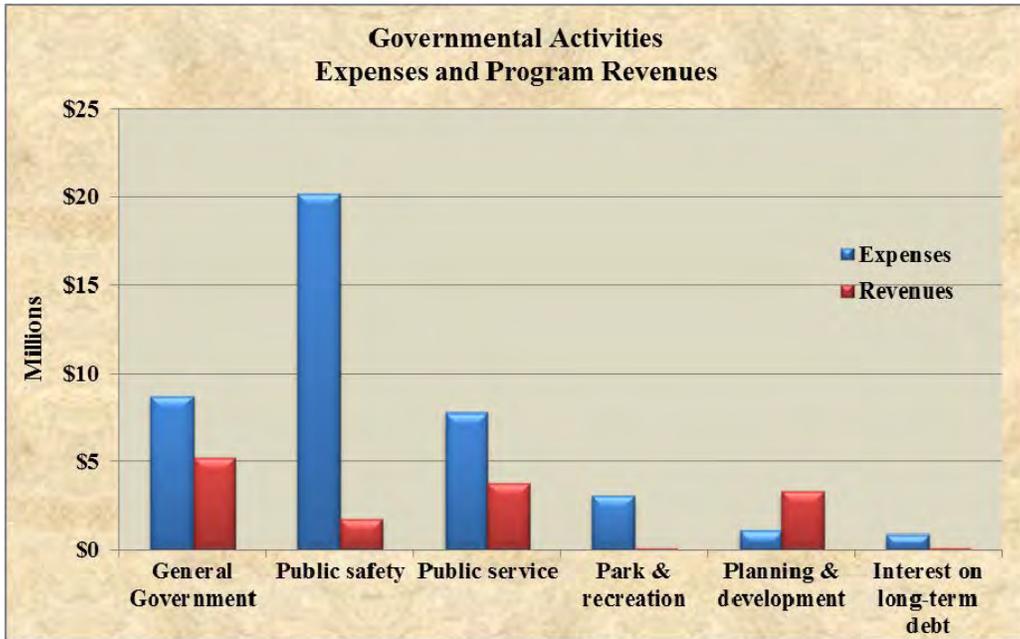
Changes in Net Position

June 30

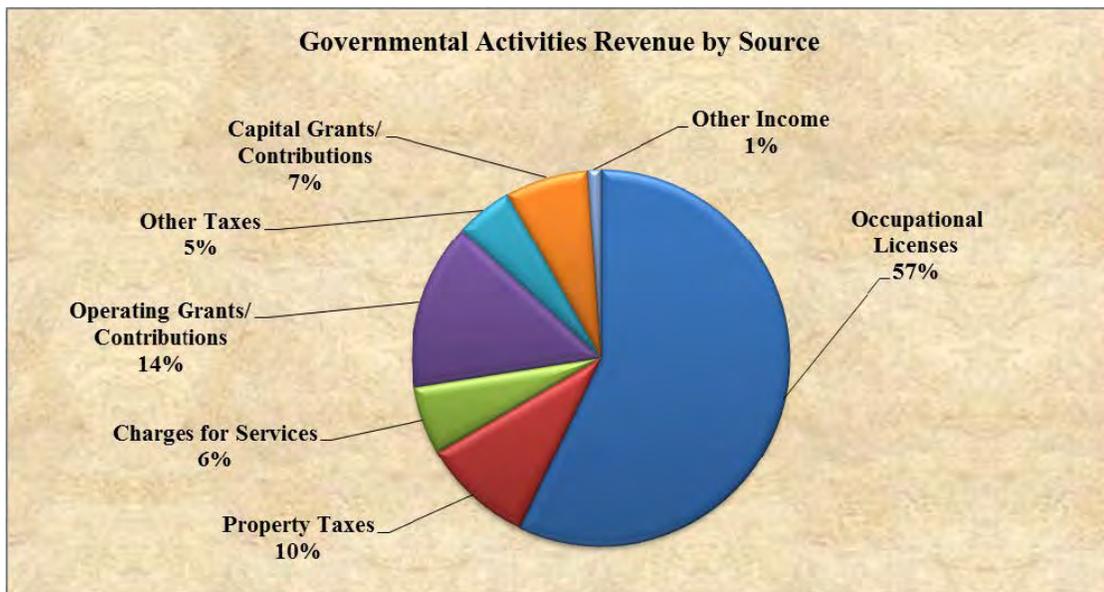
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,080,186	\$ 2,564,345	\$ 4,604,117	\$ 4,560,232	\$ 7,684,303	\$ 7,124,577
Operating grants/contributions	7,509,005	6,179,709	1,962,125	1,845,549	9,471,130	8,025,258
Capital grants/contributions	3,702,428	4,139,036	-	-	3,702,428	4,139,036
General Revenues:						
Property taxes	4,996,242	4,943,962	-	-	4,996,242	4,943,962
Franchise taxes	235,512	162,593	-	-	235,512	162,593
Telecommunications tax	677,478	656,214	-	-	677,478	656,214
Insurance premium tax	4,331,956	4,170,381	-	-	4,331,956	4,170,381
Vehicle tax	747,384	673,786	-	-	747,384	673,786
Bank tax	242,931	242,344	-	-	242,931	242,344
Gross receipts license tax	4,721,657	4,711,708	-	-	4,721,657	4,711,708
Employee license tax	20,803,763	20,130,249	-	-	20,803,763	20,130,249
Other taxes	665,384	656,647	-	-	665,384	656,647
Intergovernmental revenue	364,718	368,318	-	-	364,718	368,318
Unrestricted investment earnings	188,097	137,224	37,644	30,302	225,741	167,526
Gain on sale of capital assets	-	-	-	-	-	-
Miscellaneous	51,922	189,489	374,244	85,649	426,166	275,138
Total revenues	52,318,663	49,926,005	6,978,130	6,521,732	59,296,793	56,447,737
Expenses:						
General Government	8,652,987	9,777,876	-	-	8,652,987	9,777,876
Public safety	20,176,070	20,503,784	-	-	20,176,070	20,503,784
Public service	7,771,335	10,266,856	-	-	7,771,335	10,266,856
Park & recreation	3,059,447	3,052,360	-	-	3,059,447	3,052,360
Planning & development	1,077,265	911,830	-	-	1,077,265	911,830
Interest on long-term debt	885,380	900,593	-	-	885,380	900,593
Solid Waste	-	-	3,902,907	3,815,476	3,902,907	3,815,476
Section Eight Housing	-	-	1,952,441	1,874,074	1,952,441	1,874,074
Civic Center	-	-	92,471	74,457	92,471	74,457
Transient Boat Dock	-	-	1,031	-	1,031	-
Total expenses	41,622,484	45,413,299	5,948,850	5,764,007	47,571,334	51,177,306
Increase (decrease) in Net position before transfers	10,696,179	4,512,706	1,029,280	757,725	11,725,459	5,270,431
Transfers	2,274,377	137,582	(2,274,377)	(137,582)	-	-
Change in net position	12,970,556	4,650,288	(1,245,097)	620,143	11,725,459	5,270,431
Net position, July 1	24,362,615	19,712,327	4,911,205	4,291,062	29,273,820	24,003,389
NET POSITION, JUNE 30	\$37,333,171	\$ 24,362,615	\$ 3,666,108	\$ 4,911,205	\$ 40,999,279	\$ 29,273,820

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 2017.



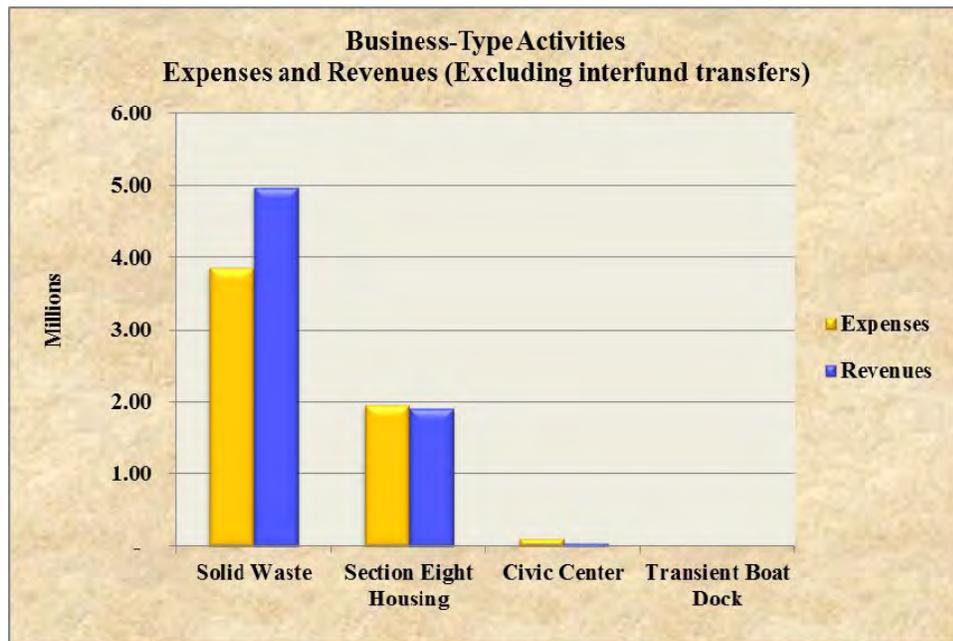
In fiscal year 2017, the City derived approximately 72% of its revenue from taxes/licenses. Occupational licenses, which include payroll withholding tax, business licenses, and insurance premium tax is the largest source of income to the City, totaling \$30 million. This category of revenue increased 2.9% from fiscal year 2016. Business license revenue was flat compared to FY2016. Both insurance premium tax and payroll withholding tax had increases in excess of 3%. 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 FY2017.

C. Business-Type Activities

The chart below shows the year's revenues and expenses 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. The majority of business-type activities reflect these results – the largest being the Solid Waste Fund with income before contributions and transfers of \$1,124,848. These results are consistent with prior years.

For fiscal year 2017, business-type activities as a whole had a decrease in net position of \$1,298,239. This decrease is primarily the result of the Solid Waste Fund's contribution of \$2 million in unrestricted retained earnings to the Capital Improvements Fund for the renovation of City Hall. Also, 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.



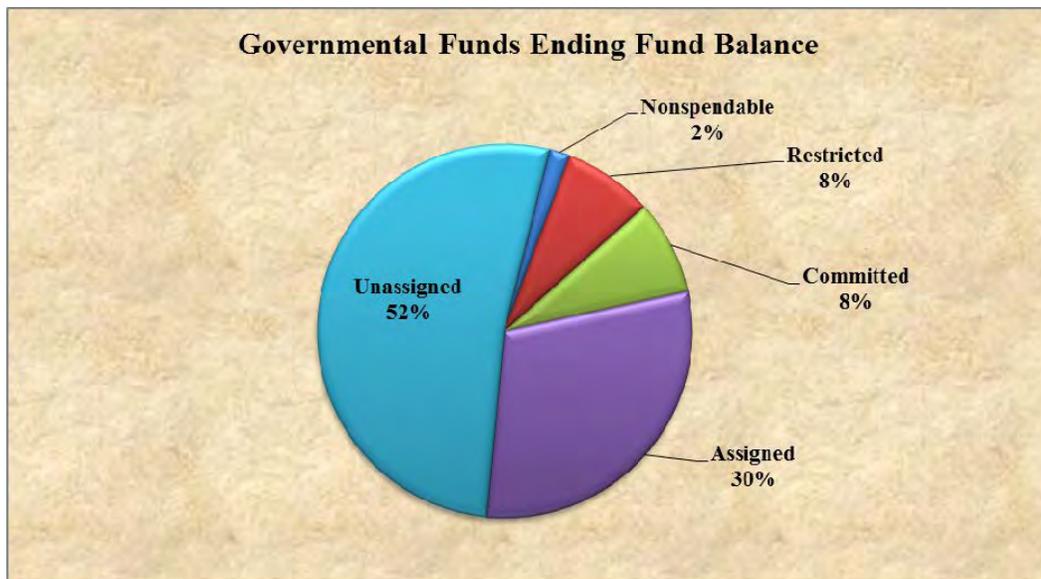
IV. Financial Analysis of the City's Funds

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.

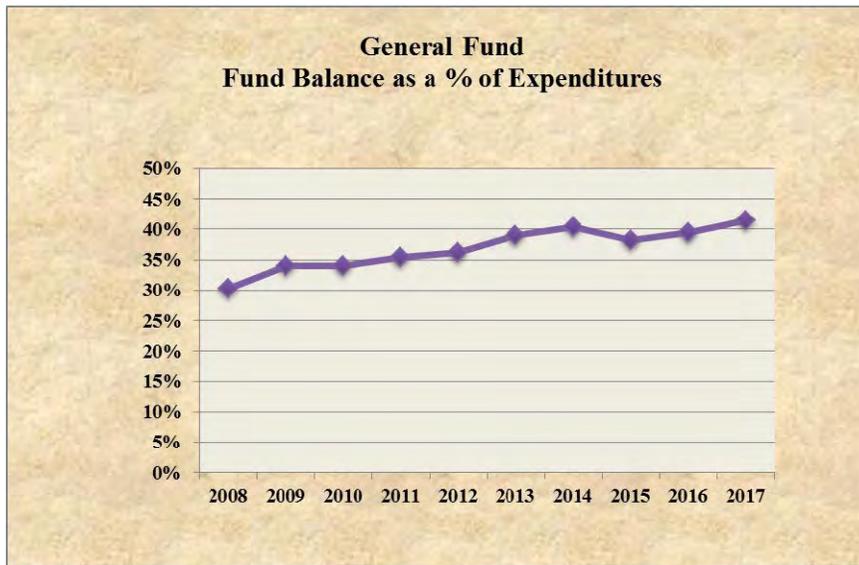
At the end of the fiscal year, the City governmental funds reported combined ending fund balances of \$29.3 million. In FY2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The redefined categories of fund balance are described below:

- *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 \$525,732 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 \$605,406 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 \$2,387,922 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 30% 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 52% of total fund balance, \$15.3 million is unassigned General Fund fund balance, which is available for spending at the government’s discretion but only up to the amount represented by cash. At year-end there was \$10.5 million available as General Fund cash; the balance is tied up in other assets including accounts receivable and property taxes collectible. City fiscal policy (Ordinance 2016-06-8380) requires that an amount not less than 10% of the General Fund’s budgeted expenditures remain undesignated in the fund balance, or \$3.7 million, which leaves \$11.6 million as unreserved for fiscal year 2017.

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’s fund balance (\$15.3 million) represents 42% of expenditures and transfers out (\$36.9 million). This has remained stable for the last ten years, as illustrated in the table below.



The Investment Fund had a fund balance of \$2.4 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. For FY2017, the increase in fund balance of \$369 thousand was due to a budgeted surplus of \$100 thousand, slightly higher revenue than anticipated, and a budgeted debt service expenditure for a bond issue that was delayed until FY2018.

Fund balance in the General Capital Improvements fund increased by approximately \$2.2 million from the prior year to \$8.0 million. The increase is due to funds set aside to complete capital projects in FY2018. 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	\$2,903,614
Section Eight Housing	(5,831)
Civic Center	191,321
Transient Boat Dock	3,974

Combined total net asset change for the three funds was a decrease of \$1.3 million, broken down as follows: Solid Waste (\$1.25 million decrease), Section Eight Housing (\$45 thousand decrease), Civic Center (\$10 thousand decrease), and Transient Boat Dock (\$4 thousand increase). The largest proprietary fund, Solid Waste, was discussed under Business Type Activities (Section III-C).

The Transient Boat Dock Fund is a new fund in FY2017. The 340 foot transient boat dock opened for business in the fall of 2017. This new facility allows for the mooring of several transient and local recreational boats with full City services, including power, water, and sewer pump out. It also has the capacity to supply gasoline and diesel for refueling vessels. FY2017 activity includes a transfer from the General Fund for set up expenses incurred prior to its opening.

V. General Fund Budgetary Highlights

Differences between the original budget and the final budget resulted in a \$1.2 million increase in appropriations. This was largely due to a General Fund reserve transfer to the Capital Improvements Fund for renovation of City Hall in the amount of \$1,150,000.

Final appropriations (excluding operating transfers out) exceeded total expenditures by \$3.47 million. A FY2017 appropriation in the amount of \$2.4 million made for an 800mhz radio controller replacement was postponed until FY2018 to allow additional time for the development of an RFP and evaluation of proposals. Additionally, several departments experienced significant salary slippage during the year due to unfilled positions. Police – Patrol had \$283 thousand in unused personal service funds, Public Works – Street Maintenance and Public Works – Facility Maintenance had \$178 thousand and \$102 thousand, respectively. Several other departments also experienced minor salary slippage.

Intergovernmental Expense of \$329 thousand accounts for the pass-through of property taxes to the Paducah Junior College. The College is technically not a taxing district, and the City levies this tax on their behalf. The City does not include this account in its budgeting process.

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, 2017, is \$63 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 2017, project and equipment additions totaled over \$11 million, with \$7.8 million of that attributed to Construction in Progress at year-end. Some of the largest capital-type project additions, in terms of dollars in fiscal year 2017, are shown in the following table:

Olivet Church Road Construction (Construction in Progress)	\$2,257,617
Riverfront Phase 1B (Construction in Progress)	4,434,184

Jim & Pat Brockenborough Rotary Health Park (Construction in Progress)	607,792
Refuse trucks & equipment	875,767
Excavator	299,650

The City's Construction in Progress balance at year end was in excess of \$20 million. Two very large projects that have comprised Construction in Progress for multiple years will be placed into service in FY2018: 1) At fiscal year end the Riverfront Phase 1B project had total cumulative expenditures of \$8.2 million. 2) Olivet Church Road project had total cumulative expenditures of nearly \$6.4 million at the end of FY2017.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 10,376,832	\$ 10,393,332	\$ 62,152	\$ 62,152	\$ 10,438,984	\$ 10,455,484
Land improvements	9,411,107	9,749,732	-	-	9,411,107	9,749,732
Construction in progress	20,009,381	13,293,457	-	-	20,009,381	13,293,457
Buildings and improvements	5,926,065	5,830,257	254,997	271,324	6,181,062	6,101,581
Infrastructure	9,930,281	10,876,077	-	-	9,930,281	10,876,077
Equipment	1,895,804	1,675,520	364,870	360,648	2,260,674	2,036,168
Furnishings and fixtures	22,338	12,542	-	-	22,338	12,542
Vehicles	3,744,915	3,786,101	1,470,808	984,604	5,215,723	4,770,705
TOTALS	<u>\$ 61,316,723</u>	<u>\$ 55,617,018</u>	<u>\$ 2,152,827</u>	<u>\$ 1,678,728</u>	<u>\$ 63,469,550</u>	<u>\$ 57,295,746</u>

Additional information on City capital assets can be found in Note 3 in the notes to financial statements on pages 68-70.

B. Long-Term Debt

At year-end, the City had \$28,034,113 in outstanding bonds and notes payable, compared to \$27,281,531 at June 30, 2016 with maturities extending through 2032.

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Kentucky League of Cities – 2003	\$1,309,616	\$1,500,126
Floodwall Rehabilitation – 2008	1,862,123	1,990,271
Convention Center Renovation – 2008	1,751,666	1,866,666
Refinanced Convention Center – 2010	4,515,000	4,955,000
Margaret Hank Agreement – 2011	47,934	94,851

Refinanced Rental Building – 2011	2,230,000	2,530,000
Murray State University Agreement – 2011	2,109,088	2,224,792
Public Pool Renovations – 2013	925,000	990,000
Economic Development – 2013	2,040,000	2,185,000
Refinanced Public Projects – 2014	4,505,000	4,805,000
Refinanced Police/Firefighter Pension Fund Liability - 2014	3,660,000	4,055,000
CFSB Agreement - 2017	3,000,000	-
Net Premiums/Discounts	78,686	84,825
TOTALS	<u>\$28,034,113</u>	<u>\$27,281,531</u>

During the year, the City had one new debt issue. In January 2017, the City entered into an agreement with Community Financial Services Bank in the amount of \$3 million on behalf of McCracken County to finance improvements to the Julian Carroll Convention Center. Debt issues prior to July 1, 2016 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 \$244,792,901. 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.

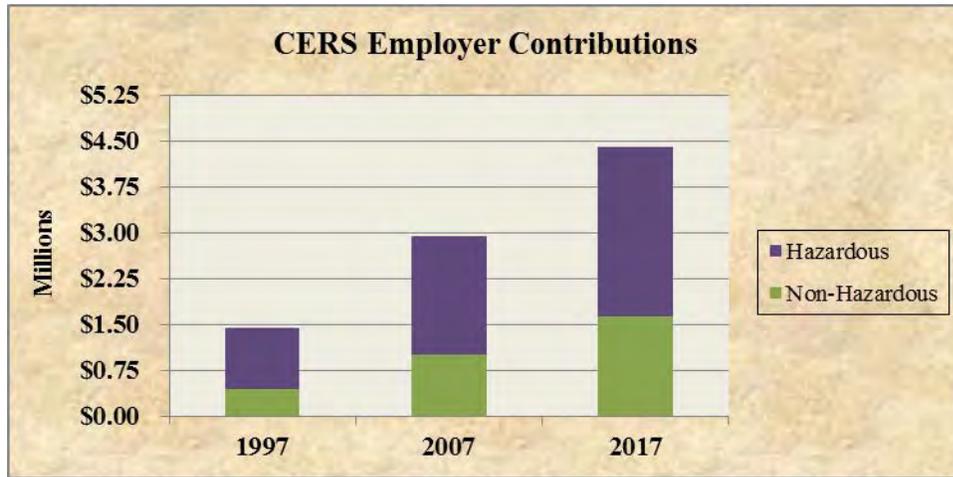
The City of Paducah, Kentucky, issues and incurs debt in order to fund capital improvement projects, purchase major capital equipment and facilities, and respond to other special funding needs. In fiscal year 2017, approximately 2% of the General Fund budget was expended for debt service, and thus has 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 1997, 2007, and 2017.

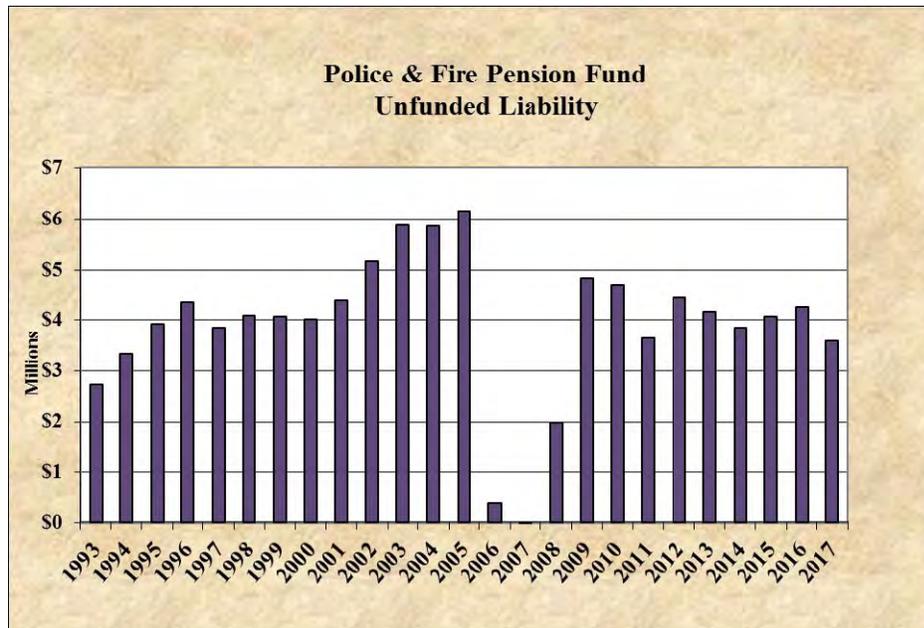
CERS Employer Contributions						
	Non-Hazardous			Hazardous		
FY	Rate	Amount	% Chg	Rate	Amount	% Chg
1997	8.65%	\$445,178		18.69%	\$990,416	
2007	13.19%	\$1,008,946	127%	28.21%	\$1,929,980	95%
2017	18.68%	\$1,631,570	62%	31.06%	\$2,776,387	44%



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.

As of the date of this report, the Kentucky General Assembly is attempting to further reduce the State’s pension liability. Under the current circumstances, the State is projecting that hazardous duty contribution rates could reach 50% and non-hazardous contribution rates could reach 30% for July 2018 if no action is taken by the General Assembly. If it is dealt with in special session or the upcoming legislative session at the beginning of 2018, the hope is that the contribution rates will stay the same or only rise marginally as major adjustments are made to the plan, including the movement of new employees to a 401K style plan where contribution rates are more in line with what private industry offers.

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 2017 actuary study shows that the PFPF unfunded pension liability is approximately \$3.6 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, 2017, indicates the minimum actuarially sound contribution for FY2018 will be \$376,148.

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, 2017

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET POSITION
 JUNE 30, 2017

<u>ASSETS</u>	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Paducah Water Works Authority</u>
Current Assets:				
Cash and cash equivalents	\$ 21,868,459	\$ 2,703,185	\$ 24,571,644	\$ 1,204,121
Investments	8,000,000	2,000,000	10,000,000	-
Receivables, net:				
Notes	1,333,792	-	1,333,792	-
Accounts	6,654,159	569,376	7,223,535	581,914
Grants	395,280	-	395,280	-
Interest	51,655	4,267	55,922	-
Property tax	6,080,265	-	6,080,265	-
Accrued unbilled revenues	-	-	-	1,163,546
Internal balances	(573,030)	573,030	-	-
Inventory	591,407	-	591,407	794,806
Other current assets	52,710	-	52,710	962,335
	<u>44,454,697</u>	<u>5,849,858</u>	<u>50,304,555</u>	<u>4,706,722</u>
Total current assets				
	<u>44,454,697</u>	<u>5,849,858</u>	<u>50,304,555</u>	<u>4,706,722</u>
Noncurrent Assets:				
Notes receivable	6,643,477	-	6,643,477	-
Capital assets:				
Land and construction in progress	30,386,213	62,152	30,448,365	4,809,862
Depreciable capital assets	30,930,510	2,090,675	33,021,185	50,480,345
Other assets	-	-	-	6,187,222
	<u>67,960,200</u>	<u>2,152,827</u>	<u>70,113,027</u>	<u>61,477,429</u>
Total noncurrent assets				
	<u>67,960,200</u>	<u>2,152,827</u>	<u>70,113,027</u>	<u>61,477,429</u>
Total assets	<u>112,414,897</u>	<u>8,002,685</u>	<u>120,417,582</u>	<u>66,184,151</u>
Deferred Outflows of Resources:				
Deferred pension related outflows	9,283,237	454,939	9,738,176	1,393,076
Deferred charges on refunding	261,542	-	261,542	-
	<u>9,544,779</u>	<u>454,939</u>	<u>9,999,718</u>	<u>1,393,076</u>
Total deferred outflows of resources				
	<u>9,544,779</u>	<u>454,939</u>	<u>9,999,718</u>	<u>1,393,076</u>

See accompanying notes to the basic financial statements.

<u>LIABILITIES</u>	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Paducah Water Works Authority
Current Liabilities:				
Voucher and accounts payable	2,731,328	332,215	3,063,543	657,085
Accrued payables	597,013	28,803	625,816	758,989
Unearned revenue	46,235	25,500	71,735	-
Accrued compensated absences	1,318,470	115,283	1,433,753	254,344
Accrued interest	111,077	-	111,077	-
Notes payable due within one year	523,832	-	523,832	450,271
Bonds payable due within one year	1,817,130	-	1,817,130	-
Other current liabilities	-	-	-	261,565
Total current liabilities	7,145,085	501,801	7,646,886	2,382,254
Noncurrent Liabilities:				
Accrued compensated absences	796,309	78,239	874,548	-
Landfill post-closure costs	-	2,062,500	2,062,500	-
Pensions obligation	44,315,943	2,086,480	46,402,423	5,786,673
Notes payable	7,694,472	-	7,694,472	7,147,038
Bonds payable	17,998,679	-	17,998,679	-
Total noncurrent liabilities	70,805,403	4,227,219	75,032,622	12,933,711
Total liabilities	77,950,488	4,729,020	82,679,508	15,315,965
Deferred Inflows of Resources				
Unavailable revenues - property taxes	5,846,122	-	5,846,122	-
Deferred pension related inflows	829,895	62,496	892,391	59,312
Total deferred inflows of resources	6,676,017	62,496	6,738,513	59,312
<u>NET POSITION</u>				
Net invested in capital assets	52,898,618	2,152,827	55,051,445	47,692,898
Restricted for:				
Housing and development projects	-	-	-	-
Capital projects & infrastructure	2,137,650	-	2,137,650	-
Public safety	131,055	-	131,055	-
Unrestricted (deficit)	(17,834,152)	1,513,281	(16,320,871)	4,509,052
TOTAL NET POSITION	\$ 37,333,171	\$ 3,666,108	\$ 40,999,279	\$ 52,201,950

CITY OF PADUCAH, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

<u>FUNCTIONS/PROGRAMS</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	8,652,987	1,650,034	\$ 3,580,583	\$ 2,808
Public safety	20,176,070	340,705	766,154	601,755
Public service	7,771,335	967,518	2,794,626	-
Parks and recreation	3,059,447	121,929	-	-
Planning and development	1,077,265	-	228,647	3,097,865
Interest on long-term debt	885,380	-	138,995	-
Total governmental activities (See Note 1)	<u>41,622,484</u>	<u>3,080,186</u>	<u>7,509,005</u>	<u>3,702,428</u>
Business-type activities:				
Solid Waste	3,902,907	4,567,392	58,402	-
Section Eight Housing	1,952,441	-	1,903,723	-
Civic Center	92,471	36,725	-	-
Transient Boat Dock	1,031	-	-	-
Total business-type activities	<u>5,948,850</u>	<u>4,604,117</u>	<u>1,962,125</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u><u>\$ 47,571,334</u></u>	<u><u>\$ 7,684,303</u></u>	<u><u>\$ 9,471,130</u></u>	<u><u>\$ 3,702,428</u></u>
Component Unit:				
Paducah Water Works Authority	\$ 9,856,634	\$ 10,957,435	\$ -	\$ 625,490
TOTAL COMPONENT UNITS	<u><u>\$ 9,856,634</u></u>	<u><u>\$ 10,957,435</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 625,490</u></u>

General revenues:
Taxes and licenses:
Property taxes, levied for general purposes
Franchise tax
Telecommunications tax
Insurance premium tax
Vehicle tax
Bank tax
Gross receipts license tax
Employee license tax
Other taxes
Transient room tax
Unrestricted investment earnings
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
\$ (3,419,562)	\$ -	\$ (3,419,562)	\$ -
(18,467,456)	-	(18,467,456)	-
(4,009,191)	-	(4,009,191)	-
(2,937,518)	-	(2,937,518)	-
2,249,247	-	2,249,247	-
(746,385)	-	(746,385)	-
<u>(27,330,865)</u>	<u>-</u>	<u>(27,330,865)</u>	<u>-</u>
-	722,887	722,887	-
-	(48,718)	(48,718)	-
-	(55,746)	(55,746)	-
-	(1,031)	(1,031)	-
<u>-</u>	<u>617,392</u>	<u>617,392</u>	<u>-</u>
<u>(27,330,865)</u>	<u>617,392</u>	<u>(26,713,473)</u>	<u>-</u>
-	-	-	1,726,291
-	-	-	1,726,291
4,996,242	-	4,996,242	-
235,512	-	235,512	-
677,478	-	677,478	-
4,331,956	-	4,331,956	-
747,384	-	747,384	-
242,931	-	242,931	-
4,721,657	-	4,721,657	-
20,803,763	-	20,803,763	-
665,384	-	665,384	-
364,718	-	364,718	-
188,097	37,644	225,741	21,596
51,922	374,244	426,166	7,505
<u>38,027,044</u>	<u>411,888</u>	<u>38,438,932</u>	<u>29,101</u>
<u>2,274,377</u>	<u>(2,274,377)</u>	<u>-</u>	<u>-</u>
<u>40,301,421</u>	<u>(1,862,489)</u>	<u>38,438,932</u>	<u>29,101</u>
12,970,556	(1,245,097)	11,725,459	1,755,392
<u>24,362,615</u>	<u>4,911,205</u>	<u>29,273,820</u>	<u>50,446,558</u>
<u>\$ 37,333,171</u>	<u>\$ 3,666,108</u>	<u>\$ 40,999,279</u>	<u>\$ 52,201,950</u>

CITY OF PADUCAH, KENTUCKY

BASIC FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

CITY OF PADUCAH, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General Fund</u>	<u>Special Revenue Investment Fund</u>	<u>General Capital Improvements</u>
Assets			
Cash and cash equivalents	\$ 7,527,068	\$ 1,142,380	\$ 6,650,712
Investments	3,000,000	-	2,000,000
Receivables:			
Accounts	7,283,195	-	15,000
Grants	15,822	-	379,458
Interest	7,278	-	3,682
Property taxes (net of allowances for uncollectibles)	6,144,265	-	-
Inventory	-	-	525,732
Due from other funds	52,710	1,245,542	-
Total Assets	<u>\$ 24,030,338</u>	<u>\$ 2,387,922</u>	<u>\$ 9,574,584</u>
Liabilities			
Voucher and accounts payable	\$ 642,556	\$ -	\$ 1,619,440
Accrued payroll and payroll taxes	557,079	-	-
Due to other funds	1,245,542	-	-
Unearned revenue - other	-	-	-
Accrued compensated absences	180,411	-	-
Total liabilities	<u>2,625,588</u>	<u>-</u>	<u>1,619,440</u>
Deferred Inflows of Resources			
Unavailable revenue-property taxes	6,074,105	-	-
Fund Balances:			
Nonspendable			
Inventory	-	-	525,732
Restricted for:			
Highways and streets	-	-	-
Public safety	-	-	-
Capital improvements	-	-	-
Committed for:			
Capital improvements	-	2,387,922	-
Assigned for:			
Capital improvements	-	-	7,429,412
Public safety	-	-	-
Debt service	-	-	-
Unassigned:			
General Fund	15,330,645	-	-
Total fund balances	<u>15,330,645</u>	<u>2,387,922</u>	<u>7,955,144</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 24,030,338</u>	<u>\$ 2,387,922</u>	<u>\$ 9,574,584</u>

See accompanying notes to the basic financial statements.

Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$1,022,907	\$ 2,788,924	\$ 19,131,991
-	-	5,000,000
-	183,393	7,481,588
-	-	395,280
-	-	10,960
-	-	6,144,265
-	-	525,732
-	-	1,298,252
<u>\$1,022,907</u>	<u>\$ 2,972,317</u>	<u>\$ 39,988,068</u>
\$ -	\$ 346,721	\$ 2,608,717
-	29,774	586,853
-	-	1,245,542
24,083	-	24,083
-	-	180,411
<u>24,083</u>	<u>376,495</u>	<u>4,645,606</u>
-	-	6,074,105
-	-	525,732
-	605,406	605,406
-	131,055	131,055
-	1,532,244	1,532,244
-	-	2,387,922
-	-	7,429,412
-	327,117	327,117
998,824	-	998,824
-	-	15,330,645
<u>998,824</u>	<u>2,595,822</u>	<u>29,268,357</u>
<u>\$1,022,907</u>	<u>\$ 2,972,317</u>	<u>\$ 39,988,068</u>

CITY OF PADUCAH, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balance - total governmental fund: \$ 29,268,357

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. 163,983

The long-term notes receivable are not reported in the governmental funds balance sheet since they are not available to pay current period expenditures. 6,372,500

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. 34,589

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. 61,316,723

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:

Deferred refunding costs	261,542	
Deferred pension related inflows	(829,895)	
Deferred pension related outflows	<u>9,283,237</u>	8,714,884

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, 2017

The portion of accrued compensated absences not due and payable in the current period, and therefore, not reported in the governmental funds balance sheet. \$ (1,894,752)

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. (111,077)

Long-term pensions, bonds and notes of (\$72,350,056) 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 pensions, bonds and notes are:

Due within one year	\$ 2,340,963	
Due after one year	<u>70,009,094</u>	(72,350,057)

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	\$ 6,585,591	
Current liabilities	(194,540)	
Net amount allocated to business-type activities	<u>(573,030)</u>	<u>5,818,021</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 37,333,171</u></u>
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CITY OF PADUCAH, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Investment Fund	General Capital Improvements
Revenues:			
Taxes	\$ 6,862,000	\$ -	\$ -
Licenses	25,262,158	5,098,667	-
Charges for services	651,061	-	-
Intergovernmental	-	-	-
Grants	762,019	-	5,487,305
Interest	126,244	-	3,682
Property upkeep, rentals, sales and other	1,054,218	-	618,885
Total revenues	<u>34,717,700</u>	<u>5,098,667</u>	<u>6,109,872</u>
Expenditures:			
Current operations:			
General government	4,848,177	-	-
Public safety	17,295,851	-	-
Public service	4,831,235	-	-
Parks and recreation	3,012,236	-	-
Planning and development	-	727,855	-
Intergovernmental and other	426,933	-	-
Capital outlay	-	-	10,148,302
Debt service:			
Principal requirement	-	-	-
Interest requirement	-	-	-
Total expenditures	<u>30,414,432</u>	<u>727,855</u>	<u>10,148,302</u>
Excess (deficiency) of revenues over expenditures	<u>4,303,268</u>	<u>4,370,812</u>	<u>(4,038,430)</u>
Other Financing Sources (Uses):			
Issuance of debt	-	-	-
Transfers in	576,488	38,519	6,316,818
Transfers out	<u>(2,747,237)</u>	<u>(4,039,990)</u>	<u>(126,308)</u>
Total other financing sources (uses)	<u>(2,170,749)</u>	<u>(4,001,471)</u>	<u>6,190,510</u>
Net change in fund balances	2,132,519	369,341	2,152,080
Fund balances - beginning	<u>13,198,126</u>	<u>2,018,581</u>	<u>5,803,064</u>
Fund balances - ending	<u>\$ 15,330,645</u>	<u>\$ 2,387,922</u>	<u>\$ 7,955,144</u>

See accompanying notes to the basic financial statements.

Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 448,257	\$ 7,310,257
-	-	30,360,825
-	313,705	964,766
636,772	503,850	1,140,622
-	227,441	6,476,765
-	14,153	144,079
288,995	427,132	2,389,230
<u>925,767</u>	<u>1,934,538</u>	<u>48,786,544</u>
-	-	4,881,298
-	1,627,219	18,923,070
-	1,684,762	6,515,997
-	-	3,012,236
-	209,000	936,855
-	-	393,812
-	138,901	10,287,203
2,244,361	-	2,244,361
810,917	-	810,917
<u>3,055,278</u>	<u>3,659,882</u>	<u>48,005,749</u>
<u>(2,129,511)</u>	<u>(1,725,344)</u>	<u>780,795</u>
-	3,000,000	3,000,000
2,377,511	1,068,273	10,377,609
-	(1,342,092)	(8,255,627)
<u>2,377,511</u>	<u>2,726,181</u>	<u>5,121,982</u>
248,000	1,000,837	5,902,777
750,824	1,594,985	23,365,580
<u>\$ 998,824</u>	<u>\$ 2,595,822</u>	<u>\$ 29,268,357</u>

CITY OF PADUCAH, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental fund \$ 5,902,777

*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 \$1,049,151. 9,229,285

Collections on long-term notes receivables and related interest receivable are revenues in the government funds when collected. (345,317)

Payments on property taxes recognized as revenues when received in the governmental funds and as levied in the government-wide statements. This is the amount of cash collections exceeded accrual property tax revenues. (424)

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. (1,330,970)

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. (59,428)

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 878,9625. \$ (3,452,313)

See accompanying notes to the basic financial statements.

(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, 2017

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.	2,241,278
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.	(20,338)
Long-term accrued compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(82,159)
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.	(53,043)

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	\$ 707,962	
Net of amount allocated to business-type activities	(53,142)	
Capital Outlays	(1,049,151)	
Depreciation expense	878,962	484,631

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 12,970,556
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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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Real and personal, current year	\$ 5,451,000	\$ 5,451,000	\$ 5,609,810	\$ 158,810
Real and personal, prior year	110,000	110,000	108,363	(1,637)
Franchise	170,000	170,000	235,512	65,512
Bank taxes	248,000	248,000	242,931	(5,069)
In lieu of tax payment	285,000	285,000	286,217	1,217
Penalty, interest and advertising	54,500	54,500	50,353	(4,147)
Paducah Junior College tax collections	-	-	328,814	328,814
Total taxes	6,318,500	6,318,500	6,862,000	543,500
Licenses:				
Business licenses	4,450,000	4,450,000	4,721,657	271,657
Employee earnings	15,300,000	15,300,000	15,705,096	405,096
Comcast fees	287,500	287,500	252,596	(34,904)
Penalties	180,000	180,000	246,125	66,125
Alcoholic beverages	125,000	125,000	139,085	14,085
Insurance premium tax	3,940,000	3,940,000	4,331,956	391,956
Building permits	150,000	150,000	147,456	(2,544)
Electrical permits	35,000	35,000	44,372	9,372
Zoning change fees	6,500	6,500	8,151	1,651
Miscellaneous building and electrical fees	5,000	5,000	2,000	(3,000)
Payroll tax sharing with County	(310,000)	(310,000)	(336,336)	(26,336)
Total licenses	24,169,000	24,169,000	25,262,158	1,093,158
Charges for services:				
Tax collection fee	185,000	185,000	185,586	586
Administrative charge	297,520	297,520	308,520	11,000
Base court revenue	38,000	38,000	35,026	(2,974)
Recreation fees	110,500	110,500	121,929	11,429
Total charges for services	631,020	631,020	651,061	20,041

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Grants:				
Police State Incentive	\$ 392,000	\$ 392,000	\$ 371,426	\$ (20,574)
Fire State Incentive	343,000	343,000	339,172	(3,828)
Police supplemental grants	30,000	30,000	31,773	1,773
Other grants	-	-	19,648	19,648
Total grants	765,000	765,000	762,019	(2,981)
Interest	103,500	103,500	126,244	22,744
Other:				
Property rent and sales	686,650	686,650	676,018	(10,632)
Property upkeep and maintenance	108,790	108,790	106,564	(2,226)
Contractual programs	5,500	5,500	1,230	(4,270)
E911 - GIS	29,375	29,375	29,374	(1)
Miscellaneous	151,000	157,905	241,032	83,127
Total other	981,315	988,220	1,054,218	65,998
Total revenues	32,968,335	32,975,240	34,717,700	1,742,460
Expenditures:				
General government:				
General administration:				
Mayor and Commissioners	182,375	215,095	213,575	1,520
City Manager	545,265	553,925	557,028	(3,103)
City Clerk	148,005	144,215	141,831	2,384
Corporate Counsel	212,035	212,445	208,354	4,091
Non-departmental	859,015	859,015	831,585	27,430
Memberships and contingency	123,000	53,465	21,444	32,021
Total general administration	2,069,695	2,038,160	1,973,817	64,343
Finance:				
Finance administration	267,560	267,745	266,806	939
Accounting and payroll	364,545	374,960	377,654	(2,694)
Revenue collection	415,040	404,370	405,622	(1,252)
Total finance	1,047,145	1,047,075	1,050,082	(3,007)

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
General government:				
Planning:				
Administration	\$ 291,330	\$ 293,255	\$ 276,159	\$ 17,096
Planning	167,925	463,260	441,448	21,812
Grants	158,780	840	-	840
Economic development	136,285	-	-	-
Total planning	<u>754,320</u>	<u>757,355</u>	<u>717,607</u>	<u>39,748</u>
Radio and rental property	<u>2,570,760</u>	<u>2,570,760</u>	<u>133,003</u>	<u>2,437,757</u>
Human rights	<u>41,955</u>	<u>41,035</u>	<u>40,222</u>	<u>813</u>
Information systems	<u>679,020</u>	<u>678,830</u>	<u>560,910</u>	<u>117,920</u>
Human resources/risk management	<u>376,380</u>	<u>375,740</u>	<u>372,535</u>	<u>3,205</u>
Total general government	<u>7,539,275</u>	<u>7,508,955</u>	<u>4,848,176</u>	<u>2,660,779</u>
Public safety:				
Police:				
Police administration	1,112,455	1,121,890	1,056,652	65,238
Patrol	6,496,705	6,433,825	6,116,193	317,632
Investigations	2,028,965	2,029,580	1,938,797	90,783
Total police	<u>9,638,125</u>	<u>9,585,295</u>	<u>9,111,642</u>	<u>473,653</u>
Fire:				
Fire administration	658,225	579,575	575,548	4,027
Suppression	6,444,530	6,419,075	6,422,980	(3,905)
Prevention and inspection	1,065,100	1,043,225	1,038,102	5,123
Training	146,940	146,605	147,579	(974)
Total fire	<u>8,314,795</u>	<u>8,188,480</u>	<u>8,184,209</u>	<u>4,271</u>
Total public safety	<u>17,952,920</u>	<u>17,773,775</u>	<u>17,295,851</u>	<u>477,924</u>
Public service:				
Public works:				
Street maintenance	2,130,935	2,116,685	1,914,982	201,703
Street lighting	778,000	778,000	791,560	(13,560)
Facility maintenance	1,193,215	1,188,400	1,064,024	124,376
Total public works	<u>4,102,150</u>	<u>4,083,085</u>	<u>3,770,566</u>	<u>312,519</u>

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public service:				
Engineering services:				
Engineering services	\$ 524,015	\$ 524,905	\$ 463,910	\$ 60,995
Flood control	691,645	692,350	596,761	95,589
Total engineering services	<u>1,215,660</u>	<u>1,217,255</u>	<u>1,060,671</u>	<u>156,584</u>
Total public service	<u>5,317,810</u>	<u>5,300,340</u>	<u>4,831,237</u>	<u>469,103</u>
Parks and recreation:				
Parks and recreation administration	841,200	837,160	793,257	43,903
Grounds maintenance	1,549,970	1,554,985	1,456,600	98,385
Pools and recreation programs	804,610	791,930	762,379	29,551
Total parks and recreation	<u>3,195,780</u>	<u>3,184,075</u>	<u>3,012,236</u>	<u>171,839</u>
Intergovernmental and other:				
Cable authority	92,650	112,710	98,120	14,590
Intergovernmental expense	-	-	328,814	(328,814)
Total intergovernmental and other	<u>92,650</u>	<u>112,710</u>	<u>426,934</u>	<u>(314,224)</u>
Total expenditures	<u>34,098,435</u>	<u>33,879,855</u>	<u>30,414,434</u>	<u>3,465,421</u>
Excess (deficiency) of revenues over expenditures	<u>(1,130,100)</u>	<u>(904,615)</u>	<u>4,303,266</u>	<u>5,207,881</u>
Other financing sources (uses):				
Operating transfers in	2,057,000	2,057,000	576,488	(1,480,512)
Operating transfers out	(1,676,130)	(3,051,615)	(2,747,235)	304,380
Total other financing sources (uses)	<u>380,870</u>	<u>(994,615)</u>	<u>(2,170,747)</u>	<u>(1,176,132)</u>
Net change in fund balance	<u>(749,230)</u>	<u>(1,899,230)</u>	<u>2,132,519</u>	<u>4,031,749</u>
Fund balance - beginning	<u>13,198,126</u>	<u>13,198,126</u>	<u>13,198,126</u>	<u>-</u>
Fund balance - ending	<u>\$ 12,448,896</u>	<u>\$ 11,298,896</u>	<u>\$ 15,330,645</u>	<u>\$ 4,031,749</u>

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE INVESTMENT FUND
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Licenses:				
Employee earnings	\$ 5,022,500	\$ 5,022,500	\$ 5,098,667	\$ 76,167
Total licenses	<u>5,022,500</u>	<u>5,022,500</u>	<u>5,098,667</u>	<u>76,167</u>
Other:				
Miscellaneous	-	-	-	-
Total other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>5,022,500</u>	<u>5,022,500</u>	<u>5,098,667</u>	<u>76,167</u>
Expenditures:				
General government:				
Planning and development:				
Economic development	708,800	783,800	727,855	55,945
Total expenditures	<u>708,800</u>	<u>783,800</u>	<u>727,855</u>	<u>55,945</u>
Excess (deficiency) of revenues over expenditures	<u>4,313,700</u>	<u>4,238,700</u>	<u>4,370,812</u>	<u>132,112</u>
Other financing sources (uses):				
Operating transfers in	-	-	38,519	38,519
Operating transfers out	(4,213,700)	(4,138,700)	(4,039,990)	98,710
Total other financing sources (uses)	<u>(4,213,700)</u>	<u>(4,138,700)</u>	<u>(4,001,471)</u>	<u>137,229</u>
Net change in fund balance	100,000	100,000	369,341	269,341
Fund balance - beginning	<u>2,018,581</u>	<u>2,018,581</u>	<u>2,018,581</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,118,581</u>	<u>\$ 2,118,581</u>	<u>\$ 2,387,922</u>	<u>\$ 269,341</u>

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

<u>ASSETS</u>	<u>Business-type Activities</u>			<u>Governmental</u>
	<u>Solid</u>	<u>Nonmajor</u>	<u>Totals</u>	<u>Internal</u>
	<u>Waste</u>	<u>Enterprise</u>		
Current Assets:		Funds		Funds
Cash and cash equivalents	\$ 2,283,101	\$ 420,084	\$ 2,703,185	\$ 2,736,467
Investments	2,000,000	-	2,000,000	3,000,000
Accounts receivable	569,376	-	569,376	783,449
Interest receivable	4,267	-	4,267	-
Inventory	-	-	-	65,675
Total current assets	4,856,744	420,084	5,276,828	6,585,591
Noncurrent Assets:				
Net capital assets:				
Land	62,152	-	62,152	-
Depreciable capital assets	1,971,019	119,654	2,090,673	4,036,659
Total noncurrent assets	2,033,171	119,654	2,152,825	4,036,659
Total assets	6,889,915	539,738	7,429,653	10,622,250
Deferred Outflows of Resources:				
Deferred pension contributions	388,844	66,095	454,939	129,127
<u>LIABILITIES</u>				
Current Liabilities:				
Voucher and accounts payable	236,972	42,531	279,503	122,612
Accrued payroll and payroll taxes	28,803	-	28,803	10,160
Accrued compensated absences	113,296	1,987	115,283	28,523
Unearned revenue	25,500	-	25,500	22,152
Due to other funds	-	52,710	52,710	-
Total current liabilities	404,571	97,228	501,799	183,447
Noncurrent Liabilities:				
Pensions obligation	1,793,983	292,497	2,086,480	530,995
Landfill post-closure costs	2,062,500	-	2,062,500	-
Accrued compensated absences	60,356	17,883	78,239	11,093
Total noncurrent liabilities	3,916,839	310,380	4,227,219	542,088
Total liabilities	4,321,410	407,608	4,729,018	725,535
Deferred Inflows of Resources				
Difference between projected and actuarial earnings on pension plan investments	53,735	8,761	62,496	15,905
<u>NET POSITION</u>				
Net invested in capital assets	2,033,171	119,654	2,152,825	4,036,659
Unrestricted	870,443	69,810	940,253	5,973,278
TOTAL NET POSITION	\$ 2,903,614	\$ 189,464	3,093,078	\$ 10,009,937
Reconciliation to government-wide statements of net position:				
Adjustment to reflect the consolidation of Internal Service Funds' activities related to Enterprise Funds			573,030	
NET POSITION OF BUSINESS-TYPE ACTIVITIES			\$ 3,666,108	

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Business-type Activities			Governmental
	Solid Waste	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Operating Revenues:				
Charges for services - internal	\$ -	\$ 36,725	\$ 36,725	\$ 5,765,811
Charges for services - external	4,567,392	-	4,567,392	279,008
Miscellaneous	49,655	4,038	53,693	-
Total operating revenues	<u>4,617,047</u>	<u>40,763</u>	<u>4,657,810</u>	<u>6,044,819</u>
Operating Expenses:				
Cost of sales and service	3,474,612	2,035,500	5,510,112	4,786,015
Depreciation and amortization	381,003	10,444	391,447	878,962
Total operating expenses	<u>3,855,615</u>	<u>2,045,944</u>	<u>5,901,559</u>	<u>5,664,977</u>
Operating income (loss)	<u>761,432</u>	<u>(2,005,181)</u>	<u>(1,243,749)</u>	<u>379,842</u>
Nonoperating Revenues (Expenses):				
Grants - program purpose	58,402	1,903,723	1,962,125	-
Interest and investment income	37,605	40	37,645	44,018
Gain (loss) on disposal of property and equipment	267,409	-	267,409	84,415
Total nonoperating revenues (expenses)	<u>363,416</u>	<u>1,903,763</u>	<u>2,267,179</u>	<u>128,433</u>
Income (loss) before contributions and transfers	<u>1,124,848</u>	<u>(101,418)</u>	<u>1,023,430</u>	<u>508,275</u>
Contributions and Transfers:				
Transfers in	-	50,623	50,623	199,687
Transfers out	(2,372,292)	-	(2,372,292)	-
Total contributions and transfers	<u>(2,372,292)</u>	<u>50,623</u>	<u>(2,321,669)</u>	<u>199,687</u>
Change in net position	(1,247,444)	(50,795)	(1,298,239)	707,962
Net position - beginning	<u>4,151,058</u>	<u>240,259</u>		<u>9,301,975</u>
Net position - ending	<u>\$ 2,903,614</u>	<u>\$ 189,464</u>		<u>\$ 10,009,937</u>
Reconciliation to government-wide statements of net position:				
Adjustment to reflect the consolidation of Internal Service Funds' activities related to Enterprise Funds			<u>53,142</u>	
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES			<u><u>\$(1,245,097)</u></u>	

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Business-type Activities			Governmental
	Solid Waste	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Cash Flows from Operating Activities:				
Cash received from customers	\$ 4,554,985	\$ 36,725	\$ 4,591,710	\$ -
Cash received from interfund services provided	-	-	-	5,704,142
Payments to suppliers	(2,000,784)	-	(2,000,784)	(260,624)
Payments to employees	(772,082)	(177,762)	(949,844)	(329,440)
Claims paid	-	-	-	(2,576,052)
Payments to internal service funds	(507,148)	(2,301)	(509,449)	-
Other receipts	49,655	4,038	53,693	-
Other payments	-	(1,809,910)	(1,809,910)	(1,747,257)
Net cash provided (used) by operating activities	<u>1,324,626</u>	<u>(1,949,210)</u>	<u>(624,584)</u>	<u>790,769</u>
Cash Flows from Noncapital Financing Activities:				
Grants - program purpose	58,402	1,903,723	1,962,125	-
Transfers from other funds	-	50,623	50,623	199,687
Transfers to other funds	(2,372,292)	-	(2,372,292)	-
Net cash provided (used) by noncapital financing activities	<u>(2,313,890)</u>	<u>1,954,346</u>	<u>(359,544)</u>	<u>199,687</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(875,767)	-	(875,767)	(1,049,151)
Proceeds from sale of capital assets	277,633	-	277,633	102,254
Net cash provided (used) by capital and related financing activities	<u>(598,134)</u>	<u>-</u>	<u>(598,134)</u>	<u>(946,897)</u>
Cash Flows from Investing Activities:				
Interest on cash and investments	33,338	40	33,378	44,018
Purchase of investments	(2,000,000)	-	(2,000,000)	(3,000,000)
Net cash provided (used) by investing activities	<u>(1,966,662)</u>	<u>40</u>	<u>(1,966,622)</u>	<u>(2,955,982)</u>
Net increase (decrease) in cash and cash equivalents	(3,554,060)	5,176	(3,548,884)	(2,912,423)
Cash and cash equivalents, July 1, 2016	5,837,161	414,908	6,252,069	5,648,890
CASH AND CASH EQUIVALENTS, JUNE 30, 2017	<u>\$ 2,283,101</u>	<u>\$ 420,084</u>	<u>\$ 2,703,185</u>	<u>\$ 2,736,467</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 761,432	\$ (2,005,181)	\$ (1,243,749)	\$ 379,842
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	381,003	10,444	391,447	878,962
Change in assets and liabilities:				
Receivables	(12,407)	-	(12,407)	(538,964)
Inventories	-	-	-	(9,559)
Due to other funds	-	-	-	200,000
Pension obligation and related deferrals	101,836	15,780	117,616	19,586
Account and accrued payables	92,762	29,747	122,509	(139,098)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,324,626</u>	<u>\$ (1,949,210)</u>	<u>\$ (624,584)</u>	<u>\$ 790,769</u>

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

<u>ASSETS</u>	Primary Government		
	Pension Funds	Private- purpose Trusts	Agency Funds
Cash and cash equivalents	\$ 13,272	\$ 112,032	\$ 882,529
Receivables:			
Interest	4,070	-	-
Investments at fair value			
Money market funds	132,577	-	-
Common stock	2,653,671	-	-
Mutual funds	2,779,993	1,070,929	-
Total assets	5,583,583	1,182,961	\$ 882,529
<u>LIABILITIES</u>			
Voucher and accounts payable	101	-	-
Payroll taxes and withholdings payable	-	-	\$ 882,529
Total liabilities	101	-	\$ 882,529
<u>NET POSITION</u>			
Net position restricted for pensions	\$ 5,583,482		
Held in trust for other purposes		\$ 1,182,961	

See accompanying notes to the basic financial statements

CITY OF PADUCAH, KENTUCKY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Pension Funds	Private- purpose Trusts
Additions:		
Contributions:		
Employer	\$ 457,637	\$ -
Plan members	4,001	-
Private donations	-	3,860
	<hr/>	<hr/>
Total contributions	461,638	3,860
	<hr/>	<hr/>
Investment income:		
Net increase (decrease) in fair value of investments	657,159	58,149
Interest and dividends	109,351	69,102
	<hr/>	<hr/>
Net investment income	766,510	127,251
	<hr/>	<hr/>
Total additions	1,228,148	131,111
	<hr/>	<hr/>
Deductions:		
Benefits	1,236,611	-
Capital outlay	-	41,578
Administrative expenses	52,315	13,342
	<hr/>	<hr/>
Total deductions	1,288,926	54,920
	<hr/>	<hr/>
Change in net position	(60,778)	76,191
Net position - beginning	5,644,260	1,106,770
	<hr/>	<hr/>
Net position - ending	<u>\$ 5,583,482</u>	<u>\$ 1,182,961</u>

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note 1 - Summary of Significant Accounting Policies:

General Statement

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

Financial Reporting Entity

The City operates under a City Manager form of government. The Board of Commissioners consists of a Mayor and four Commissioners elected at large by the citizens on a non-partisan basis. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Paducah (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Blended Component Units

Police and Firefighters' Pension Fund – This retirement fund was established for the benefit of the police and firemen of the City. It is administered by a Board of Trustees consisting of the Mayor, City Finance Director and representatives of the Police and Fire Departments. The Board is authorized to establish benefit levels and to approve actuarial assumptions used in the determination of contribution levels. The pension fund is reported as a fiduciary fund and does not issue separate financial statements.

Discretely Presented Component Units

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

Paducah Water Works – The City of Paducah Water Works Commission is appointed by the Mayor. The rates for user charges and bond issuance authorizations are subject to approval by the City Commission of the City of Paducah.

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

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

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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's Community College System which is now administered by the Kentucky Community and Technical College System. Under this system, the Community College System receives the monies from student tuition, fees and other related income and provides the financing for the operational budget of the College. A tax levied and collected by the City is a primary revenue source for the College. These funds, as well as gifts and grants made to the College, may be used for the acquisition or improvement of property or to finance programs beyond the level of those normally provided by community colleges in the University of Kentucky system. PJC is a legally separate entity and is not financially accountable to the City.

Mainstreet – Mainstreet is a 501(c)3 established for the promotion of cultural and economic growth in Downtown Paducah. Mainstreet is a legally separate entity and is not financially accountable to the City.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note 1 - Summary of Significant Account Policies:

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditure or expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund – To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

Special Revenue Investment Fund – To account for restricted funds from employee license fee used for economic development, community redevelopment and infrastructure capital investments within Paducah.

General Capital Improvements – To account for the acquisition or construction of major capital projects other than those financed by proprietary fund operations and special assessments.

Debt Service Fund – To account for the accumulation of resources and payment of bond and note principal and interest, and capital lease activity.

The City has presented the following major proprietary fund:

Solid Waste Fund – To account for the provision of refuse services to the residents of the City.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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 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)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note 1 - Summary of Significant Account Policies:

Basis of Accounting

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

All proprietary, pension, and private-purpose funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of year end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include employee license taxes, property taxes, grants, entitlements, and donations. The City considers property taxes as available if they are collected within sixty days after year end. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The revenues susceptible to accrual are taxes, intergovernmental, employer and employees’ contributions to trust funds, interest revenue, and charges for services. Permit revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Unearned revenue

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

Allocation of Indirect Expenses

The City allocates indirect expenses primarily comprised of fleet management services and various self-funded insurance coverage provided to departments and employees of the City not directly allocated. Allocations are charged to functions based on use by weighted-average methodology.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017.

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)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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 \$65,675 held for consumption and real property of \$525,732 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)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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, work of art capital assets received in a service concession arrangement which are recorded at their acquisition 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, \$3,000 or more after June 24, 2009 and \$5,000 or more after June 30, 2016. 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 pension related 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)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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 <u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2017</u>
Governmental Activities				
Deferred outflows of resources				
<i>Deferred charge on refunding</i>	\$ <u>320,723</u>	\$ <u>-</u>	\$ <u>(59,181)</u>	\$ <u>261,542</u>
<i>Deferred pension contributions</i>	\$ 2,479,961	\$ 2,913,960	\$ (2,479,961)	\$ 2,913,960
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	109,688	-	(28,270)	81,418
<i>Differences between expected and actual experience</i>	644,615	-	(188,176)	456,439
<i>Change of assumptions</i>	3,354,940	-	(1,079,105)	2,275,835
<i>Difference between projected and actuarial earnings</i>	<u>2,787,801</u>	<u>3,942,600</u>	<u>(3,174,816)</u>	<u>3,555,585</u>
<i>Pension related deferred outflows</i>	<u>\$ 9,377,005</u>	<u>\$ 6,856,560</u>	<u>\$ (6,950,328)</u>	<u>\$ 9,283,237</u>
Deferred inflows of resources				
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	\$ 246,218	\$ 643,602	\$ (256,676)	\$ 633,144
<i>Difference between projected and actuarial earnings</i>	<u>2,421,257</u>	<u>397,061</u>	<u>(2,621,567)</u>	<u>196,751</u>
<i>Pension related deferred inflows</i>	<u>\$ 2,667,475</u>	<u>\$ 1,040,663</u>	<u>\$ (2,878,243)</u>	<u>\$ 829,895</u>
Business-Type Activities				
Deferred outflows of resources				
<i>Deferred pension contributions</i>	\$ 125,218	\$ 139,148	\$ (125,218)	\$ 139,148
<i>Differences between expected and actual experience</i>	15,660	-	(6,551)	9,109
<i>Change of assumptions</i>	190,023	-	(79,492)	110,531
<i>Difference between projected and actuarial earnings</i>	<u>16,892</u>	<u>219,714</u>	<u>(40,455)</u>	<u>196,151</u>
<i>Pension related deferred outflows</i>	<u>\$ 347,793</u>	<u>\$ 358,862</u>	<u>\$ (251,716)</u>	<u>\$ 454,939</u>
Deferred inflows of resources				
<i>Unavailable revenues – property taxes</i>	<u>\$ 5,023,063</u>	<u>\$ 5,846,122</u>	<u>\$ (5,023,063)</u>	<u>\$ 5,846,122</u>
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	<u>\$ 39,796</u>	<u>\$ 53,917</u>	<u>\$ (31,217)</u>	<u>\$ 62,496</u>
<i>Pension related deferred inflows</i>	<u>\$ 39,796</u>	<u>\$ 53,917</u>	<u>\$ (31,217)</u>	<u>\$ 62,496</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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.

Accrued Leave

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)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Section Eight Housing Choice Voucher Program	Subsidize Rental Costs for Low-Income Families
FEMA - Disaster Grants	Debris Removal and Disaster Recovery
HOME Investment Partnerships Grant	Construction of Low-income Rental Units
Emergency Communication Revenue	E-911 Emergency Services
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, 2017, 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 21, 2017, the date financial statements were available to be issued.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017, are as follows:

<u>Description</u>	<u>Date</u>
Assessment and enforceable lien	January 1, 2016
Levy	September 27, 2016
Face value amount payment dates	1 st half by November 1, 2016 2 nd half by February 1, 2017
Delinquent date - 10% penalty plus 1/2% per month	1 st half - November 30, 2016 2 nd half - February 28, 2017

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, 2017, the City's only cash and cash equivalents were demand deposits. At year end, the carrying amount and the bank balance of the City's cash and cash equivalents were \$25,579,477 and \$25,793,996, respectively.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note 3 - Detail Notes on Transaction Classes/Accounts:

Investments

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The three levels of the fair value hierarchy are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs (other than quoted prices included within Level 1) that are observable for the asset or liability – either directly or indirectly.
- Level 3: Unobservable inputs – market data are not available and are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The City has the following fair value measurements as of June 30, 2017 :

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Average Credit Quality/ Rating (1)</u>	<u>Fair Value</u>			<u>Weighted Average Maturity Years (2)</u>
			<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Governmental and Business Funds						
Certificates of deposits	\$10,000,000	NA	-	\$10,000,000	-	0.90
Fiduciary and Private Purpose Trust Funds						
Money market funds	\$ 132,577	NA	\$ 132,577	\$ -	\$ -	NA
Common stock	2,653,671	NA	2,653,671	-	-	NA
Real estate investment trust	256,000	NA	-	-	256,000	NA
Mutual funds	<u>3,594,922</u>	NA	3,594,922	-	-	NA
TOTAL FIDUCIARY AND PRIVATE PURPOSE TRUST FUNDS	<u>\$16,637,170</u>					

(1) Ratings are provided where applicable to indicate associated Credit Risk. NA indicates not applicable. NR indicates that instrument is not rated.

(2) Maturities are provided for debt instruments with maturity dates. NA indicates not applicable.

Investment Policies

City Policy

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the City's investing activities are managed under the custody of the City's Finance Director. Investing is performed in accordance with investment policies adopted by the City Commission complying with State Statutes. In accordance with the City's investment policy and the State Statutes, the City may invest funds temporarily in excess of operating needs in the following:

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note 3 - Detail Notes on Transaction Classes/Accounts:

Investment Policies

City Policy

Kentucky Revised Statutes (KRS 66.480) authorize the City to invest in:

1. Obligations of the U.S. Treasury, agencies, and instrumentalities, including obligations subject to repurchase agreements, provided delivery of obligations subject to repurchase agreements are held by the City or through an authorized agent;
2. Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency;
3. Obligations of any corporation of the United States government;
4. Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities;
5. Certificates of deposit 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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note 3 - Detail Notes on Transaction Classes/Accounts:

Investment Policies

Pension Trust Policy

Asset allocation guideline for the plan is as follows:

	<u>PFPF Retirement Plan</u>		
	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Equities	45%	55%	65%
Fixed income	35%	45%	55%

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

Interest rate risk is addressed by the policy requiring the plan manager(s) to maintain both diversification and a predictable and dependent source of current income. Fixed income investments are flexibly allocated among maturities of different lengths.

Private Purpose Trust

The private purpose trust does not have a formal investment policy. The City established the trust in accordance with Kentucky Revised Statutes. The trust provides for an investment manager who has full discretion of assets allocated to him subject to the provisions of the trust agreement. The trust invests in domestic and international mutual funds, fixed income securities, U.S. treasury securities, and cash and equivalents.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note 3 - Detail Notes on Transaction Classes/Accounts:

Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

Primary Government:	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2017</u>
Capital assets, not being depreciated:				
Land	\$10,393,332	\$ -	\$ 16,500	\$10,376,832
Construction-in-progress	<u>13,293,457</u>	<u>7,763,328</u>	<u>1,047,404</u>	<u>20,009,381</u>
Total capital assets, not being depreciated	<u>23,686,789</u>	<u>7,763,328</u>	<u>1,063,904</u>	<u>30,386,213</u>
Capital assets, being depreciated:				
Land improvements	12,901,662	422,189	-	13,323,851
Buildings and improvements	19,034,719	525,215	173,197	19,386,737
Infrastructure	41,625,986	131,087	-	41,757,073
Equipment	8,411,539	596,116	165,874	8,841,781
Furnishings and fixtures	215,936	13,140	7,735	221,341
Vehicles	<u>9,160,408</u>	<u>825,614</u>	<u>651,328</u>	<u>9,334,694</u>
Totals at historical cost	<u>91,350,250</u>	<u>2,513,361</u>	<u>998,134</u>	<u>92,865,477</u>
Less accumulated depreciation:				
Land improvements	3,151,930	760,814	-	3,912,744
Buildings and improvements	13,204,462	386,479	130,269	13,460,672
Infrastructure	30,749,909	1,076,883	-	31,826,792
Equipment	6,736,019	375,832	165,874	6,945,977
Furnishings and fixtures	203,394	3,344	7,735	199,003
Vehicles	<u>5,374,307</u>	<u>848,961</u>	<u>633,489</u>	<u>5,589,779</u>
Total accumulated depreciation	<u>59,420,021</u>	<u>3,452,313</u>	<u>937,367</u>	<u>61,934,967</u>
Total capital assets, being depreciated, net	<u>31,930,229</u>	<u>(938,952)</u>	<u>60,767</u>	<u>30,930,510</u>
PRIMARY GOVERNMENT				
ACTIVITIES CAPITAL				
ASSETS, NET	<u>\$55,617,018</u>	<u>\$ 6,824,376</u>	<u>\$1,124,671</u>	<u>\$61,316,723</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note 3 - Detail Notes on Transaction Classes/Accounts:

Capital Assets

Depreciation expense was charged to governmental activities as follows:

General government:	
General administration	\$ 271,320
Planning	19,922
Information systems	7,857
Fleet maintenance	<u>5,623</u>
Total general government	<u>304,722</u>
Public safety:	
Police	216,054
Fire	80,723
Grants	1,558
Emergency 911	26,009
Court awards	3,214
Fleet Lease Trust	<u>873,339</u>
Total public safety	<u>1,200,897</u>
Public service:	
Public works	40,410
Engineering	<u>24,011</u>
Total public service	<u>64,421</u>
Parks and recreation	<u>802,675</u>
Planning and development:	
Infrastructure	1,077,727
Grants	<u>1,871</u>
Total planning and development	<u>1,079,598</u>
TOTAL DEPRECIATION EXPENSE – GOVERNMENTAL ACTIVITIES	<u>\$3,452,313</u>

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

Solid Waste Fund	\$ 381,003
Section Eight Housing	423
Civic Center	<u>10,021</u>
TOTAL DEPRECIATION EXPENSE – BUSINESS-TYPE ACTIVITIES	<u>\$ 391,447</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note 3 - Detail Notes on Transaction Classes/Accounts:

Capital Assets

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 62,152	\$ -	\$ -	\$ 62,152
Total capital assets, not being depreciated	<u>62,152</u>	<u>-</u>	<u>-</u>	<u>62,152</u>
Capital assets, being depreciated:				
Buildings and improvements	571,759	-	-	571,759
Equipment	1,516,052	136,521	89,201	1,563,372
Vehicles	2,921,255	739,246	667,748	2,992,753
Totals at historical cost	<u>5,009,066</u>	<u>875,767</u>	<u>756,949</u>	<u>5,127,844</u>
Less accumulated depreciation:				
Buildings and improvements	300,435	16,327	-	316,762
Equipment	1,155,404	122,078	78,980	1,198,502
Vehicles	1,936,651	253,042	667,748	1,936,651
Total accumulated depreciation	<u>3,392,490</u>	<u>391,447</u>	<u>746,728</u>	<u>3,037,209</u>
Total capital assets, being depreciated, net	<u>1,616,576</u>	<u>484,320</u>	<u>10,221</u>	<u>2,090,675</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 1,678,728</u>	<u>\$ 484,320</u>	<u>\$ 10,221</u>	<u>\$ 2,152,827</u>
	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Discretely Presented Component Units:				
Capital assets, not being depreciated:				
Land & construction in progress	\$ 1,626,870	\$ 3,182,992	\$ -	\$ 4,809,862
Capital assets, being depreciated:				
Utility plant	87,917,041	2,746,299	2,348,969	88,314,371
Less accumulated depreciation:				
Utility plant	<u>37,963,019</u>	<u>2,179,062</u>	<u>2,308,055</u>	<u>37,834,026</u>
Total capital assets, being depreciated, net	<u>49,954,022</u>	<u>567,237</u>	<u>40,914</u>	<u>50,480,345</u>
COMPONENT UNIT CAPITAL ASSETS, NET	<u>\$ 51,580,892</u>	<u>\$ 3,750,229</u>	<u>\$ 40,914</u>	<u>\$ 55,290,207</u>

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

Paducah Water Works	<u>\$ 2,179,062</u>
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(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note 3 - Detail Notes on Transaction Classes/Accounts:

Accounts Payable

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

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, 2017, the governmental long-term liabilities consisted of the following:

General obligation bonds:	
Current portion	\$ 1,817,130
Noncurrent portion	<u>17,998,679</u>
TOTAL GENERAL OBLIGATION	
BOND COSTS, NET OF PREMIUMS AND DISCOUNTS	
	<u>\$ 19,815,809</u>
Note payable:	
Current portion	\$ 523,832
Noncurrent portion	<u>7,694,472</u>
TOTAL NOTE PAYABLE PAYMENTS	
	<u>\$ 8,218,304</u>
Accrued compensated absences:	
Current portion	\$ 1,318,470
Noncurrent portion	<u>796,309</u>
TOTAL ACCRUED COMPENSATED	
ABSENCES	
	<u>\$ 2,114,779</u>
Pension obligations:	
County Employee Retirement System	\$ 40,651,905
Appointive Employee's Pension Fund	73,259
Police and Firefighters Pension Plan	<u>3,590,779</u>
TOTAL PENSION OBLIGATIONS	
	<u>\$ 44,315,943</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note 3 - Detail Notes on Transaction Classes/Accounts:

Long-Term Liabilities

Business-type Activities

As of June 30, 2017, the long-term liabilities payable from proprietary fund resources consisted of the following:

Accrued compensated absences:	
Current portion	\$ 115,283
Noncurrent portion	<u>78,239</u>
TOTAL ACCRUED COMPENSATED ABSENCES	<u>\$ 193,522</u>
Pension obligations:	
County Employee Retirement System	<u>\$ 2,086,480</u>
TOTAL PENSION OBLIGATIONS	<u>\$ 2,086,480</u>

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)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2016, \$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%.

Community Financial Services Bank – On January 24, 2017, the city entered into an agreement in the amount of \$3,000,000 on behalf of the County of McCracken, Kentucky to finance improvements to the Julian Carroll Convention Center. The agreement matures on January 24, 2032 with interest rate of 1.98%.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017:

Type of Liability:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental activities:					
<i>General obligation bonds:</i>					
Floodwall Rehabilitation	\$ 1,990,271	\$ -	\$ (128,148)	\$ 1,862,123	\$ 132,130
Refinanced Pension	4,055,000	-	(395,000)	3,660,000	405,000
Refinanced Convention Center	4,955,000	-	(440,000)	4,515,000	450,000
Refinanced Rental Building	2,530,000	-	(300,000)	2,230,000	310,000
Public Pool Renovations	990,000	-	(65,000)	925,000	65,000
Economic Development	2,185,000	-	(145,000)	2,040,000	145,000
Refinancing Public Projects	4,805,000	-	(300,000)	4,505,000	310,000
Premiums	179,492	-	(22,684)	156,808	-
Discounts	<u>(94,667)</u>	-	<u>16,545</u>	<u>(78,122)</u>	-
<i>Total bonds payable</i>	<u>21,595,096</u>	-	<u>(1,779,287)</u>	<u>19,815,809</u>	<u>1,817,130</u>
<i>Notes payable:</i>					
Kentucky League of Cities	1,500,126	-	(190,510)	1,309,616	196,297
Kentucky Association of Counties	1,866,666	-	(115,000)	1,751,666	119,583
Margaret Hank Agreement	94,851	-	(46,917)	47,934	47,934
Murray State University Agreement	2,224,792	-	(115,704)	2,109,088	117,601
CFSB Agreement	-	<u>3,000,000</u>	-	<u>3,000,000</u>	<u>42,417</u>
<i>Total notes payable</i>	<u>5,686,435</u>	<u>3,000,000</u>	<u>(468,131)</u>	<u>8,218,304</u>	<u>523,832</u>
Pension Obligations	<u>41,221,575</u>	<u>6,006,015</u>	<u>(2,911,647)</u>	<u>44,315,943</u>	-
Accrued Compensated Absences	<u>2,083,261</u>	<u>1,330,693</u>	<u>(1,299,175)</u>	<u>2,114,779</u>	<u>1,318,470</u>
TOTAL GENERAL LONG- TERM LIABILITIES	<u>\$70,586,367</u>	<u>\$10,336,708</u>	<u>\$(6,458,240)</u>	<u>\$ 74,464,835</u>	<u>\$ 3,659,432</u>
Business-type activities:					
Pension Obligations	<u>\$ 1,884,418</u>	<u>\$ 327,280</u>	<u>\$ (125,218)</u>	<u>\$ 2,086,480</u>	-
Accrued compensated Absences	<u>173,919</u>	<u>99,129</u>	<u>(79,526)</u>	<u>193,522</u>	<u>115,283</u>
TOTAL BUSINESS LONG- TERM LIABILITIES	<u>\$ 2,058,337</u>	<u>\$ 426,409</u>	<u>\$ (204,744)</u>	<u>\$ 2,280,002</u>	<u>\$ 115,283</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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 investment in capital assets" for governmental activities is:

Net Capital Assets		\$61,316,723
<i>Less:</i>		
19.75% of the outstanding 2010B general obligation bonds	\$ (891,713)	
100% of the outstanding 2011 General obligation bonds	(2,230,000)	
Net of the County's portion	<u>1,560,857</u>	(1,560,856)
78% of the outstanding 2014A general obligation bonds		(3,513,900)
100% of the outstanding 2013A general obligation bonds		(925,000)
52% of the outstanding 2013B general obligation bonds		(1,060,800)
100% of the Margaret Hank Agreement		(47,933)
100% of the outstanding Kentucky League of Cities' note payable		<u>(1,309,616)</u>
Net investment in capital assets		<u>\$52,898,618</u>

Annual Debt Service Requirements

The annual debt service requirements to maturity for bonds and notes as of June 30, 2017, are as follows:

Year Ending June 30	Principal	Interest
2018	\$ 2,347,147	\$ 846,500
2019	2,362,480	777,766
2020	2,414,447	707,564
2021	2,484,711	633,046
2022	2,561,155	555,337
2023-2027	10,522,769	1,635,661
2028-2032	<u>5,341,404</u>	<u>320,928</u>
TOTALS	<u>\$28,034,113</u>	<u>\$ 5,476,802</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017, are as follows:

Accrued Compensated Absences

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accrued sick leave	\$ 715,692	\$ 77,693
Accrued vacation leave	<u>1,399,087</u>	<u>115,829</u>
Totals	2,114,779	193,522
Less current portion	<u>1,318,470</u>	<u>115,283</u>
LONG-TERM PORTION	<u>\$ 796,309</u>	<u>\$ 78,239</u>

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, 2017.

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, 2017, \$87,965 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, 2017, approval had not yet been granted. The County estimated post-closure care costs totaling \$4,125,000 or \$125,000 per year plus 10% for inflation. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. In the year ending June 30, 2001, the City entered into an inter-local agreement to share equally the costs for post-closure costs and, accordingly, has recorded a long-term liability for 50% of the estimated closure expense. It is anticipated that post-closure costs will be paid out of the Solid Waste Fund to the extent that funds are available with any excess costs being funded using long-term borrowing.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note 3 - Detail Notes on Transaction Classes/Accounts:

Interfund Transactions and Balances

Interfund transfers during the year ended June 30, 2017, were as follows:

	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
Governmental Funds:		
General Fund	\$ 576,488	\$2,747,237
Special Revenue Investment Fund	38,519	4,039,990
Capital Project Fund	6,316,818	126,308
Debt Service Fund	2,377,511	-
Nonmajor Governmental Funds	1,068,273	1,342,092
Internal Service Funds	199,687	-
Proprietary Funds:		
Solid Waste	-	2,372,292
Nonmajor Proprietary Funds	<u>50,623</u>	<u>-</u>
TOTALS	<u>\$10,627,919</u>	<u>\$10,627,919</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Significant transfers from the general fund transfers includes \$436,126 for E911 support; \$743,366 for debt service; and \$1,364,725 for capital projects. Significant transfers from the special revenue investment fund includes \$613,845 for municipal aid street resurfacing program; \$1,634,145 for debt service; and \$1,610,000 for capital projects. Significant transfers from solid waste fund include \$2,000,000 for capital project.

Due To/From Balances

Due to/from balances used to cover current operating expenses were as follows as of June 30, 2017:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 52,710	\$1,245,542
Special Revenue Investment Fund	1,245,542	-
General Capital Improvements Fund	-	-
Nonmajor Proprietary Funds	-	52,710
Internal Service Funds	<u>-</u>	<u>-</u>
TOTALS	<u>\$1,298,252</u>	<u>\$1,298,252</u>

Note 4 - Pension Plans - City of Paducah:

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

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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

Hazardous members:

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

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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:

	<u><i>Non-hazardous</i></u>		<u><i>Hazardous</i></u>
	<u>Required Contribution</u>		<u>Required Contribution</u>
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 18.68% for non-hazardous employees and 31.06% for hazardous employees for the year ended June 30, 2017.

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

At June 30, 2017, 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	\$ 14,999,861
City's hazardous proportionate share of the CERS net pension liability	<u>27,738,524</u>
 Total CERS net pension liability associated with the City	 <u>\$ 42,738,385</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2016, 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, 2017, the City's non-hazardous proportion was 0.304651% percent and hazardous proportion was 1.616519% percent.

For the year ended June 30, 2017, the City recognized pension expense of \$4,872,058 related to CERS pension plans. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the CERS pension plans from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 465,548	\$ -
Changes in assumptions	2,386,366	-
Net difference between projected and actual earnings on pension plan investments	3,750,135	-
Changes in proportion and differences between City contributions and proportionate share of contributions	81,418	695,640
City contributions subsequent to the Measurement date	<u>3,053,108</u>	<u>-</u>
Total	<u>\$ 9,736,575</u>	<u>\$ 695,640</u>

The City reported \$3,053,108 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, 2018. 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	
	<u>Hazardous</u>	<u>Non- Hazardous</u>
2017	\$ 1,111,774	\$ 636,212
2018	1,111,774	374,256
2019	1,474,038	498,396
2020	469,293	312,084

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017 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)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>2.0%</u>	(0.25%)
Total	<u>100.0%</u>	

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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.50%	7.50%	8.50%
Non-hazardous' proportionate share of net pension liability	\$18,692,257	\$14,999,861	\$11,834,744
Hazardous' proportionate share of net pension liability	\$34,847,677	\$27,738,524	\$21,874,704

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017. AEPF does not issue a separate, stand-alone report. Accordingly, the plan financial statements are included in this audit report.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017:

	PFPF	AEPF
Active participants	1	0
Beneficiaries	27	2
Retired participants	21	0
TOTAL PARTICIPANTS	49	2

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)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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:

<i>PFPF</i>	Total Pension Liability	Plan Net Position	Net Pension Liability
	<u>(a)</u>	<u>(b)</u>	<u>(a) – (b)</u>
Balance – June 30, 2016	\$ 9,893,474	\$ 5,644,261	\$ 4,249,213
Service cost	7,038	-	7,038
Interest expense	626,531	-	626,531
Experience losses (gains)	(278,063)	-	(278,063)
Change in assumptions	148,359	-	148,359
Contributions – City	-	436,575	(436,575)
Contributions – Members	-	4,001	(4,001)
Investment income	-	766,509	(766,509)
Benefits paid	(1,223,078)	(1,223,078)	-
Plan administrative expenses	-	(44,786)	44,786
Net change	<u>(719,213)</u>	<u>(60,779)</u>	<u>(658,434)</u>
Balance – June 30, 2017	<u>\$ 9,174,261</u>	<u>\$ 5,583,482</u>	<u>\$ 3,590,779</u>

<i>AEPF</i>	Total Pension Liability	Plan Net Position	Net Pension Liability
	<u>(a)</u>	<u>(b)</u>	<u>(a) – (b)</u>
Balance – June 30, 2016	\$ 95,226	\$ -	\$ 95,226
Service cost	-	-	-
Interest expense	5,308	-	5,308
Experience losses (gains)	(13,742)	-	(13,742)
Change in assumptions	-	-	-
Contributions – City	-	21,062	(21,062)
Contributions – Members	-	-	-
Investment income	-	-	-
Benefits paid	(13,533)	(13,533)	-
Plan administrative expenses	-	(7,529)	7,529
Net change	<u>(21,967)</u>	<u>-</u>	<u>(21,967)</u>
Balance – June 30, 2017	<u>\$ 73,259</u>	<u>\$ -</u>	<u>\$ 73,259</u>

For the year ended June 30, 2017, the City recognized pension expense of \$75,898 and \$191 related to PFPF and AEPF pension plans, respectively.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the PFPF and AEPF pension plans from the following sources:

	<u>PFPF</u>		<u>AEPF</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -	\$ -	\$ -
Changes in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>196,751</u>	<u>1,601</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ 196,751</u>	<u>\$ 1,601</u>	<u>\$ -</u>

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

	<u>Fiscal Year Ending June 30</u>	
	<u>PFPF</u>	<u>AEPF</u>
2018	\$ (99,304)	\$ 1,096
2019	9,506	431
2020	(27,541)	74
2021	(79,412)	-

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

Actuarial assumption

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

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note 4 - Pension Plans - City of Paducah:

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

Actuarial assumptions:

Investment rate of return	6.50% (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) 6.50% Effective July 1, 2017

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

PFPP	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, 2016 PFPP plan year, the assumed rate of return was 6.75%. Beginning with the July 1, 2017 plan year, the assumed rate of return was changed to 6.50%. For the AEPF July 1, 2016 and 2017 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, 2017 was as follows:

PFPP	6.50% - changed from 6.75% for the prior plan year.
AEPF	6.00%

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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	\$ 4,234,782	\$ 3,590,779	\$ 3,024,247
AEPF Net Pension Liability	\$ 77,411	\$ 73,259	\$ 69,513

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, 2017

	PFPF	AEPF	Total
Assets			
Cash and cash equivalents	\$ 13,272	\$ -	\$ 13,272
Receivables:			
Interest	4,070	-	4,070
Investments at fair value			
Money market accounts	132,577	-	132,577
Common stock	2,653,671	-	2,653,671
Real estate investment trust	256,000	-	256,000
Mutual funds	2,523,993	-	2,523,993
Total assets	5,583,583	-	5,583,583
Liabilities			
Vouchers and accounts payable	101	-	101
Net Position			
Held in trust for pension benefits	\$ 5,583,482	\$ -	\$ 5,583,482

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017

	<u>PFPF</u>	<u>AEPF</u>	<u>Total</u>
Additions:			
Contributions			
Employer	\$ 436,575	\$ 21,062	\$ 457,637
Plan members	4,001	-	4,001
Total contributions	<u>440,576</u>	<u>21,062</u>	<u>461,638</u>
Investments earnings:			
Net change in fair value of investments	657,159	-	657,159
Interest and dividends	109,351	-	109,351
Net investment earnings	766,510	-	766,510
Total additions	<u>1,207,086</u>	<u>21,062</u>	<u>1,228,148</u>
Deductions:			
Benefits	1,223,078	13,533	1,236,611
Administrative expenses	44,786	7,529	52,315
Total deductions	<u>1,267,864</u>	<u>21,062</u>	<u>1,288,926</u>
Change in net position	(60,778)	-	(60,778)
Net position - beginning	<u>5,644,260</u>	-	<u>5,644,260</u>
Net position - ending	<u>\$ 5,583,482</u>	<u>\$ -</u>	<u>\$ 5,583,482</u>

Note 5 - Component Unit Long-Term Liabilities:

Long-term liabilities of the discretely presented component units consist of the following at June 30, 2017:

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, 2017, are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>.25%</u> <u>Service</u> <u>Fee</u>	<u>R & M</u> <u>Reserve</u>	<u>Total</u>
2018	\$ 450,271	\$ 92,178	\$ 18,712	\$ 29,950	\$ 591,111
2019	455,532	86,971	17,584	29,950	590,037
2020	460,856	81,646	16,442	29,950	588,894
2021	466,250	76,252	15,287	29,950	587,739
2022	471,709	70,793	14,117	11,200	567,819
2023-2027	2,442,870	269,640	52,561	56,000	2,821,071
2028-2032	2,185,818	123,468	21,464	-	2,330,750
2033-2037	<u>664,003</u>	<u>32,374</u>	<u>4,626</u>	-	<u>701,003</u>
TOTALS	<u>\$7,597,309</u>	<u>\$833,322</u>	<u>\$160,793</u>	<u>\$187,000</u>	<u>\$8,778,424</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note 6 - Appropriations Deficit:

No departments that adopted budgets annually had excess expenditures over appropriations for the fiscal year ended June 30, 2017.

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, 2017, the most significant construction commitment were as follows:

	<u>Cumulative Costs Incurred</u>	<u>Estimated Total Costs</u>
Comprehensive Stormwater Master Plan Study	\$ 178,230	\$ 986,446
Riverfront Development – Phase 1b	8,267,257	8,300,000
City Hall Improvement – Phase I	<u>50,550</u>	<u>4,857,000</u>
	<u>\$ 8,496,037</u>	<u>\$14,143,446</u>

Note 8 - Risk Management and Litigation:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains coverage from commercial insurance companies to handle the risk of loss. There have been no decreases in insurance coverage from the prior year. There have been no settlements in excess of insurance coverage during the prior three years.

An analysis of claims activity is presented below:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Actual Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2014 - 2015	\$ -	\$ 32,834	\$ 32,834	\$ -
2015 - 2016	-	95,720	95,720	-
2016 - 2017	-	110,570	110,570	-

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017, that amount was \$2,769,785. 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 \$100,772 at June 30, 2017.

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
2014 - 2015	\$ 157,941	\$ 2,833,917	\$2,728,374	\$ 263,484
2015 - 2016	263,484	2,596,080	2,657,199	202,365
2016 - 2017	202,365	1,792,627	1,894,220	100,772

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 2017 totaled \$746,754.

The following is an analysis of property leased under these leases at June 30, 2017:

Land	\$ 480,000
Buildings	3,422,261
Equipment	<u>110,126</u>
Total	4,012,387
Less: accumulated depreciation	<u>(1,245,393)</u>
NET BOOK VALUE	<u>\$2,766,994</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note 9 - Lease Agreements:

Operating Leases

Depreciation expense for the year ended June 30, 2017, on leased property was \$81,466.

The following is a schedule of future minimum rental income from operating leases at June 30, 2017:

	<u>Lease Income</u>
2018	\$ 746,749
2019	746,749
2020	738,415
2021	535,435
2022	304,031
2023-2024	<u>578,000</u>
 TOTAL MINIMUM LEASE RECEIPTS	 <u>\$3,649,379</u>

Note 10 – Tax Abatements:

Developer Residential Property Tax Abatements –

The City of Paducah is authorized by Kentucky Revised Statutes Chapter 81A and City Ordinance 2002-10-6989 to enter into property tax abatement agreements for the purpose of subsidizing developers for their cost of infrastructure improvements associated with residential infill and annexation development. Tax reimbursements cannot exceed the cost of City-approved infrastructure associated with the development over the life of the agreement. The abatement is limited to the actual City of Paducah real estate property taxes collected in any given year attributed to a specific development area as outlined in the individual agreement with the City.

For the year ended June 30, 2017, the City abated property taxes totaling \$25,878 under this program, including the following tax abatement agreements:

Recipient	Development	Agreement Ordinance	Abatement Amount	
			Current Year	Inception to Date
Signature Homes of Paducah, LLC	Westwood Subdivision In-fill	2010-12-7768	\$11,922	\$62,136
Greenway Village, LLC	Greenway Village In-fill	2011-2-7789	\$13,956	\$27,333

Kentucky Business Investment (KBI) Program, KRS 154.32 –

The KBI Program provides income tax credits and wage assessments to new and existing manufacturing companies, and non-retail service companies that locate or expand operations in Kentucky. The Program can be set to last up to 10 years.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note 10 – Tax Abatements:

For the year ended June 30, 2017, the City rebated employee local payroll taxes totaling \$2,966 under this program, including the following resolutions:

Recipient	Start Date	Term	Authority	Payroll Tax Rebate Amount	
				Current Year	Inception to Date
Dippin' Dots, LLC	12-11-2016	10 yrs.	Resolution - 2014	\$2,966	\$2,966

Industrial Park West (IPW) – Ordinance 1997-2-5642 authorized the joint development of the IPW, for economic development purposes, as well as an inter-local agreement authorizing the city to share 50% of all payroll tax revenue generated in the Park. This agreement is good for 10 years after 97% of the park property is developed or 25 years (March 6, 2022), whichever is first.

For the year ended June 30, 2017, the City shared payroll tax revenue totaling \$105,830 under this agreement with McCracken County (“County”), as follows:

Payroll Tax Remitter	Start Date	Payroll Tax Revenue Shared	
		Current Year	Inception to Date
Coca Cola	September 2005	\$13,853	\$294,826
Genova	September 2014	\$21,609	\$35,253
H.T. Hackney	March 2012	\$24,952	\$116,238
Whitehall	December 2014	\$45,416	\$89,727

Information Age Park (IAP) – Ordinance 2005-11-7046 authorized an inter-local agreement between the City and County relating to payroll tax revenue generated in the Park. If the City invites the County to participate in the cost of an economic development project, the City will share 50% of all payroll tax revenue generated through the term of the agreement which expires February 13, 2021.

For the year ended June 30, 2017, the City shared payroll tax revenue totaling \$216,164 under this agreement with the County, as follows:

Payroll Tax Remitter	Start Date	Payroll Tax Revenue Shared	
		Current Year	Inception to Date
Lynx	March 2006	\$78,057	\$620,793
Ulrich	March 2006	\$13,656	\$152,939
Pepsi	December 2007	\$3,182	\$73,638
Marquette	March 2008	\$77,823	\$732,778
Teletech	December 2014	\$43,446	\$121,880

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note 10 – Tax Abatements:

AAA (Pebco) – Ordinance 2004-6-6824 authorized an inter-local agreement between the City and County relating to payroll tax revenue generated by the AAA Company on Coleman Road. The City and County partnered on an economic development project which calls for the City to share 50% of all payroll tax revenue generated at the AAA facility on Coleman Road for 25 years, through 2029.

For the year ended June 30, 2017, the City shared payroll tax revenue totaling \$11,374 under this agreement with the County, as follows:

Payroll Tax Remitter	Start Date	Payroll Tax Revenue Shared	
		Current Year	Inception to Date
AAA (Pebco)	July 2005	\$11,374	\$140,814

▪ **Other Local Economic Development Programs –**

In order to attract certain companies to the Paducah area, the City and County partnered together to construct facilities to house corporate operations in the Information Age Park (IAP) and the Industrial Park West (IPW).

For the year ended June 30, 2017, the City and County provided reduced rent for the following corporate recipients, totaling \$466,000:

Recipient	Location	Bldg. Size	Agreement Ordinance	FMV Rent	Rent Paid
Genova	5400 Commerce Drive	100,000 sf	2014-7-8162	\$425,000	\$289,000
Teletech	2301 McCracken Blvd.	30,000 sf	2012-11-7986	\$330,000	None

Note 11 – New Accounting Pronouncements:

The *Governmental Accounting Standards Board* issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* which is effective for the City beginning July 1, 2017. The total effect has yet to be determined but is expected to be significant.

CITY OF PADUCAH, KENTUCKY

REQUIRED SUPPLEMENTARY INFORMATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

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 Four Fiscal Years Ending June 30 (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 7,038	\$ 7,183	\$ 5,576	\$ 4,871
Interest	626,531	686,614	744,910	792,267
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(278,063)	(111,824)	(43,965)	150,977
Changes in assumptions	148,359	156,880	166,753	175,893
Benefit payments/refunds	(1,223,078)	(1,308,290)	(1,386,273)	(1,445,080)
Net change in total pension liability	(719,213)	(569,437)	(512,999)	(321,072)
Total pension liability - beginning	<u>9,893,474</u>	<u>10,462,911</u>	<u>10,975,910</u>	<u>11,296,982</u>
Total pension liability - ending (a)	<u>\$ 9,174,261</u>	<u>\$ 9,893,474</u>	<u>\$ 10,462,911</u>	<u>\$ 10,975,910</u>
Plan fiduciary net position				
Contributions - employer	\$ 436,575	\$ 420,352	\$ 391,468	\$ 420,834
Contributions - member	4,001	4,494	6,088	5,354
Net investment income	766,509	165,489	310,681	1,057,726
Benefit payments/refunds	(1,223,078)	(1,308,290)	(1,386,273)	(1,445,080)
Administrative expenses	(44,786)	(46,422)	(49,115)	(48,406)
Other	-	-	-	-
Net change in plan fiduciary net position	(60,779)	(764,377)	(727,151)	(9,572)
Plan fiduciary net position - beginning	<u>5,644,261</u>	<u>6,408,638</u>	<u>7,135,789</u>	<u>7,145,361</u>
Plan fiduciary net position - ending (b)	<u>\$ 5,583,482</u>	<u>\$ 5,644,261</u>	<u>\$ 6,408,638</u>	<u>\$ 7,135,789</u>
Net pension liability ending (a) - (b)	<u>\$ 3,590,779</u>	<u>\$ 4,249,213</u>	<u>\$ 4,054,273</u>	<u>\$ 3,840,121</u>
Plan fiduciary net position as a percentage of total pension liability	<u>61%</u>	<u>57%</u>	<u>61%</u>	<u>65%</u>
Covered-employee payroll	<u>\$ 50,009</u>	<u>\$ 56,175</u>	<u>\$ 76,102</u>	<u>\$ 66,928</u>
Net pension liability as a percentage of covered-employee payroll	<u>7180%</u>	<u>7564%</u>	<u>5327%</u>	<u>5738%</u>

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

CITY OF PADUCAH, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE APPOINTIVE EMPLOYEES' PENSION
TRUST FUND'S NET PENSION LIABILITY AND RELATED RATIOS
Last Four Fiscal Years Ending June 30 (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ -	\$ -	\$ -	\$ -
Interest	5,308	5,400	5,687	8,258
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	13,742	9,751	9,391	(30,605)
Changes in assumptions	-	-	-	-
Benefit payments/refunds	(13,533)	(19,856)	(19,856)	(21,152)
Net change in total pension liability	<u>5,517</u>	<u>(4,705)</u>	<u>(4,778)</u>	<u>(43,499)</u>
Total pension liability - beginning	<u>99,931</u>	<u>99,931</u>	<u>104,709</u>	<u>148,208</u>
Total pension liability - ending (a)	<u>\$ 105,448</u>	<u>\$ 95,226</u>	<u>\$ 99,931</u>	<u>\$ 104,709</u>
Plan fiduciary net position				
Contributions - employer	\$ 21,062	\$ 6,599	\$ -	\$ -
Contributions - member	-	-	-	-
Net investment income	-	53	264	598
Benefit payments/refunds	(13,533)	(19,856)	(19,856)	(21,152)
Administrative expenses	(7,529)	(7,539)	(7,533)	(7,483)
Other	-	-	-	-
Net change in plan fiduciary net position	<u>-</u>	<u>(20,743)</u>	<u>(27,125)</u>	<u>(28,037)</u>
Plan fiduciary net position - beginning	<u>-</u>	<u>20,743</u>	<u>47,868</u>	<u>75,905</u>
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,743</u>	<u>\$ 47,868</u>
Net pension liability ending (a) - (b)	<u>\$ 105,448</u>	<u>\$ 95,226</u>	<u>\$ 79,188</u>	<u>\$ 56,841</u>
Plan fiduciary net position as a percentage of total pension liability	<u>0.0%</u>	<u>0.0%</u>	<u>20.8%</u>	<u>45.7%</u>
Covered-employee payroll	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
Net pension liability as a percentage of covered-employee payroll	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>

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

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

Schedule of Contributions				
	2017	2016	2015	2014
Actuarially determined contribution	\$ 434,758	\$ 416,844	\$ 391,468	\$ 421,933
Contributions in relation to the actuarially determined contribution	436,575	420,352	391,468	420,834
Contribution deficiency (excess)	\$ (1,817)	\$ (3,508)	\$ -	\$ 1,099
 Covered-employee payroll	 \$ 50,009	 \$ 56,175	 \$ 76,102	 \$ 66,928
 Contributions as a percentage of covered-employee payroll	 873%	 748%	 514%	 629%
 Schedule of Investment Returns				
	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expenses	14.61%	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.

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

	Schedule of Contributions			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 19,856	\$ 19,856	\$ 15,734	\$ 10,779
Contributions in relation to the actuarially determined contribution	<u>21,062</u>	<u>6,599</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ (1,206)</u>	<u>\$ 13,257</u>	<u>\$ 15,734</u>	<u>\$ 10,779</u>
Covered-employee payroll	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
Contributions as a percentage of covered-employee payroll	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
	Schedule of Investment Returns			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	<u>0.00%</u>	<u>0.47%</u>	<u>0.75%</u>	<u>0.97%</u>

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

CITY OF PADUCAH, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST FOUR 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
<i>CERS Nonhazardous</i>					
2017	0.3047%	14,999,862	7,266,510	206.4246%	55.5028%
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%
<i>CERS Hazardous</i>					
2017	1.6165%	\$ 27,738,524	\$ 8,404,139	330.0579%	53.9483%
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.

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 pension contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	City's covered employee payroll	Contributions as a percentage of covered employee payroll
<u>CERS Nonhazardous</u>					
2017	\$ 1,098,317	\$ 1,098,317	\$ -	\$ 7,861,744	13.9704%
2016	\$ 902,501	\$ 902,501	\$ -	\$ 7,266,510	12.4200%
2015	\$ 937,029	\$ 937,029	\$ -	\$ 7,349,249	12.7500%
2014	\$ 1,027,423	\$ 1,027,423	\$ -	\$ 7,477,608	13.7400%
<u>CERS Hazardous</u>					
2017	\$ 1,954,791	\$ 1,954,791	\$ -	\$ 9,004,106	21.7100%
2016	\$ 1,702,679	\$ 1,702,679	\$ -	\$ 8,404,139	20.2600%
2015	\$ 1,741,930	\$ 1,741,930	\$ -	\$ 8,402,943	20.7300%
2014	\$ 1,799,856	\$ 1,799,856	\$ -	\$ 8,267,598	21.7700%

* 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 measurement date.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

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, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Grants	\$ 5,487,300	\$ 5,487,305	\$ 5
Interest	3,680	3,682	2
Property upkeep, rentals, sales and other	618,875	618,885	10
	<u>6,109,855</u>	<u>6,109,872</u>	<u>17</u>
Expenditures:			
Capital outlay	10,148,320	10,148,302	18
Excess (deficiency) of revenues over expenditures	<u>(4,038,465)</u>	<u>(4,038,430)</u>	<u>35</u>
Other Financing Sources (Uses):			
Operating transfers in	6,316,810	6,316,818	8
Operating transfers out	<u>(126,315)</u>	<u>(126,308)</u>	<u>(7)</u>
Total other financing sources	<u>6,190,495</u>	<u>6,190,510</u>	<u>1</u>
Net change in fund balance	<u>\$ 2,152,030</u>	2,152,080	<u>\$ 36</u>
Fund balance, July 1, 2016		<u>5,803,064</u>	
FUND BALANCE, JUNE 30, 2017		<u>\$ 7,955,144</u>	

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
DEBT SERVICE FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 701,775	\$ 636,772	\$ (65,003)
Property upkeep, rentals, sales and other	289,000	288,995	(5)
	990,775	925,767	(65,008)
Expenditures:			
Debt service:			
Principal requirement	2,513,695	2,244,361	269,334
Interest and fiscal requirement	955,300	810,917	144,383
	3,468,995	3,055,278	413,717
Excess (deficiency) of revenues over expenditures	(2,478,220)	(2,129,511)	348,709
Other Financing Sources (Uses):			
Operating transfers in	2,478,220	2,377,511	(100,709)
	2,478,220	2,377,511	(100,709)
Net change in fund balance	\$ -	248,000	\$ 248,000
Fund balance, July 1, 2016		750,824	
FUND BALANCE, JUNE 30, 2017		\$ 998,824	

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

**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, 2017

<u>ASSETS</u>	<u>Special Revenue Funds</u>		
	<u>Municipal Aid Program</u>	<u>Emergency Communication Service Fund</u>	<u>Court Awards Fund</u>
Cash and cash equivalents	\$ 665,970	\$ 310,800	\$187,697
Receivables, net:			
Accounts	46,827	136,566	-
TOTAL ASSETS	<u><u>\$ 712,797</u></u>	<u><u>\$ 447,366</u></u>	<u><u>\$187,697</u></u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Voucher and accounts payable	\$ 107,391	\$ 90,475	\$ 56,642
Accrued payroll and payroll taxes	-	29,774	-
Total liabilities	<u>107,391</u>	<u>120,249</u>	<u>56,642</u>
Fund Balances:			
Restricted for:			
Highway and streets	605,406	-	-
Public safety	-	-	131,055
Capital Improvements	-	-	-
Assigned for:			
Public safety	-	327,117	-
Total fund balances	<u>605,406</u>	<u>327,117</u>	<u>131,055</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 712,797</u></u>	<u><u>\$ 447,366</u></u>	<u><u>\$187,697</u></u>

See auditors report on pages 11-12.

Special Revenue Funds		Total Nonmajor Governmental Funds
CDBG Grant Fund	Bond Fund	
\$ -	\$ 1,624,457	\$ 2,788,924
-	-	183,393
<u>\$ -</u>	<u>\$ 1,624,457</u>	<u>\$ 2,972,317</u>
\$ -	\$ 92,213	\$ 346,721
-	-	29,774
<u>-</u>	<u>92,213</u>	<u>376,495</u>
-	-	605,406
-	-	131,055
-	1,532,244	1,532,244
<u>-</u>	<u>-</u>	<u>327,117</u>
<u>-</u>	<u>1,532,244</u>	<u>2,595,822</u>
<u>\$ -</u>	<u>\$ 1,624,457</u>	<u>\$ 2,972,317</u>

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds		
	Municipal Aid Program	Emergency Communication Service Fund	Court Awards Fund
Revenues:			
Taxes	\$ -	\$ 448,257	\$ -
Charges for services	-	313,705	-
Intergovernmental	503,850	-	-
Grants	-	-	18,441
Interest	5,382	1,821	1,213
Miscellaneous	-	427,132	-
Total revenues	<u>509,232</u>	<u>1,190,915</u>	<u>19,654</u>
Expenditures:			
Current operations:			
Public safety	-	1,591,402	35,817
Public service	1,684,762	-	-
Planning and development	-	-	-
Capital Outlay	-	-	-
Total expenditures	<u>1,684,762</u>	<u>1,591,402</u>	<u>35,817</u>
Excess (deficiency) of revenues over expenditures	<u>(1,175,530)</u>	<u>(400,487)</u>	<u>(16,163)</u>
Other Financing Sources (Uses):			
Proceeds of debt	-	-	-
Transfers in	632,147	436,126	-
Transfers out	-	(7,500)	-
Total other financing sources (uses)	<u>632,147</u>	<u>428,626</u>	<u>-</u>
Net change in fund balances	(543,383)	28,139	(16,163)
Fund balances, July 1, 2016	<u>1,148,789</u>	<u>298,978</u>	<u>147,218</u>
FUND BALANCES, JUNE 30, 2017	<u><u>\$ 605,406</u></u>	<u><u>\$ 327,117</u></u>	<u><u>\$ 131,055</u></u>

See auditors report on pages 11-12.

Special Revenue Funds		Total Nonmajor Governmental Funds
CDBG Grant Fund	Bond Fund	
\$ -	\$ -	\$ 448,257
-	-	313,705
-	-	503,850
209,000	-	227,441
-	5,737	14,153
-	-	427,132
<u>209,000</u>	<u>5,737</u>	<u>1,934,538</u>
-	-	1,627,219
-	-	1,684,762
209,000	-	209,000
-	138,901	138,901
<u>209,000</u>	<u>138,901</u>	<u>3,659,882</u>
-	(133,164)	(1,725,344)
-	3,000,000	3,000,000
-	-	1,068,273
-	(1,334,592)	(1,342,092)
-	1,665,408	2,726,181
-	1,532,244	1,000,837
-	-	1,594,985
<u>\$ -</u>	<u>\$ 1,532,244</u>	<u>\$ 2,595,822</u>

CITY OF PADUCAH, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL AID PROGRAM FUND
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 450,000	\$ 503,850	\$ 53,850
Interest	6,000	5,382	(618)
Total revenues	<u>456,000</u>	<u>509,232</u>	<u>53,232</u>
Expenditures:			
Public service	<u>2,023,000</u>	<u>1,684,762</u>	<u>338,238</u>
Excess (deficiency) of revenues over expenditures	<u>(1,567,000)</u>	<u>(1,175,530)</u>	<u>391,470</u>
Other Financing Sources (Uses):			
Operating transfers in	613,845	632,147	18,302
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>613,845</u>	<u>632,147</u>	<u>18,302</u>
Net change in fund balance	(953,155)	(543,383)	409,772
Fund balance, July 1, 2016	<u>1,148,789</u>	<u>1,148,789</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2017	<u><u>\$ 195,634</u></u>	<u><u>\$ 605,406</u></u>	<u><u>\$ 409,772</u></u>

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
EMERGENCY COMMUNICATION SERVICE FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Local contributions	\$ 360,000	\$ 448,257	\$ 88,257
Telephone surcharges	270,000	313,705	43,705
Interest	900	1,821	921
Miscellaneous	506,770	427,132	(79,638)
Total revenues	1,137,670	1,190,915	53,245
Expenditures:			
Public safety	1,748,780	1,591,402	157,378
Excess (deficiency) of revenues over expenditures	(611,110)	(400,487)	210,623
Other Financing Sources (Uses):			
Operating transfers in	618,610	436,126	(182,484)
Operating transfers out	(7,500)	(7,500)	-
Total other financing sources (uses)	611,110	428,626	(182,484)
Net change in fund balance	\$ -	28,139	\$ 28,139
Fund balance, July 1, 2016		298,978	
FUND BALANCE, JUNE 30, 2017		\$ 327,117	

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
COURT AWARDS FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Grants	\$ 25,000	\$ 18,441	\$ (6,559)
Interest	1,200	1,213	13
	26,200	19,654	(6,546)
Expenditures:			
Public safety	30,750	35,817	(5,067)
Excess (deficiency) of revenues over expenditures	(4,550)	(16,163)	(11,613)
Net change in fund balance	\$ (4,550)	(16,163)	\$ (11,613)
Fund balance, July 1, 2016		147,218	
FUND BALANCE, JUNE 30, 2017		\$ 131,055	

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
CDBG FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Grants	\$ 209,000	\$ 209,000	\$ -
Total revenues	<u>209,000</u>	<u>209,000</u>	<u>-</u>
Expenditures:			
Planning and development	<u>209,000</u>	<u>209,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):			
Operating transfers in	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, July 1, 2016		<u>-</u>	
FUND BALANCE, JUNE 30, 2017		<u>\$ -</u>	

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
BOND FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Grants	\$ -	\$ -	\$ -
Interest	-	5,737	5,737
	<hr/>	<hr/>	<hr/>
Total revenues	-	5,737	5,737
	<hr/>	<hr/>	<hr/>
Expenditures:			
Capital outlay	-	138,901	(138,901)
	<hr/>	<hr/>	<hr/>
Total expenditures	-	138,901	(138,901)
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	-	(133,164)	(133,164)
	<hr/>	<hr/>	<hr/>
Other Financing Sources (Uses):			
Proceeds of debt	8,350,000	3,000,000	(5,350,000)
Operating transfers in	-	-	-
Operating transfers out	(8,350,000)	(1,334,592)	7,015,408
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	1,665,408	1,665,408
	<hr/>	<hr/>	<hr/>
Net change in fund balance	<u>\$ -</u>	1,532,244	<u>\$ 1,532,244</u>
	<hr/>	<hr/>	<hr/>
Fund balance, July 1, 2016		-	
		<hr/>	
FUND BALANCE, JUNE 30, 2017		<u>\$ 1,532,244</u>	

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

NONMAJOR PROPRIETARY FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

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.

Transient Dock Fund – to account for the operation of the Transient Dock.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Section Eight Housing	Civic Center Fund	Transient Dock Fund	Total Nonmajor Enterprise Funds
Operating Revenues:				
Charges for services	\$ -	\$ 36,725	\$ -	\$ 36,725
Miscellaneous	4,038	-	-	4,038
Total operating income	<u>4,038</u>	<u>36,725</u>	<u>-</u>	<u>40,763</u>
Operating Expenses:				
Cost of sales and service	1,952,018	82,451	1,031	2,035,500
Depreciation and amortization	423	10,021	-	10,444
Total operating expenses	<u>1,952,441</u>	<u>92,472</u>	<u>1,031</u>	<u>2,045,944</u>
Operating income (loss)	<u>(1,948,403)</u>	<u>(55,747)</u>	<u>(1,031)</u>	<u>(2,005,181)</u>
Non-Operating Revenues (Expenses):				
Grants - program purpose	1,903,723	-	-	1,903,723
Interest and investment income	35	-	5	40
Total nonoperating revenues (expenses)	<u>1,903,758</u>	<u>-</u>	<u>5</u>	<u>1,903,763</u>
Income (loss) before contributions and transfers	<u>(44,645)</u>	<u>(55,747)</u>	<u>(1,026)</u>	<u>(101,418)</u>
Contributions and Operating Transfers:				
Transfers in	-	45,623	5,000	50,623
Transfers out	-	-	-	-
Total contributions and operating transfers	<u>-</u>	<u>45,623</u>	<u>5,000</u>	<u>50,623</u>
Change in net position	(44,645)	(10,124)	3,974	(50,795)
Net position - beginning	<u>38,814</u>	<u>201,445</u>	<u>-</u>	<u>240,259</u>
Net position - ending	<u><u>\$ (5,831)</u></u>	<u><u>\$191,321</u></u>	<u><u>\$ 3,974</u></u>	<u><u>\$ 189,464</u></u>

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Section Eight Housing	Civic Center Fund	Transient Dock Fund	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities:				
Cash received from customers	\$ -	\$ 36,725	\$ -	\$ 36,725
Payments to employees	(177,762)	-	-	(177,762)
Payments to internal service funds	-	(2,301)	-	(2,301)
Other receipts	4,038	-	-	4,038
Housing assistance and other payments	(1,728,832)	(80,047)	(1,031)	(1,809,910)
Net cash provided (used) by operating activities	<u>(1,902,556)</u>	<u>(45,623)</u>	<u>(1,031)</u>	<u>(1,949,210)</u>
Cash Flows from Noncapital Financing Activities:				
Grants - program purpose	1,903,723	-	-	1,903,723
Transfers from other funds	-	45,623	5,000	50,623
Transfers to other funds	-	-	-	-
Net cash provided (used) by noncapital financing activities	<u>1,903,723</u>	<u>45,623</u>	<u>5,000</u>	<u>1,954,346</u>
Cash Flows from Investing Activities:				
Interest on cash and investments	<u>35</u>	<u>-</u>	<u>5</u>	<u>40</u>
Net increase (decrease) in cash and cash equivalents	1,202	-	3,974	5,176
Cash and cash equivalents, July 1, 2016	<u>336,908</u>	<u>78,000</u>	<u>-</u>	<u>414,908</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2017	<u><u>\$ 338,110</u></u>	<u><u>\$ 78,000</u></u>	<u><u>\$ 3,974</u></u>	<u><u>\$ 420,084</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ (1,948,403)	\$ (55,747)	\$ (1,031)	\$ (2,005,181)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	423	10,021	-	10,444
Change in assets and liabilities:				
Unearned revenues	-	-	-	-
Pension obligation and related deferrals	15,780	-	-	15,780
Accounts payable and accrued expenses	29,644	103	-	29,747
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ (1,902,556)</u></u>	<u><u>\$ (45,623)</u></u>	<u><u>\$ (1,031)</u></u>	<u><u>\$ (1,949,210)</u></u>

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

INTERNAL SERVICE FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

**COMBINING FINANCIAL STATEMENTS
INTERNAL SERVICE FUNDS**

Fleet Maintenance – to account for costs of operating a maintenance facility for automotive equipment used by other City departments.

Fleet Lease Trust – to account for the financing of vehicle acquisitions provided by one department or agency to other departments or agencies of the government and to other governmental units, on a cost reimbursement basis.

Insurance Fund – to account for the costs of obtaining insurance for other City departments.

Health Insurance Fund – to account for the costs associated with the City's health insurance activities. The intent of the City of Paducah is that the cost of providing insurance coverage on a continuing basis be financed primarily through user charges.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Fleet Maintenance</u>	<u>Fleet Lease Trust</u>	<u>Insurance Fund</u>	<u>Health Insurance Fund</u>	<u>Combined Total</u>
Operating Revenues:					
Charges for services - internal	\$ 422,004	\$ 905,200	\$ 1,174,263	\$ 3,264,344	\$ 5,765,811
Charges for services - external	-	-	-	279,008	279,008
Total operating revenues	<u>422,004</u>	<u>905,200</u>	<u>1,174,263</u>	<u>3,543,352</u>	<u>6,044,819</u>
Operating Expenses:					
Vehicle maintenance	567,212	6,499	-	-	573,711
Administrative	-	48,518	-	535,190	583,708
Insurance premium, claims and medical	-	-	1,154,138	2,474,458	3,628,596
Depreciation	5,623	873,339	-	-	878,962
Total operating expenses	<u>572,835</u>	<u>928,356</u>	<u>1,154,138</u>	<u>3,009,648</u>	<u>5,664,977</u>
Operating income (loss)	<u>(150,831)</u>	<u>(23,156)</u>	<u>20,125</u>	<u>533,704</u>	<u>379,842</u>
Nonoperating Revenues and (Expenses):					
Interest and investment income	9	39,742	460	3,807	44,018
Gain (loss) on disposal of property and equipment	14,267	70,148	-	-	84,415
Total nonoperating revenues (expenses)	<u>14,276</u>	<u>109,890</u>	<u>460</u>	<u>3,807</u>	<u>128,433</u>
Income (loss) before transfers	<u>(136,555)</u>	<u>86,734</u>	<u>20,585</u>	<u>537,511</u>	<u>508,275</u>
Contributions and Transfers:					
Transfers in	164,276	-	35,411	-	199,687
Transfers out	-	-	-	-	-
Total contributions and operating transfers	<u>164,276</u>	<u>-</u>	<u>35,411</u>	<u>-</u>	<u>199,687</u>
Change in net position	27,721	86,734	55,996	537,511	707,962
Net position - beginning	<u>(406,764)</u>	<u>7,492,940</u>	<u>395,739</u>	<u>1,820,060</u>	<u>9,301,975</u>
Net position - ending	<u><u>\$(379,043)</u></u>	<u><u>\$7,579,674</u></u>	<u><u>\$ 451,735</u></u>	<u><u>\$ 2,357,571</u></u>	<u><u>\$10,009,937</u></u>

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Fleet Maintenance</u>	<u>Fleet Lease Trust</u>	<u>Insurance Fund</u>	<u>Health Insurance Fund</u>	<u>Combined Total</u>
Cash Flows from Operating Activities:					
Receipts from other funds for services	\$ 420,883	\$ 610,040	\$ 1,174,444	\$ 3,498,775	\$ 5,704,142
Payments to suppliers	(260,624)	-	-	-	(260,624)
Payments to employees	(329,440)	-	-	-	(329,440)
Insurance premium, claims and medical	-	-	(1,156,222)	(2,576,052)	(3,732,274)
Other payments	-	(55,846)	-	(535,189)	(591,035)
Net cash provided (used) by operating activities	<u>(169,181)</u>	<u>554,194</u>	<u>18,222</u>	<u>387,534</u>	<u>790,769</u>
Cash Flows from Noncapital Financing Activities:					
Transfers from other funds	164,276	-	35,411	-	199,687
Transfers to other funds	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	<u>164,276</u>	<u>-</u>	<u>35,411</u>	<u>-</u>	<u>199,687</u>
Cash Flows from Capital and Related Financing Activities:					
Proceeds from sale of capital assets	14,266	87,988	-	-	102,254
Purchase of capital assets	(7,328)	(1,041,823)	-	-	(1,049,151)
Net cash used by capital and related financing	<u>6,938</u>	<u>(953,835)</u>	<u>-</u>	<u>-</u>	<u>(946,897)</u>
Cash Flows from Investing Activities:					
Interest and dividends	9	39,742	460	3,807	44,018
Purchase of investments	-	(1,000,000)	(250,000)	(1,750,000)	(3,000,000)
Net cash used by investing activities	<u>9</u>	<u>(960,258)</u>	<u>(249,540)</u>	<u>(1,746,193)</u>	<u>(2,955,982)</u>
Net increase (decrease) in cash and cash equivalents	2,042	(1,359,899)	(195,907)	(1,358,659)	(2,912,423)
Cash and cash equivalents, July 1, 2016	303	3,239,796	406,270	2,002,521	5,648,890
CASH AND CASH EQUIVALENTS, JUNE 30, 2017	<u>\$ 2,345</u>	<u>\$ 1,879,897</u>	<u>\$ 210,363</u>	<u>\$ 643,862</u>	<u>\$ 2,736,467</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating income (loss)	\$(150,831)	\$ (23,156)	\$ 20,125	\$ 533,704	\$ 379,842
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	5,623	873,339	-	-	878,962
Change in assets and liabilities:					
Receivables	(1,121)	(495,160)	181	(42,864)	(538,964)
Inventories	(9,559)	-	-	-	(9,559)
Due from other funds	-	200,000	-	-	200,000
Pension obligation and related deferrals	19,586	-	-	-	19,586
Accounts payable and accrued expenses	(32,879)	(829)	(2,084)	(103,306)	(139,098)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (169,181)</u>	<u>\$ 554,194</u>	<u>\$ 18,222</u>	<u>\$ 387,534</u>	<u>\$ 790,769</u>

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

FIDUCIARY FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

**COMBINING FINANCIAL STATEMENTS
FIDUCIARY FUNDS**

Private-purpose Trust Funds

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

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS - PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2017

	Cemetery and Park Trusts
<u>ASSETS</u>	
Cash and cash equivalents	\$ 112,032
Investments at fair value	
Money market funds	-
Mutual funds	<u>1,070,929</u>
Total assets	<u>1,182,961</u>
<u>LIABILITIES</u>	
Accounts payable	<u>-</u>
<u>NET POSITION</u>	
Held in trust for other purposes	<u><u>\$ 1,182,961</u></u>

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS - PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Cemetery and Park Trusts</u>
Additions:	
Contributions:	
Intergovernmental revenues	\$ -
Private donations	3,860
Total contributions	<u>3,860</u>
Investment earnings:	
Change in fair value of investments	58,149
Interest and dividends	69,102
Net investment earnings	<u>127,251</u>
Total additions	<u>131,111</u>
Deductions:	
Capital outlay	41,578
Administrative expenses	13,342
Total deductions	<u>54,920</u>
Change in net position	76,191
Net position - beginning	<u>1,106,770</u>
Net position - ending	<u><u>\$ 1,182,961</u></u>

See auditors report on pages 11-12.

**COMBINING FINANCIAL STATEMENTS
FIDUCIARY FUNDS**

Agency Fund

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

CITY OF PADUCAH, KENTUCKY
AGENCY FUND
STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2017

Payroll Fund:	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
Assets:				
Cash and cash equivalents	<u>\$ 519,942</u>	<u>\$13,702,123</u>	<u>\$13,339,536</u>	<u>\$882,529</u>
Liabilities:				
Payroll taxes and withholdings payable	<u>\$ 519,942</u>	<u>\$13,702,123</u>	<u>\$13,339,536</u>	<u>\$882,529</u>

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

STATISTICAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being changed over time.	122-126
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and employee taxes.	127-132
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	133-136
Economic and Demographic Information These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	137-139
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	139-141

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									
	2017	2016	2015 (1)	2014	2013	2012	2011	2010 (2)	2009	2008
Governmental activities:										
Net Invested in Capital Assets	\$ 52,898,618	\$ 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
Restricted for:										
Program purposes	131,055	147,218	144,857	205,979	284,760	897,942	1,264,986	1,100,696	2,183,559	1,782,251
Capital projects	2,137,650	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
Unrestricted	(17,834,152)	(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
Total governmental activities net position	<u>\$ 37,333,171</u>	<u>\$ 24,362,615</u>	<u>\$ 19,712,327</u>	<u>\$ 55,601,018</u>	<u>\$ 48,490,497</u>	<u>\$ 42,874,959</u>	<u>\$ 44,387,863</u>	<u>\$ 45,479,337</u>	<u>\$ 46,383,801</u>	<u>\$ 48,010,217</u>
Business-type activities:										
Net Invested in Capital Assets	2,152,827	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
Restricted for:										
Program purposes	-	38,247	124,012	437,483	385,885	732,817	999,885	620,800	369,368	579,460
Unrestricted	1,513,281	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)
Total business-type activities net position	<u>\$ 3,666,108</u>	<u>\$ 4,911,203</u>	<u>\$ 4,291,060</u>	<u>\$ 5,484,932</u>	<u>\$ 5,046,887</u>	<u>\$ 5,287,711</u>	<u>\$ 5,338,898</u>	<u>\$ 4,090,466</u>	<u>\$ 3,126,880</u>	<u>\$ 2,423,470</u>
Primary government:										
Net Invested in Capital Assets	55,051,445	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
Restricted for:										
Program purposes	131,055	185,465	268,869	643,462	670,645	1,630,759	2,264,871	1,721,496	2,552,927	2,361,711
Capital projects	2,137,650	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
Unrestricted	(16,320,871)	(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
Total primary government net position	<u>\$ 40,999,279</u>	<u>\$ 29,273,818</u>	<u>\$ 24,003,387</u>	<u>\$ 61,085,950</u>	<u>\$ 53,537,384</u>	<u>\$ 48,162,670</u>	<u>\$ 49,726,761</u>	<u>\$ 49,569,803</u>	<u>\$ 49,510,681</u>	<u>\$ 50,433,687</u>

(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									
	2017	2016	2015 (1)	2014	2013	2012	2011	2010 (3)	2009	2008 (2)
Expenses										
<i>Governmental activities:</i>										
General government	\$ 8,652,987	\$ 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
Public safety	20,176,070	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
Public service	7,771,335	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
Parks and recreation	3,059,447	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
Planning and development	1,077,265	911,830	1,000,020	1,805,379	1,463,659	1,192,952	1,212,103	970,022	708,827	282,042
Interest on long-term debt	885,380	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
Total governmental activities expenses	<u>41,622,484</u>	<u>45,413,299</u>	<u>39,293,651</u>	<u>39,067,751</u>	<u>37,456,789</u>	<u>41,053,917</u>	<u>39,432,102</u>	<u>38,394,895</u>	<u>43,963,262</u>	<u>38,827,250</u>
<i>Business-type activities:</i>										
Solid Waste	3,902,907	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
Section Eight Housing	1,952,441	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	92,471	74,457	98,318	81,982	78,000	71,069	76,546	69,537	75,692	84,908
Transit Boat Dock	1,031	-	-	-	-	-	-	-	-	-
TISA	-	-	-	-	-	173,708	183,546	206,798	162,848	156,388
Total business-type activities expenses	<u>5,948,850</u>	<u>5,764,007</u>	<u>5,760,727</u>	<u>5,923,084</u>	<u>6,078,333</u>	<u>6,066,045</u>	<u>6,048,950</u>	<u>6,134,802</u>	<u>6,430,745</u>	<u>6,277,942</u>
Total primary government expenses	<u>\$ 47,571,334</u>	<u>\$ 51,177,306</u>	<u>\$ 45,054,378</u>	<u>\$ 44,990,835</u>	<u>\$ 43,535,122</u>	<u>\$ 47,119,962</u>	<u>\$ 45,481,052</u>	<u>\$ 44,529,697</u>	<u>\$ 50,394,007</u>	<u>\$ 45,105,192</u>
Program Revenue:										
<i>Governmental activities:</i>										
Charges for services:										
General government	\$ 1,650,034	\$ 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
Public safety	340,705	237,641	237,222	264,143	354,829	509,297	790,650	484,754	602,262	268,839
Public service	967,518	1,065,010	945,471	960,271	963,893	1,032,953	1,205,666	1,197,194	1,220,999	1,111,188
Parks and recreation	121,929	132,909	108,307	105,248	106,183	97,896	129,790	152,890	180,420	124,606
Planning and development	-	-	-	-	-	-	-	-	1,600	30,627
Operating grants and contributions	7,509,005	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
Capital grants and contributions	3,702,428	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
Total governmental activities program revenues	<u>14,291,619</u>	<u>12,883,090</u>	<u>5,736,998</u>	<u>12,558,678</u>	<u>8,183,246</u>	<u>5,877,407</u>	<u>7,031,333</u>	<u>6,032,076</u>	<u>10,318,313</u>	<u>5,589,364</u>
<i>Business-type activities:</i>										
Solid Waste	\$ 4,567,392	\$ 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
Section Eight Housing	-	-	-	-	-	-	-	-	-	-
Civic Center	36,725	40,148	43,486	41,266	38,265	34,038	33,766	32,455	38,577	32,932
TISA	-	-	-	-	-	99,603	138,797	148,158	148,291	143,833
Operating grants and contributions	1,962,125	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
Total business-type activities program revenues	<u>6,566,242</u>	<u>6,405,781</u>	<u>6,241,715</u>	<u>6,408,320</u>	<u>6,137,563</u>	<u>6,234,229</u>	<u>7,057,901</u>	<u>6,984,659</u>	<u>6,829,795</u>	<u>6,137,148</u>
Total primary government program revenues	<u>\$ 20,857,861</u>	<u>\$ 19,288,871</u>	<u>\$ 11,978,713</u>	<u>\$ 18,966,998</u>	<u>\$ 14,320,809</u>	<u>\$ 12,111,636</u>	<u>\$ 14,089,234</u>	<u>\$ 13,016,735</u>	<u>\$ 17,148,108</u>	<u>\$ 11,726,512</u>

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

	Fiscal Year									
	2017	2016	2015 (1)	2014	2013	2012	2011	2010 (3)	2009	2008 (2)
Net (Expense)/Revenue										
<i>Governmental activities</i>	\$ (27,330,865)	\$ (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)
<i>Business-type activities</i>	617,392	641,774	480,988	485,236	59,230	168,184	1,008,951	849,857	399,050	(140,794)
Total primary government net (expense)	<u>\$ (26,713,473)</u>	<u>\$ (31,888,435)</u>	<u>\$ (33,075,665)</u>	<u>\$ (26,023,837)</u>	<u>\$ (29,214,313)</u>	<u>\$ (35,008,326)</u>	<u>\$ (31,391,818)</u>	<u>\$ (31,512,962)</u>	<u>\$ (33,245,899)</u>	<u>\$ (33,378,680)</u>
General Revenues and Other Changes in Net Position										
<i>Governmental activities:</i>										
Taxes and licenses:										
Property taxes, levied for general purposes	4,996,242	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
Insurance premium tax	4,331,956	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
Gross receipts license tax	4,721,657	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
Employee license tax	20,803,763	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
Other taxes	2,933,407	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
Intergovernmental revenue	-	-	-	-	-	-	-	-	-	1,401,400
Unrestricted investment earnings	188,097	137,224	176,229	232,204	211,306	203,261	264,913	172,213	336,960	540,620
Miscellaneous	51,922	189,489	16,870	(482,137)	300,378	36,718	62,539	64,620	68,530	119,200
Insurance recoveries	-	-	-	-	-	27,448	410,462	-	-	-
Litigation settlement	-	-	-	-	-	-	(1,482,743)	-	-	-
Transfers in/out	2,274,377	137,582	194,014	212,128	485,138	270,620	(125,772)	(78,893)	(110,838)	(96,609)
Total governmental activities	<u>40,301,421</u>	<u>37,180,497</u>	<u>35,355,356</u>	<u>33,760,448</u>	<u>34,889,081</u>	<u>33,663,606</u>	<u>31,309,295</u>	<u>31,620,788</u>	<u>32,018,533</u>	<u>33,728,092</u>
<i>Business-type activities:</i>										
Unrestricted investment earnings	37,644	30,302	39,565	48,255	49,382	48,806	46,052	33,724	52,961	73,985
Miscellaneous	374,244	85,649	8,339	116,682	135,702	2,443	67,657	1,112	98,369	127,131
Transfers	(2,274,377)	(137,582)	(194,014)	(212,128)	(485,138)	(270,620)	125,772	78,893	110,838	96,609
Total business-type activities	<u>(1,862,489)</u>	<u>(21,631)</u>	<u>(146,110)</u>	<u>(47,191)</u>	<u>(300,054)</u>	<u>(219,371)</u>	<u>239,481</u>	<u>113,729</u>	<u>262,168</u>	<u>297,725</u>
Change in Net Position										
<i>Governmental activities:</i>	12,970,556	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
<i>Business-type activities:</i>	(1,245,097)	620,143	334,878	438,045	(240,824)	(51,187)	1,248,432	963,586	661,218	156,931
Total primary government	<u>\$ 11,725,459</u>	<u>\$ 5,270,431</u>	<u>\$ 2,133,581</u>	<u>\$ 7,689,420</u>	<u>\$ 5,374,714</u>	<u>\$ (1,564,091)</u>	<u>\$ 156,958</u>	<u>\$ 221,555</u>	<u>\$ (965,198)</u>	<u>\$ 647,137</u>

- (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									
	2017	2016	2015	2014	2013	2012	2011	2010 (2)	2009	2008 (1)
General Fund										
Unassigned	\$ 15,330,645	\$ 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
Total general fund	<u>\$ 15,330,645</u>	<u>\$ 13,198,126</u>	<u>\$ 12,549,232</u>	<u>\$ 12,694,610</u>	<u>\$ 12,311,565</u>	<u>\$ 11,321,438</u>	<u>\$ 10,940,121</u>	<u>\$ 10,208,678</u>	<u>\$10,311,490</u>	<u>\$ 9,416,427</u>
All Other Governmental Funds										
Nonspendable:										
Inventory	\$ 525,732	\$ 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
Restricted for:										
Program purposes	736,461	1,296,007	1,303,030	205,979	284,760	1,236,780	-	-	-	-
Capital improvements	1,532,244	-	1,269,045	2,168,201	1,301,421	286,276	-	-	-	-
Committed for:										
Capital improvements	2,387,922	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
Assigned for:										
Program purposes	1,325,941	1,049,802	951,296	802,692	752,691	472,235	683,578	1,402,731	1,634,547	1,193,968
Capital improvements	7,429,412	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
Total all other governmental funds	<u>\$ 13,937,712</u>	<u>\$ 10,167,455</u>	<u>\$ 10,832,099</u>	<u>\$ 9,639,877</u>	<u>\$ 9,319,455</u>	<u>\$ 7,212,766</u>	<u>\$ 6,658,329</u>	<u>\$ 10,815,358</u>	<u>\$ 8,018,090</u>	<u>\$ 7,431,137</u>

(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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Taxes	\$ 7,310,257	\$ 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
Licenses	30,360,825	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
Charges for services	964,766	884,259	848,971	851,080	815,791	817,607	811,590	846,087	866,688	835,105
Intergovernmental	1,140,622	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
Grants	6,476,765	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
Interest	144,079	115,922	148,411	199,583	175,371	162,580	205,837	121,246	225,251	419,103
Other	2,389,230	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
Total revenues	48,786,544	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
Expenditures:										
General government	4,881,298	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
Public safety	18,923,070	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
Public service	6,515,997	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
Parks and recreation	3,012,236	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
Planning and development	936,855	910,379	950,297	2,086,527	1,776,897	2,372,314	1,842,474	2,471,869	1,000,202	481,523
Other	393,812	441,742	247,878	640,452	766,847	516,534	486,239	847,188	514,488	520,611
Capital outlay	10,287,203	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
Debt service:										
Principal requirement	2,244,361	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
Debt issuance costs	-	-	51,461	109,292	-	-	-	-	-	-
Interest and fiscal requirement	810,917	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
Total expenditures	48,005,749	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
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	3,000,000	-	-	-	308,112	101,983	366,039	1,480,781	69,032	-
Capital lease	-	-	-	-	405,796	405,796	405,796	405,796	405,796	371,979
Transfers in	10,377,609	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
Transfers out	(8,255,627)	(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)
Total other financing sources (uses)	5,121,982	(70,431)	56,085	3,544,349	1,051,828	587,087	1,026,015	8,360,720	1,970,999	(472,652)
Net change in fund balances	\$ 5,902,777	\$ (15,750)	\$ 1,043,471	\$ 805,677	\$ 3,096,816	\$ 43,579	\$ (2,533,411)	\$ 2,856,889	\$ 1,482,016	\$ 286,245
Capital outlay (1)	\$ 8,180,134	\$ 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
Debt service as a percentage of noncapital expenditures	7.67%	7.47%	7.54%	7.37%	7.66%	6.84%	9.98%	6.02%	4.73%	5.54%

(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					
	Commercial	Residential							
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
2017	900,210,589	802,111,012	603,335,847	66,110,416	2,371,767,864	2,447,929,006	0.290	96.9%	76,161,142

Source: McCracken County Property Valuation Administrator

Notes: Property in McCracken county is reassessed once every four years on average.

TABLE 6
CITY OF PADUCAH, KENTUCKY
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS

Fiscal Year	City Direct Rates			McCracken Co. School Districts		City of Paducah School Districts		Paducah Junior College		McCracken County	
	General Fund		Total Direct Rate	Real Estate	Personal	Real Estate	Personal	Real Estate	Personal	Real Estate	Personal
	Real Estate	Personal									
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
2017	0.255	0.390	0.290	0.516	0.516	0.799	0.799	0.017	0.017	0.096	0.098

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

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

Taxpayer	2017		2008	
	(1) Assessed Valuation	(1) Percentage of Total Assessed Valuation	(2) Assessed Valuation	(2) Percentage of Total Assessed Valuation
Kentucky Oaks Mall	\$ 50,900,262	2.15%	\$ 50,900,262	2.88%
Paducah Medical Investors	13,440,090	0.57%	13,440,090	0.76%
Ducmall LLC	13,119,800	0.55%	14,374,800	0.81%
Woodstone Enterprises LP	12,429,000	0.52%		
Wal Mart Real Estate Business	10,646,400	0.45%	10,646,400	0.60%
Superior Care Homes Properties	10,000,000	0.42%		
Paducah Hospitality Partners	9,600,000	0.40%		
Sams Real Estate Business Trust	9,222,955	0.39%	9,222,955	0.52%
Computer Service Inc	9,083,185	0.38%	9,083,185	0.51%
Wal Mart Store	9,000,000	0.38%	9,000,000	0.51%
Olivet Church 1031 LLC			15,493,200	0.88%
Lourdes Medical Pavilion			15,982,400	0.90%
TOTALS	\$ 147,441,692	6.23%	\$ 148,143,292	8.37%

(1) Source - Property Valuation Administration; Assessed value as of January 1, 2016.

(2) Source - Property Valuation Administration; Assessed value as of January 1, 2007.

**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
2008	3,969,753	3,814,940	96.1%	150,346	3,965,286	99.9%
2009	4,195,148	4,017,032	95.8%	168,645	4,185,677	99.8%
2010	4,251,473	4,131,454	97.2%	108,778	4,240,232	99.7%
2011	4,190,003	4,110,973	98.1%	67,082	4,178,055	99.7%
2012	4,219,111	4,119,689	97.6%	87,461	4,207,150	99.7%
2013	4,432,408	4,334,698	97.8%	83,529	4,418,227	99.7%
2014	4,599,099	4,509,874	98.1%	71,039	4,580,913	99.6%
2015	4,722,507	4,644,522	98.3%	54,642	4,699,164	99.5%
2016	4,880,275	4,802,067	98.4%	41,768	4,843,835	99.3%
2017	4,988,651	4,888,303	98.0%	-	4,888,303	98.0%

(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
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%
2017	20,803,763	2.00%
	<u>181,422,237</u>	

(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

Taxpayers By Range	2017			
	Number of Filers	Percentage of Total	(1) Taxes Collected	Percentage of Total Employee License Tax
\$0 - \$50,000	2,504	97.62%	9,224,311	44.34%
\$50,001 - \$100,000	33	1.29%	2,394,902	11.51%
\$100,001 - \$500,000	25	0.97%	5,099,294	24.51%
Greater than \$500,000	3	0.12%	4,085,256	19.64%
TOTALS	2,565	100.00%	\$ 20,803,763	100.00%

Taxpayers By Range	2008			
	Number of Filers	Percentage of Total	(1) Taxes Collected	Percentage of Total Employee License Tax
\$0 - \$50,000	2,052	97.81%	8,707,672	52.66%
\$50,001 - \$100,000	27	1.29%	1,791,822	10.84%
\$100,001 - \$500,000	17	0.81%	3,595,858	21.75%
Greater than \$500,000	2	0.10%	2,440,190	14.76%
TOTALS	2,098	100.00%	\$ 16,535,542	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
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
2017	19,815,809	8,218,304	-	-	-	28,034,113	1.15	5.57%	1,120

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	Rental 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
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
2017	4,515,000	3,660,000	2,230,000	1,862,123	4,505,000	925,000	2,040,000	78,686	19,815,809	0.81	792

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements
(1) See Table 5 for estimated actual property value. This ratio is calculated using estimated property value for the prior year
(2) See Table 16 for population data.

TABLE 13
CITY OF PADUCAH, KENTUCKY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2017

	Reported Debt Outstanding	(1) Percentage Applicable to the City	Estimated Share of Direct and Overlapping Debt
City of Paducah	<u>\$ 28,034,113</u>	100.00%	<u>\$ 28,034,113</u>
Paducah Independent School District	46,038,900 *	100.00%	46,038,900
McCracken County	17,459,381 *	45.70%	7,978,937
McCracken County Board of Education	<u>60,116,953 *</u>	<u>31.80%</u>	<u>19,117,191</u>
Overlapping debt	<u>123,615,234</u>		<u>73,135,028</u>
TOTAL DIRECT AND OVERLAPPING DEBT	<u><u>\$ 151,649,347</u></u>		<u><u>\$ 101,169,141</u></u>

(1) Applicable percentage is determined by ratio of assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in reporting unit.

* Information from finance office at each location.

TABLE 14
CITY OF PADUCAH, KENTUCKY
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

Net assessed value		\$ 2,371,767,864
Add exemption		<u>76,161,142</u>
Total assessed value		<u>\$ 2,447,929,006</u>
Debt limit - 10% of total assessed (1)		\$ 244,792,901
Debt outstanding:		
General obligation bonds outstanding	\$ 19,815,809	
Note payable	8,218,304	
Less debt not subject to limit	<u>-</u>	
Gross bonded debt	28,034,113	
Less amount available in debt service funds	<u>1,022,907</u>	
Net bonded indebtedness subject to limit		<u>27,011,206</u>
LEGAL DEBT MARGIN		<u><u>\$ 217,781,695</u></u>

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Debt limit	<u>\$ 244,792,901</u>	<u>\$ 239,483,487</u>	<u>\$ 233,374,672</u>	<u>\$ 227,059,775</u>	<u>\$ 221,497,836</u>	<u>\$ 212,207,634</u>	<u>\$ 210,312,025</u>	<u>\$ 207,696,169</u>	<u>\$ 206,945,061</u>	<u>\$ 197,015,689</u>
Total net debt applicable to limit	<u>27,011,206</u>	<u>26,489,770</u>	<u>28,769,092</u>	<u>30,721,830</u>	<u>28,966,286</u>	<u>30,936,733</u>	<u>29,716,418</u>	<u>31,377,263</u>	<u>24,893,656</u>	<u>20,561,255</u>
LEGAL DEBT MARGIN	<u><u>\$ 217,781,695</u></u>	<u><u>\$ 212,993,717</u></u>	<u><u>\$ 204,605,580</u></u>	<u><u>\$ 196,337,945</u></u>	<u><u>\$ 192,531,550</u></u>	<u><u>\$ 181,270,901</u></u>	<u><u>\$ 180,595,607</u></u>	<u><u>\$ 176,318,906</u></u>	<u><u>\$ 182,051,405</u></u>	<u><u>\$ 176,454,434</u></u>
Total net debt applicable to the limited as a percentage of debt limit	11.03%	11.06%	12.33%	13.08%	14.58%	14.13%	15.11%	12.03%	10.44%	11.82%

(1) "Cities shall not be authorized or permitted to incur indebtedness to an amount, including existing indebtedness, in the aggregate exceeding the following names maximum percentages on the value of the taxable property therein, to be estimated by the assessment previous to the incurring of the indebtedness: Cities of the first and second classes, and of the third class having a population exceeding fifteen hundred, ten per centum."

**TABLE 15
CITY OF PADUCAH, KENTUCKY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	(1) Population	(1) Personal Income	(1) Per Capita Income	(1) Median Age	(2) School Enrollment	(3) Unemployment Rate
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%
2016-2017	25,024	503,179,300	20,430	41.4	3,132	6.8%

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**

Employer	2017		2008	
	Employees (1)	Percentage of Total Employment (2)	Employees (1)	Percentage of Total Employment (2)
Western Baptist Hospital	1,710	6.13%	1,700	5.66%
Lourdes Hospital	1,450	5.20%	1,400	4.66%
Wal Mart	925	3.32%	1,200	4.00%
Paducah Public Schools	546	1.96%	600	2.00%
West Kentucky Community and Technical College	490	1.76%	380	1.27%
City of Paducah	395	1.42%	340	1.13%
State of Kentucky	340	1.22%	390	1.30%
Computer Services, Inc.	275	0.99%		
Parkview Convalescent Center	250	0.90%		
Paxton Media Group	190	0.68%	290	0.97%
LYNX Services			360	1.20%
NRE Acquisitions			220	0.73%
TOTALS	6,571	23.57%	6,880	22.92%

(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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<i>Governmental Activities</i>										
General government										
General administration	12	11	11	11	12	12	12	12	12	12
Finance	11	11	11	11	11	11	14	14	17	14
Inspection	0	0	0	0	0	11	11	10	13	13
Information systems	5	5	5	5	6	6	6	6	4	4
Risk/Human resources	4	3	3	3	3	3	1	1	1	4
Public safety										
Police	87	87	87	87	88	90	90	90	93	93
Fire	76	76	76	76	74	64.5	64	65	69	69
Public service										
Streets	21.2	21	21	20	20	23	23	23	29	29
Facilities	12.8	12.5	12.5	13.5	13.5	11.5	14	34	36	35
Engineering	5.8	6.6	6.6	6.6	7.6	7.6	7	5	8	9
E911**	22	0	0	0	0	0	0	0	0	0
Other	5	5	5	5	5	5	6	4	6	6
Parks and recreation	25	25	25	24	24	24	24	7	7	7
Planning and development	11	10	10	9	9	9	9	9	10	11
Other										
Paducah Riverfront Dev. Authority	0	1	1	1	1	1	0	0	0	0
Renaissance	0	0	0	3	3	4	5	3	5	0
Fleet maintenance	6.5	6.5	6.5	6.5	6.5	6.5	6.5	8	6	7
<i>Business-type Activities</i>										
Solid waste	25.7	25.4	25.4	25.4	25.4	25.4	26	27	27	27
TOTAL PRIMARY GOVERNMENT	330	306	306	307	309	314.5	318	318	343	340

* Employee budget census.

** E911 became a City department effective 7/1/16.

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General government										
Building and electrical permits issued	1,285	1,344	1,175	1,251	1,202	1,232	1,239	1,263	1,179	1,203
Business licenses issued	4,234	3,826	3,729	3,717	3,966	3,956	3,254	3,397	3,691	3,507
Public safety										
Police										
Adult arrests	2,259	2,174	2,293	2,546	2,508	2,753	3,564	3,859	4,454	4,170
Murder	1	2	2	3	-	3	3	1	5	-
Rape	13	11	10	17	16	14	22	12	20	15
Robberies	29	42	41	36	38	14	31	56	41	49
Burglary	130	185	138	127	142	123	155	245	169	203
Auto theft	89	59	49	60	41	47	54	62	57	60
Larceny	1,027	1,173	1,138	1,090	1,110	1,005	1,013	1,092	1,106	*
Arson	6	7	2	3	5	7	6	7	7	8
Traffic accidents	1,826	1,936	1,722	1,664	1,573	1,666	1,762	1,774	1,368	1,519
Traffic violations	4,663	4,231	5,501	6,821	10,168	8,573	7,701	7,240	9,143	7,109
Fire										
Emergency responses	3,275	3,201	2,956	2,935	3,054	3,164	3,181	2,603	3,305	2,603
Fires extinguished	135	124	118	115	105	138	122	133	136	102
Structure fires	36	42	42	35	33	53	37	49	57	49
Incidents with reported losses	138	72	73	56	55	89	73	89	85	70
Medical/rescue	2,308	2,259	2,150	2,080	2,151	2,270	2,133	1,690	1,616	1,506
Tours/in-services/car seats	262	305	400	378	570	524	671	676	907	699
Training man hours	8,378	10,589	10,860	8,959	9,155	7,232	7,033	8,493	7,716	4,344
Inspections	2,126	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)	36	41	34	36	36	34	34	38	32	25
Customers served	9,806	9,801	9,639	9,600	9,478	9,488	9,568	9,445	9,435	9,446
Commercial										
Refuse collected (tons per day)	70	61	64	61	65	71	71	70	75	83
Customers served	858	854	861	927	805	803	806	810	810	821
Public service										
911 dispatches	94,053	85,380	83,465	83,614	92,786	79,333	82,268	79,768	81,525	83,871
Police	53,896	46,660	44,337	43,877	51,131	43,686	44,794	42,496	40,921	43,420
Fire	3,314	3,230	3,152	3,517	4,747	3,189	3,226	2,702	2,490	2,720
Other	36,843	35,490	35,976	36,220	36,908	32,458	34,248	34,570	38,114	37,731

* Information not available.

** Information from city departments

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
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	10	9	9	7	10
Commercial	4	4	4	4	4	4	4	5	4	5
Other public works										
Streets (miles paved)	218	218	218	218	218	218	218	218	216	216
Sidewalks (miles)	47	47	47	47	47	47	47	47	45	45
Traffic signals	13	13	13	13	13	13	13	13	12	11
Parks and recreation										
Parks	29	29	28	28	27	27	27	27	27	27
Acreage	960	960	960	960	960	1125	1125	1125	960	960
Community centers	2	2	2	2	2	2	2	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, 2017

CITY OF PADUCAH, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

<u>Federal Grantor/Pass-Through Grantor/ Program Title:</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Pass-Through To Subrecipients</u>	<u>Expenditures</u>
Department of Housing and Urban Development:				
Direct Programs:				
Section 8 Housing Choice Vouchers	14.871	N/A	\$ -	\$ 1,952,018
Pass-through Kentucky Governors Office for Local Development:				
Community Development Block Grants	14.228	N/A	<u>220,000</u>	<u>220,000</u>
Total Department of Housing and Urban Development			<u>220,000</u>	<u>2,172,018</u>
Department of the Interior:				
Pass-through Kentucky Department of Fish and Wildlife Resources				
Sportfishing and Boating Safety Act	15.622	PON2-094-1500003154-1	-	472,105
Passed-through Kentucky Governors Office for Local Development:				
Outdoor Recreation, Acquisition, Development and Planning	15.916	N/A	<u>-</u>	<u>69,652</u>
Total Department of the Interior			<u>-</u>	<u>541,757</u>
Department of Justice:				
Direct Programs:				
Bulletproof Vest Partnership Program	16.607	N/A	-	2,220
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	<u>-</u>	<u>11,963</u>
Total Department of Justice			<u>-</u>	<u>14,183</u>
Department of Homeland Security:				
Direct Programs:				
Assistance to Firefighters Grant	97.044	N/A	<u>-</u>	<u>82,371</u>
Total Department of Homeland Security			<u>-</u>	<u>82,371</u>
Department of Transportation:				
Passed-through Kentucky Transportation Cabinet				
State and Community Highway Safety	20.600	PT-15-43	-	5,600
State and Community Highway Safety	20.600	PT-16-45	-	15,953
Highway Planning and Construction	20.205	N/A	-	42,914
Highway Planning and Construction	20.205	N/A	-	15,036
Highway Planning and Construction	20.205	P02-625-1500004634	<u>-</u>	<u>884,280</u>
Total Department of Transportation			<u>-</u>	<u>963,783</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 220,000</u>	<u>\$ 3,774,112</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF PADUCAH, KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

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:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Four Rivers Recovery Center	14.228	\$220,000

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	<u>\$ 3,774,112</u>
Federal Awards by Fund	
General Fund	\$ 32,553
Capital Improvement Fund	1,580,541
Special Revenue Fund	209,000
Proprietary Fund	<u>1,952,018</u>
Total Federal Awards	<u>\$ 3,774,112</u>



**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 Brandi Harless, 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, 2017, and the related notes to the financial statements, which collectively comprise City of Paducah, Kentucky's basic financial statements, and have issued our report thereon dated December 8, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Paducah, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Handwritten signature in black ink that reads "Kemper CPA Group, LLP".

Certified Public Accountants and Consultants
Paducah, Kentucky
December 21, 2017



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

Honorable Brandi Harless, 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, 2017. 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, 2017.

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.

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 21, 2017

**CITY OF PADUCAH, KENTUCKY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 RESTATED FOR ADDITIONAL MAJOR PROGRAM
 YEAR ENDED JUNE 30, 2017**

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:

<u>Name</u>	<u>CFDA</u>
Section 8 Housing Choice Vouchers	14.871

8. The threshold used for distinguishing Types A and B programs was \$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, 2016**

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).