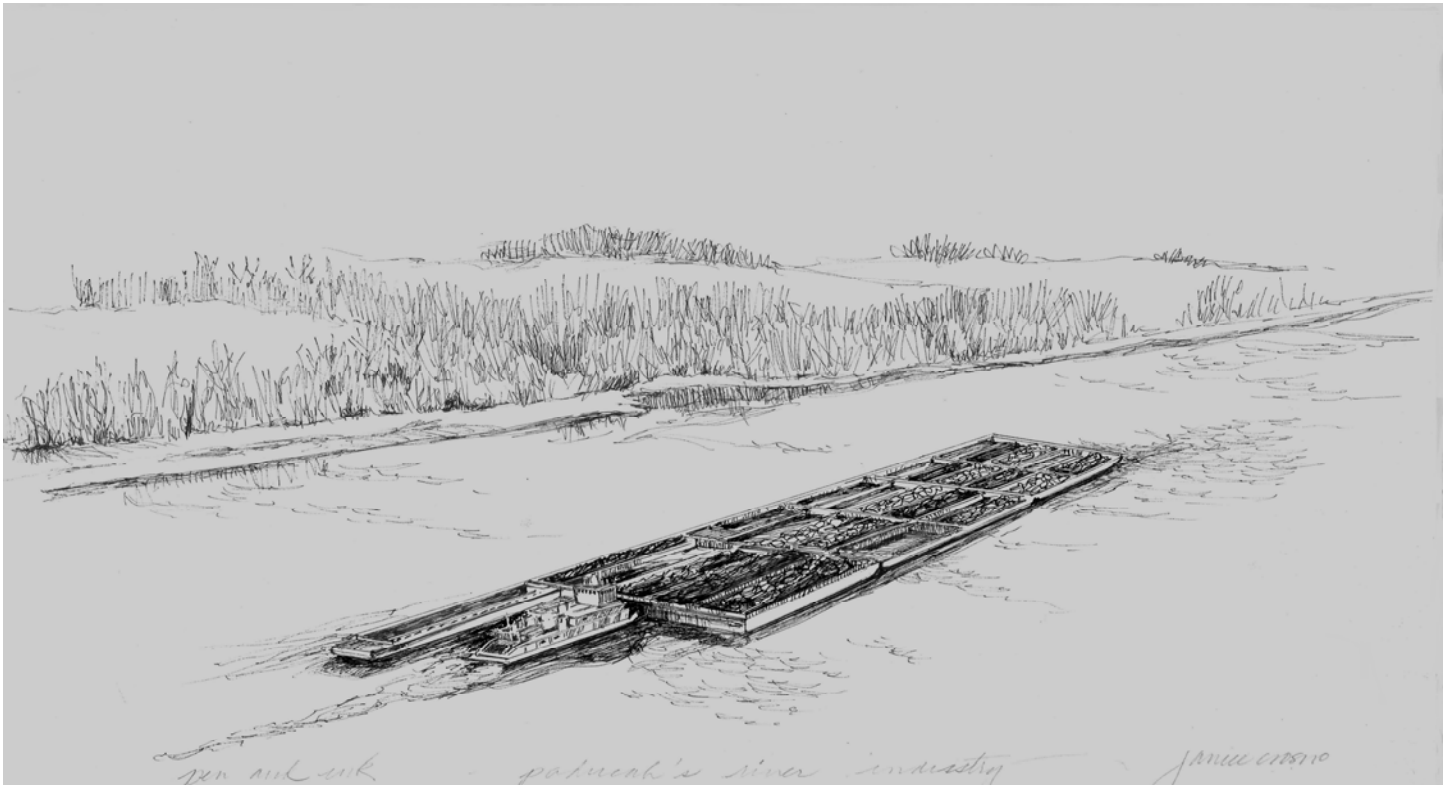
CITY OF PADUCAH, KENTUCKY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

FINANCE DEPARTMENT
CITY OF PADUCAH, KENTUCKY



City of Paducah

Paducah, Kentucky

Comprehensive Annual Financial Report

Year Ended June 30, 2018

Issued by the
Finance Department

CITY OF PADUCAH, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

	Exhibit No.	Page No.
Introductory Section:		
Letter of Transmittal		1 - 7
Organizational Chart		8
Principal Officials		9
GFOA Certificate of Achievement		10
Financial Section:		
Independent Auditor's Report		11-12
Required Supplementary Information:		
Management's Discussion and Analysis		13-28
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	29-30
Statement of Activities	2	31-32
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	3	33-34
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position	4	35-36
Statement of Revenues, Expenditures and Changes in Fund Balances	5	37-38
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	39-40
Statement of Revenues, Expenditures and Changes - Budget and Actual - General Fund	7	41-44
Statement of Revenues, Expenditures and Changes - Budget and Actual - Special Revenue Investment Fund	8	45
Proprietary Funds:		
Statement of Net Position	9	46
Statement of Revenues, Expenses and Changes in Fund Net Position	10	47
Statement of Cash Flows	11	48
Fiduciary Funds:		
Statement of Net Position	12	49
Statement of Changes in Net Position	13	50
Notes to Financial Statements		51-101
Required Supplementary Information:		
Schedule of Changes in the Police and Firefighters' Pension Trust Fund's Net Pension Liability and Related Ratios	A-1	102
Schedule of Changes in the Appointive Employees' Pension Trust Fund's Net Pension Liability and Related Ratios	A-2	103
Schedule of Police and Firefighters' Pension Trust Fund Contributions and Investment Returns	A-3	104
Schedule of Changes in the Appointive Employees' Pension Trust Fund Contributions and Investment Returns	A-4	105
Schedule of City's Proportionate Share of the Net Pension Liability County Employees' Retirement System	A-5	106
Schedule of City's Contributions - Pensions County Employees' Retirement System	A-6	107

	Exhibit No.	Page No.
Supplementary Information:		
Schedule of City's Proportionate Share of the Net Medical Insurance Plan Liability - County Employees' Retirement System	A-7	108
Schedule of City's Contributions – Medical Insurance Plan County Employees' Retirement System	A-8	109
General Capital Improvements Detail Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	B-1	110
Debt Service Fund Detail Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	B-2	111
Nonmajor Governmental Funds:		
Combining Balance Sheet	B-3	112-113
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	B-4	114-115
Detail Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:		
Municipal Aid Fund	B-5	116
Emergency Communication Service Fund	B-6	117
Court Awards Fund	B-7	118
CDBG Grant Fund	B-8	119
Special Revenue Bond Fund	B-9	120
Nonmajor Proprietary Funds:		
Nonmajor Enterprise Funds:		
Combining Statement of Net Position	C-1	121
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	C-2	122
Combining Statement of Cash Flows	C-3	123
Internal Service Funds:		
Combining Statement of Net Position	D-1	124
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	D-2	125
Combining Statement of Cash Flows	D-3	126
Fiduciary Funds:		
Combining Statement of Net Position - Private-purpose Trust Funds	E-1	127
Combining Statement of Changes in Net Position - Private-purpose Trust Funds	E-2	128
Statement of Changes in Assets and Liabilities - Agency Funds	E-3	129

	Table No.	Page No.
Statistical Section:		
Net Position by Component	1	130
Changes in Net Position	2	131-132
Fund Balances, Governmental Funds	3	133
Changes in Fund Balances, Governmental Funds	4	134
Assessed and Estimated Actual Value of Taxable Property	5	135
Governments	6	136
Principal Taxpayers	7	137
Secured Tax Levies and Collections	8	138
Employee License Tax Collections	9	139

	Table No.	Page No.
Statistical Section:		
Principal Employee License Taxpayers	10	140
Ratio of Outstanding Debt by Type	11	141
Ratio of Net General Bonded Debt Outstanding	12	142
Direct and Overlapping Governmental Activities Debt	13	143
Legal Debt Margin Information	14	144
Demographic and Economic Statistics	15	145
Principal Employers	16	146
City Full-Time Employees by Function	17	147
Operating Indicators by Function	18	148
Capital Asset Statistics by Function	19	149
Single Audit Section:		
Schedule of Expenditures of Federal Awards		150
Notes to the Schedule of Expenditures of Federal Awards		151
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*		152-153
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance		154-155
Schedule of Findings and Questioned Costs		156-157
Schedule of Prior Audit Findings		158

CITY OF PADUCAH, KENTUCKY

INTRODUCTORY SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

CITY OF PADUCAH

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

December 21, 2018

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, 2018. 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, 2018, 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 feet Emergency Technology Center was opened, offering industrial and manufacturing technologies, engineering technology, as well as business and industry training and information technology programs. This is the first state supported new building to be constructed on the WKCTC campus in over 20 years. In 2011, Murray State University entered into an agreement with the City, McCracken County, and Paducah Economic Development to construct an approximately 40,000 square foot educational building to serve as their Paducah campus. Classes began at the Paducah campus in 2014.

Medical Facilities

Paducah serves as the regional medical center for much of the Jackson Purchase Area of Western Kentucky, a large portion of Southern Illinois, and Northwestern Tennessee. Paducah's medical industry has almost every major medical specialty represented in the physician population. The medical industry, represented by Lourdes Hospital and Western Baptist Hospital, provides over 650 beds for medical needs. The two largest hospitals, together, employ over 3,000 persons.

Recreation And Culture

Citizens have available a wide range of recreational and cultural activities which cater to diverse tastes. Area residents may choose from fishing on nearby Kentucky and Barkley Lakes to enjoying the performing arts. City parks provide areas for baseball, softball, golf, football, tennis, disc golf, footgolf, skate boarding, soccer, hiking and picnicking. The Parks Services Department offers a substantial number of activities for people of all ages.

The Dogwood Festival, held in April, highlights the coming of spring in Paducah. Residents are encouraged to spotlight their trees to illuminate a driving tour to celebrate an abundance of dogwood trees.

The LowerTown Art and Music Festival is uniquely showcased within the borders of Paducah's 180-year-old historic neighborhood. The LowerTown Art and Music Festival is an outdoor-juried show in its 16th 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 fifteenth 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 332 full-time employees as of June 30, 2018. 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 FY2018, 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 FY2018 this contribution was $376 thousand. This amount was $435 thousand in FY2017.

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 FY2018 budget process, the Commission reviewed numerous decision packages proposed for the Investment Fund Budget; expenditures totaling approximately $5.5 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. Pump stations #7 and #11 are currently under construction through USACE for a total bid amount of $3.7 million. Pump station #2 is currently under construction through the City for a bid amount of $4.9 million. Pump station #9 has been completed through the City as well, with the construction being performed in-house by the City. The remainder of the project will be released by USACE through either one or two bid packages in the 2019 calendar year, and design work is being finalized on these final phases though USACE in-house design services. Based on USACE revised authorization, it is still estimated that the City's portion of the overall project costs is approximately $10.9 million. The City is expected to receive in-kind credits from the work performed on Pump Stations #2 and #9, as well as through professional services the City has acquired on behalf of USACE during their design of the second phase of the project.

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 was completed in the fall of 2018. It identified 23 problem areas and analyzed solutions for ten priority flood areas, including the analysis of flood mitigation alternatives, a priority ranking of projects along with a benefit cost analysis, and the development of a capital project program. Phase 2 of this project has now been initiated to determine the utility rate needed to launch a storm water management program. This rate would cover capital, operation maintenance, life cycle replacement, and permit requirements. This phase is expected to be completed in winter of 2019. 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 28,128 persons employed (McCracken County) as of June 30, 2018. The June 2018 unemployment rate was 6.4% (McCracken County), which is a decrease from 6.8% in the prior year, and exceeds the June 2018 federal unemployment rate of 4.0%.

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, 2017. This was the twenty-seventh consecutive year that the City achieved this prestigious award.

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

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

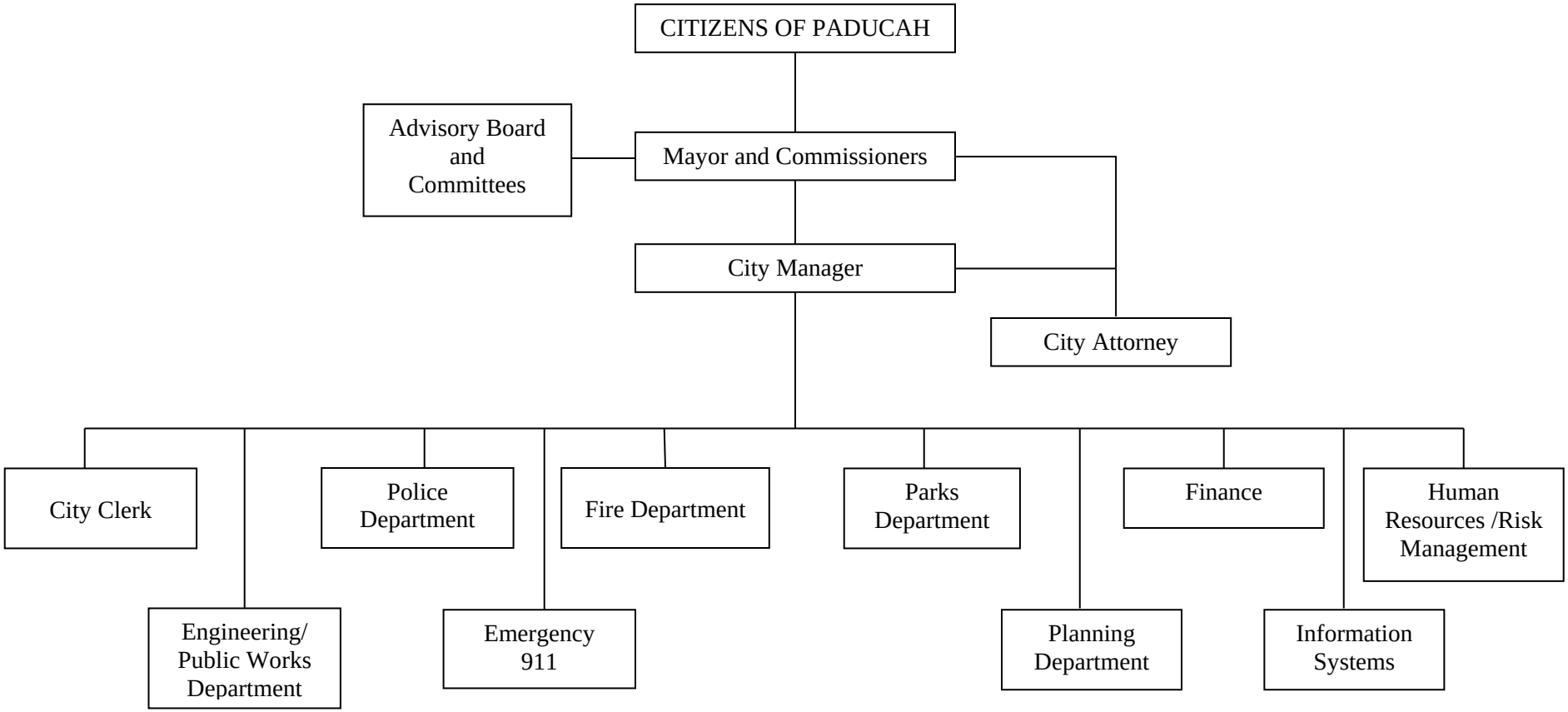
ACKNOWLEDGMENTS

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We wish to express our appreciation to all members of the Finance Department who assisted and contributed to its preparation, and special thanks to Kemper CPA Group, LLP. We also thank the Mayor, City Manager, and City Commission for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Jonathan W. Perkins, CPA
Finance Director/Treasurer

CITY OF PADUCAH, KENTUCKY
ORGANIZATIONAL CHART



CITY OF PADUCAH, KENTUCKY
PRINCIPAL OFFICIALS

BOARD OF COMMISSIONERS

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

CITY MANAGER

James Arndt

Finance	Jonathan Perkins, CPA
Police Chief	Brandon Barnhill
Fire Chief	Steve Kyle
Emergency 911	Edward McManus
City Engineer/Public Works	Richard Murphy
Planning	Tammara Tracy
Parks Services	Mark Thompson
Information Services	Stephen Chino
City Clerk	Lindsay Parish
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, 2017

Christopher P. Morrill

Executive Director/CEO

CITY OF PADUCAH, KENTUCKY

FINANCIAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

KEMPER CPA GROUP LLP
Certified Public Accountants and Consultants

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, 2018, 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 unit, each major fund, and the aggregate remaining fund information of the City of Paducah, Kentucky, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Special Revenue Investment Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other post employment benefits trust fund schedules on pages 13-28 and 102-109 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 110-129; and statistical section on pages 130-149, 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 150-151 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, 2018, 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, 2018

CITY OF PADUCAH, KENTUCKY

REQUIRED SUPPLEMENTARY INFORMATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

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, 2018. 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 29-101) 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 $26 million at the close of the 2017-2018 fiscal year.
- Total net position decreased $3,128,450.
- At fiscal year end, City governmental funds reported a combined ending fund balance of $29.7 million. Approximately 15% of this total amount, $4.4 million, is restricted or committed for highways/streets and capital improvements. Assigned fund balance comprises 24% of combined fund balance; the majority of which is set aside for capital improvements.
- At the end of the current fiscal year, unassigned General Fund balance was $17.7 million and is available for spending at the City's discretion. Cash makes up approximately $12.6 million. When compared to final total appropriations, the General Fund cash balance is 36%.

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, Special Revenue 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 110-120.

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 121-123 of this report. Individual data for the internal service funds is likewise presented in the form of combining statements on pages 124-126 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 90-91 and 127-128 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 51-101 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 112-129 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 $26 million as of June 30, 2018.

For FY2018, the largest portion of the City's net position ($58 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 ($2.1 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. It requires that the City report and fully disclose its share of net pension liability, which is $58.9 million as of June 30, 2018. In FY2018 the City implemented GASB 75, which requires that the City report and fully disclose its share of other post-employment benefit liabilities. This generated a $20 million liability as of June 30, 2018. Disclosing the City's participation in the County Employee Retirement System (CERS) for pension and other post-employment benefits has been the primary factor in driving the City's unrestricted net position to a negative $34.1 million in FY2018.

As of June 30, 2018, the City reports positive balances of total net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

City of Paducah, Kentucky

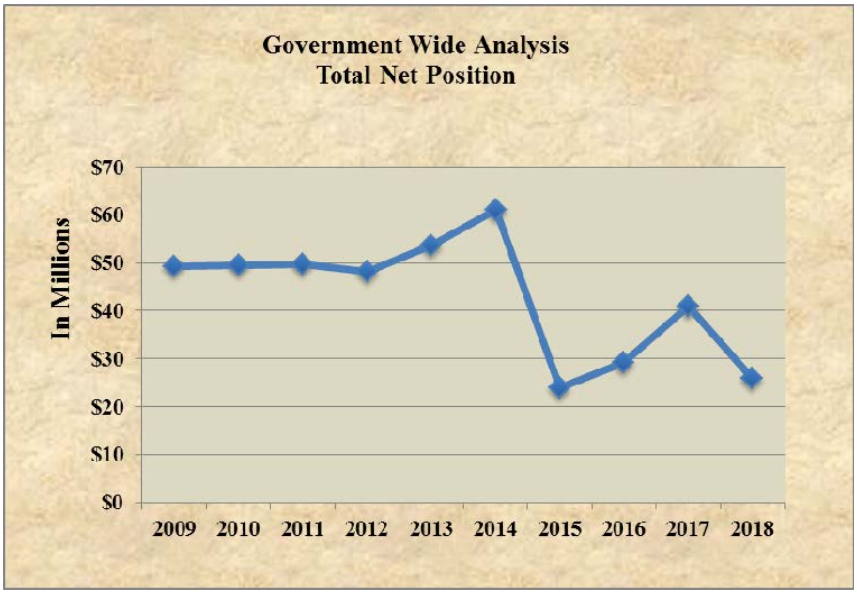
Net Position

June 30

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018*	**2017**	**2018***	**2017**	**2018***	**2017**
Current Assets	$ 45,870,249	$ 44,454,697	$ 5,041,448	$ 5,849,858	$50,911,697	$ 50,304,555
Capital Assets	62,624,050	61,316,723	2,876,483	2,152,827	65,500,533	63,469,550
Other noncurrent assets	6,139,409	6,643,477	-	-	6,139,409	6,643,477
Total Assets	114,633,708	112,414,897	7,917,931	8,002,685	122,551,639	120,417,582
Deferred Outflows of Resources	23,668,245	9,544,779	906,016	454,939	24,574,261	9,999,718
Current Liabilities	7,899,284	7,145,085	348,052	501,801	8,247,336	7,646,886
Noncurrent liabilities	99,937,794	70,805,403	5,308,427	4,227,219	105,246,221	75,032,622
Total liabilities	107,837,078	77,950,488	5,656,479	4,729,020	113,493,557	82,679,508
Deferred Inflows of Resources	7,580,389	6,676,017	131,138	62,496	7,711,527	6,738,513
Net position:						
Net Invested in Capital Assets	55,031,812	52,898,618	2,876,483	2,152,827	57,908,295	55,051,445
Restricted	2,088,652	2,268,705	-	-	2,088,652	2,268,705
Unrestricted	(34,235,978)	(17,834,152)	159,847	1,513,281	(34,076,131)	(16,320,871)
TOTAL NET POSITION	$ 22,884,486	$ 37,333,171	$ 3,036,330	$ 3,666,108	$ 25,920,816	$ 40,999,279

*****Beginning net position as of July 1, 2017 was restated for implementation of GASB 75. Prior year has not been restated on this chart.

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 and 75 in this discussion).



After several years of keeping a level net position, the City has experienced significant fluctuations over the past six years. Substantial increases occurred in fiscal years 2013, 2014, 2016, and 2017, which resulted from heavy capital development that was funded primarily with grant funding. Projects during these fiscal years included the completion of the boat launch, Riverfront Development Phases 1A & 1B, the Olivet Church Road project, and Phase 1 of the Jim & Pat Brockenborough Rotary Health Park.

The City's net position decreased significantly in FY2015 due to the implementation of GASB 68. The City's participation in the County Employee Retirement System (CERS) led to the inclusion of an initial noncurrent liability in excess of $30 million. Net position took another hit in FY2018 due to the implementation of GASB 75. The City's participation in the Kentucky Retirement Systems Insurance Fund has generated a noncurrent liability for other post-employment benefits in the amount of $20 million FY2018.

A. Analysis of the City's Operations

The following table provides a summary of the City's operations for the years ended June 30, 2018 and 2017. Governmental activities decreased the City's net position by $3,092,434 and business-type activities decreased the City's net position by $36,016.

City of Paducah, Kentucky

Changes in Net Position

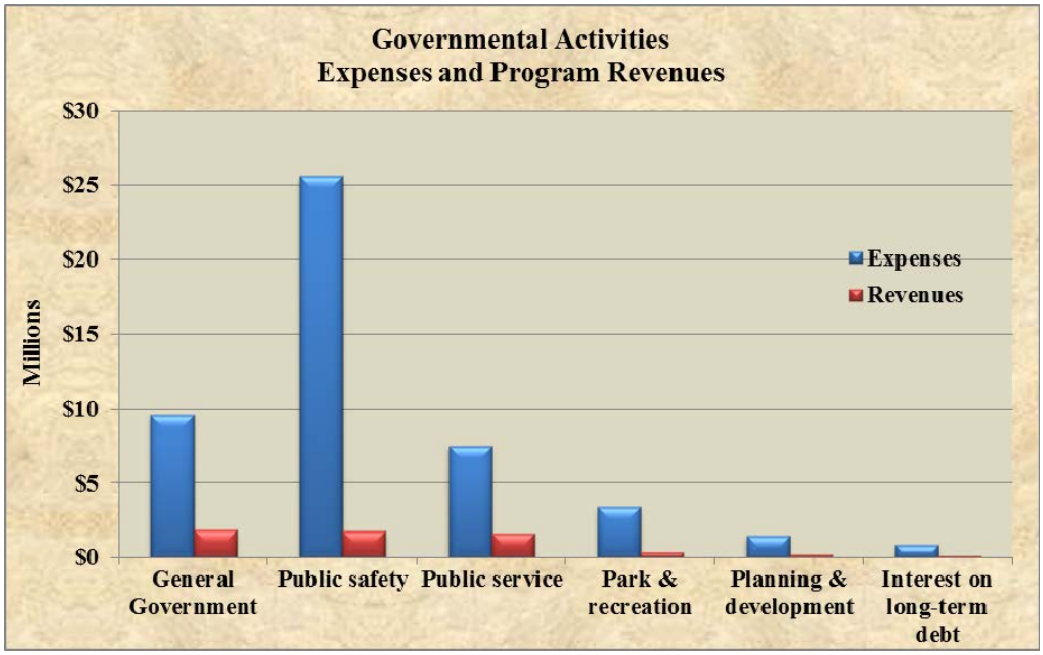
June 30

	Governmental Activities		Business-Type Activities		Total Primary Government	
Revenues:	**2018***	**2017**	**2018***	**2017**	**2018***	**2017**
Program revenues:						
Charges for services	$ 2,937,204	$ 3,080,186	$ 4,634,692	$ 4,604,117	$ 7,571,896	$ 7,684,303
Operating grants/contributions	2,441,864	7,509,005	1,965,868	1,962,125	4,407,732	9,471,130
Capital grants/contributions	542,980	3,702,428	-	-	542,980	3,702,428
General Revenues:						
Property taxes	5,248,369	4,996,242	-	-	5,248,369	4,996,242
Franchise taxes	267,846	235,512	-	-	267,846	235,512
Telecommunications tax	626,303	677,478	-	-	626,303	677,478
Insurance premium tax	4,592,834	4,331,956	-	-	4,592,834	4,331,956
Vehicle tax	746,963	747,384	-	-	746,963	747,384
Bank tax	290,262	242,931	-	-	290,262	242,931
Gross receipts license tax	4,631,352	4,721,657	-	-	4,631,352	4,721,657
Employee license tax	21,054,644	20,803,763	-	-	21,054,644	20,803,763
Other taxes	693,831	665,384	-	-	693,831	665,384
Intergovernmental revenue	418,998	364,718	-	-	418,998	364,718
Unrestricted investment earnings	428,721	188,097	54,139	37,644	482,860	225,741
Gain on sale of capital assets	-	-	-	-	-	-
Miscellaneous	14,190	51,922	(13,063)	374,244	1,127	426,166
Total revenues	44,936,361	52,318,663	6,641,636	6,978,130	51,577,997	59,296,793
Expenses:						
General Government	9,590,575	8,652,987	-	-	9,590,575	8,652,987
Public safety	25,602,852	20,176,070	-	-	25,602,852	20,176,070
Public service	7,511,063	7,771,335	-	-	7,511,063	7,771,335
Park & recreation	3,397,087	3,059,447	-	-	3,397,087	3,059,447
Planning & development	1,455,677	1,077,265	-	-	1,455,677	1,077,265
Interest on long-term debt	861,589	885,380	-	-	861,589	885,380
Solid Waste	-	-	4,096,022	3,902,907	4,096,022	3,902,907
Section Eight Housing	-	-	2,064,408	1,952,441	2,064,408	1,952,441
Civic Center	-	-	76,639	92,471	76,639	92,471
Transient Boat Dock	-	-	50,535	1,031	50,535	1,031
Total expenses	48,418,843	41,622,484	6,287,604	5,948,850	54,706,447	47,571,334
Increase (decrease) in Net position before transfers	(3,482,482)	10,696,179	354,032	1,029,280	(3,128,450)	11,725,459
Transfers	390,048	2,274,377	(390,048)	(2,274,377)	-	-
Change in net position	(3,092,434)	12,970,556	(36,016)	(1,245,097)	(3,128,450)	11,725,459
Net position, July 1, restated	25,976,920	24,362,615	3,072,346	4,911,205	29,049,266	29,273,820
NET POSITION, JUNE 30	$22,884,486	$ 37,333,171	$ 3,036,330	$ 3,666,108	$ 25,920,816	$ 40,999,279

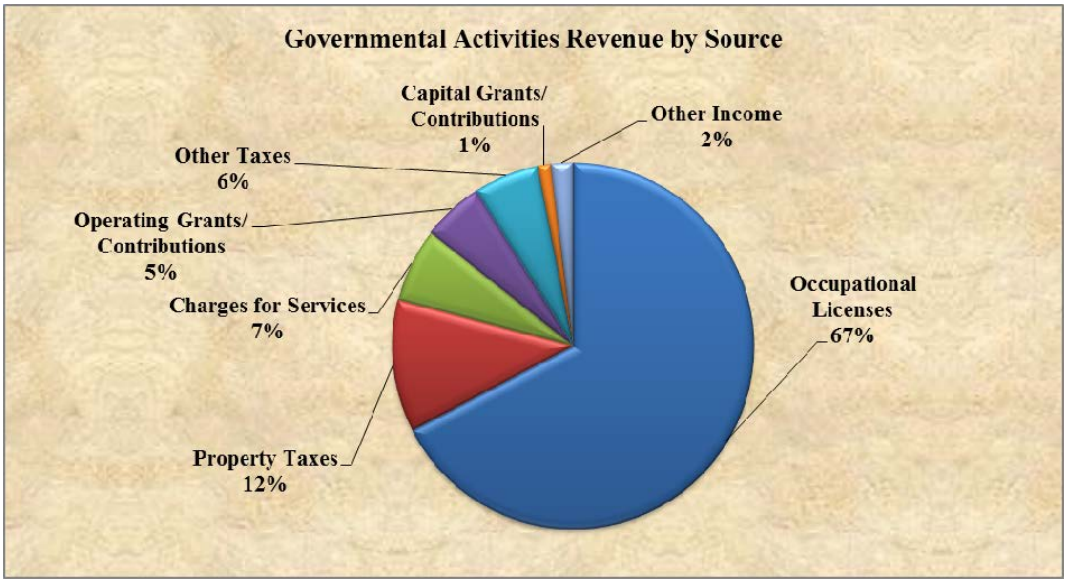
*Beginning net position as of July 1, 2017 was restated for implementation of GASB 75. Prior year has not been restated in this chart.

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 2018.



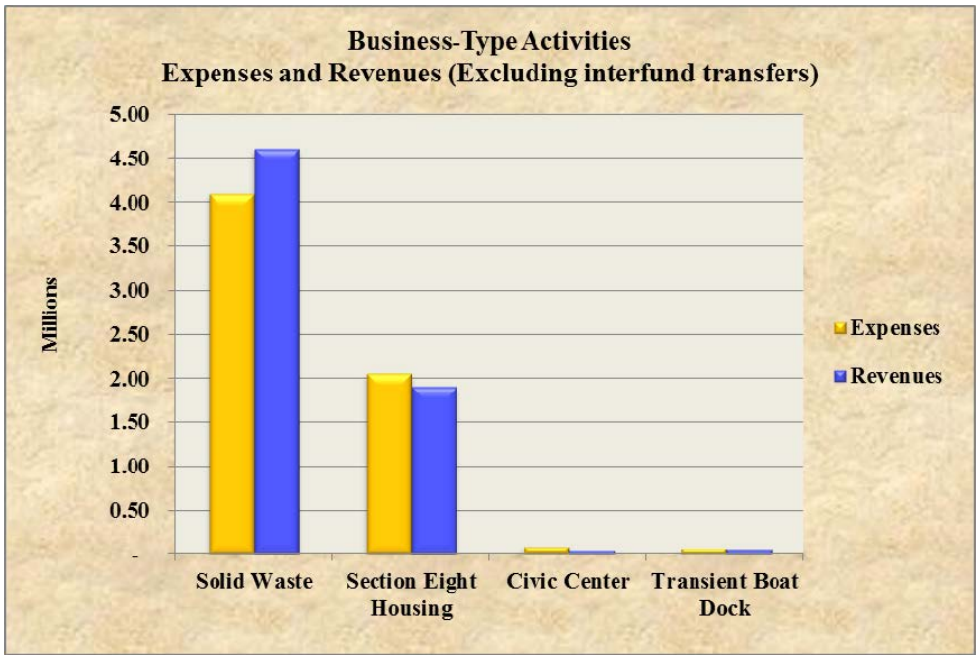
In fiscal year 2018, the City derived approximately 85% of its revenue from taxes/licenses. Occupational licenses, which include payroll withholding tax, business licenses, and insurance premium tax is the largest source of income to the City, totaling $30 million. This category of revenue increased 1.4% from fiscal year 2017. Insurance premium tax carried the majority of the increase, growing individually by 6%. Payroll tax remained fairly flat, increasing by just over 1%. Business licenses, which were flat last year, decreased by nearly 2% in FY2018. 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 12% of total revenue in FY2018.

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. Only one of the business-type activities reflected these results for FY2018 – the Solid Waste Fund, with income before contributions and transfers of $609,346.

For fiscal year 2018, business-type activities as a whole had a decrease in net position of $36,016. Beginning in FY2012, an annual transfer 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. The total amount transferred for FY2018 was $360,000.

Analysis of the remaining business-type activities is included in Section IV-B of this report.



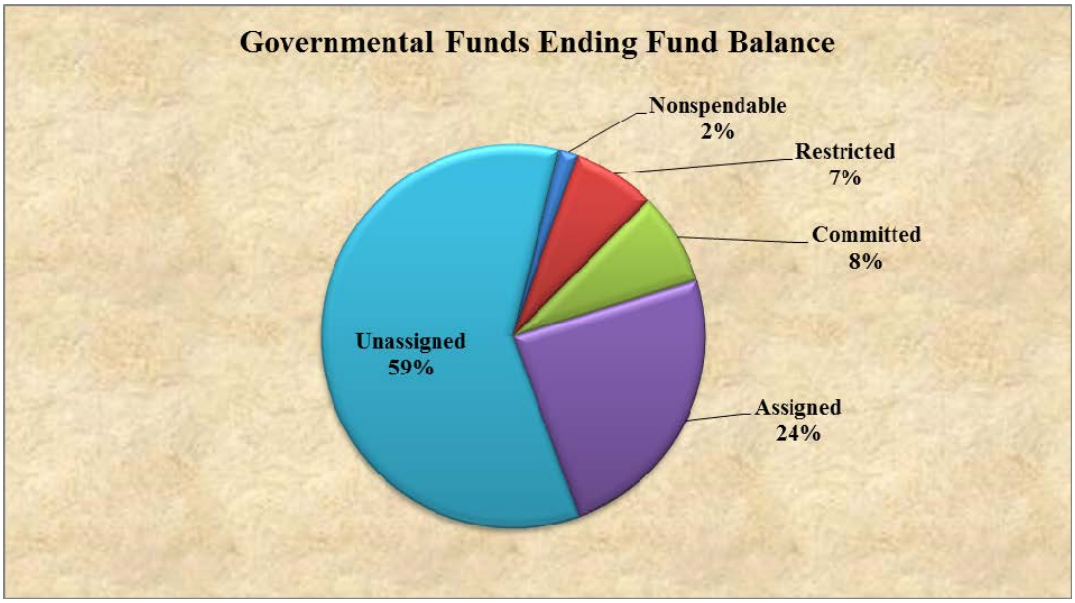
IV. Financial Analysis of the City's Funds

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.

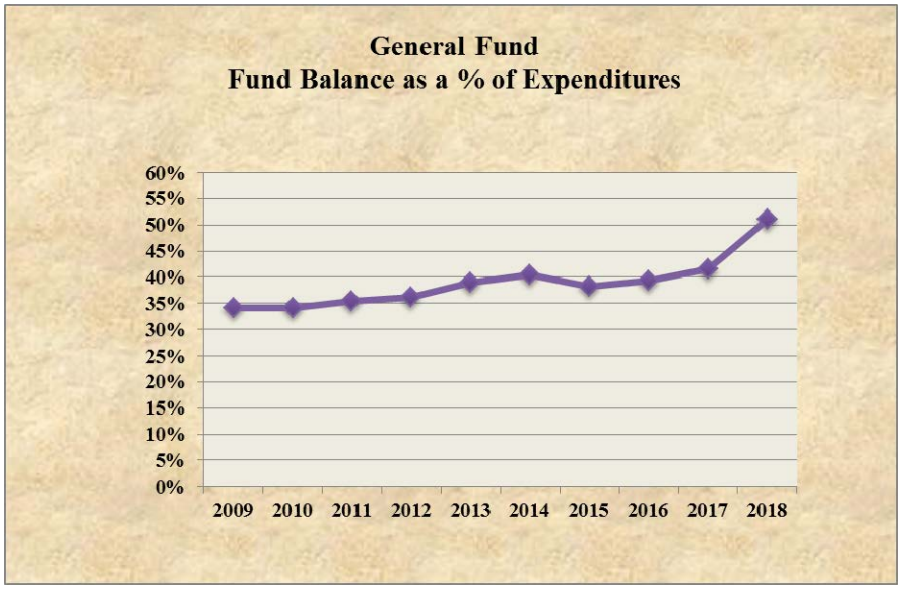
At the end of the fiscal year, the City governmental funds reported combined ending fund balances of $29.7 million. In FY2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The redefined categories of fund balance are described below:

- *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 $471,135 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 $629,440 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 $2,310,621 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 24% 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 60% of total fund balance, $17.7 million is unassigned General Fund fund balance, which is available for spending at the government's discretion but only up to the amount represented by cash. At year-end there was $12.6 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 2017-06-8487) requires that an amount not less than 10% of the General Fund's budgeted expenditures remain undesignated in the fund balance, or $3.5 million, which leaves $9.1 million as unreserved for fiscal year 2018.

As a measure of General Fund liquidity, readers may compare unassigned (formerly reported as "unreserved") fund balance to total General Fund expenditures. Unassigned General Fund fund balance ($17.7 million) represents 51% of expenditures and transfers out ($34.7 million). This has remained stable for the last ten years, as illustrated in the table below.



The Investment Fund had a fund balance of $2.3 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 FY2018, the fund was originally budgeted at a $250 thousand deficit to spend down accumulated unreserved fund balance. The actual decrease in fund balance of $77 thousand was due to a budgeted debt service expenditure for a bond issue that was delayed until FY2019.

Fund balance in the General Capital Improvements fund decreased by approximately $1.6 million from the prior year to $6.3 million. The decrease is due to the completion of capital projects in FY2018 for which funds were set aside in prior years. 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	$2,613,594
Section Eight Housing	(247,369)
Civic Center	105,305
Transient Boat Dock	12,019

Combined total net asset change for the four funds was a decrease of $16 thousand, broken down as follows: Solid Waste ($212 thousand increase), Section Eight Housing ($150 thousand decrease), Civic Center ($86 thousand decrease), and Transient Boat Dock ($8 thousand increase). The largest proprietary fund, Solid Waste, was discussed under Business Type Activities (Section III-C).

FY2018 was the first year (partial) of operations for the Transient Boat Dock Fund. 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.

V. General Fund Budgetary Highlights

Differences between the original budget and the final budget resulted in a $530 thousand decrease in appropriations. This was largely due to an interfund transfer for $900 thousand that was appropriated for the E911 CAD replacement project. This project was delayed until FY2019 and subsequently funded through debt proceeds. This decrease was netted with an increase in appropriations for a General Fund reserve transfers to the Capital Improvements Fund for renovation of City Hall in the amount of $256,220.

Final appropriations (including operating transfers out) exceeded total actual expenditures by $821 thousand. Nearly half of that ($390 thousand) was due to salary slippage in various departments from unfilled positions. Additionally, two funds that the General Fund operationally contributes to – E911 and Fleet Maintenance – required less funding than anticipated.

Intergovernmental Expense of $331 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, 2018, is $66 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 2018, project and equipment additions totaled over $26.4 million, with $3.6 million of that attributed to Construction in Progress at year-end. Two very large projects that have comprised Construction in Progress for multiple years were officially placed into service in FY2018 – Olivet Church Road and Riverfront Phase 1B. Those projects, along with some of the other largest capital-type project additions, in terms of dollars in fiscal year 2018**,** are shown in the following table:

Olivet Church Road Construction	$9,663,647
Riverfront Phase 1B	8,602,026
Jim & Pat Brockenborough Rotary Health Park	763,461
City Hall Renovations – Phase 1 (Construction in Progress)	1,650,498
Storm Water Study (Construction in Progress)	733,825
E911 CAD Upgrade (Construction in Progress)	400,601
Refuse trucks & equipment	1,249,928

In the upcoming years, several street, economic development, riverfront development, and drainage projects will continue and are estimated to cost several million dollars. Capital improvement projects including infrastructure, City-owned facility improvements, continued neighborhood revitalization, and street and sidewalk rehabilitation are among the projects to be addressed.

City of Paducah, Kentucky
Capital Assets
(Net of Accumulated Depreciation)
June 30

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	$ 10,393,199	$ 10,376,832	$ 62,152	$ 62,152	$ 10,455,351	$ 10,438,984
Land improvements	18,179,636	9,411,107	-	-	18,179,636	9,411,107
Construction in progress	3,518,902	20,009,381	-	-	3,518,902	20,009,381
Buildings and improvements	6,272,221	5,926,065	238,669	254,997	6,510,890	6,181,062
Infrastructure	18,712,536	9,930,281	-	-	18,712,536	9,930,281
Equipment	1,883,726	1,895,804	609,579	364,870	2,493,305	2,260,674
Furnishings and fixtures	58,578	22,338	-	-	58,578	22,338
Vehicles	3,605,252	3,744,915	1,966,083	1,470,808	5,571,335	5,215,723
TOTALS	$ 62,624,050	$ 61,316,723	$ 2,876,483	$ 2,152,827	$ 65,500,533	$63,469,550

Additional information on City capital assets can be found in Note 3 in the notes to financial statements on pages 69-71.

B. Long-Term Debt

At year-end, the City had $25,799,195 in outstanding bonds and notes payable, compared to $28,034,113 at June 30, 2017 with maturities extending through 2032.

	Governmental Activities	
	2018	2017
Kentucky League of Cities – 2003	$1,113,319	$1,309,616
Floodwall Rehabilitation – 2008	1,729,992	1,862,123
Convention Center Renovation – 2008	1,744,320	1,751,666
Refinanced Convention Center – 2010	4,065,000	4,515,000
Margaret Hank Agreement – 2011	-	47,934
Refinanced Rental Building – 2011	1,920,000	2,230,000
Murray State University Agreement – 2011	1,991,487	2,109,088

Public Pool Renovations – 2013	860,000	925,000
Economic Development – 2013	1,895,000	2,040,000
Refinanced Public Projects – 2014	4,195,000	4,505,000
Refinanced Police/Firefighter Pension Fund Liability - 2014	3,255,000	3,660,000
CFSB Agreement - 2017	2,957,575	3,000,000
Net Premiums/Discounts	72,502	78,686
TOTALS	$25,799,195	$28,034,113

The City had no new debt issues during FY2018. Debt issues prior to July 1, 2017 are described below:

Julian Carroll Convention Center Improvements. 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.

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 $269,774,088. 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.

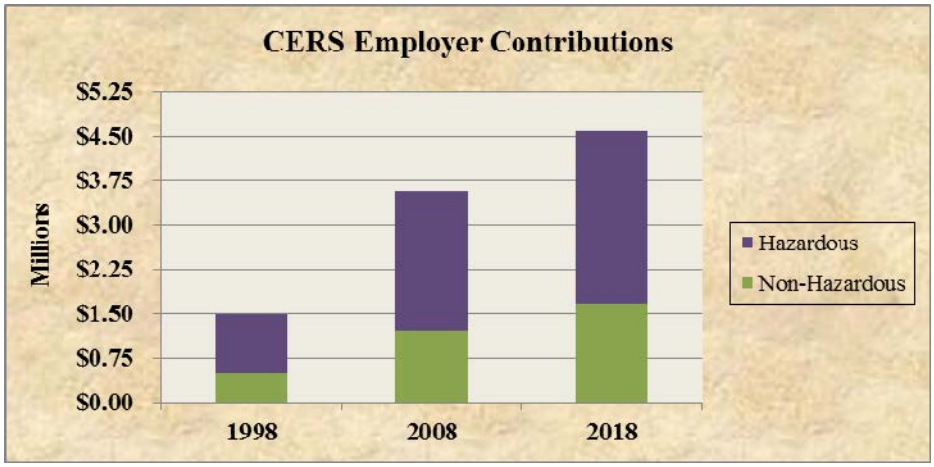
The City of Paducah, Kentucky, issues and incurs debt in order to fund capital improvement projects, purchase major capital equipment and facilities, and respond to other special funding needs. In fiscal year 2018, just over 1% of the General Fund budget was expended for debt service, and thus has minimal 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 72-77.

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 1998, 2008, and 2018.

CERS Employer Contributions						
	Non-Hazardous			Hazardous		
FY	Rate	Amount	% Chg	Rate	Amount	% Chg
1998	8.65%	$489,327		18.69%	$1,002,398	
2008	16.17%	$1,217,525	149%	33.87%	$2,361,399	136%
2018	19.18%	$1,668,320	37%	31.55%	$2,914,035	23%

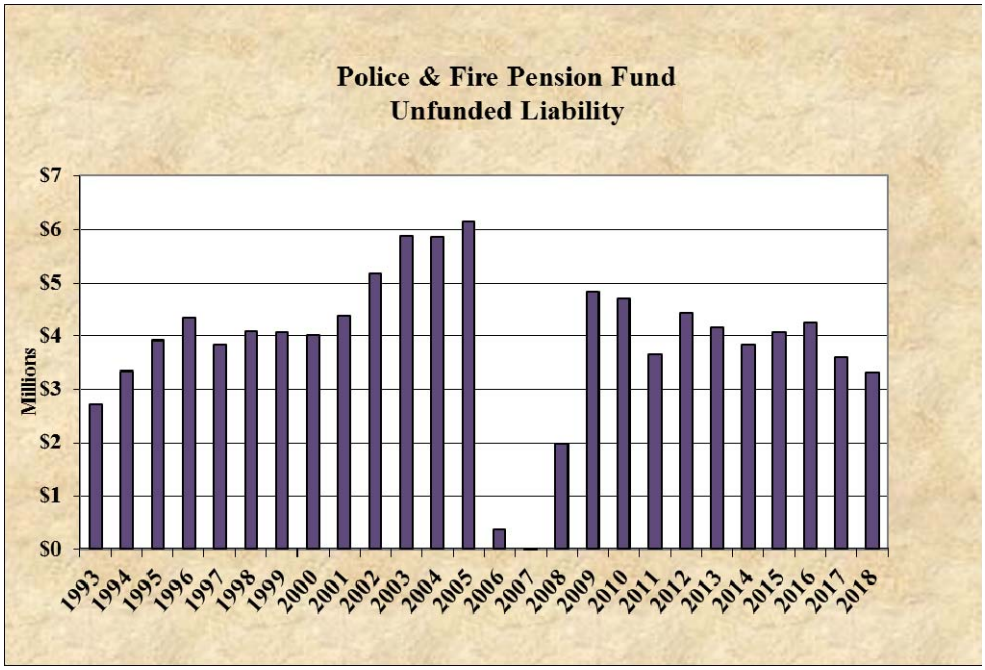


In early spring 2013, the State of Kentucky passed a pension reform bill (Senate Bill 2) to prevent pension costs from escalating even higher. This legislation established a hybrid cash balance plan for participants entering the plan after January 1, 2014, that provides a retirement benefit based on 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.

During the 2018 Regular Session of the General Assembly, Senate Bill 151 was passed in an attempt to further reduce the State's pension liability. Some of the changes include adjusting retirement formulas, creating an optional 401(a) defined contribution plan for future employees, and implementing additional anti-spiking provisions. Prior to this legislation being passed, the KRS board set FY2019 contribution rates at 28.05% for non-hazardous and 47.86% for hazardous employees. Because SB 151 did not include the strong measures necessary to bring the retirement system to a healthy position, the rates set by KRS remained unchanged, and participants in the plan were faced with substantial budget crises – for some smaller entities it even presented going concern issues. In order to provide rate relief for the employers participating in CERS, House Bill 362 was passed. This Bill states that the employer contribution rates established by the board for CERS payable on or after July 1, 2018 and until June 30, 2028, for the pension and health insurance funds shall not increase more than 12% per year. This resulted in adjusted contribution rate of 21.48% and 35.34% for non-hazardous and hazardous employees, respectively, for FY2019.

Although HB 362 and the reduced rates for FY2019 provided some much needed relief for the City, the future of the plan and long-term effects on the City's operations are of utmost concern. As indicated in the chart above, the City paid $4.6 million in contributions for FY2018. Should the future rates be set to result in the capped 12% increase each year, the City will be contributing $7.4 million annually by FY2023. An additional provision of SB 151 requires the Public Pension Oversight Board (PPOB) to establish an advisory committee to study the benefits and drawbacks of separating CERS from KRS or restructuring the administration of the systems within KRS. This advisory committee shall submit recommendations to PPOB on or before December 1, 2019. Along with the uncertainty of the committee's findings and potential actions that follow, in June 2018, Franklin Circuit Judge Shepherd ruled that Senate Bill 151 is unenforceable because the legislative process violated certain provisions of the Kentucky Constitution. This ruling has been appealed to the Kentucky Supreme Court.

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 2018 actuary study shows that the PFPF unfunded pension liability is approximately $3.3 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, 2018, indicates the minimum actuarially sound contribution for FY2019 will be $368,373.

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, 2018

Exhibit 1

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS	**Primary Government**			**Component Unit**
	Governmental Activities	**Business-type Activities**	**Total**	**Paducah Water Works Authority**
Current Assets:				
Cash and cash equivalents	$ 27,626,092	$ 2,941,972	$ 30,568,064	$ 1,059,995
Investments	4,000,000	1,000,000	5,000,000	-
Receivables, net:				
Notes	1,362,334	-	1,362,334	-
Accounts	7,147,819	526,903	7,674,722	628,643
Grants	31,630	-	31,630	-
Interest	48,896	3,904	52,800	-
Property tax	5,631,607	-	5,631,607	-
Accrued unbilled revenues	-	-	-	1,165,042
Internal balances	(552,781)	552,781	-	-
Inventory	525,312	15,888	541,200	813,914
Other current assets	49,340	-	49,340	1,229,973
Total current assets	45,870,249	5,041,448	50,911,697	4,897,567
Noncurrent Assets:				
Notes receivable	6,139,409	-	6,139,409	-
Capital assets:				
Land and construction in progress	13,912,101	62,152	13,974,253	1,471,143
Depreciable capital assets	48,711,949	2,814,331	51,526,280	54,218,511
Other assets	-	-	-	7,449,346
Total noncurrent assets	68,763,459	2,876,483	71,639,942	63,139,000
Total assets	114,633,708	7,917,931	122,551,639	68,036,567
Deferred Outflows of Resources:				
Deferred pension related outflows	15,972,031	680,839	16,652,870	2,316,277
Deferred OPEB related outflows	7,378,375	225,177	7,603,552	680,337
Deferred charges on refunding	317,839	-	317,839	-
Total deferred outflows of resources	23,668,245	906,016	24,574,261	2,996,614

See accompanying notes to the basic financial statements.

LIABILITIES	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Paducah Water Works Authority
Current Liabilities:				
Voucher and accounts payable	3,452,183	186,792	3,638,975	625,899
Accrued payables	599,277	36,194	635,471	916,204
Due to other taxing agencies	90,801	-	90,801	-
Unearned revenue	44,417	25,500	69,917	-
Accrued compensated absences	1,236,497	99,566	1,336,063	276,380
Accrued interest	103,719	-	103,719	-
Notes payable due within one year	511,061	-	511,061	455,532
Bonds payable due within one year	1,861,329	-	1,861,329	-
Other current liabilities	-	-	-	293,694
Total current liabilities	7,899,284	348,052	8,247,336	2,567,709
Noncurrent Liabilities:				
Accrued compensated absences	818,959	48,097	867,056	-
Landfill post-closure costs	-	2,062,500	2,062,500	-
Pensions obligation	56,497,145	2,380,304	58,877,449	6,871,607
Other post employment benefits (OPEB)	19,194,886	817,526	20,012,412	2,360,081
Notes payable	7,295,639	-	7,295,639	6,691,526
Bonds payable	16,131,165	-	16,131,165	-
Total noncurrent liabilities	99,937,794	5,308,427	105,246,221	15,923,214
Total liabilities	107,837,078	5,656,479	113,493,557	18,490,923
Deferred Inflows of Resources				
Deferred revenues - property taxes	5,446,055	-	5,446,055	-
Deferred pension related inflows	954,238	88,334	1,042,572	653,693
Deferred OPEB related inflows	1,180,096	42,804	1,222,900	123,567
Total deferred inflows of resources	7,580,389	131,138	7,711,527	777,260
NET POSITION				
Net invested in capital assets	55,031,812	2,876,483	57,908,295	48,542,596
Restricted for:				
Housing and development projects	-	-	-	-
Capital projects & infrastructure	1,959,953	-	1,959,953	-
Public safety	128,699	-	128,699	-
Unrestricted (deficit)	(34,235,978)	159,847	(34,076,131)	3,222,402
TOTAL NET POSITION	$ 22,884,486	$ 3,036,330	$ 25,920,816	$ 51,764,998

Exhibit 2

CITY OF PADUCAH, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

FUNCTIONS/PROGRAMS		Program Revenues		
Primary Government:	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Governmental activities:				
General government	9,590,575	1,276,959	$ 556,126	$ 16,865
Public safety	25,602,852	571,427	768,918	442,707
Public service	7,511,063	962,822	655,320	-
Parks and recreation	3,397,087	125,996	137,500	73,408
Planning and development	1,455,677	-	190,000	10,000
Interest on long-term debt	861,589	-	134,000	-
Total governmental activities (See Note 1)	48,418,843	2,937,204	2,441,864	542,980
Business-type activities:				
Solid Waste	4,096,022	4,555,488	52,716	-
Section Eight Housing	2,064,408	-	1,913,152	-
Civic Center	76,639	35,670	-	-
Transient Boat Dock	50,535	43,534	-	-
Total business-type activities	6,287,604	4,634,692	1,965,868	-
TOTAL PRIMARY GOVERNMENT	$ 54,706,447	$ 7,571,896	$ 4,407,732	$ 542,980
Component Unit:				
Paducah Water Works Authority	$ 10,679,251	$ 11,152,288	$ -	$ 610,455
TOTAL COMPONENT UNITS	$ 10,679,251	$ 11,152,288	$ -	$ 610,455

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 as restated (See Note 11)

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
$ (7,740,625)	$ -	$ (7,740,625)	$ -
(23,819,800)	-	(23,819,800)	-
(5,892,921)	-	(5,892,921)	-
(3,060,183)	-	(3,060,183)	-
(1,255,677)	-	(1,255,677)	-
(727,589)	-	(727,589)	-
(42,496,795)	-	(42,496,795)	-
-	512,182	512,182	-
-	(151,256)	(151,256)	-
-	(40,969)	(40,969)	-
-	(7,001)	(7,001)	-
-	312,956	312,956	-
(42,496,795)	312,956	(42,183,839)	-
-	-	-	1,083,492
-	-	-	1,083,492
5,248,369	-	5,248,369	-
267,846	-	267,846	-
626,303	-	626,303	-
4,592,834	-	4,592,834	-
746,963	-	746,963	-
290,262	-	290,262	-
4,631,352	-	4,631,352	-
21,054,644	-	21,054,644	-
693,831	-	693,831	-
418,998	-	418,998	-
428,721	54,139	482,860	38,410
14,190	(13,063)	1,127	142,315
39,014,313	41,076	39,055,389	180,725
390,048	(390,048)	-	-
39,404,361	(348,972)	39,055,389	180,725
(3,092,434)	(36,016)	(3,128,450)	1,264,217
25,976,920	3,072,346	29,049,266	50,500,781
$ 22,884,486	$ 3,036,330	$ 25,920,816	$ 51,764,998

CITY OF PADUCAH, KENTUCKY

BASIC FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

Exhibit 3

CITY OF PADUCAH, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Special Revenue Investment Fund	General Capital Improvements
Assets			
Cash and cash equivalents	$ 9,556,054	$ 997,080	$ 7,610,220
Investments	3,000,000	-	-
Receivables:			
Accounts	7,822,284	-	-
Grants	3,792	-	27,838
Interest	15,616	-	-
Property taxes (net of allowances for uncollectibles)	5,679,607	-	-
Inventory	-	-	471,135
Due from other funds	49,340	1,313,541	-
Total Assets	$ 26,126,693	$ 2,310,621	$ 8,109,193
Liabilities			
Voucher and accounts payable	$ 646,517	$ -	$ 1,786,429
Accrued payroll and payroll taxes	548,074	-	-
Due to other funds	1,313,541	-	-
Due to other taxing agencies	90,801	-	-
Unearned revenue - other	-	-	-
Accrued compensated absences	169,903	-	-
Total liabilities	2,768,836	-	1,786,429
Deferred Inflows of Resources			
Unavailable revenue-property taxes	5,660,584	-	-
Fund Balances:			
Nonspendable			
Inventory	-	-	471,135
Restricted for:			
Highways and streets	-	-	-
Public safety	-	-	-
Capital improvements	-	-	-
Committed for:			
Capital improvements	-	2,310,621	-
Assigned for:			
Public safety	-	-	-
Debt service	-	-	-
Capital improvements	-	-	5,851,629
Unassigned:			
General Fund	17,697,273	-	-
Total fund balances	17,697,273	2,310,621	6,322,764
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 26,126,693	$ 2,310,621	$ 8,109,193

See accompanying notes to the basic financial statements.

Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
$1,020,907	$ 2,926,575	$ 22,110,836
-	-	3,000,000
-	181,571	8,003,855
-	-	31,630
-	-	15,616
-	-	5,679,607
-	-	471,135
-	-	1,362,881
$1,020,907	$ 3,108,146	$ 40,675,560
$ -	$ 652,083	$ 3,085,029
-	40,294	588,368
-	-	1,313,541
-	-	90,801
24,083	-	24,083
-	-	169,903
24,083	692,377	5,271,725
-	-	5,660,584
-	-	471,135
-	629,440	629,440
-	128,699	128,699
-	1,330,513	1,330,513
-	-	2,310,621
-	327,117	327,117
996,824	-	996,824
-	-	5,851,629
-	-	17,697,273
996,824	2,415,769	29,743,251
$1,020,907	$ 3,108,146	$ 40,675,560

Exhibit 4

CITY OF PADUCAH, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balance - total governmental funds		$ 29,743,251
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.		166,529
The long-term notes receivable are not reported in the governmental funds balance sheet since they are not available to pay current period expenditures.		5,950,075
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.		33,280
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.		62,624,050
Deferred refunding costs and deferred pension activity in governmental activities are not current financial resources or payables and, therefore, are not reported in the governmental funds balance sheet:		
Deferred refunding costs	317,839	
Deferred OPEB related inflows	(1,180,096)	
Deferred OPEB related outflows	7,378,375	
Deferred pension related inflows	(954,238)	
Deferred pension related outflows	15,972,031	21,533,911

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, 2018

The portion of accrued compensated absences not due and payable in the current period, and therefore, not reported in the governmental funds balance sheet.		$ (1,841,113)
Accrued interest payments on debt are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.		(103,719)
Long-term pensions, OPEB, bonds and notes of ($101,491,226) 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, OPEB, bonds and notes are:		
Due within one year	$ 2,372,391	
Due after one year	99,118,835	(101,491,226)
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	$ 7,265,064	
Current liabilities	(442,835)	
Net amount allocated to business-type activities	(552,781)	6,269,448
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 22,884,486

See accompanying notes to the basic financial statements

Exhibit 5

CITY OF PADUCAH, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Investment Fund	General Capital Improvements
Revenues:			
Taxes	$ 7,212,282	$ -	$ -
Licenses	25,647,130	5,170,377	-
Charges for services	656,868	-	-
Intergovernmental	-	-	-
Grants	736,655	-	105,463
Interest	331,129	-	-
Property upkeep, rentals, sales and other	1,054,522	-	950,901
Total revenues	35,638,586	5,170,377	1,056,364
Expenditures:			
Current operations:			
General government	5,282,385	-	-
Public safety	17,961,731	-	-
Public service	5,335,126	-	-
Parks and recreation	3,129,032	-	-
Planning and development	-	881,879	-
Intergovernmental and other	441,674	-	-
Capital outlay	-	-	4,856,063
Debt service:			
Principal requirement	-	-	-
Interest requirement	-	-	-
Total expenditures	32,149,948	881,879	4,856,063
Excess (deficiency) of revenues over expenditures	3,488,638	4,288,498	(3,799,699)
Other Financing Sources (Uses):			
Issuance of debt	-	-	-
Payment to refunded bond escrow agent	-	-	-
Premium on debt issued	-	-	-
Discount on debt issued	-	-	-
Capital lease	-	-	-
Transfers in	567,020	-	2,184,339
Transfers out	(1,689,030)	(4,365,799)	(17,020)
Total other financing sources (uses)	(1,122,010)	(4,365,799)	2,167,319
Net change in fund balances	2,366,628	(77,301)	(1,632,380)
Fund balances - beginning	15,330,645	2,387,922	7,955,144
Fund balances - ending	$ 17,697,273	$ 2,310,621	$ 6,322,764

See accompanying notes to the basic financial statements.

Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ 529,712	$ 7,741,994
-	-	30,817,507
-	380,800	1,037,668
737,886	505,970	1,243,856
-	214,569	1,056,687
-	33,846	364,975
289,000	451,888	2,746,311
1,026,886	2,116,785	45,008,998
-	-	5,282,385
-	1,793,436	19,755,167
-	1,521,079	6,856,205
-	-	3,129,032
-	190,000	1,071,879
-	-	441,674
-	220,954	5,077,017
2,357,542	-	2,357,542
804,620	-	804,620
3,162,162	3,725,469	44,775,521
(2,135,276)	(1,608,684)	233,477
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
2,133,276	1,446,131	6,330,766
-	(17,500)	(6,089,349)
2,133,276	1,428,631	241,417
(2,000)	(180,053)	474,894
998,824	2,595,822	29,268,357
$ 996,824	$ 2,415,769	$ 29,743,251

Exhibit 6

CITY OF PADUCAH, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds	$ 474,894
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 capitalized amount of capital outlays in the current period. This amount includes Internal Service Fund's capital outlays of $876,166.	4,871,811
Collections on long-term notes receivables and related interest receivable are revenues in the government funds when collected.	(423,732)
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 that exceeded accrued property tax revenues.	2,546
The payments of pension and OPEB contributions require the use of current financial resources and, therefore, are reported as expenditures in governmental funds. However, the current year payments are deferred outflows of resources in the government-wide statements and accrued pension and OPEB expenses are recorded when incurred.	(7,025,130)
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.	(17,504)
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 $912,319.	$ (3,498,779)

See accompanying notes to the basic financial statements.

(Continued)

Exhibit 6
(Continued)

CITY OF PADUCAH, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

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.		2,355,474
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.		7,358
Long-term accrued compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		53,639
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.		(64,260)
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	$ 114,847	
Net of amount allocated to business-type activities	20,249	
Capital Outlays	(876,166)	
Depreciation expense	912,319	171,249
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ (3,092,434)

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
Revenues:				
Taxes:				
Real and personal, current year	$ 5,653,000	$ 5,653,000	$ 5,835,281	$ 182,281
Real and personal, prior year	110,000	110,000	125,061	15,061
Franchise	180,000	180,000	267,846	87,846
Bank taxes	243,000	243,000	290,262	47,262
In lieu of tax payment	285,000	302,595	310,085	7,490
Penalty, interest and advertising	55,000	55,000	53,163	(1,837)
Paducah Junior College tax collections	-	-	330,584	330,584
Total taxes	6,526,000	6,543,595	7,212,282	668,687
Licenses:				
Business licenses	4,500,000	4,500,000	4,631,352	131,352
Employee earnings	15,725,000	15,725,000	15,884,266	159,266
Cable franchise fees	300,000	300,000	297,818	(2,182)
Penalties	200,000	200,000	263,210	63,210
Alcoholic beverages	130,000	130,000	157,760	27,760
Insurance premium tax	4,150,000	4,150,000	4,592,834	442,834
Building permits	153,000	153,000	141,359	(11,641)
Electrical permits	40,000	40,000	31,757	(8,243)
Zoning change fees	7,000	7,000	7,166	166
Miscellaneous building and electrical fees	5,000	5,000	7,000	2,000
Payroll tax sharing with County	(315,500)	(315,500)	(367,392)	(51,892)
Total licenses	24,894,500	24,894,500	25,647,130	752,630
Charges for services:				
Tax collection fee	186,000	186,000	195,017	9,017
Administrative charge	290,200	290,200	300,200	10,000
Base court revenue	40,000	40,000	35,655	(4,345)
Recreation fees	100,000	100,000	125,996	25,996
Total charges for services	616,200	616,200	656,868	40,668

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
Grants:				
Police State Incentive	$ 369,000	$ 369,000	$ 356,987	$ (12,013)
Fire State Incentive	336,000	336,000	342,616	6,616
Police supplemental grants	30,000	30,000	31,741	1,741
Other grants	-	6,220	5,311	(909)
Total grants	735,000	741,220	736,655	(4,565)
Interest	97,000	97,000	331,129	234,129
Other:				
Property rent and sales	675,535	675,535	682,563	7,028
Property upkeep and maintenance	110,050	110,050	114,322	4,272
Contractual programs	4,000	4,000	2,520	(1,480)
E911 - GIS	30,260	30,260	30,260	-
Miscellaneous	133,000	137,865	224,857	86,992
Total other	952,845	957,710	1,054,522	96,812
Total revenues	33,821,545	33,850,225	35,638,586	1,788,361
Expenditures:				
General government:				
General administration:				
Mayor and Commissioners	194,965	200,570	200,273	297
City Manager	569,045	765,680	765,539	141
City Clerk	146,245	189,145	188,553	592
Corporate Counsel	227,155	284,350	281,552	2,798
Non-departmental	951,855	878,285	863,811	14,474
Memberships and contingency	22,800	21,970	21,963	7
Total general administration	2,112,065	2,340,000	2,321,691	18,309
Finance:				
Finance administration	273,960	274,360	272,092	2,268
Accounting and payroll	379,660	384,445	381,194	3,251
Revenue collection	424,385	437,335	432,631	4,704
Total finance	1,078,005	1,096,140	1,085,917	10,223

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
General government:				
Planning:				
Administration	$ 306,325	$ 300,225	$ 276,522	$ 23,703
Planning	489,745	478,290	449,003	29,287
Total planning	796,070	778,515	725,525	52,990
Radio and rental property	165,640	165,640	108,903	56,737
Human rights	41,680	41,620	33,662	7,958
Information systems	680,980	680,175	619,546	60,629
Human resources/risk management	334,460	401,030	387,141	13,889
Total general government	5,208,900	5,503,120	5,282,385	220,735
Public safety:				
Police:				
Police administration	1,251,835	1,313,070	1,257,929	55,141
Patrol	6,379,100	6,421,635	6,361,691	59,944
Investigations	2,171,640	1,994,275	1,858,193	136,082
Total police	9,802,575	9,728,980	9,477,813	251,167
Fire:				
Fire administration	678,510	615,300	612,889	2,411
Suppression	6,640,075	6,727,000	6,723,444	3,556
Prevention and inspection	1,085,585	1,018,318	992,689	25,629
Training	154,645	155,275	154,896	379
Total fire	8,558,815	8,515,893	8,483,918	31,975
Total public safety	18,361,390	18,244,873	17,961,731	283,142
Public service:				
Public works:				
Street maintenance	$ 2,192,190	$ 2,028,015	$ 1,979,251	$ 48,764
Street lighting	785,000	785,000	774,796	10,204
Facility maintenance	1,209,270	1,201,875	1,140,708	61,167
Total public works	4,186,460	4,014,890	3,894,755	120,135

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
Public service:				
Engineering services:				
Engineering services	$ 526,905	$ 561,500	$ 537,393	$ 24,107
Flood control	702,590	963,325	902,978	60,347
Total engineering services	1,229,495	1,524,825	1,440,371	84,454
Total public service	5,415,955	5,539,715	5,335,126	204,589
Parks and recreation:				
Parks and recreation administration	856,090	889,370	863,433	25,937
Grounds maintenance	1,751,460	1,654,745	1,533,071	121,674
Pools and recreation programs	762,655	773,865	732,528	41,337
Total parks and recreation	3,370,205	3,317,980	3,129,032	188,948
Intergovernmental and other:				
Cable authority	100,670	113,285	111,090	2,195
Intergovernmental expense	-	-	330,584	(330,584)
Total intergovernmental and other	100,670	113,285	441,674	(328,389)
Total expenditures	32,457,120	32,718,973	32,149,948	569,025
Excess (deficiency) of revenues over expenditures	1,364,425	1,131,252	3,488,638	2,357,386
Other financing sources (uses):				
Transfers in	550,000	554,468	567,020	12,552
Transfers out	(2,733,905)	(1,941,420)	(1,689,030)	252,390
Total other financing sources (uses)	(2,183,905)	(1,386,952)	(1,122,010)	264,942
Net change in fund balance	(819,480)	(255,700)	2,366,628	2,622,328
Fund balance - beginning	15,330,645	15,330,645	15,330,645	-
Fund balance - ending	$ 14,511,165	$ 15,074,945	$ 17,697,273	$ 2,622,328

See accompanying notes to the basic financial statements.

Exhibit 8

CITY OF PADUCAH, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE INVESTMENT FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
Revenues:				
Licenses:				
Employee earnings	$ 5,200,000	$ 5,200,000	$ 5,170,377	$ (29,623)
Total licenses	5,200,000	5,200,000	5,170,377	(29,623)
Other:				
Miscellaneous	-	-	-	-
Total other	-	-	-	-
Total revenues	5,200,000	5,200,000	5,170,377	(29,623)
Expenditures:				
General government:				
Planning and development:				
Economic development	971,250	971,250	881,879	89,371
Total expenditures	971,250	971,250	881,879	89,371
Excess (deficiency) of revenues over expenditures	4,228,750	4,228,750	4,288,498	59,748
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(4,476,290)	(4,476,290)	(4,365,799)	110,491
Total other financing sources (uses)	(4,476,290)	(4,476,290)	(4,365,799)	110,491
Net change in fund balance	(247,540)	(247,540)	(77,301)	170,239
Fund balance - beginning	2,387,922	2,387,922	2,387,922	-
Fund balance - ending	$ 2,140,382	$ 2,140,382	$ 2,310,621	$ 170,239

See accompanying notes to the basic financial statements.

Exhibit 9

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-type Activities			Governmental Activities
ASSETS				
Current Assets:	**Solid Waste**	**Nonmajor Enterprise Funds**	**Totals**	**Internal Service Funds**
Cash and cash equivalents	$ 2,737,318	$ 204,655	$ 2,941,973	$ 5,515,255
Investments	1,000,000	-	1,000,000	1,000,000
Accounts receivable	526,903	-	526,903	695,632
Interest receivable	3,904	-	3,904	-
Inventory	-	15,888	15,888	54,177
Total current assets	4,268,125	220,543	4,488,668	7,265,064
Noncurrent Assets:				
Net capital assets:				
Land	62,152	-	62,152	-
Depreciable capital assets	2,704,841	109,490	2,814,331	3,952,305
Total noncurrent assets	2,766,993	109,490	2,876,483	3,952,305
Total assets	7,035,118	330,033	7,365,151	11,217,369
Deferred Outflows of Resources:				
Deferred pension related outflows	569,184	111,655	680,839	229,816
Deferred OPEB related outflows	188,279	36,898	225,177	76,062
Total deferred outflows of resources	757,463	148,553	906,016	305,878
LIABILITIES				
Current Liabilities:				
Voucher and accounts payable	107,037	30,415	137,452	367,153
Accrued payroll and payroll taxes	35,406	788	36,194	10,909
Accrued compensated absences	98,972	595	99,567	33,503
Unearned revenue	25,500	-	25,500	20,334
Due to other funds	-	49,340	49,340	-
Total current liabilities	266,915	81,138	348,053	431,899
Noncurrent Liabilities:				
Pensions obligation	2,006,960	373,344	2,380,304	834,119
Other post employment benefits (OPEB)	689,299	128,227	817,526	286,482
Landfill post-closure costs	2,062,500	-	2,062,500	-
Accrued compensated absences	42,744	5,353	48,097	10,936
Total noncurrent liabilities	4,801,503	506,924	5,308,427	1,131,537
Total liabilities	5,068,418	588,062	5,656,480	1,563,436
Deferred Inflows of Resources				
Deferred pension related inflows	74,479	13,855	88,334	30,955
Deferred OPEB related inflows	36,090	6,714	42,804	15,000
Total deferred inflows of resources	110,569	20,569	131,138	45,955
NET POSITION				
Net invested in capital assets	2,766,993	109,490	2,876,483	3,952,305
Unrestricted	(153,399)	(239,535)	(392,934)	5,961,551
TOTAL NET POSITION	$ 2,613,594	$ (130,045)	2,483,549	$ 9,913,856

Reconciliation to government-wide statements of net position:	
Adjustment to reflect the consolidation of Internal Service Funds' activities related to Enterprise Funds	552,781
NET POSITION OF BUSINESS-TYPE ACTIVITIES	$ 3,036,330

See accompanying notes to the basic financial statements.

Exhibit 10

CITY OF PADUCAH, KENTUCKY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activities			Governmental Activities
Operating Revenues:	**Solid Waste**	**Nonmajor Enterprise Funds**	**Totals**	**Internal Service Funds**
Charges for services - internal	$ -	$ 79,204	$ 79,204	$ 5,860,010
Charges for services - external	4,555,488	-	4,555,488	261,896
Miscellaneous	915	1,236	2,151	-
Total operating revenues	4,556,403	80,440	4,636,843	6,121,906
Operating Expenses:				
Cost of sales and service	3,566,387	2,181,417	5,747,804	5,346,301
Depreciation and amortization	492,488	10,164	502,652	912,319
Total operating expenses	4,058,875	2,191,581	6,250,456	6,258,620
Operating income (loss)	497,528	(2,111,141)	(1,613,613)	(136,714)
Nonoperating Revenues (Expenses):				
Grants - program purpose	52,716	1,913,152	1,965,868	-
Interest and investment income	54,067	71	54,138	63,745
Gain (loss) on disposal of property and equipment	5,035	-	5,035	2,036
Total nonoperating revenues (expenses)	111,818	1,913,223	2,025,041	65,781
Income (loss) before contributions and transfers	609,346	(197,918)	411,428	(70,933)
Contributions and Transfers:				
Transfers in	-	58,562	58,562	185,780
Transfers out	(397,149)	(88,610)	(485,759)	-
Total contributions and transfers	(397,149)	(30,048)	(427,197)	185,780
Change in net position	212,197	(227,966)	(15,769)	114,847
Net position - beginning as restated (See Note 13)	2,401,397	97,921		9,799,009
Net position - ending	$ 2,613,594	$ (130,045)		$ 9,913,856

Reconciliation to government-wide statements of net position:	
Adjustment to reflect the consolidation of Internal Service Funds' activities related to Enterprise Funds	(20,249)
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES	$ (36,018)

See accompanying notes to the basic financial statements.

Exhibit 11

CITY OF PADUCAH, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activities			Governmental Activities
Cash Flows from Operating Activities:	**Solid Waste**	**Nonmajor Enterprise Funds**	**Totals**	**Internal Service Funds**
Cash received from customers	$ 4,597,961	$ 79,204	$ 4,677,165	$ -
Cash received from interfund services provided	-	-	-	6,207,905
Payments to suppliers	(2,288,967)	-	(2,288,967)	(452,584)
Payments to employees	(847,071)	(210,937)	(1,058,008)	(97,455)
Claims paid	-	-	-	(4,007,130)
Payments to internal service funds	(497,345)	(2,301)	(499,646)	-
Other receipts	915	1,236	2,151	-
Other payments	-	(1,965,806)	(1,965,806)	(295,544)
Net cash provided (used) by operating activities	965,493	(2,098,604)	(1,133,111)	1,355,192
Cash Flows from Noncapital Financing Activities:				
Grants - program purpose	52,716	1,913,152	1,965,868	-
Transfers from other funds	-	58,562	58,562	185,780
Transfers to other funds	(397,149)	(88,610)	(485,759)	-
Net cash provided (used) by noncapital financing activities	(344,433)	1,883,104	1,538,671	185,780
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(1,226,308)	-	(1,226,308)	(876,166)
Proceeds from sale of capital assets	5,035	-	5,035	50,237
Net cash provided (used) by capital and related financing activities	(1,221,273)	-	(1,221,273)	(825,929)
Cash Flows from Investing Activities:				
Proceeds from sale of investment securities	1,000,000	-	1,000,000	2,000,000
Interest on cash and investments	54,430	71	54,501	63,745
Net cash provided (used) by investing activities	1,054,430	71	1,054,501	2,063,745
Net increase (decrease) in cash and cash equivalents	454,217	(215,429)	238,788	2,778,788
Cash and cash equivalents, July 1, 2017	2,283,101	420,084	2,703,185	2,736,467
CASH AND CASH EQUIVALENTS, JUNE 30, 2018	$ 2,737,318	$ 204,655	$ 2,941,973	$ 5,515,255
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	$ 497,528	$ (2,111,141)	$ (1,613,613)	$ (136,714)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	492,488	10,164	502,652	912,319
Change in assets and liabilities:				
Receivables	42,473	-	42,473	87,817
Inventories	-	(15,888)	(15,888)	11,498
OPEB obligation and related deferrals	53,381	4,880	58,261	14,492
Pension obligation and related deferrals	34,891	42,001	76,892	217,485
Account and accrued payables	(155,268)	(28,620)	(183,888)	248,295
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 965,493	$ (2,098,604)	$ (1,133,111)	$ 1,355,192

See accompanying notes to the basic financial statements.

Exhibit 12

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Primary Government		
ASSETS	**Pension Funds**	**Private-purpose Trusts**	**Agency Funds**
Cash and cash equivalents	$ 9,532	$ 112,502	$ 858,399
Receivables:			
Interest	6,973	-	-
Investments at fair value			
Money market funds	28,171	-	-
Common stock	2,467,389	-	-
Mutual funds	2,804,587	1,107,066	-
Total assets	5,316,652	1,219,568	$ 858,399
LIABILITIES			
Voucher and accounts payable	21	2,500	-
Payroll taxes and withholdings payable	-	-	$ 858,399
Total liabilities	21	2,500	$ 858,399
NET POSITION			
Net position restricted for pensions	$ 5,316,631		
Held in trust for other purposes		$ 1,217,068	

See accompanying notes to the basic financial statements

Exhibit 13

CITY OF PADUCAH, KENTUCKY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Pension Funds	Private-purpose Trusts
Additions:		
Contributions:		
Employer	$ 394,180	$ -
Plan members	6,325	-
Private donations	-	3,680
Total contributions	400,505	3,680
Investment income:		
Net increase (decrease) in fair value of investments	374,161	(1,262)
Interest and dividends	118,114	93,428
Net investment income	492,275	92,166
Total additions	892,780	95,846
Deductions:		
Benefits	1,111,573	-
Capital outlay	-	47,501
Administrative expenses	48,059	14,238
Total deductions	1,159,632	61,739
Change in net position	(266,852)	34,107
Net position - beginning	5,583,483	1,182,961
Net position - ending	$ 5,316,631	$ 1,217,068

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, 2018

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 and City Commission. The rates for user charges and bond issuance authorizations are subject to approval by the City Commission of the City of Paducah.

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

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

(Continued)

Note 1 - Summary of Significant Accounting Policies:

Related Organizations

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

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

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

Paducah Power System – The Paducah Power System (PPS) is a legally separate entity that provides electric utilities to residents in the Paducah area. PPS is not financially accountable to the City.

Joint Sewer Agency – As of July 1, 1999, the assets and liabilities of the Wastewater/Stormwater Fund were transferred to the Paducah-McCracken County Joint Sewer Agency pursuant to a municipal order dated June 29, 1999. The Paducah-McCracken County Joint Sewer Agency is a legally separate entity and is not financially accountable to the City.

Forest Hills Village, Inc. – The Corporation's purpose is to manage City of Paducah properties known as "Forest Hills Housing Development". The City and Corporation have a lease agreement detailing the terms and conditions of operations. Forest Hills Village, Inc. is a legally separate entity and is not financially accountable to the City.

Paducah Junior College, Incorporated (PJC) – The College is a part of the University of Kentucky'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)

Note 1 - Summary of Significant Account Policies:

Basis of Presentation

Government-wide Financial Statements

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

Fund Financial Statements

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

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

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

The funds of the financial reporting entity are described below:

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

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

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

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

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

The City has presented the following major proprietary fund:

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

(Continued)

Note 1 - Summary of Significant Account Policies:

Basis of Presentation

Fund Financial Statements

Additionally, the City reports the internal service funds which are used to account for the fleet management services, property and casualty insurance, and self-funded health insurance provided to departments of the City.

Fiduciary funds report resources held in trust. Two of these funds are single-employer defined benefit funds and are administered by the City. These funds are Police and Firefighters' Pension Fund (PFPF) and Appointive Employees' Pension Fund (AEPF). Pension trust funds report the receipt, investment, and distribution of retirement contributions. The remaining funds are private-purpose trust funds which report the receipt and distribution in accordance with maintenance trust agreements.

The Agency Fund accounts for the City's payroll wages, taxes and related withholdings.

Measurement Focus

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The proprietary, pension, and private-purpose trust funds and financial statements of City component units utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary, pension, and private-purpose trust fund equity is classified as net position.

c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

(Continued)

Note 1 - Summary of Significant Account Policies:

Basis of Accounting

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

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

Revenues – Exchange and Non-Exchange Transactions

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

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

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

Unearned revenue

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

Allocation of Indirect Expenses

The City allocates indirect expenses primarily comprised of fleet management services and various self-funded insurance coverage provided to departments and employees of the City. Allocations are charged to functions based on use by weighted-average methodology.

(Continued)

Note 1 - Summary of Significant Accounting Policies:

Budgets and Budgetary Accounting

The City legally adopts annual budgets for all governmental and proprietary funds except for Section Eight Housing Fund. The City follows these procedures in establishing the budgetary data reflected in these financial statements:

1. Prior to July, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing those.
2. Public hearings are conducted by the City to obtain taxpayer comments.
3. Prior to July, the budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between departments and their line items; however, any revisions that alter the total expenditures must be approved by the City Commission.
5. Formal budgetary integration is employed as a management control device during the year; and, the budget is legally adopted. Budget amendments are also legally adopted.
6. The budget is adopted on the modified accrued basis of accounting.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds. In accordance with generally accepted accounting principles (GAAP), encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. There are no encumbrances at June 30, 2018.

Cash and Investments

The City Commission adopted formal deposit and investment policies in January 2001. These policies apply to all City funds not contained in public trusts. The pension trust fund has investment policies separately approved by their oversight board. The private purpose trust has not adopted a deposit and investment policy.

For the purpose of the Statement of Net Position, “cash and cash equivalents” includes all demand and savings accounts of the City. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts and certificates of deposit, or short-term investments with an original maturity of three months or less.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds, related to the pension and private purpose trust funds not listed on an established market, are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Cash deposits and certificates of deposit are reported at carrying amount which reasonably estimates fair value. Additional cash and investment disclosures are presented in Note 3.

(Continued)

Note 1 - Summary of Significant Accounting Policies:

Receivables

Major receivable balances for the governmental activities include property taxes, employee earnings taxes, business licenses, insurance premiums taxes, franchise taxes, grant revenue, and interlocal note receivables. Business-type activities report utilities and interest earnings as their major receivables.

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

The government-wide statements also include general obligation notes receivable related to the general obligation bonds outstanding as described in Note 3. In the fund financial statements, receivables in governmental funds include revenue accruals such as franchise tax, employee earnings taxes, business licenses, insurance and grants, and other similar intergovernmental revenues since they are usually both measurable and available.

Nonexchange transactions collectible but not available are deferred. Interest and investment earnings are recorded when earned only if paid within sixty days since they would be considered both measurable and available. Proprietary fund receivables include revenues earned at year end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Interfund Receivables and Payables

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

Inventories

Inventories are stated at cost on a first-in, first-out basis. Inventory consists of expendable supplies and fuel of $70,065 held for consumption and re-sell and real property of $471,135 held for urban development. The cost is recorded as an expenditure at the time individual items are consumed or sold for urban development rather than when purchased.

Capital Assets

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

(Continued)

Note 1 - Summary of Significant Accounting Policies:

Capital Assets

Government-wide Statement

In the government-wide financial statements, property, plant and equipment are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets and 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	10-30 Years
Buildings	30 Years
Building improvements	10-30 Years
Infrastructure	10-30 Years
Equipment	3-10 Years
Furnishings and fixtures	5-7 Years
Vehicles	7-10 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 will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in the category. These are the deferred charge on refunding and deferred pension and other post-employment benefits (OPEB) 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 and OPEB related outflows result from pension and OPEB contributions subsequent to the measurement date of the pension and OPEB plans and various changes resulting from actuarial pension and OPEB measurement. The pension and OPEB contribution amounts are 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 and OPEB measurements are deferred and amortized in future periods as a component of the pension and OPEB expense.

(Continued)

Note 1 - Summary of Significant Accounting Policies:

Deferred Outflows/Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and 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 and OPEB plans that qualify for reporting in this category – deferred pension and OPEB related inflows. The various changes resulting from actuarial pension and OPEB measurements are deferred and amortized in future periods as a component of the pension and OPEB expense.

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

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
Governmental Activities				
Deferred outflows of resources				
Deferred charge on refunding	$ 261,542	$ 126,741	$ (70,444)	$ 317,839
Pensions:				
Deferred pension contributions	$ 2,913,960	$ 2,960,195	$ (2,913,960)	$ 2,960,195
Changes in proportion and differences between employer contributions and proportionate share of contributions	81,418	773,409	(81,418)	773,409
Differences between expected and actual experience	456,439	1,518,683	(608,762)	1,366,360
Change of assumptions	2,275,835	12,695,780	(4,623,681)	10,347,934
Difference between projected and actuarial earnings	3,555,585	-	(3,031,452)	524,133
Pension related deferred outflows	$ 9,283,237	$ 17,948,067	$ (11,259,273)	$ 15,972,031
Deferred inflows of resources				
Changes in proportion and differences between employer contributions and proportionate share of contributions	$ 633,144	$ 328,276	$ (633,144)	$ 328,276
Differences between expected and actual experience	-	583,101	(166,600)	416,501
Difference between projected and actuarial earnings	196,751	112,014	(99,304)	209,461
Pension related deferred inflows	$ 829,895	$ 1,023,391	$ (899,048)	$ 954,238
Other post-employment benefits (OPEB):				
Deferred outflows of resources				
Deferred OPEB contributions	$ 1,166,254	$ 1,150,612	$ (1,166,254)	$ 1,150,612
Change of assumptions	-	7,872,867	(1,645,104)	6,227,763
OPEB related deferred outflows	$ 1,166,254	$ 9,023,479	$ (2,811,358)	$ 7,378,375
Deferred inflows of resources				
Differences between expected and actual experience	$ -	$ 59,139	$ (11,889)	$ 47,250
Difference between projected and actuarial earnings	-	1,396,342	(279,269)	1,117,073
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	19,021	(3,248)	15,773
OPEB related deferred inflows	$ -	$ 1,474,502	$ (294,406)	$ 1,180,096
Deferred inflows of resources				
Unavailable revenues – property taxes	$ 5,846,122	$ 5,446,055	$ (5,846,122)	$ 5,446,055

(Continued)

Note 1 - Summary of Significant Accounting Policies:

Deferred Outflows/Inflows of Resources

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

Business-Type Activities				
Pensions:				
Deferred outflows of resources				
Deferred pension contributions	$ 139,148	$ 145,690	$ (139,148)	$ 145,690
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	88,935	(25,410)	63,525
Differences between expected and actual experience	9,109	-	(6,157)	2,952
Change of assumptions	110,531	564,768	(236,068)	439,231
Difference between projected and actuarial earnings	196,151	-	(166,710)	29,441
Pension related deferred outflows	$ 454,939	$ 799,393	$ (573,493)	$ 680,839
Deferred inflows of resources				
Differences between expected and actual experience	$ -	84,591	(24,169)	60,422
Changes in proportion and differences between employer contributions and proportionate share of contributions	62,496	-	(34,584)	27,912
Pension related deferred inflows	$ 62,496	$ 84,591	$ (58,753)	$ 88,334
Other post-employment benefits (OPEB)				
Deferred outflows of resources				
Deferred OPEB contributions	$ 47,480	$ 47,289	$ (47,480)	$ 47,289
Change of assumptions	-	211,580	(33,692)	177,888
OPEB related deferred outflows	$ 47,480	$ 258,869	$ (81,172)	$ 225,177
Deferred inflows of resources				
Differences between expected and actual experience	$ -	$ 2,701	$ (430)	$ 2,271
Difference between projected and actuarial earnings	-	48,295	(9,659)	38,636
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	2,256	(359)	1,897
OPEB related deferred inflows	$ -	$ 53,252	$ (10,448)	$ 42,804

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 by applicable bond covenants.

(Continued)

Note 1 - Summary of Significant Accounting Policies:

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.

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."

(Continued)

Note 1 - Summary of Significant Accounting Policies:

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.

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.

(Continued)

Note 1 - Summary of Significant Accounting Policies:

Operating and Non-Operating Revenues and Expenses – Proprietary Funds

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

Expenditures/Expenses

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

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

Governmental Funds – by function:	Current (further classified by character) Debt Service Capital Outlay
Proprietary Fund – by operating and nonoperating	

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

Interfund Transfers

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

Use of Estimates

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

Stewardship, Compliance, and Accountability

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

Fund Accounting Requirements

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

(Continued)

Note 1 - Summary of Significant Accounting Policies:

Revenue Restrictions

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

Revenue Source	Legal Restrictions of Use
Section Eight Housing Choice Voucher Program	Subsidize Rental Costs for Low-Income Families
FEMA - Disaster Grants	Debris Removal and Disaster Recovery
HOME Investment Partnerships Grant	Construction of Low-income Rental Units
Emergency Communication Revenue	E-911 Emergency Services
Transient Room Tax	Debt Obligations
Homeland Security Grant Program	Homeland Security Enhancement
Kentucky Housing Corporation	Façade Loans
Other Grants	Grant Program Expenditures
Bond Proceeds	Defeasance of debt and Capital Projects
25% of Employee Earning Tax	Economic, Community and Capital Development

For the year ended June 30, 2018, 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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-employment Benefits (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

(Continued)

Note 1 - Summary of Significant Accounting Policies:

Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 21, 2018, the date financial statements were available to be issued.

Note 2 - Property Taxes:

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

The due dates and collection period for all property taxes, exclusive of vehicle taxes, for the fiscal year ended June 30, 2018, are as follows:

Description	Date
Assessment and enforceable lien	January 1, 2017
Levy	September 26, 2017
Face value amount payment dates	1st half by November 1, 2017 2nd half by February 1, 2018
Delinquent date - 10% penalty plus 1/2% per month	1st half - November 30, 2017 2nd half - February 28, 2018

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, 2018, 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 $31,548,497 and $32,528,646, respectively.

(Continued)

Note 3 - Detail Notes on Transaction Classes/Accounts:

Investment Policies

City Policy

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

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

1. Obligations of the U.S. Treasury, agencies, and instrumentalities, including obligations subject to repurchase agreements, provided delivery of obligations subject to repurchase agreements are held by the City or through an authorized agent;

2. Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency;

3. Obligations of any corporation of the United States government;

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

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.

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.

(Continued)

Note 3 - Detail Notes on Transaction Classes/Accounts:

The City has the following fair value measurements as of June 30, 2018 :

Types of Investments	Fair Value/ Carrying Amount	Average Credit Quality/ Rating (1)	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Weighted Average Maturity Years (2)
Governmental and Business Funds						
Certificates of deposits	$ 5,000,000	NR	-	$5,000,000	-	0.90
Fiduciary and Private Purpose Trust Funds						
Cash equivalents	$ 35,144	NR	$ 35,144	$ -	$ -	NA
Common stock	2,439,218	NR	2,439,218	-	-	NA
Real estate investment trust	226,000	NR	-	-	226,000	NA
Mutual funds						
Bond	1,595,767	NR	1,595,767	-	-	7.86
Equity	1,753,398	NR	1,753,398	-	-	NA
International	364,659	NR	364,659	-		NA
TOTAL FIDUCIARY AND PRIVATE PURPOSE TRUST FUNDS	$ 6,414,186					

(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.

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)

Note 3 - Detail Notes on Transaction Classes/Accounts:

Pension Trust Policy

Asset allocation guideline for the plan is as follows:

	PFPF Retirement Plan		
	Minimum	**Target**	**Maximum**
Equities	45%	55%	65%
Fixed income	35%	45%	55%

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

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

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)

Note 3 - Detail Notes on Transaction Classes/Accounts:

Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

Primary Government:	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	$10,376,832	$ 16,367	$ -	$10,393,199
Construction-in-progress	20,009,381	3,642,950	20,133,429	3,518,902
Total capital assets, not being depreciated	30,386,213	3,659,317	20,133,429	13,912,101
Capital assets, being depreciated:				
Land improvements	13,323,851	9,676,979	-	23,000,830
Buildings and improvements	19,386,737	750,675	-	20,137,412
Infrastructure	41,757,073	9,663,646	-	51,420,719
Equipment	8,841,781	538,426	440,883	8,939,324
Furnishings and fixtures	221,341	49,537	18,258	252,620
Vehicles	9,334,694	769,159	354,147	9,749,706
Totals at historical cost	92,865,477	21,448,422	813,288	113,500,611
Less accumulated depreciation:				
Land improvements	3,912,744	908,450	-	4,821,194
Buildings and improvements	13,460,672	404,519	-	13,865,191
Infrastructure	31,826,792	881,391	-	32,708,183
Equipment	6,945,977	530,287	420,666	7,055,598
Furnishings and fixtures	199,003	9,512	14,473	194,042
Vehicles	5,589,779	867,120	312,445	6,144,454
Total accumulated depreciation	61,934,967	3,601,279	747,584	64,788,662
Total capital assets, being depreciated, net	30,930,510	17,847,143	65,704	48,711,949
PRIMARY GOVERNMENT ACTIVITIES CAPITAL ASSETS, NET	$61,316,723	$21,506,460	$20,199,133	$62,624,050

During the year, fully depreciated assets were transferred between governmental and business type activities. Assets with historical cost of $23,619 were transferred from governmental activities to business activities and assets with historical cost of $102,500 were transferred from business activities to governmental activities. Additions and disposals reflect these transfers between activities.

(Continued)

Note 3 - Detail Notes on Transaction Classes/Accounts:

Capital Assets

Depreciation expense was charged to governmental activities as follows:

General government:	
General administration	$ 278,761
Planning	19,922
Information systems	8,207
Fleet maintenance	6,844
Total general government	313,734
Public safety:	
Police	253,978
Fire	92,791
Grants	-
Emergency 911	26,009
Court awards	3,214
Fleet Lease Trust	905,475
Total public safety	1,281,467
Public service:	
Public works	45,413
Engineering	23,532
Total public service	68,945
Parks and recreation	880,955
Planning and development:	
Infrastructure	952,120
Grants	1,558
Total planning and development	953,678
TOTAL DEPRECIATION EXPENSE – GOVERNMENTAL ACTIVITIES	$3,498,779

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

Solid Waste Fund	$ 492,488
Section Eight Housing	143
Civic Center	10,021
TOTAL DEPRECIATION EXPENSE – BUSINESS-TYPE ACTIVITIES	$ 502,652

(Continued)

Note 3 - Detail Notes on Transaction Classes/Accounts:

Capital Assets

Business-type Activities:	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	$ 62,152	$ -	$ -	$ 62,152
Total capital assets, not being depreciated	62,152	-	-	62,152
Capital assets, being depreciated:				
Buildings and improvements	571,759	-	4,247	567,511
Equipment	1,563,372	397,120	347,151	1,613,341
Vehicles	2,992,753	852,809	-	3,845,562
Totals at historical cost	5,127,884	1,249,928	351,398	6,026,414
Less accumulated depreciation:				
Buildings and improvements	316,762	16,327	4,247	328,842
Equipment	1,198,501	152,412	347,151	1,003,762
Vehicles	1,521,945	357,534	-	1,879,479
Total accumulated depreciation	3,037,208	526,273	351,398	3,212,083
Total capital assets, being depreciated, net	2,090,676	723,655	-	2,814,331
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	$ 2,152,828	$ 723,655	$ -	$ 2,876,483

Discretely Presented Component Units:	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets, not being depreciated:				
Land & construction in progress	$ 4,809,862	$ -	$3,338,719	$ 1,471,143
Capital assets, being depreciated:				
Utility plant	88,314,371	6,031,912	383,324	93,962,959
Less accumulated depreciation:				
Utility plant	37,834,026	2,244,001	333,579	39,744,448
Total capital assets, being depreciated, net	50,480,345	3,787,911	49,745	54,218,511
COMPONENT UNIT CAPITAL ASSETS, NET	$ 55,290,207	$ 3,787,911	$3,388,464	$ 55,689,654

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

Paducah Water Works	$ 2,244,001

(Continued)

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, 2018, the governmental long-term liabilities consisted of the following:

General obligation bonds:	
Current portion	$ 1,861,329
Noncurrent portion	16,131,165
TOTAL GENERAL OBLIGATION BOND COSTS, NET OF PREMIUMS AND DISCOUNTS	$ 17,992,494
Note payable:	
Current portion	$ 511,061
Noncurrent portion	7,295,639
TOTAL NOTE PAYABLE PAYMENTS	$ 7,806,700
Accrued compensated absences:	
Current portion	$ 1,236,497
Noncurrent portion	818,959
TOTAL ACCRUED COMPENSATED ABSENCES	$ 2,055,456
Pension obligations:	
County Employee Retirement System	$ 53,104,979
Appointive Employee's Pension Fund	70,279
Police and Firefighters Pension Plan	3,321,887
TOTAL PENSION OBLIGATIONS	$ 56,497,145
Other post-employment benefit (OPEB) obligations:	
County Employee Retirement System	$ 19,194,886
TOTAL OPEB OBLIGATIONS	$ 19,194,886

(Continued)

Note 3 - Detail Notes on Transaction Classes/Accounts:

Long-Term Liabilities

Business-type Activities

As of June 30, 2018, the long-term liabilities payable from proprietary fund resources consisted of the following:

Accrued compensated absences:	
Current portion	$ 99,566
Noncurrent portion	48,097
TOTAL ACCRUED COMPENSATED ABSENCES	$ 147,663
Pension obligations:	
County Employee Retirement System	$ 2,380,304
TOTAL PENSION OBLIGATIONS	$ 2,380,304
Other post-employment benefit (OPEB) obligations:	
County Employee Retirement System	$ 817,526
TOTAL OPEB OBLIGATIONS	$ 817,526

General Obligation Bonds

Series 2008 Bond Issue – The City of Paducah issued general obligation bonds of $2,800,000 in March 2009, to finance the Floodwall Rehabilitation. Interest rates are variable ranging between 2% and 3.7%. These bonds are required to be fully paid within 20 years from the date of issue and are backed by the full faith and credit of the City.

Series 2010B Bond Issue – The City of Paducah issued general obligation bonds of $7,165,000 in August 2010 with interest rates ranging between 1% and 3.25%, to advance refund $6,725,000 of outstanding 2001 series bonds with interest rates ranging between 4.5% and 5%. The 2001 series bonds were issued to finance construction of the Performing Arts Center and Convention Center expansion. These bonds are required to be fully paid within 16 years from the date of issue and are backed by the full faith and credit of the City. While these 2010B series bonds are issued by the City, 50% of the principal amount of the bonds was issued on behalf of the County of McCracken, Kentucky which intends to participate on an equal basis with the City in financing the projects and has issued the City a general obligation note in a principal amount equal to 50% of the principal amount of the bonds and bearing interest at the same rates as the City's bonds in order to secure the County's obligations to the City. This note receivable is reflected in the government-wide Statement of Net Position. In accordance with an Interlocal Cooperation Agreement between the City, McCracken County, Kentucky (the County), and the Paducah-McCracken County Tourist and Convention Commission (the Bureau), principal and interest payments on the bonds are being made from an additional 2% transient room tax collected by the County with the remaining payments split evenly between the City, the County, and the Bureau.

(Continued)

Note 3 - Detail Notes on Transaction Classes/Accounts:

Long-Term Liabilities

General Obligation Bonds

Series 2011 Bond Issue – The City of Paducah issued general obligation taxable refunding bonds of $3,910,000 in August 2011 with an interest rate of 3.68%, to refund $3,780,000 of outstanding 2004 series bonds issued for an economic development project in the Industrial Park West with interest rates ranging from 2.25% to 6%. These bonds are required to be fully paid within 13 years from the date of issue and are backed by the full faith and credit of the City. While these bonds are issued by the City, 50% of the principal amount of the bonds was issued on behalf of the County of McCracken, Kentucky which intends to participate on an equal basis with the City and has guaranteed 50% of the principal amount of the bonds. This note receivable is reflected in the government-wide Statement of Net Position. In accordance with an Interlocal Cooperation Agreement between the City and McCracken County, Kentucky (the County), principal and interest payments on the bonds are supported by an operating lease collected by the City. The rental revenues collected from the lease during the current year cover $289,000 of the bond and interest payments due with the remaining amount of $108,080 shared equally by the City and County.

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

Series 2013B Bond Issue – The City of Paducah issued general obligation taxable bonds of $2,475,000 in September 2013, to finance a portion of the costs of the construction of improvements to an industrial/distribution facility and a portion of the costs of the acquisition, construction, installation and equipping of an approximately 30,000 square foot building for the economic development. Interest rates range from 0.60% to 4.00%. These bonds are required to be fully paid within 15 years from the date of issue and are backed by the full faith and credit of the City.

Series 2014A Bond Issue – The City of Paducah issued general obligation refunding bonds of $5,460,000 in May 2014 with interest rates ranging from 2.00% to 3.50%, to refund $5,545,000 of outstanding 2010 series bonds issued to finance several public improvement projects with interest rates ranging from 1.00% to 5.50%. These bonds are required to be fully paid within 16 years from the date of issue and are backed by the full faith and credit of the City.

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

(Continued)

Note 3 - Detail Notes on Transaction Classes/Accounts:

Long-Term Liabilities

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)

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, 2018:

Type of Liability:	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
General obligation bonds:					
Floodwall Rehabilitation	$ 1,862,123	$ -	$ (132,131)	$ 1,729,992	$ 136,329
Refinanced Pension	3,660,000	-	(405,000)	3,255,000	410,000
Refinanced Convention Center	4,515,000	-	(450,000)	4,065,000	455,000
Refinanced Rental Building	2,230,000	-	(310,000)	1,920,000	320,000
Public Pool Renovations	925,000	-	(65,000)	860,000	70,000
Economic Development	2,040,000	-	(145,000)	1,895,000	145,000
Refinancing Public Projects	4,505,000	-	(310,000)	4,195,000	325,000
Premiums	156,808	-	(21,286)	135,522	-
Discounts	(78,122)	-	15,102	(63,020)	-
Total bonds payable	19,815,809	-	(1,823,315)	17,992,494	1,861,329
Notes payable:					
Kentucky League of Cities	1,309,616	-	(196,297)	1,113,319	202,261
Kentucky Association of Counties	1,751,666	126,742	(134,088)	1,744,320	140,768
Margaret Hank Agreement	47,934	-	(47,934)	-	-
Murray State University Agreement	2,109,088	-	(117,601)	1,991,487	119,828
CFSB Agreement	3,000,000	-	(42,425)	2,957,575	48,204
Total notes payable	8,218,304	126,742	(538,345)	7,806,701	511,061
Pension Obligations	44,315,943	15,095,162	(2,913,960)	56,497,145	-
OPEB Obligations	12,522,515	7,788,635	(1,116,264)	19,194,886	-
Accrued Compensated Absences	2,114,779	1,301,106	(1,360,430)	2,055,455	1,236,497
TOTAL GENERAL LONG-TERM LIABILITIES	$86,987,350	$24,311,645	$(7,752,314)	$103,546,681	$ 3,608,887
Business-type activities:					
Pension Obligations	$ 2,086,480	$ 432,972	$ (139,148)	$ 2,380,304	-
OPEB Obligations	641,242	223,764	(47,480)	817,526	-
Accrued compensated Absences	193,522	93,588	(139,446)	147,664	99,566
TOTAL BUSINESS LONG-TERM LIABILITIES	$ 2,921,244	$ 750,324	$ (326,074)	$ 3,345,494	$ 99,566

(Continued)

Note 3 - Detail Notes on Transaction Classes/Accounts:

Long-Term Liabilities

Changes in Long-Term Liabilities

(1) The calculation to reconcile amounts in this schedule to the "net investment in capital assets" for governmental activities is:

Net Capital Assets		$62,624,051
Less:		
19.75% of the outstanding 2010B general obligation bonds	$ (802,838)	
100% of the outstanding 2011 General obligation bonds	(1,920,000)	
Net of the County's portion	1,361,419	
		(1,361,419)
78% of the outstanding 2014A general obligation bonds		(3,272,100)
100% of the outstanding 2013A general obligation bonds		(860,000)
52% of the outstanding 2013B general obligation bonds		(985,400)
100% of the outstanding Kentucky League of Cities' note payable		(1,113,319)
Net investment in capital assets		$55,031,813

Annual Debt Service Requirements

The annual debt service requirements to maturity for bonds and notes as of June 30, 2018, are as follows:

Year Ending June 30	Principal	Interest
2019	$ 2,372,390	$ 759,911
2020	2,432,467	687,597
2021	2,503,386	610,270
2022	2,579,621	531,456
2023	2,664,292	452,136
2024-2028	9,509,575	1,229,706
2029-2032	3,737,463	172,524
TOTALS	$25,799,194	$ 4,443,600

(Continued)

Note 3 - Detail Notes on Transaction Classes/Accounts:

Accrued Compensated Absences

Compensated absence obligations arise from amounts due to City employees for vested amounts of vacation pay and sick pay which will be payable in the future. Typically, the compensated absence obligations have been paid by the General Fund, Emergency Communication Service Fund, Section Eight Housing Fund, Solid Waste Fund, and Fleet Maintenance Fund. Amounts accrued at June 30, 2018, are as follows:

Accrued Compensated Absences

	Governmental Activities	Business-type Activities
Accrued sick leave	$ 636,865	$ 69,478
Accrued vacation leave	1,418,591	78,185
Totals	2,055,456	147,663
Less current portion	1,236,497	99,566
LONG-TERM PORTION	$ 818,959	$ 48,097

Termination Benefits

Thirteen 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. Termination benefits of $281,108 were paid for the year ended June 30, 2018.

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, 2018, $201,357 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, 2018, approval had not yet been granted. The County estimated post-closure care costs totaling $4,125,000 or $125,000 per year plus 10% for inflation. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. In the year ending June 30, 2001, the City entered into an inter-local agreement to share equally the costs for post-closure costs and, accordingly, has recorded a long-term liability for 50% of the estimated closure expense. It is anticipated that post-closure costs will be paid out of the Solid Waste Fund to the extent that funds are available with any excess costs being funded using long-term borrowing.

(Continued)

Note 3 - Detail Notes on Transaction Classes/Accounts:

Interfund Transactions and Balances

Interfund transfers during the year ended June 30, 2018, were as follows:

	Interfund Transfers In	Interfund Transfers Out
Governmental Funds:		
General Fund	$ 567,020	$1,689,030
Special Revenue Investment Fund	-	4,365,799
Capital Project Fund	2,184,339	17,020
Debt Service Fund	2,133,276	-
Nonmajor Governmental Funds	1,446,131	17,500
Internal Service Funds	185,780	-
Proprietary Funds:		
Solid Waste	-	485,759
Nonmajor Proprietary Funds	58,562	-
TOTALS	$ 6,575,108	$ 6,575,108

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 $414,781 for E911 support; $493,147 for debt service; and $573,909 for capital projects. Significant transfers from the special revenue investment fund includes $1,031,350 for municipal aid street resurfacing program; $1,640,129 for debt service; and $1,504,320 for capital projects. Significant transfers from solid waste fund include $360,000 for general fund operations support.

Due To/From Balances

Due to/from balances used to cover current operating expenses were as follows as of June 30, 2018:

	Due From	Due To
General Fund	$ 49,340	$1,313,541
Special Revenue Investment Fund	1,313,541	-
General Capital Improvements Fund	-	-
Nonmajor Proprietary Funds	-	49,340
Internal Service Funds	-	-
TOTALS	$1,362,881	$1,362,881

Note 4 - Pension Plans - City of Paducah:

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

(Continued)

Note 4 - Pension Plans - City of Paducah:

Cost-Sharing Multiple-Employer Defined Benefit Plan

County Employees' Retirement System

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

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

Non-hazardous members:

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

Hazardous members:

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

(Continued)

Note 4 - Pension Plans - City of Paducah:

Cost-Sharing Multiple-Employer Defined Benefit Plan

County Employees' Retirement System

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

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

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

Employers contribute at the rate determined by the CERS Board to be necessary for the actuarial soundness of the system, as required by KRS 61.565 and 61.752. The City's required contribution rate was 19.18% for non-hazardous employees and 31.55% for hazardous employees for the year ended June 30, 2018. Non-hazardous and hazardous employee plans are administered separately.

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

At June 30, 2018, 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	$ 18,788,122
City's hazardous proportionate share of the CERS net pension liability	36,697,162
Total CERS net pension liability associated with the City	$ 55,485,284

The net pension liability for each plan was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

(Continued)

Note 4 - Pension Plans - City of Paducah:

Cost-Sharing Multiple-Employer Defined Benefit Plan

County Employees' Retirement System

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, 2018, the City's non-hazardous proportion was 0.320983% percent and hazardous proportion was 1.640259% percent.

For the year ended June 30, 2018, the City recognized non-hazardous and hazardous pension expense of $3,172,633 and $5,893,729, respectively, related to CERS pension plans. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the CERS pension plans from the following sources:

	Non-hazardous		Hazardous	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 23,303	$ 476,923	$ 1,346,009	$ -
Changes in assumptions	3,466,917	-	7,320,247	-
Net difference between projected and actual earnings on pension plan investments	232,388	-	320,682	-
Changes in proportion and differences between City contributions and proportionate share of contributions	501,411	220,311	335,523	135,878
City contributions subsequent to the measurement date	1,141,041	-	1,964,844	-
Total	$ 5,365,060	$ 697,234	$ 11,287,305	$ 135,878

The City reported $3,105,885 as deferred outflows of resources related to pensions resulting from City's non-hazardous and hazardous contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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	
	Non-Hazardous	Hazardous
2019	$ 1,463,478	$ 3,759,946
2020	1,574,004	4,242,089
2021	730,553	1,584,964
2022	(241,250)	(400,417)

(Continued)

Note 4 - Pension Plans - City of Paducah:

Cost-Sharing Multiple-Employer Defined Benefit Plan

County Employees' Retirement System

Actuarial assumptions - The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Non-Hazardous	Hazardous
Inflation	2.30%	2.30%
Projected salary increases	2.00%	2.00%
Investment rate of return, net of investment expense & inflation	6.25%	6.25%

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

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

(Continued)

Note 4 - Pension Plans - City of Paducah:

Cost-Sharing Multiple-Employer Defined Benefit Plan

County Employees' Retirement System

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Combined Equity	50.8%	5.9%-7.8%
Combined Fixed Income	14.0%	2.6%-3.6%
Real Estate	5.0%	5.5%
Private Equity	10.0%	7.6%
Real Return (Diversified Inflation Strategies)	8.0%	8.2%
Absolute Return (Diversified Hedge Funds)	10.0%	5.8%
Cash	2.2%	1.9%
Total	100.0%	

Discount rate - The discount rate used to measure the total pension liability was 6.25%. 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 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
Non-hazardous' proportionate share of net pension liability	$23,695,883	$18,788,122	$14,682,817
Hazardous' proportionate share of net pension liability	$46,140,033	$36,697,162	$28,898,731

(Continued)

Note 4 - Pension Plans - City of Paducah:

Cost-Sharing Multiple-Employer Defined Benefit Plan

County Employees' Retirement System

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

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

Basis of Accounting – The financial statements are prepared using the accrual basis of accounting. Plan member and employer contributions are recognized in the period in which the contributions are due, pursuant to formal commitments. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Administration – The Appointive Employees' Pension Fund Board and the City of Paducah Police and Firefighters' Pension Fund Board are responsible for establishing or amending contribution rates and requirements for their respective plans.

Administrative Costs – Administrative costs are funded from investment earnings.

Valuation of Investments – Investments are reported at fair value. Investments are composed of securities valued at current market prices. See investment policies in Note 3 for the pension trusts.

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

Plan Description:

PFPF is a single-employer defined benefit plan. On August 1, 1988, the plan was closed to new entrants and current active duty police and firemen of the City were given a choice of remaining in this plan or transferring into the CERS. Effective August 1, 1988, the PFPF covered 21 active duty members. All other active duty members elected coverage under CERS. PFPF does not issue a separate, stand-alone report. Accordingly, the plan financial statements are included in this audit report.

AEPF is a single-employer defined benefit plan which covers past appointed employees of the City. In 1975, the City froze admission of new entrants into the plan. There are no active participants in the plan at June 30, 2018. AEPF does not issue a separate, stand-alone report. Accordingly, the plan financial statements are included in this audit report.

(Continued)

Note 4 - Pension Plans - City of Paducah:

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

Membership Information:

Membership of each plan consisted of the following at June 30, 2018:

	PFPF	AEPF
Active participants	1	0
Beneficiaries	26	2
Retired participants	19	0
TOTAL PARTICIPANTS	46	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)

Note 4 - Pension Plans - City of Paducah:

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

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

PFPF	**Total Pension Liability**	**Plan Net Position**	**Net Pension Liability**
	(a)	(b)	(a) – (b)
Balance – June 30, 2017	$ 9,174,261	$ 5,583,482	$ 3,590,779
Service cost	7,678	-	7,678
Interest expense	560,538	-	560,538
Experience losses (gains)	(2,758)	-	(2,758)
Change in assumptions	-	-	-
Contributions – City	-	380,168	(380,168)
Contributions – Members	-	6,325	(6,325)
Investment income	-	492,276	(492,276)
Benefits paid	(1,101,201)	(1,101,201)	-
Plan administrative expenses	-	(44,419)	44,419
Net change	(535,743)	(266,851)	(268,892)
Balance – June 30, 2018	$ 8,638,518	$ 5,316,631	$ 3,321,887

AEPF	**Total Pension Liability**	**Plan Net Position**	**Net Pension Liability**
	(a)	(b)	(a) – (b)
Balance – June 30, 2017	$ 73,259	$ -	$ 73,259
Service cost	-	-	-
Interest expense	4,084	-	4,084
Experience losses (gains)	3,308	-	3,308
Change in assumptions	-	-	-
Contributions – City	-	14,012	(14,012)
Contributions – Members	-	-	-
Investment income	-	-	-
Benefits paid	(10,372)	(10,372)	-
Plan administrative expenses	-	(3,640)	3,640
Net change	(2,980)	-	(2,980)
Balance – June 30, 2018	$ 70,279	$ -	$ 70,279

For the year ended June 30, 2018, the City recognized pension expense of $123,986 and $12,128 related to PFPF and AEPF pension plans, respectively.

(Continued)

Note 4 - Pension Plans - City of Paducah:

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

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the PFPF and AEPF pension plans from the following sources:

	PFPF		AEPF	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -	$ -	$ -
Changes in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	209,460	505	-
Total	$ -	$ 209,460	$ 505	$ -

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

	Fiscal Year Ending June 30	
	PFPF	AEPF
2019	$ (18,497)	$ 431
2020	(55,544)	74
2021	(107,416)	-
2022	(28,003)	-

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

Actuarial assumption

	PFPF	AEPF
Valuation date	7/1/18	7/1/18
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)

Note 4 - Pension Plans - City of Paducah:

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

Actuarial assumptions:		
Investment rate of return	6.50% (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, 2018

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

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

Rate of return – Investment return is anticipated to be the major source of additional funds for payment of benefits. The assumed rate of return is a long-term average. The fund's rate of return is determined primarily by the asset allocation – the classes in which it is invested, and the performance of the associated markets. For the July 1, 2018 PFPF plan year, the assumed rate of return was 6.50%. For the AEPF July 1, 2018 plan year, 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, 2018 was as follows:

PFPF	6.50%
AEPF	6.00%

(Continued)

Note 4 - Pension Plans - City of Paducah:

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

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

	1% Decrease	Current Rate	1% Increase
PFPF Net Pension Liability	$ 3,929,942	$ 3,321,887	$ 2,786,595
AEPF Net Pension Liability	$ 74,110	$ 70,279	$ 66,812

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, 2018

	PFPF	AEPF	Total
Assets			
Cash and cash equivalents	$ 9,532	$ -	$ 9,532
Receivables:			
Interest	6,973	-	6,973
Investments at fair value			
Money market accounts	28,171	-	28,171
Common stock	2,439,218	-	2,439,218
Real estate investment trust	226,000	-	226,000
Mutual funds	2,606,758	-	2,606,758
Total assets	5,316,652	-	5,316,652
Liabilities			
Vouchers and accounts payable	21	-	21
Net Position			
Held in trust for pension benefits	$ 5,316,631	$ -	$ 5,316,631

(Continued)

Note 4 - Pension Plans - City of Paducah:

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

COMBINING STATEMENT OF CHANGES IN NET POSITION
PENSION TRUST FUNDS
JUNE 30, 2018

	PFPF	AEPF	Total
Additions:			
Contributions			
Employer	$ 380,168	$ 14,012	$ 394,180
Plan members	6,325	-	6,325
Total contributions	386,493	14,012	400,505
Investments earnings:			
Net change in fair value of investments	374,161	-	374,161
Interest and dividends	118,114	-	118,114
Net investment earnings	492,275	-	492,275
Total additions	878,768	14,012	892,780
Deductions:			
Benefits	1,101,201	10,372	1,111,573
Administrative expenses	44,419	3,640	48,059
Total deductions	1,145,620	14,012	1,159,632
Change in net position	(266,852)	-	(266,852)
Net position - beginning	5,583,483	-	5,583,483
Net position - ending	$ 5,316,631	$ -	$ 5,316,631

Note 6 – Other Postemployment Benefits (OPEB):

CERS Medical Insurance Plan

Plan description – the City contributes to the Kentucky Retirement Systems Insurance fund (Insurance Fund), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Kentucky Retirement Systems (KRS). The Insurance Fund was established to provide hospital and medical insurance for members for receiving benefits from the Kentucky Employees Retirement Systems (KERS), the County Employees Retirement System (CERS), and the State Police Retirement System (SPRS). The City participates in the County Employees Retirement System (CERS). CERS non-hazardous and hazardous employee plans are administered separately.

Benefits provided – the Insurance Fund pays a prescribed contribution for whole or partial payments of required premiums to purchase hospital and medical insurance, based on years of service, for retirees and certain eligible beneficiaries. The authority to establish and amend benefit provisions rests with the Kentucky General Assembly. KRS issues a publicly available financial report that can obtained at www.kyret.ky.gov.

(Continued)

Note 6 – Other Postemployment Benefits (OPEB):

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

Contributions – per Kentucky Revised Statues 78.545 (33), contribution requirements are established and may be amended by the KRS Board. The City was required to contribute at actuarially determined rates of 4.73% of non-hazardous covered payroll and 9.35% of hazardous covered payroll for the fiscal years ended June 30, 2018.

At June 30, 2018, the City reported a liability for its proportionate share of the net OPEB liability for the CERS Insurance Trust. The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the City's non-hazardous proportion was 0.320983 percent and hazardous proportion was 1.640259 percent.

The amount recognized by the City as its proportionate share of the OPEB liability that was associated with the District was as follows:

City's non-hazardous proportionate share of the CERS medical insurance liability	$ 6,452,856
City's hazardous proportionate share of the CERS medical insurance liability	13,559,555
Total CERS medical insurance liability associated with the City	$ 20,012,412

For the year ended June 30, 2018, the City recognized non-hazardous and hazardous OPEB expense of $735,326 and $2,064,308, respectively. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Non-hazardous		Hazardous	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 17,923	$ -	$ 31,597
Changes in assumptions	1,404,101	-	5,001,550	-
Net difference between projected and actual earnings on pension plan investments	-	304,959	-	850,750
Changes in proportion and differences between City contributions and proportionate share of contributions	-	14,973	-	2,697
City contributions subsequent to the measurement date	370,365	-	827,536	-
Total	$ 1,774,466	$ 337,855	$ 5,829,086	$ 885,044

(Continued)

Note 6 – Other Postemployment Benefits (OPEB):

$1,197,901 reported as deferred outflows of resources related to OPEB resulting from City non-hazardous and hazardous contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. 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	
	Non-Hazardous	Hazardous
2019	$ 183,458	$ 1,190,492
2020	183,458	1,190,492
2021	183,458	1,192,492
2022	183,458	545,030
2023	259,698	
2024	72,715	

Actuarial assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.05%
Inflation rate	2.30%
Real Wage Growth	0.50%
Wage Inflation	2.00%
Healthcare cost trend rates	
Under 65	7.25% for FY 2017 decreasing to an ultimate rate of 4.05% by FY 2031
Ages 65 and Older	5.10% for FY 2017 decreasing to an ultimate rate of 4.05% by FY 2029
Municipal Bond Index Rate	3.56%
Discount Rate	5.84%
Single Equivalent Interest Rate	5.84%, net of OPEB plan investment expense, including inflation.

Mortality rates used for active members is RP-2000 Combined Mortality Table projected with scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is RP-2000 Combined Mortality Table projected with scale BB to 2013 (set-back for one year for females). The RP-2000 Disabled Mortality Table projected with scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are 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 by adding expected inflation.

(Continued)

Note 6 – Other Postemployment Benefits (OPEB):

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	53.0%	5.9%-7.8%
Fixed Income	12.0%	2.6%-3.6%
Additional Categories*	10.0%	5.5%
Real Estate	5.0%	7.6%
Private Equity	10.0%	8.2%
High Yield	8.0%	5.8%
Cash	2.0%	1.9%
Total	100.0%	

**Modeled as 50% High Yield and 50% bank Loans.*

Discount rate - The discount rate used to measure the total OPEB liability was 5.84%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the City's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.84%, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.84%) or 1-percentage-point higher (6.84%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
CERS	4.84%	5.84%	6.84%
Non-hazardous' proportionate share of net OPEB liability	$ 8,210,902	$ 6,452,856	$ 4,989,886
Hazardous' proportionate share of net pension liability	$18,171,662	$13,559,555	$ 9,786,093

(Continued)

Note 6 – Other Postemployment Benefits (OPEB):

Sensitivity of the City's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the City's proportionate share of the collective net OPEB liability, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Discount Rate	1% Increase
Non-hazardous' proportionate share of net OPEB liability	$ 4,949,673	$ 6,452,856	$ 8,406,906
Hazardous' proportionate share of net pension liability	$ 9,598,601	$13,559,555	$18,461,837

Note 7 - Component Unit Long-Term Liabilities:

Long-term liabilities of the discretely presented component units consist of the following at June 30, 2018:

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, 2018, are as follows:

Year Ending June 30	Principal	Interest	.25% Service Fee	R & M Reserve	Total
2018	$ 455,532	$ 86,971	$ 17,584	$ 29,950	$ 590,037
2019	460,856	81,646	16,442	29,950	588,894
2020	466,250	76,252	15,287	29,950	587,739
2021	471,709	70,793	14,117	11,200	567,819
2022	477,236	65,266	12,934	11,200	566,636
2023-2027	2,471,573	240,937	46,437	44,800	2,803,747
2028-2032	1,808,096	97,967	16,234	-	1,922,297
2033-2037	535,806	21,312	3,046	-	560,164
TOTALS	$7,147,058	$741,144	$142,081	$157,050	$8,187,333

Note 8 - Appropriations Deficit:

No departments that adopted budgets annually had excess expenditures over appropriations for the fiscal year ended June 30, 2018.

(Continued)

Note 9 - 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, 2018, the most significant construction commitment were as follows:

	Cumulative Costs Incurred	Estimated Total Costs
Comprehensive Stormwater Master Plan Study	$ 751,028	$ 986,446
Floodwall Rehab	431,496	5,305,162
City Hall Improvement – Phase I	1,701,048	4,630,781
	$ 2,883,572	$10,922,389

Note 10 - Risk Management and Litigation:

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

An analysis of claims activity is presented below:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Actual Claim Payments	Balance at Fiscal Year End
2015 - 2016	$ -	$ 95,720	$ 95,720	$ -
2016 - 2017	-	110,570	110,570	-
2017 - 2018	-	99,033	99,033	-

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, 2018, that amount was $2,810,972. 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 $108,812 at June 30, 2018.

(Continued)

Note 10 - Risk Management and Litigation:

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
2015 - 2016	$ 263,484	$ 2,596,080	$2,657,199	$ 202,365
2016 - 2017	202,365	1,792,627	1,894,220	100,772
2017 - 2018	100,772	2,088,594	2,080,554	108,812

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 11 - 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 2018 totaled $752,149.

The following is an analysis of property leased under these leases at June 30, 2018:

Land	$ 480,000
Buildings	3,422,261
Equipment	110,126
Total	4,012,387
Less: accumulated depreciation	(1,326,859)
NET BOOK VALUE	$2,685,528

Depreciation expense for the year ended June 30, 2018, on leased property was $81,466.

(Continued)

Note 11 - Lease Agreements:

Operating Leases

The following is a schedule of future minimum rental income from operating leases at June 30, 2018:

	Lease Income
2019	$ 757,549
2020	749,215
2021	540,835
2022	304,031
2023	289,000
2024	289,000
TOTAL MINIMUM LEASE RECEIPTS	$2,929,630

Note 12 – Tax Abatements:

Developer Residential Property Tax Abatements –

The City of Paducah is authorized by Kentucky Revised Statues 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, 2018, the City abated property taxes totaling $32,442 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	$13,111	$75,247
Greenway Village, LLC	Greenway Village In-fill	2011-2-7789	$19,331	$46,664

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)

Note 12 – Tax Abatements:

For the year ended June 30, 2018, the City rebated employee local payroll taxes totaling $10,227 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	$10,227	$13,193

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, 2018, the City shared payroll tax revenue totaling $150,400 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	$11,240	$306,066
Genova	September 2014	$30,466	$65,719
H.T. Hackney	March 2012	$24,020	$140,258
Whitehall	December 2014	$84,674	$159,925

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, 2018, the City shared payroll tax revenue totaling $194,499 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	$61,098	$681,891
Ulrich	March 2006	$13,964	$166,903
Pepsi	December 2007	$3,385	$75,382
Marquette	March 2008	$81,571	$814,349
Teletech	December 2014	$34,481	$156,361

(Continued)

Note 12 – 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, 2018, the City shared payroll tax revenue totaling $12,265 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	$12,265	$153,079

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, 2018, 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 13 – Restatement of Net Position:

Effective July 1, 2017, the City was required to adopt Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (GASB 75). GASB 75 replaced the requirements of GASB 45, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" and GASB 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", as they relate to governments that provide other postemployment benefits (OPEB) through plans administered as trusts or similar arrangements that meet certain criteria. GASB 75 requires governments providing defined benefit OPEB to recognize their long-term obligation for OPEB benefits as a liability to more comprehensively and comparably measure the annual costs of OPEB benefits. Cost-sharing governmental employers, such as the City, are required to report a net OPEB liability, OPEB expense and OPEB-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

(Continued)

Note 13 – Restatement of Net Position:

GASB 75 required retrospective application. Since the City only presents one year of financial information, the beginning net OPEB liability was adjusted to reflect the retrospective application. The adjustment resulted in a $11,950,013 reduction in beginning net position on the Statement of Activities due to an increase of $1,213,744 of deferred outflows of resources - City contributions subsequent to the measurement date and an increase of $13,163,757 OPEB obligation as of July 1, 2017. Beginning net position restatement by type is as follows:

		Business Type Activities	
	Governmental Type Activities	**Solid Waste**	**Section Eight Housing**
Net position – as previously stated	$ 37,333,171	$ 2,903,616	$ (5,831)
GASB 75 implementation	(11,356,251)	(502,219)	(91,543)
Net position – as restated	$ 25,976,920	$ 2,401,397	$ (97,374)

CITY OF PADUCAH, KENTUCKY

REQUIRED SUPPLEMENTARY INFORMATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

Exhibit A-1

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

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	$ 7,678	$ 7,038	$ 7,183	$ 5,576	$ 4,871
Interest	560,538	626,531	686,614	744,910	792,267
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	(2,758)	(278,063)	(111,824)	(43,965)	150,977
Changes in assumptions	-	148,359	156,880	166,753	175,893
Benefit payments/refunds	(1,101,201)	(1,223,078)	(1,308,290)	(1,386,273)	(1,445,080)
Net change in total pension liability	(535,743)	(719,213)	(569,437)	(512,999)	(321,072)
Total pension liability - beginning	9,174,261	9,893,474	10,462,911	10,975,910	11,296,982
Total pension liability - ending (a)	$ 8,638,518	$ 9,174,261	$ 9,893,474	$ 10,462,911	$ 10,975,910
Plan fiduciary net position					
Contributions - employer	$ 380,168	$ 436,575	$ 420,352	$ 391,468	$ 420,834
Contributions - member	6,325	4,001	4,494	6,088	5,354
Net investment income	492,276	766,509	165,489	310,681	1,057,726
Benefit payments/refunds	(1,101,201)	(1,223,078)	(1,308,290)	(1,386,273)	(1,445,080)
Administrative expenses	(44,419)	(44,786)	(46,422)	(49,115)	(48,406)
Other	-	-	-	-	-
Net change in plan fiduciary net position	(266,851)	(60,779)	(764,377)	(727,151)	(9,572)
Plan fiduciary net position - beginning	5,583,482	5,644,261	6,408,638	7,135,789	7,145,361
Plan fiduciary net position - ending (b)	$ 5,316,631	$ 5,583,482	$ 5,644,261	$ 6,408,638	$ 7,135,789
Net pension liability ending (a) - (b)	$ 3,321,887	$ 3,590,779	$ 4,249,213	$ 4,054,273	$ 3,840,121
Plan fiduciary net position as a percentage of total pension liability	62%	61%	57%	61%	65%
Covered payroll	$ 79,064	$ 50,009	$ 56,175	$ 76,102	$ 66,928
Net pension liability as a percentage of covered-employee payroll	4202%	7180%	7564%	5327%	5738%

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

Exhibit A-2

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

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	$ -	$ -	$ -	$ -	$ -
Interest	4,084	5,308	5,400	5,687	8,258
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	3,308	(13,742)	9,751	9,391	(30,605)
Changes in assumptions	-	-	-	-	-
Benefit payments/refunds	(10,372)	(13,533)	(19,856)	(19,856)	(21,152)
Net change in total pension liability	(2,980)	(21,967)	(4,705)	(4,778)	(43,499)
Total pension liability - beginning	73,259	95,226	99,931	104,709	148,208
Total pension liability - ending (a)	$ 70,279	$ 73,259	$ 95,226	$ 99,931	$ 104,709
Plan fiduciary net position					
Contributions - employer	$ 14,012	$ 21,062	$ 6,599	$ -	$ -
Contributions - member	-	-	-	-	-
Net investment income	-	-	53	264	598
Benefit payments/refunds	(10,372)	(13,533)	(19,856)	(19,856)	(21,152)
Administrative expenses	(3,640)	(7,529)	(7,539)	(7,533)	(7,483)
Other	-	-	-	-	-
Net change in plan fiduciary net position	-	-	(20,743)	(27,125)	(28,037)
Plan fiduciary net position - beginning	-	-	20,743	47,868	75,905
Plan fiduciary net position - ending (b)	$ -	$ -	$ -	$ 20,743	$ 47,868
Net pension liability ending (a) - (b)	$ 70,279	$ 73,259	$ 95,226	$ 79,188	$ 56,841
Plan fiduciary net position as a percentage of total pension liability	0.0%	0.0%	0.0%	20.8%	45.7%
Covered payroll	n/a	n/a	n/a	n/a	n/a
Net pension liability as a percentage of covered-employee payroll	n/a	n/a	n/a	n/a	n/a

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

Exhibit A-3

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

Schedule of Contributions

	2018	2017	2016	2015	2014
Actuarially determined contribution	$380,168	$434,758	$ 416,844	$ 391,468	$ 421,933
Contributions in relation to the actuarially determined contribution	376,148	436,575	420,352	391,468	420,834
Contribution deficiency (excess)	$ 4,020	$ (1,817)	$ (3,508)	$ -	$ 1,099
Covered payroll	$ 79,064	$ 50,009	$ 56,175	$ 76,102	$ 66,928
Contributions as a percentage of covered-employee payroll	476%	873%	748%	514%	629%

Schedule of Investment Returns

	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	15.95%	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.

Exhibit A-4

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

Schedule of Contributions

	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 10,372	$ 19,856	$ 19,856	$ 15,734	$ 10,779
Contributions in relation to the actuarially determined contribution	14,012	21,062	6,599	-	-
Contribution deficiency (excess)	$ (3,640)	$ (1,206)	$ 13,257	$ 15,734	$ 10,779
Covered payroll	n/a	n/a	n/a	n/a	n/a
Contributions as a percentage of covered-employee payroll	n/a	n/a	n/a	n/a	n/a

Schedule of Investment Returns

	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expens	0.00%	0.00%	0.47%	0.75%	0.97%

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

Exhibit A-5

CITY OF PADUCAH, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST FIVE 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 payroll	City's share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
CERS Nonhazardous					
2018	0.3210%	$ 18,788,122	$ 7,861,744	238.9816%	53.3249%
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%
CERS Hazardous					
2018	1.6403%	$ 36,697,162	$ 9,004,106	407.5603%	50.2164%
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.

Exhibit A-6

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

Year Ended June 30	Contractually required penson contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percentage of covered payroll
CERS Nonhazardous					
2018	$ 1,141,041	$ 1,141,041	$ -	$ 7,880,115	14.4800%
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%
CERS Hazardous					
2018	$ 1,964,844	$ 1,964,844	$ -	$ 8,850,650	22.2000%
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, 2018

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 7.50% to 6.25% from the prior measurement date.
The inflation rate changed from 3.25% to 2.30% from the prior measurment date.
Projected salary increases changed from 4.00% to 2.00% from the prior measurement date.

Exhibit A-7

CITY OF PADUCAH, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET MEDICAL INSURANCE LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST 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 payroll	City's share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
CERS Nonhazardous					
2018	0.3210%	6,452,856	7,861,744	82.0792%	52.3940%
CERS Hazardous					
2018	1.6403%	$ 13,559,555	$ 9,004,106	150.5930%	58.9878%

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

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

Exhibit A-8

CITY OF PADUCAH, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S CONTRIBUTIONS - MEDICAL INSURANCE PLAN
COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST TWO FISCAL YEARS*

Year Ended June 30	Contractually required penson contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percentage of covered payroll
CERS Nonhazardous					
2018	$ 370,365	$ 370,365	$ -	$ 7,880,115	4.7000%
2017	$ 371,860	$ 371,860	$ -	$ 7,861,744	4.7300%
CERS Hazardous					
2018	$ 1,954,791	$ 1,954,791	$ -	$ 8,850,650	22.0864%
2017	$ 841,884	$ 841,884	$ -	$ 9,004,106	9.3500%

* 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, 2018

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 actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Precent of Payroll
Amortization period	28 years, Closed
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.
Payroll growth rate	2.00%; decrease from 4.00%.
Investment Return	6.25%; decrease from 7.50%
Inflation	2.30%; decrease from 3.25%.
Single discount rate	5.84%; decrease from 6.89%
Mortalitly	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females).
Healthcare trend rates (Pre-65)	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Healthcare trend rates (Post-65)	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

Exhibit B-1

CITY OF PADUCAH, KENTUCKY
GENERAL CAPITAL IMPROVEMENTS FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental and grants			
Grants	$ 2,133,863	$ 105,463	$ (2,028,400)
Property upkeep, rentals, sales and other	952,192	950,901	(1,291)
Total revenues	3,086,055	1,056,364	(2,029,691)
Expenditures:			
Capital outlay	19,055,192	4,856,063	14,199,129
Excess (deficiency) of revenues over expenditures	(15,969,137)	(3,799,699)	12,169,438
Other Financing Sources (Uses):			
Long-term debt issued	3,500,000	-	(3,500,000)
Transfers in	4,967,837	2,184,339	(2,783,498)
Transfers out	(17,030)	(17,020)	10
Total other financing sources	8,450,807	2,167,319	(6,283,488)
Net change in fund balance	$ (7,518,330)	(1,632,380)	$ 5,885,950
Fund balance, July 1, 2017		7,955,144	
FUND BALANCE, JUNE 30, 2018		$ 6,322,764	

See auditors report on pages 11-12.

Exhibit B-2

CITY OF PADUCAH, KENTUCKY
DEBT SERVICE FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	$ 737,965	$ 737,886	$ (79)
Property upkeep, rentals, sales and other	289,000	289,000	-
Total revenues	1,026,965	1,026,886	(79)
Expenditures:			
Debt service:			
Principal requirement	2,365,065	2,357,542	7,523
Interest and fiscal requirement	905,685	804,620	101,065
Total expenditures	3,270,750	3,162,162	108,588
Excess (deficiency) of revenues over expenditures	(2,243,785)	(2,135,276)	108,509
Other Financing Sources (Uses):			
Transfers in	2,243,785	2,133,276	(110,509)
Total other financing sources	2,243,785	2,133,276	(110,509)
Net change in fund balance	$ -	(2,000)	$ (2,000)
Fund balance, July 1, 2017		998,824	
FUND BALANCE, JUNE 30, 2018		$ 996,824	

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

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.

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.

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

CITY OF PADUCAH, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds		
ASSETS	**Municipal Aid Program**	**Emergency Communication Service Fund**	**Court Awards Fund**
Cash and cash equivalents	$ 1,078,162	$ 299,060	$218,840
Receivables, net:			
Accounts	48,010	133,561	-
TOTAL ASSETS	$ 1,126,172	$ 432,621	$218,840
LIABILITIES AND FUND BALANCES			
Liabilities:			
Voucher and accounts payable	$ 496,732	$ 65,210	$ 90,141
Accrued payroll and payroll taxes	-	40,294	-
Total liabilities	496,732	105,504	90,141
Fund Balances:			
Restricted for:			
Highway and streets	629,440	-	-
Public safety	-	-	128,699
Capital Improvements	-	-	-
Assigned for:			
Public safety	-	327,117	-
Total fund balances	629,440	327,117	128,699
TOTAL LIABILITIES AND FUND BALANCES	$ 1,126,172	$ 432,621	$218,840

See auditors report on pages 11-12.

Special Revenue Funds		
CDBG Grant Fund	Bond Fund	Total Nonmajor Governmental Funds
$ -	$ 1,330,513	$ 2,926,575
-	-	181,571
$ -	$ 1,330,513	$ 3,108,146
$ -	$ -	$ 652,083
-	-	40,294
-	-	692,377
-	-	629,440
-	-	128,699
-	1,330,513	1,330,513
-	-	327,117
-	1,330,513	2,415,769
$ -	$ 1,330,513	$ 3,108,146

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds		
Revenues:	**Municipal Aid Program**	**Emergency Communication Service Fund**	**Court Awards Fund**
Taxes	$ -	$ 529,712	$ -
Charges for services	-	380,800	-
Intergovernmental	505,970	-	-
Grants	-	-	24,569
Interest	7,793	4,295	2,535
Miscellaneous	-	451,888	-
Total revenues	513,763	1,366,695	27,104
Expenditures:			
Current operations:			
Public safety	-	1,763,976	29,460
Public service	1,521,079	-	-
Planning and development	-	-	-
Capital Outlay	-	-	-
Total expenditures	1,521,079	1,763,976	29,460
Excess (deficiency) of revenues over expenditures	(1,007,316)	(397,281)	(2,356)
Other Financing Sources (Uses):			
Proceeds of debt	-	-	-
Transfers in	1,031,350	414,781	-
Transfers out	-	(17,500)	-
Total other financing sources (uses)	1,031,350	397,281	-
Net change in fund balances	24,034	-	(2,356)
Fund balances, July 1, 2017	605,406	327,117	131,055
FUND BALANCES, JUNE 30, 2018	$ 629,440	$ 327,117	$ 128,699

See auditors report on pages 11-12.

Special Revenue Funds		
CDBG Grant Fund	Bond Fund	Total Nonmajor Governmental Funds
$ -	$ -	$ 529,712
-	-	380,800
-	-	505,970
190,000	-	214,569
-	19,223	33,846
-	-	451,888
190,000	19,223	2,116,785
-	-	1,793,436
-	-	1,521,079
190,000	-	190,000
-	220,954	220,954
190,000	220,954	3,725,469
-	(201,731)	(1,608,684)
-	-	-
-	-	1,446,131
-	-	(17,500)
-	-	1,428,631
-	(201,731)	(180,053)
-	1,532,244	2,595,822
$ -	$ 1,330,513	$ 2,415,769

Exhibit B-5

CITY OF PADUCAH, KENTUCKY
MUNICIPAL AID PROGRAM FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	$ 480,000	$ 505,970	$ 25,970
Interest	3,000	7,793	4,793
Total revenues	483,000	513,763	30,763
Expenditures:			
Public service	1,829,350	1,521,079	308,271
Excess (deficiency) of revenues over expenditures	(1,346,350)	(1,007,316)	339,034
Other Financing Sources (Uses):			
Transfers in	1,031,350	1,031,350	-
Transfers out	-	-	-
Total other financing sources (uses)	1,031,350	1,031,350	-
Net change in fund balance	$ (315,000)	24,034	$ 339,034
Fund balance, July 1, 2017		605,406	
FUND BALANCE, JUNE 30, 2018		$ 629,440	

See auditors report on pages 11-12.

Exhibit B-6

CITY OF PADUCAH, KENTUCKY
EMERGENCY COMMUNICATION SERVICE FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Local contributions	$ 400,000	$ 529,712	$ 129,712
Telephone surcharges	310,000	380,800	70,800
Interest	900	4,295	3,395
Miscellaneous	509,800	451,888	(57,912)
Total revenues	1,220,700	1,366,695	145,995
Expenditures:			
Public safety	1,771,190	1,763,976	7,214
Excess (deficiency) of revenues over expenditures	(550,490)	(397,281)	153,209
Other Financing Sources (Uses):			
Transfers in	567,990	414,781	(153,209)
Transfers out	(17,500)	(17,500)	-
Total other financing sources (uses)	550,490	397,281	(153,209)
Net change in fund balance	$ -	-	$ -
Fund balance, July 1, 2017		327,117	
FUND BALANCE, JUNE 30, 2018		$ 327,117	

See auditors report on pages 11-12.

Exhibit B-7

CITY OF PADUCAH, KENTUCKY
COURT AWARDS FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Grants	$ 25,000	$ 24,569	$ (431)
Interest	1,200	2,535	1,335
Total revenues	26,200	27,104	904
Expenditures:			
Public safety	32,750	29,460	3,290
Excess (deficiency) of revenues over expenditures	(6,550)	(2,356)	4,194
Net change in fund balance	$ (6,550)	(2,356)	$ 4,194
Fund balance, July 1, 2017		131,055	
FUND BALANCE, JUNE 30, 2018		$ 128,699	

See auditors report on pages 11-12.

Exhibit B-8

CITY OF PADUCAH, KENTUCKY
CDBG FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Grants	$ 1,190,000	$ 190,000	$ (1,000,000)
Total revenues	1,190,000	190,000	(1,000,000)
Expenditures:			
Planning and development	190,000	190,000	-
Excess (deficiency) of revenues over expenditures	1,000,000	-	(1,000,000)
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	(1,000,000)	-	1,000,000
Total other financing sources (uses)	(1,000,000)	-	1,000,000
Net change in fund balance	$ -	-	$ -
Fund balance, July 1, 2017		-	
FUND BALANCE, JUNE 30, 2018		$ -	

See auditors report on pages 11-12.

Exhibit B-9

CITY OF PADUCAH, KENTUCKY
BOND FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Grants	$ -	$ -	$ -
Interest	-	19,223	19,223
Total revenues	-	19,223	19,223
Expenditures:			
Capital outlay	1,526,500	220,954	1,305,546
Total expenditures	1,526,500	220,954	1,305,546
Excess (deficiency) of revenues over expenditures	(1,526,500)	(201,731)	1,324,769
Other Financing Sources (Uses):			
Proceeds of debt	4,583,500	-	(4,583,500)
Transfers out	(4,583,500)	-	4,583,500
Total other financing sources (uses)	-	-	-
Net change in fund balance	$ (1,526,500)	(201,731)	$ 1,324,769
Fund balance, July 1, 2017		1,532,244	
FUND BALANCE, JUNE 30, 2018		$ 1,330,513	

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

NONMAJOR PROPRIETARY FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

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.

Exhibit C-1

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2018

ASSETS	**Section Eight Housing**	**Civic Center Fund**	**Transient Dock Fund**	**Total Nonmajor Enterprise Funds**
Current Assets:				
Cash and cash equivalents	$ 204,048	$ 232	$ 375	$ 204,655
Receivables, net	-	-	-	-
Prepaid expense	-	-	-	-
Inventory	-	-	15,888	15,888
Total current assets	204,048	232	16,263	220,543
Noncurrent Assets:				
Net depreciable capital assets	-	109,490	-	109,490
Total assets	204,048	109,722	16,263	330,033
Deferred Outflows of Resources:				
Deferred pension related outflows	111,655	-	-	111,655
Deferred OPEB related outflows	36,898	-	-	36,898
Total deferred outflows of resources	148,553	-	-	148,553
LIABILITIES				
Current Liabilities:				
Voucher and accounts payable	22,542	4,417	3,456	30,415
Accrued payroll	-	-	788	788
Accrued compensated absences	595	-	-	595
Due to other funds	49,340	-	-	49,340
Total current liabilities	72,477	4,417	4,244	81,138
Noncurrent Liabilities:				
Pensions obligation	373,344	-	-	373,344
Other post employment benefits (OPEB)	128,227	-	-	128,227
Accrued compensated absences	5,353	-	-	5,353
Total noncurrent liabilities	506,924	-	-	506,924
Total liabilities	579,401	4,417	4,244	588,062
Deferred Inflows of Resources				
Deferred pension related inflows	13,855	-	-	13,855
Deferred OPEB related inflows	6,714	-	-	6,714
Total deferred inflows of resources	20,569	-	-	20,569
NET POSITION				
Net invested in capital assets	-	109,490	-	109,490
Unrestricted	(247,369)	(4,185)	12,019	(239,535)
TOTAL NET POSITION	$ (247,369)	$105,305	$ 12,019	$ (130,045)

See auditors report on pages 11-12.

Exhibit C-2

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Section Eight Housing	Civic Center Fund	Transient Dock Fund	Total Nonmajor Enterprise Funds
Operating Revenues:				
Charges for services	$ -	$ 35,670	$ 43,534	$ 79,204
Miscellaneous	1,236	-	-	1,236
Total operating income	1,236	35,670	43,534	80,440
Operating Expenses:				
Cost of sales and service	2,064,265	66,617	50,535	2,181,417
Depreciation and amortization	143	10,021	-	10,164
Total operating expenses	2,064,408	76,638	50,535	2,191,581
Operating income (loss)	(2,063,172)	(40,968)	(7,001)	(2,111,141)
Non-Operating Revenues (Expenses):				
Grants - program purpose	1,913,152	-	-	1,913,152
Interest and investment income	25	-	46	71
Total nonoperating revenues (expenses)	1,913,177	-	46	1,913,223
Income (loss) before contributions and transfers	(149,995)	(40,968)	(6,955)	(197,918)
Contributions and Operating Transfers:				
Transfers in	-	43,562	15,000	58,562
Transfers out	-	(88,610)	-	(88,610)
Total contributions and operating transfers	-	(45,048)	15,000	(30,048)
Change in net position	(149,995)	(86,016)	8,045	(227,966)
Net position - beginning as restated (See Note 13)	(97,374)	191,321	3,974	97,921
Net position - ending	$ (247,369)	$105,305	$ 12,019	$ (130,045)

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, 2018

	Section Eight Housing	Civic Center Fund	Transient Dock Fund	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities:				
Cash received from customers	$ -	$ 35,670	$ 43,534	$ 79,204
Payments to employees	(206,000)	-	(4,937)	(210,937)
Payments to internal service funds	-	(2,301)	-	(2,301)
Other receipts	1,236	-	-	1,236
Housing assistance and other payments	(1,842,475)	(66,089)	(57,242)	(1,965,806)
Net cash provided (used) by operating activities	(2,047,239)	(32,720)	(18,645)	(2,098,604)
Cash Flows from Noncapital Financing Activities:				
Grants - program purpose	1,913,152	-	-	1,913,152
Transfers from other funds	-	43,562	15,000	58,562
Transfers to other funds	-	(88,610)	-	(88,610)
Net cash provided (used) by noncapital financing activities	1,913,152	(45,048)	15,000	1,883,104
Cash Flows from Investing Activities:				
Interest on cash and investments	25	-	46	71
Net increase (decrease) in cash and cash equivalents	(134,062)	(77,768)	(3,599)	(215,429)
Cash and cash equivalents, July 1, 2017	338,110	78,000	3,974	420,084
CASH AND CASH EQUIVALENTS, JUNE 30, 2018	$ 204,048	$ 232	$ 375	$ 204,655
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	$ (2,063,172)	$ (40,968)	$ (7,001)	$ (2,111,141)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	143	10,021	-	10,164
Change in assets and liabilities:				
Inventory	-	-	(15,888)	(15,888)
OPEB obligation and related deferrals	4,880	-	-	4,880
Pension obligation and related deferrals	42,001	-	-	42,001
Accounts payable and accrued expenses	(31,091)	(1,773)	4,244	(28,620)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (2,047,239)	$ (32,720)	$ (18,645)	$ (2,098,604)

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

INTERNAL SERVICE FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

COMBINING FINANCIAL STATEMENTS
INTERNAL SERVICE FUNDS

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

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

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

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

Exhibit D-1

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2018

ASSETS					
Current Assets:	**Fleet Maintenance**	**Fleet Lease Trust**	**Insurance Fund**	**Health Insurance Fund**	**Combined Total**
Cash and cash equivalents	$ 300	$3,322,180	$ 540,449	$1,652,326	$ 5,515,255
Investments	-	-	-	1,000,000	1,000,000
Receivables, net	18	625,038	-	70,576	695,632
Inventories	54,177	-	-	-	54,177
Total current assets	54,495	3,947,218	540,449	2,722,902	7,265,064
Noncurrent Assets:					
Net depreciable capital assets	25,273	3,927,032	-	-	3,952,305
Total assets	79,768	7,874,250	540,449	2,722,902	11,217,369
Deferred Outflows of Resources:					
Deferred pension related outflows	229,816	-	-	-	229,816
Deferred OPEB related outflows	76,062	-	-	-	76,062
Total deferred outflows of resources	305,878	-	-	-	305,878
LIABILITIES					
Current Liabilities:					
Voucher and accounts payable	6,368	235,717	16,256	108,812	367,153
Accrued payroll and payroll taxes	10,909	-	-	-	10,909
Accrued compensated absences	33,503	-	-	-	33,503
Deferred revenue	-	-	-	20,334	20,334
Total current liabilities	50,780	235,717	16,256	129,146	431,899
Noncurrent Liabilities:					
Pensions obligation	834,119	-	-	-	834,119
Other post employment benefits (OPEB)	286,482	-	-	-	286,482
Accrued compensated absences	10,936	-	-	-	10,936
Total noncurrent liabilities	1,131,537	-	-	-	1,131,537
Total liabilities	1,182,317	235,717	16,256	129,146	1,563,436
Deferred Inflows of Resources					
Deferred pension related inflows	30,955	-	-	-	30,955
Deferred OPEB related inflows	15,000	-	-	-	15,000
Total deferred inflows of resources	45,955	-	-	-	45,955
NET POSITION					
Net invested in capital assets	25,273	3,927,032	-	-	3,952,305
Unrestricted	(867,899)	3,711,501	524,193	2,593,756	5,961,551
TOTAL NET POSITION	$(842,626)	$7,638,533	$ 524,193	$2,593,756	$ 9,913,856

See auditors report on pages 11-12.

Exhibit D-2

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Fleet Maintenance	Fleet Lease Trust	Insurance Fund	Health Insurance Fund	Combined Total
Operating Revenues:					
Charges for services - internal	$ 446,916	$ 939,747	$ 1,209,905	$ 3,263,442	$ 5,860,010
Charges for services - external	-	-	-	261,896	261,896
Total operating revenues	446,916	939,747	1,209,905	3,525,338	6,121,906
Operating Expenses:					
Vehicle maintenance	792,703	-	-	-	792,703
Administrative	-	48,998	-	482,261	531,259
Insurance premium, claims and medical	-	-	1,215,447	2,806,892	4,022,339
Depreciation	6,844	905,475	-	-	912,319
Total operating expenses	799,547	954,473	1,215,447	3,289,153	6,258,620
Operating income (loss)	(352,631)	(14,726)	(5,542)	236,185	(136,714)
Nonoperating Revenues and (Expenses):					
Interest and investment income	-	63,745	-	-	63,745
Gain (loss) on disposal of property and equipment	496	1,540	-	-	2,036
Total nonoperating revenues (expenses)	496	65,285	-	-	65,781
Income (loss) before transfers	(352,135)	50,559	(5,542)	236,185	(70,933)
Contributions and Transfers:					
Transfers in	99,480	8,300	78,000	-	185,780
Transfers out	-	-	-	-	-
Total contributions and operating transfers	99,480	8,300	78,000	-	185,780
Change in net position	(252,655)	58,859	72,458	236,185	114,847
Net position - beginning as restated (See Note 13)	(589,971)	7,579,674	451,735	2,357,571	9,799,009
Net position - ending	$ (842,626)	$ 7,638,533	$ 524,193	$ 2,593,756	$ 9,913,856

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, 2018

	Fleet Maintenance	Fleet Lease Trust	Insurance Fund	Health Insurance Fund	Combined Total
Cash Flows from Operating Activities:					
Receipts from other funds for services	$ 448,019	$ 1,009,944	$ 1,210,365	$ 3,539,577	$ 6,207,905
Payments to suppliers	(452,584)	-	-	-	(452,584)
Payments to employees	(97,455)	-	-	-	(97,455)
Insurance premium, claims and medical	-	-	(1,208,279)	(2,798,851)	(4,007,130)
Other payments	-	186,718	-	(482,262)	(295,544)
Net cash provided (used) by operating activities	(102,020)	1,196,662	2,086	258,464	1,355,192
Cash Flows from Noncapital Financing Activities:					
Transfers from other funds	99,480	8,300	78,000	-	185,780
Transfers to other funds	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	99,480	8,300	78,000	-	185,780
Cash Flows from Capital and Related Financing Activities:					
Proceeds from sale of capital assets	495	49,742	-	-	50,237
Purchase of capital assets	-	(876,166)	-	-	(876,166)
Net cash used by capital and related financing	495	(826,424)	-	-	(825,929)
Cash Flows from Investing Activities:					
Proceeds from sales and maturities of investments	-	1,000,000	250,000	750,000	2,000,000
Interest and dividends	-	63,745	-	-	63,745
Net cash used by investing activities	-	1,063,745	250,000	750,000	2,063,745
Net increase (decrease) in cash and cash equivalents	(2,045)	1,442,283	330,086	1,008,464	2,778,788
Cash and cash equivalents, July 1, 2017	2,345	1,879,897	210,363	643,862	2,736,467
CASH AND CASH EQUIVALENTS, JUNE 30, 2018	$ 300	$ 3,322,180	$ 540,449	$ 1,652,326	$ 5,515,255
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating income (loss)	$ (352,631)	$ (14,726)	$ (5,542)	$ 236,185	$ (136,714)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	6,844	905,475	-	-	912,319
Change in assets and liabilities:					
Receivables	1,103	70,197	460	16,057	87,817
Inventories	11,498	-	-	-	11,498
OPEB obligation and related deferrals	14,492	-	-	-	14,492
Pension obligation and related deferrals	217,485	-	-	-	217,485
Accounts payable and accrued expenses	(811)	235,716	7,168	6,222	248,295
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (102,020)	$ 1,196,662	$ 2,086	$ 258,464	$ 1,355,192

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

FIDUCIARY FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

COMBINING FINANCIAL STATEMENTS
FIDUCIARY FUNDS

Private-purpose Trust Funds

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

Exhibit E-1

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS - PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2018

	Cemetery and Park Trusts
ASSETS	
Cash and cash equivalents	$ 112,502
Investments at fair value	
Money market funds	-
Mutual funds	1,107,066
Total assets	1,219,568
LIABILITIES	
Accounts payable	2,500
NET POSITION	
Held in trust for other purposes	$ 1,217,068

See auditors report on pages 11-12.

Exhibit E-2

CITY OF PADUCAH, KENTUCKY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS - PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Cemetery and Park Trusts
Additions:	
Contributions:	
Intergovernmental revenues	$ -
Private donations	3,680
Total contributions	3,680
Investment earnings:	
Change in fair value of investments	(1,262)
Interest and dividends	93,428
Net investment earnings	92,166
Total additions	95,846
Deductions:	
Capital outlay	47,501
Administrative expenses	14,238
Total deductions	61,739
Change in net position	34,107
Net position - beginning	1,182,961
Net position - ending	$ 1,217,068

See auditors report on pages 11-12.

COMBINING FINANCIAL STATEMENTS
FIDUCIARY FUNDS

Agency Fund

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

Exhibit E-3

CITY OF PADUCAH, KENTUCKY
AGENCY FUND
STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2018

Payroll Fund:	**Balance July 1, 2017**	**Additions**	**Deductions**	**Balance June 30, 2018**
Assets:				
Cash and cash equivalents	$ 882,529	$13,745,248	$13,769,378	$858,399
Liabilities:				
Payroll taxes and withholdings payable	$ 882,529	$13,745,248	$13,769,378	$858,399

See auditors report on pages 11-12.

CITY OF PADUCAH, KENTUCKY

STATISTICAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

STATISTICAL SECTION

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

Contents **Page**

Financial Trends **130-134**

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

Revenue Capacity **135-140**

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

Debt Capacity **141-144**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Economic and Demographic Information **145-146**

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

Operating Information **147-149**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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

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

	Fiscal Year									
	2018 (1)	**2017**	**2016**	**2015 (2)**	**2014**	**2013**	**2012**	**2011**	**2010 (3)**	**2009**
Governmental activities:										
Net Invested in Capital Assets	$ 55,031,812	$ 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
Restricted for:										
Program purposes	128,699	131,055	147,218	144,857	205,979	284,760	897,942	1,264,986	1,100,696	2,183,559
Capital projects	1,959,953	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
Unrestricted	(34,235,978)	(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
Total governmental activities net position	$ 22,884,486	$ 37,333,171	$ 24,362,615	$ 19,712,327	$ 55,601,018	$ 48,490,497	$ 42,874,959	$ 44,387,863	$ 45,479,337	$ 46,383,801
Business-type activities:										
Net Invested in Capital Assets	2,876,483	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
Restricted for:										
Program purposes	-	-	38,247	124,012	437,483	385,885	732,817	999,885	620,800	369,368
Unrestricted	159,847	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
Total business-type activities net postion	$ 3,036,330	$ 3,666,108	$ 4,911,203	$ 4,291,060	$ 5,484,932	$ 5,046,887	$ 5,287,711	$ 5,338,898	$ 4,090,466	$ 3,126,880
Primary government:										
Net Invested in Capital Assets	57,908,295	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
Restricted for:										
Program purposes	128,699	131,055	185,465	268,869	643,462	670,645	1,630,759	2,264,871	1,721,496	2,552,927
Capital projects	1,959,953	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
Unrestricted	(34,076,131)	(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
Total primary government net position	$ 25,920,816	$ 40,999,279	$ 29,273,818	$ 24,003,387	$ 61,085,950	$ 53,537,384	$ 48,162,670	$ 49,726,761	$ 49,569,803	$ 49,510,681

(1) Significant change in governmental and business-type net position due to implementation of GASB No. 75 - Accounting and Financial Reporting for Other Postemployment Benefits other than Pensions.

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

(3) 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									
	2018 (1)	**2017**	**2016**	**2015 (2)**	**2014**	**2013**	**2012**	**2011**	**2010 (3)**	**2009**
Expenses										
Governmental activities:										
General government	$ 9,590,575	$ 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
Public safety	25,602,852	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
Public service	7,511,063	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
Parks and recreation	3,397,087	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
Planning and development	1,455,677	1,077,265	911,830	1,000,020	1,805,379	1,463,659	1,192,952	1,212,103	970,022	708,827
Interest on long-term debt	861,589	885,380	900,593	850,827	1,084,016	1,066,876	1,059,537	1,363,580	1,099,450	1,029,888
Total governmental activities expenses	48,418,843	41,622,484	45,413,299	39,293,651	39,067,751	37,456,789	41,053,917	39,432,102	38,394,895	43,963,262
Business-type activities:										
Solid Waste	4,096,022	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
Section Eight Housing	2,064,408	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
Civic Center	76,639	92,471	74,457	98,318	81,982	78,000	71,069	76,546	69,537	75,692
Transit Boat Dock	50,535	1,031	-	-	-	-	-	-	-	-
TISA	-	-	-	-	-	-	173,708	183,546	206,798	162,848
Total business-type activities expenses	6,287,604	5,948,850	5,764,007	5,760,727	5,923,084	6,078,333	6,066,045	6,048,950	6,134,802	6,430,745
Total primary government expenses	$ 54,706,447	$ 47,571,334	$ 51,177,306	$ 45,054,378	$ 44,990,835	$ 43,535,122	$ 47,119,962	$ 45,481,052	$ 44,529,697	$ 50,394,007
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 1,276,959	$ 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
Public safety	571,427	340,705	237,641	237,222	264,143	354,829	509,297	790,650	484,754	602,262
Public service	962,822	967,518	1,065,010	945,471	960,271	963,893	1,032,953	1,205,666	1,197,194	1,220,999
Parks and recreation	125,996	121,929	132,909	108,307	105,248	106,183	97,896	129,790	152,890	180,420
Planning and development	-	-	-	-	-	-	-	-	-	1,600
Operating grants and contributions	2,441,864	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
Capital grants and contributions	542,980	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
Total governmental activities program revenues	5,922,048	14,291,619	12,883,090	5,736,998	12,558,678	8,183,246	5,877,407	7,031,333	6,032,076	10,318,313
Business-type activities:										
Solid Waste	$ 4,555,488	$ 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
Section Eight Housing	-	-	-	-	-	-	-	-	-	-
Civic Center	35,670	36,725	40,148	43,486	41,266	38,265	34,038	33,766	32,455	38,577
Transit Boat Dock	43,534	-	-	-	-	-	-	-	-	-
TISA	-	-	-	-	-	-	99,603	138,797	148,158	148,291
Operating grants and contributions	1,965,868	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
Capital grants and contributions	-	-	-	-	-	-	15,266	8,659	27,239	129,032
Total business-type activities program revenues	6,600,560	6,566,242	6,405,781	6,241,715	6,408,320	6,137,563	6,234,229	7,057,901	6,984,659	6,829,795
Total primary government program revenues	$ 12,522,608	$ 20,857,861	$ 19,288,871	$ 11,978,713	$ 18,966,998	$ 14,320,809	$ 12,111,636	$ 14,089,234	$ 13,016,735	$ 17,148,108

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

	Fiscal Year									
	2018 (1)	**2017**	**2016**	**2015 (1)**	**2014**	**2013**	**2012**	**2011**	**2010 (3)**	**2009**
Net (Expense)/Revenue										
Governmental activities	$ (42,496,795)	$ (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)
Business-type activities	312,956	617,392	641,774	480,988	485,236	59,230	168,184	1,008,951	849,857	399,050
Total primary government net (expense)	$ (42,183,839)	$ (26,713,473)	$ (31,888,435)	$ (33,075,665)	$ (26,023,837)	$ (29,214,313)	$ (35,008,326)	$ (31,391,818)	$ (31,512,962)	$ (33,245,899)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes and licenses:										
Property taxes, levied for general purpose	5,248,369	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
Insurance premium tax	4,592,834	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
Gross receipts license tax	4,631,352	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
Employee license tax	21,054,644	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
Other taxes	3,044,203	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
Intergovernmental revenue	-	-	-	-	-	-	-	-	-	-
Unrestricted investment earnings	428,721	188,097	137,224	176,229	232,204	211,306	203,261	264,913	172,213	336,960
Miscellaneous	14,190	51,922	189,489	16,870	(482,137)	300,378	36,718	62,539	64,620	68,530
Insurance recoveries	-	-	-	-	-	-	27,448	410,462	-	-
Litigation settlement	-	-	-	-	-	-	-	(1,482,743)	-	-
Transfers in/out	390,048	2,274,377	137,582	194,014	212,128	485,138	270,620	(125,772)	(78,893)	(110,838)
Total governmental activities	39,404,361	40,301,421	37,180,497	35,355,356	33,760,448	34,889,081	33,663,606	31,309,295	31,620,788	32,018,533
Business-type activities:										
Unrestricted investment earnings	54,139	37,644	30,302	39,565	48,255	49,382	48,806	46,052	33,724	52,961
Miscellaneous	(13,063)	374,244	85,649	8,339	116,682	135,702	2,443	67,657	1,112	98,369
Transfers	(390,048)	(2,274,377)	(137,582)	(194,014)	(212,128)	(485,138)	(270,620)	125,772	78,893	110,838
Total business-type activities	(348,972)	(1,862,489)	(21,631)	(146,110)	(47,191)	(300,054)	(219,371)	239,481	113,729	262,168
Change in Net Position										
Governmental activities:	(3,092,434)	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)
Business-type activities:	(36,016)	(1,245,097)	620,143	334,878	438,045	(240,824)	(51,187)	1,248,432	963,586	661,218
Total primary government	$ (3,128,450)	$ 11,725,459	$ 5,270,431	$ 2,133,581	$ 7,689,420	$ 5,374,714	$ (1,564,091)	$ 156,958	$ 221,555	$ (965,198)

(1) Significant change in governmental and business-type net position due to implementation of GASB No. 75 - Accounting and Financial Reporting for Other Postemployment Benefits other than Pensions.

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

(3) Significant change in governmental net position due to reclassification for 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									
	2018	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010 (1)**	**2009**
General Fund										
Unassigned	$ 17,697,273	$ 15,330,645	$ 13,198,126	$ 12,549,232	$ 12,694,610	$ 12,311,565	$ 11,321,438	$ 10,940,121	$10,208,678	#########
Total general fund	$ 17,697,273	$ 15,330,645	$ 13,198,126	$ 12,549,232	$ 12,694,610	$ 12,311,565	$ 11,321,438	$ 10,940,121	$10,208,678	#########
All Other Governmental Funds										
Nonspendable:										
Inventory	$ 471,135	$ 525,732	$ 623,735	$ 828,419	$ 1,497,659	$ 1,336,234	$ 1,098,304	$ 1,253,953	$ 1,416,130	$ 2,019,630
Restricted for:										
Program purposes	758,139	736,461	1,296,007	1,303,030	205,979	284,760	1,236,780	-	-	-
Capital improvements	1,330,513	1,532,244	-	1,269,045	2,168,201	1,301,421	286,276	-	-	-
Committed for:										
Capital improvements	2,310,621	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
Assigned for:										
Program purposes	1,323,941	1,325,941	1,049,802	951,296	802,692	752,691	472,235	683,578	1,402,731	1,634,547
Capital improvements	5,851,629	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
Total all other governmental funds	$ 12,045,978	$ 13,937,712	$ 10,167,455	$ 10,832,099	$ 9,639,877	$ 9,319,455	$ 7,212,766	$ 6,658,329	$10,815,358	$ 8,018,090

(1) 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									
	2018	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Revenues:										
Taxes	$ 7,741,994	$ 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
Licenses	30,817,507	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
Charges for services	1,037,668	964,766	884,259	848,971	851,080	815,791	817,607	811,590	846,087	866,688
Intergovernmental	1,243,856	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
Grants	1,056,687	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
Interest	364,975	144,079	115,922	148,411	199,583	175,371	162,580	205,837	121,246	225,251
Other	2,746,311	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
Total revenues	45,008,998	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
Expenditures:										
General government	5,282,385	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
Public safety	19,755,167	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
Public service	6,856,203	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
Parks and recreation	3,129,032	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
Planning and development	1,071,878	936,855	910,379	950,297	2,086,527	1,776,897	2,372,314	1,842,474	2,471,869	1,000,202
Other	441,674	393,812	441,742	247,878	640,452	766,847	516,534	486,239	847,188	514,488
Capital outlay	5,077,017	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
Debt service:										
Principal requirement	2,357,542	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
Debt issuance costs	-	-	-	51,461	109,292	-	-	-	-	-
Interest and fiscal requirement	804,620	810,917	845,609	817,191	1,086,866	1,089,447	1,114,852	1,519,329	1,077,128	1,003,439
Total expenditures	44,775,518	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
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
Transfers in	6,330,766	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
Transfers out	(6,089,352)	(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)
Total other financing sources (uses)	241,414	5,121,982	(70,431)	56,085	3,544,349	1,051,828	587,087	1,026,015	8,360,720	1,970,999
Net change in fund balances	$ 474,894	$ 5,902,777	$ (15,750)	$ 1,043,471	$ 805,677	$ 3,096,816	$ 43,579	$ (2,533,411)	$ 2,856,889	$ 1,482,016
Capital outlay (1)	$ 3,995,645	$ 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
Debt service as a percentage of noncapital expenditures	7.75%	7.67%	7.47%	7.54%	7.37%	7.66%	6.84%	9.98%	6.02%	4.73%

(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: Real Estate: Commercial	Assessed Value: Real Estate: Residential	Assessed Value: Personal Property	Assessed Value: Franchise	Assessed Value: Total	Estimated Actual Value	Total Direct Tax Rate	Percent Assessed To Estimated Value	Exemptions
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	900,450,880	802,111,012	603,335,847	66,110,416	2,372,008,155	2,448,169,297	0.290	96.9%	76,161,142
2018	945,354,526	842,349,240	746,891,857	81,951,770	2,616,547,393	2,697,740,881	0.295	97.0%	81,193,488

Source: McCracken County Property Valuation Administrator

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

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

	City Direct Rates										
	General Fund			McCracken Co. School Districts		City of Paducah School Districts		Paducah Junior College		McCracken County	
Fiscal Year	Real Estate	Personal	Total Direct Rate	Real Estate	Personal	Real Estate	Personal	Real Estate	Personal	Real Estate	Personal
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
2018	0.255	0.390	0.295	0.520	0.530	0.797	0.797	0.016	0.016	0.094	0.094

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

	2018		2009	
Taxpayer	**(1) Assessed Valuation**	**(1) Percentage of Total Assessed Valuation**	**(2) Assessed Valuation**	**(2) Percentage of Total Assessed Valuation**
Kentucky Oaks Mall	$ 50,900,262	1.95%	$ 50,900,262	2.54%
Cpark Paducah LLC	20,111,900	0.77%		
Paducah Medical Investors	13,440,090	0.51%	13,440,090	0.67%
Ducmall LLC	13,119,800	0.50%	14,374,800	0.72%
Woodstone Enterprises LP	12,429,000	0.48%		
Wal Mart Real Estate Business	10,646,400	0.41%	10,646,400	0.53%
Superior Care Homes Properties	10,000,000	0.38%		
Paducah Hospitality Partners	9,600,000	0.37%		
Sams Real Estate Business Trust	9,222,955	0.35%	9,222,955	0.46%
Computer Service Inc	9,083,185	0.35%	9,083,185	0.45%
Wal Mart Store			9,000,000	0.45%
Olivet Church 1031 LLC			10,245,400	0.51%
Lourdes Medical Pavilion				
TOTALS	$ 158,553,592	6.07%	$ 126,913,092	6.33%

(1) Source - Property Valuation Administration; Assessed value as of January 1, 2017.
(2) Source - Property Valuation Administration; Assessed value as of January 1, 2008.

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
2009	4,194,342	4,017,032	95.8%	169,087	4,186,119	99.8%
2010	4,250,001	4,131,454	97.2%	109,542	4,240,996	99.8%
2011	4,188,606	4,110,973	98.1%	67,967	4,178,940	99.8%
2012	4,217,363	4,119,689	97.7%	88,494	4,208,183	99.8%
2013	4,430,203	4,334,698	97.8%	84,956	4,419,654	99.8%
2014	4,596,867	4,509,874	98.1%	74,125	4,583,999	99.7%
2015	4,721,370	4,644,522	98.4%	59,973	4,704,495	99.6%
2016	4,879,035	4,802,067	98.4%	52,222	4,854,289	99.5%
2017	4,987,277	4,888,303	98.0%	59,686	4,947,989	99.2%
2018	5,213,451	5,120,761	98.2%	-	5,120,761	98.2%

(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
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%**
2018	21,054,644	**2.00%**
	185,941,339	

(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

	2018			
Taxpayers By Range	**Number of Filers**	**Percentage of Total**	**(1) Taxes Collected**	**Percentage of Total Employee License Tax**
$0 - $50,000	2,497	97.62%	9,580,191	45.50%
$50,001 - $100,000	38	1.49%	3,647,926	17.33%
$100,001 - $500,000	20	0.78%	3,862,294	18.34%
Greater than $500,000	3	0.12%	3,964,233	18.83%
TOTALS	2,558	100.00%	$ 21,054,644	100.00%

	2009			
Taxpayers By Range	**Number of Filers**	**Percentage of Total**	**(1) Taxes Collected**	**Percentage of Total Employee License Tax**
$0 - $50,000	2,012	99.26%	12,363,242	71.39%
$50,001 - $100,000	11	0.54%	1,843,411	10.65%
$100,001 - $500,000	4	0.20%	3,110,432	17.96%
Greater than $500,000	0	0.00%	-	0.00%
TOTALS	2,027	100.00%	$ 17,317,085	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
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
2018	17,992,494	7,806,701	-	-	-	25,799,195	0.96	5.13%	1,031

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
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
2018	4,065,000	3,255,000	1,920,000	1,729,992	4,195,000	860,000	1,895,000	72,502	17,992,494	0.67	719

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

TABLE 13
CITY OF PADUCAH, KENTUCKY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2018

	Reported Debt Outstanding		(1) Percentage Applicable to the City	Estimated Share of Direct and Overlapping Debt
City of Paducah	$ 25,799,195		100.00%	$ 25,799,195
Paducah Independent School District	44,640,821	*	100.00%	44,640,821
McCracken County	19,007,463	*	46.20%	8,781,448
McCracken County Board of Education	54,905,000	*	32.40%	17,789,220
Overlapping debt	118,553,284			71,211,489
TOTAL DIRECT AND OVERLAPPING DEBT	$ 144,352,479			$ 97,010,684

(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		$ 2,616,547,393
Add exemption		81,193,488
Total assessed value		$ 2,697,740,881
Debt limit - 10% of total assessed (1)		$ 269,774,088
Debt outstanding:		
General obligation bonds outstanding	$ 17,992,494	
Note payable	7,806,701	
Less debt not subject to limit	-	
Gross bonded debt	25,799,195	
Less amount available in debt service funds	1,020,907	
Net bonded indebtedness subject to limit		24,778,288
LEGAL DEBT MARGIN		$ 244,995,800

	Fiscal Year									
	2018	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Debt limit	$ 269,774,088	$ 244,792,901	$ 239,483,487	$ 233,374,672	$ 227,059,775	$ 221,497,836	$ 212,207,634	$ 210,312,025	$ 207,696,169	$ 206,945,061
Total net debt applicable to limit	24,778,288	27,011,206	26,489,770	28,769,092	30,721,830	28,966,286	30,936,733	29,716,418	31,377,263	24,893,656
LEGAL DEBT MARGIN	$ 244,995,800	$ 217,781,695	$ 212,993,717	$ 204,605,580	$ 196,337,945	$ 192,531,550	$ 181,270,901	$ 180,595,607	$ 176,318,906	$ 182,051,405
Total net debt applicable to the limited as a percentage of debt limit	9.18%	11.03%	11.06%	12.33%	13.08%	14.58%	14.13%	15.11%	12.03%	10.44%

(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
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%
2017-2018	25,024	503,179,300	20,430	41.4	2,835	6.4%

Sources:

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

(2) Board of Education; represents elementary and secondary public schools.

(3) Kentucky Cabinet for Human Resources, Department for Employment Services.

TABLE 16
CITY OF PADUCAH, KENTUCKY
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS PRIOR

	2018		2009	
Employer	**Employees (1)**	**Percentage of Total Employment (2)**	**Employees (1)**	**Percentage of Total Employment (2)**
Baptist Healthcare Systems	1,611	5.73%		
Lourdes Hospital, Inc.	1,177	4.18%	1,365	4.67%
Wal-Mart Associates, Inc.	965	3.43%	1,160	3.97%
Paducah Board of Education	593	2.11%	600	2.05%
Kentucky Community & Technical College	477	1.70%	375	1.28%
Claims Services Group, LLC	418	1.49%		
City of Paducah	394	1.40%	350	1.20%
Lowes Home Center, Inc. #2460	365	1.30%		
Teletech Services Corporation	336	1.19%		
Credit Bureau Systems, Inc.	299	1.06%		
Western Baptist Hospital			1,755	6.00%
State of Kentucky			380	1.30%
Paxton Media Group			290	0.99%
LYNX Services			360	1.23%
NRE Acquisitions			150	0.51%
TOTALS	6,635	23.59%	6,785	23.20%

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

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

	Fiscal Year									
	2018	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Governmental Activities										
General government										
General administration	12	12	11	11	11	12	12	12	12	12
Finance	11	11	11	11	11	11	11	14	14	17
Inspection	0	0	0	0	0	0	11	11	10	13
Information systems	5	5	5	5	5	6	6	6	6	4
Risk/Human resources	3	4	3	3	3	3	3	1	1	1
Public safety										
Police	87	87	87	87	87	88	90	90	90	93
Fire	77	76	76	76	76	74	64.5	64	65	69
Public service										
Streets	21.2	21.2	21	21	20	20	23	23	23	29
Facilities	12.8	12.8	12.5	12.5	13.5	13.5	11.5	14	34	36
Engineering	5.3	5.8	6.6	6.6	6.6	7.6	7.6	7	5	8
E911**	22	22	0	0	0	0	0	0	0	0
Other	5	5	5	5	5	5	5	6	4	6
Parks and recreation	27	25	25	25	24	24	24	24	7	7
Planning and development	11	11	10	10	9	9	9	9	9	10
Other										
Paducah Riverfront Dev. Authority	0	0	1	1	1	1	1	0	0	0
Renaissance	0	0	0	0	3	3	4	5	3	5
Fleet maintenance	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	8	6
Business-type Activities										
Solid waste	26.2	25.7	25.4	25.4	25.4	25.4	25.4	26	27	27
TOTAL PRIMARY GOVERNMENT	332	330	306	306	307	309	314.5	318	318	343

* 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									
	2018	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
General government										
Building and electrical permits issued	1,179	1,285	1,344	1,175	1,251	1,202	1,232	1,239	1,263	1,179
Business licenses issued	4,240	4,234	3,826	3,729	3,717	3,966	3,956	3,254	3,397	3,691
Public safety										
Police										
Adult arrests	2,443	2,259	2,174	2,293	2,546	2,508	2,753	3,564	3,859	4,454
Murder	6	1	2	2	3	-	3	3	1	5
Rape	24	13	11	10	17	16	14	22	12	20
Robberies	17	29	42	41	36	38	14	31	56	41
Burglary	178	130	185	138	127	142	123	155	245	169
Auto theft	101	89	59	49	60	41	47	54	62	57
Larceny	1,064	1,027	1,173	1,138	1,090	1,110	1,005	1,013	1,092	1,106
Arson	10	6	7	2	3	5	7	6	7	7
Traffic accidents	1,770	1,826	1,936	1,722	1,664	1,573	1,666	1,762	1,774	1,368
Traffic violations	3,723	4,663	4,231	5,501	6,821	10,168	8,573	7,701	7,240	9,143
Fire										
Emergency responses	3,320	3,275	3,201	2,956	2,935	3,054	3,164	3,181	2,603	3,305
Fires extinguished	118	135	124	118	115	105	138	122	133	136
Structure fires	39	36	42	42	35	33	53	37	49	57
Incidents with reported losses	119	138	72	73	56	55	89	73	89	85
Medical/rescue	2,295	2,308	2,259	2,150	2,080	2,151	2,270	2,133	1,690	1,616
Tours/in-services/car seats	229	262	305	400	378	570	524	671	676	907
Training man hours	10,755	8,378	10,589	10,860	8,959	9,155	7,232	7,033	8,493	7,716
Inspections	709	2,126	2,060	1,324	1,710	1,157	1,417	1,063	985	1,183
Refuse collection										
Residential										
Refuse collected (tons per day)	36	36	41	34	36	36	34	34	38	32
Customers served	9,889	9,806	9,801	9,639	9,600	9,478	9,488	9,568	9,445	9,435
Commercial										
Refuse collected (tons per day)	70	70	61	64	61	65	71	71	70	75
Customers served	930	858	854	861	927	805	803	806	810	810
Public service										
911 dispatches	94,187	94,053	85,380	83,465	83,614	92,786	79,333	82,268	79,768	81,525
Police	53,522	53,896	46,660	44,337	43,877	51,131	43,686	44,794	42,496	40,921
Fire	3,351	3,314	3,230	3,152	3,517	4,747	3,189	3,226	2,702	2,490
Other	37,314	36,843	35,490	35,976	36,220	36,908	32,458	34,248	34,570	38,114

* Information not available.
** Information from city departments

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

	Fiscal Year									
	2018	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
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	10	9	9	7
Commercial	4	4	4	4	4	4	4	4	5	4
Other public works										
Streets (miles paved)	218	218	218	218	218	218	218	218	218	216
Sidewalks (miles)	47	47	47	47	47	47	47	47	47	45
Traffic signals	13	13	13	13	13	13	13	13	13	12
Parks and recreation										
Parks	29	29	29	28	28	27	27	27	27	27
Acreage	960	960	960	960	960	960	1125	1125	1125	960
Community centers	2	2	2	2	2	2	2	2	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/disk golf courses	4	4	4	4	4	3	3	3	3	3

* Information from city departments.

CITY OF PADUCAH, KENTUCKY

SINGLE AUDIT SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

CITY OF PADUCAH, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/ Program Title:	Federal CFDA Number	Pass-Through Grantor Number	Pass-Through To Subrecipients	Expenditures
Department of Housing and Urban Development:				
Direct Programs:				
Section 8 Housing Choice Vouchers	14.871	N/A	$ -	$ 1,913,152
Pass-through Kentucky Governors Office for Local Development:				
Community Development Block Grants	14.228	N/A	200,000	200,000
Total Department of Housing and Urban Development			200,000	2,113,152
Department of the Interior:				
Pass-through Kentucky Heritage Council				
Historic Preservation Fund Grants-In-Aid	15.904	KY-17-114	-	5,311
Passed-through Kentucky Governors Office for Local Development:				
Outdoor Recreation, Acquisition, Development and Planning	15.916	N/A	-	5,348
Total Department of the Interior			-	10,659
Department of Justice:				
Direct Programs:				
Bulletproof Vest Partnership Program	16.607	N/A	-	2,294
Total Department of Justice			-	2,294
Department of Homeland Security:				
Direct Programs:				
Assistance to Firefighters Grant	97.044	N/A	-	5,084
Port Security Grant Program	97.056	N/A	-	14,677
Total Department of Homeland Security			-	19,761
National Endowment for the Arts				
Direct Programs:				
Promotion of the Arts - Grants to Organizations and Individuals	45.024	N/A	-	10,000
Total National Endowment for the Arts			-	10,000
Department of Transportation:				
Passed-through Kentucky Transportation Cabinet				
State and Community Highway Safety	20.600	PT-18-59	-	20,926
State and Community Highway Safety	20.600	PT-17-45	-	9,497
Highway Planning and Construction	20.205	N/A	-	6,444
Highway Planning and Construction	20.205	N/A	-	16,880
Highway Planning and Construction	20.205	N/A	-	25,181
Total Department of Transportation			-	78,928
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 200,000	$ 2,234,794

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, 2018

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Paducah and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Award* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Subrecipients:

The City of Paducah provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided
Four Rivers Recovery Center	14.228	$200,000

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	$ 2,234,794
Federal Awards by Fund	
General Fund	$ 45,734
Capital Improvement Fund	85,908
Special Revenue Fund	190,000
Proprietary Fund	1,913,152
Total Federal Awards	$ 2,234,794

KEMPER CPA GROUP LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable 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, 2018, 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 21, 2018.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify one deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (#2018-001).

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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item #2018-002.

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

City of Paducah, KY Response to Findings

City of Paducah, KY response to the finding identified in our audit is described in the accompany schedule of findings and questioned costs. City of Paducah, KY response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Kemper CPA Group, LLP

Certified Public Accountants and Consultants
Paducah, Kentucky
December 21, 2018

KEMPER CPA GROUP LLP
Certified Public Accountants and Consultants

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

Honorable 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, 2018. 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, 2018.

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 identified one deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item #2018-002 that we consider to be a significant deficiency.

City of Paducah, KY response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Paducah, KY response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, 2018

CITY OF PADUCAH, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

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. One 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. One significant deficiency relating to the audit of major federal award programs is 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 is one findings to be reported in accordance with 2 CFR Section 200.516(a) in this schedule.

7. The programs tested as major programs included:

Name	CFDA
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

Finding #2018-001

Criteria: Adequate personnel should be assigned for management of financial reporting and compliance of federal programs.

Condition: During the fiscal year, we noted the Section 8 Program was primarily managed by one employee for part of the year.

Cause: Due to administrative change and unforeseen retirement of personnel, the Section 8 Program only had one full-time employee assigned to the department during part of the year.

Effect: While the City's planning department provided oversight assistance to the Section 8 Program and the Program's detail financial accounting function is outsourced to a third-party accounting firm specializing in Section 8 Housing during this period, due to limited personnel actively involved in oversight of the program, errors in financial reporting and compliance requirements may occur and not be detected in a timely manner.

Recommendation: We recommend the City hire additional personnel or contract management of the program to improve controls over the management of the Section 8 program.

City Response: Management became aware of this issue during the fiscal year as a result of significant unanticipated staffing changes. At that time, additional staffing was provided by the Planning Department to assist in administrative functions. In conjunction with that staffing allocation, the City began negotiating with the Paducah Housing Authority to assume administration of the grant. Effective December 1, 2018, the City contracted with the Paducah Housing Authority to provide administrative management of the Section 8 voucher program.

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

Finding #2018-002

Criteria: Adequate personnel should be assigned for management of financial reporting and compliance of federal programs.

Condition: During the fiscal year, we noted the Section 8 Program was primarily managed by one employee for part of the year.

Cause: Due to administrative change and unforeseen retirement of personnel, the Section 8 Program only had one full-time employee assigned to the department during part of the year.

Effect: While the City's planning department provided oversight assistance to the Section 8 Program and the Program's detail financial accounting function is outsourced to a third-party accounting firm specializing in Section 8 Housing during this period, due to limited personnel actively involved in oversight of the program, errors in financial reporting and compliance requirements may occur and not be detected in a timely manner.

Recommendation: We recommend the City hire additional personnel or contract management of the program to improve controls over the management of the Section 8 program.

City Response: Management became aware of this issue during the fiscal year as a result of significant unanticipated staffing changes. At that time, additional staffing was provided by the Planning Department to assist in administrative functions. In conjunction with that staffing allocation, the City began negotiating with the Paducah Housing Authority to assume administration of the grant. Effective December 1, 2018, the City contracted with the Paducah Housing Authority to provide administrative management of the Section 8 voucher program.

CITY OF PADUCAH, KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017

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).