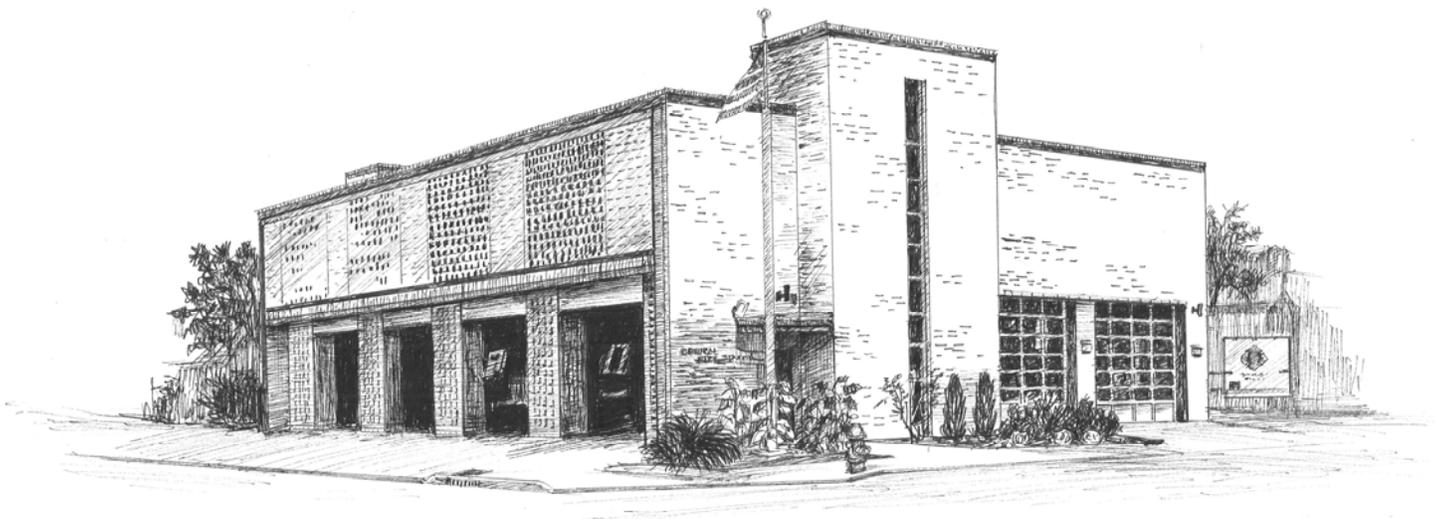


**CITY OF PADUCAH,  
KENTUCKY**

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2019**

**FINANCE DEPARTMENT  
CITY OF PADUCAH,  
KENTUCKY**



**City of Paducah**  
**Paducah, Kentucky**  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2019**



**Issued by the  
Finance Department**

**CITY OF PADUCAH, KENTUCKY**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2019**

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**CITY OF PADUCAH, KENTUCKY**

**INTRODUCTORY SECTION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2019**



## CITY OF PADUCAH

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

December 19, 2019

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, 2019. 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, 2019, is in the Management's Discussion and Analysis (MD&A) section of this report, immediately following the Report of Independent Auditors. The letter of transmittal is written to complement the MD&A and the financial statements, and should be read from that perspective and in conjunction with all other sections of the CAFR.

### THE CITY

Paducah was established in 1827 by explorer General William Clark. The City of Paducah is situated at the confluence of the Ohio and Tennessee Rivers in the north central portion of McCracken County. Paducah is the largest city both in the county and in the Jackson Purchase eight county region. The City has established itself as the cultural, economic, medical and transportation center for not only the Jackson Purchase region but for a large portion of Southern Illinois and portions of Western Tennessee and Southeastern Missouri.

### Industry

The Paducah area has moved from the traditional "manufacturing industry" to a "service industry" economy and cultural center. Multi-state computer services, significant banking corporations, wholesale and retail trade, river-related services, the health care industry and related services are the major employment centers.

## **Economic Development Activities**

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

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

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

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

## **Churches And Schools**

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

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

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

## **Medical Facilities**

Paducah serves as the regional medical center for much of the Jackson Purchase Area of Western Kentucky, a large portion of Southern Illinois, and Northwestern Tennessee. Paducah's medical industry has almost every major medical specialty represented in the physician population. The medical industry, represented by Mercy Health and Baptist Health, provides over 650 beds for medical needs. The two largest hospitals, together, employ nearly 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 17th 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.

One of Paducah's oldest celebrations is the 8<sup>th</sup> 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 sixteenth 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 333 full-time employees as of June 30, 2019. 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 FY2019, 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 FY2019 this contribution was \$315 thousand. This amount was \$376 thousand in FY2018.

## **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 FY2019 budget process, the Commission reviewed numerous decision packages proposed for the Investment Fund Budget; expenditures totaling approximately \$5.8 million were appropriated.

The City has numerous infrastructure/capital items that will affect the long-term financial planning process. The following projects are examples of future considerations facing the City:

*Floodwall Restoration.* The 12.5-mile long floodwall system protecting a large portion of the Paducah-McCracken area is approaching 70 years of age. Its age has marginalized its electrical and mechanical components well beyond their 50-year useful design life; therefore, it needs 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 cash payment or in-kind services. Pump stations #7 and #11 are currently under construction through the USACE for a contract price of \$3.8 million; with the remainder of the project being awarded by the USACE at approximately \$14.0 million. Based on USACE revised authorization, it is estimated that the City's portion of the overall

project cost will be approximately \$11.5 million. The City expects to receive in-kind credit of \$2.1 million for a pipe slip-lining project performed in 2009, approximately \$6.0 million for work associated with Pump Station #2, and approximately \$300,000 for the City's Pump Station #9 project. Future in-kind projects to be completed include permanent sealing of several movable closures, replacement of 37 flap gates, and other related project cost expected to cost \$1.2 million.

*Better Utilizing Investments to Leverage Development (BUILD) Grant.* The City has been awarded a \$10.4 million BUILD grant which will be used to create new opportunities for tourism, recreation and commerce along the Ohio riverfront in support of good jobs and economic growth. The grant will be used to construct the following riverfront projects: Riverboat excursion pier and plaza construction; bike, pedestrian, and broadband linkages from the Convention Center to the riverfront; and, improvements to the landing near the City's transient boat dock.

*Tax Increment Financing District (TIF).* The City has received tentative approval from the Kentucky Economic Development Financing Authority (KEDFA) for a TIF District. The District will include approximately 315 acres of Paducah downtown riverfront which will be used to promote public and private development. It is anticipated that mixed-use development will include the construction of hotels, residential units, restaurant/entertainment space, retail space, manufacturing space, public buildings, and public infrastructure improvements. Once established, its anticipated that tax revenue in excess of a prescribed baseline will be reinvested in the area with funds from state sales tax, property tax, individual income tax, and corporate income tax in addition to local property and payroll taxes.

### **ECONOMIC CONDITION**

The City continues to be aggressive in promoting economic development, since new developmental job growth is necessary to ensure the continued stability of the City's tax base. Economic indicators and trends reflect that the area's economy has remained fairly steady considering the nation's recent economic struggles. It is expected that the economy will continue to hold over the near-term. Area employment increased slightly in comparison to the prior year, with 27,870 persons employed (McCracken County) as of June 30, 2019. The June 2019 unemployment rate was 5.5% (McCracken County), which is a decrease from 6.4% in the prior year, and exceeds the June 2019 federal unemployment rate of 3.7%.

### **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, 2018. This was the twenty-eighth consecutive year that the City achieved this prestigious award.

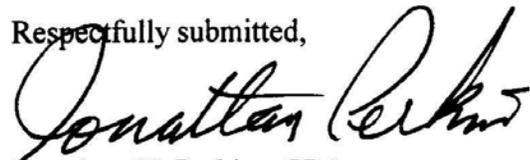
In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

#### ACKNOWLEDGMENTS

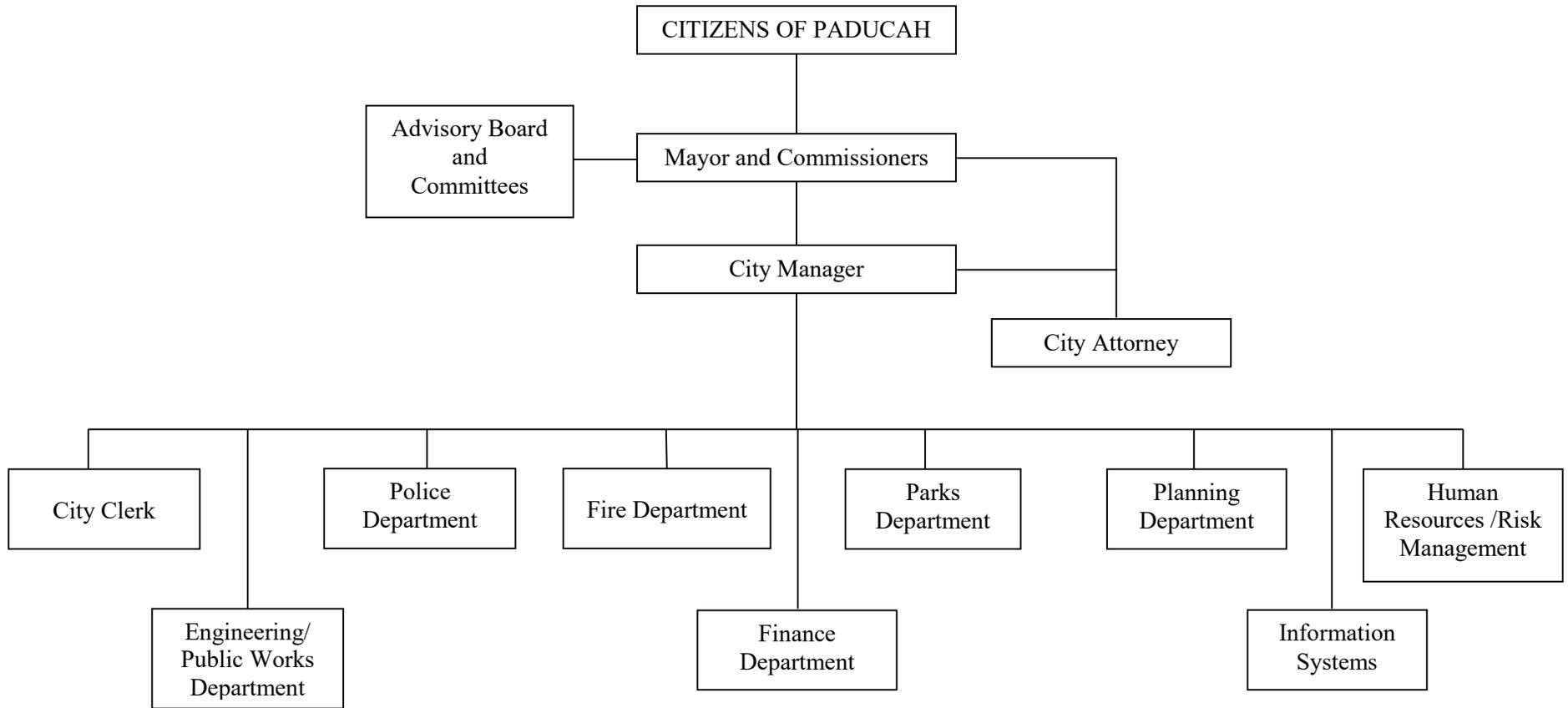
The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We wish to express our appreciation to all members of the Finance Department who assisted and contributed to its preparation, and special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

Respectfully submitted,

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

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	Richard Abraham
Commissioner	Gerald Watkins
Commissioner	Sandra Wilson
Commissioner	Brenda McElroy

**CITY MANAGER**

James Arndt

Finance	Jonathan Perkins, CPA
Police Chief	Brian Laird
Fire Chief	Steve Kyle
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	Vacant position
Public Information	Pam Spencer



Government Finance Officers Association

**Certificate of  
Achievement  
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in Financial  
Reporting**

Presented to

**City of Paducah  
Kentucky**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morrill*

Executive Director/CEO

**CITY OF PADUCAH, KENTUCKY**

**FINANCIAL SECTION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2019**



## 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, 2019, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Special Revenue Investment Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other post-employment benefits trust fund schedules on pages 13-28 and 101-108 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***

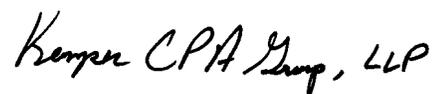
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Paducah, Kentucky's basic financial statements. The introductory section on pages 1-10; budgetary comparison schedules, combining and individual nonmajor fund, budgetary comparison schedules for the nonmajor funds, nonmajor enterprise, internal service and fiduciary financial statements on pages 109-128; and statistical section on pages 129-148, 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 149-150 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, 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 19, 2019, 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.



Certified Public Accountants and Consultants  
Paducah, Kentucky  
December 19, 2019

**CITY OF PADUCAH, KENTUCKY**

**REQUIRED SUPPLEMENTARY INFORMATION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2019**

**CITY OF PADUCAH, KENTUCKY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019**

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, 2019. 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 29-100) 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**

- The City's assets and deferred outflows exceeded liabilities and deferred inflows at the close of the fiscal year by \$21.6 million (net position). This amount includes \$1.2 million restricted to specific projects by laws, regulations or contractual agreements. A deficit total of (\$37.3) million was unrestricted due to GASB No. 68, *Accounting and Financial Reporting for Pensions*, which was implemented in the fiscal year ended 6/30/2015 and GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)*, which was implemented in FY2018.
- The City's total net position decreased (\$4.3) million this year, primarily due to changes in the net pension and OPEB liabilities and the related deferred outflows and inflows. Net position of governmental activities decreased by (\$4.0) million and business-type activities decreased by (\$305) thousand.
- At fiscal year end, City governmental funds reported a combined ending fund balance of \$28.7 million. Approximately 12% of this total amount, \$3.3 million, is restricted or committed for highways/streets and capital improvements. Assigned fund balance comprises 19% of combined fund balance; the majority of which is set aside for capital improvements.
- At the end of the current fiscal year, unassigned General Fund fund balance was \$19.2 million and is available for spending at the City's discretion. Cash makes up approximately \$13.3 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, deferred outflows of resources, and liabilities, and deferred inflows of resources with the difference between these 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 111-119.

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. The Civic Center and Transient Boat Dock receive subsidies 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 120-122 of this report. Individual data for the internal service funds is likewise presented in the form of combining statements on pages 123-125 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 two of the City's three fiduciary funds (Appointive Employees' Pension and Police and Firefighters' Retirement) is presented in the notes to the financial statements on pages 89-90. Individual data for the Cemetery and Parks Trusts Fund is presented on pages 126-127 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 51-100 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 111-128 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 and deferred outflows exceeded liabilities and deferred inflows by \$21.6 million, a decrease of \$4.3 million over prior year.

For FY2019, the largest portion of the City's net position (\$57.7 million) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment and infrastructure) less outstanding related debt used to acquire those assets. The City uses these capital assets to provide service to citizens and,

as a result, these assets are not available for future spending. The City's capital assets investment is reported net of related debt, but the resources to pay this debt must be provided from other sources since the capital assets cannot be used to liquidate the liabilities. An additional portion of City net position (\$1.2 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 \$60.4 million as of June 30, 2019. In FY2018 the City implemented GASB 75, which requires that the City report and fully disclose its share of other post-employment benefit (OPEB) liabilities. This generated a \$20 million liability as of June 30, 2018. The City's net OPEB liability as of June 30, 2019 is \$16.9 million. 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 \$37.3 million in FY2019.

As of June 30, 2019, the City reports positive balances of total net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

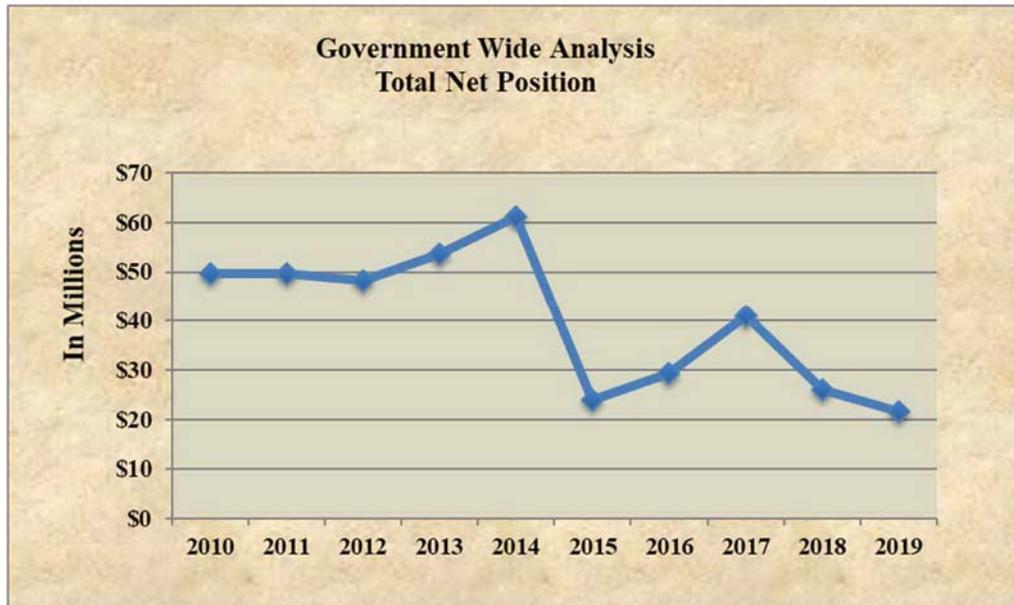
**City of Paducah, Kentucky**

Net Position

June 30

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current Assets	\$ 45,021,259	\$ 45,870,249	\$ 5,436,576	\$ 5,041,448	\$50,457,835	\$ 50,911,697
Capital Assets	66,173,538	62,624,050	2,494,761	2,876,483	68,668,299	65,500,533
Other noncurrent assets	5,618,333	6,139,409	-	-	5,618,333	6,139,409
<b>Total Assets</b>	<b>116,813,130</b>	<b>114,633,708</b>	<b>7,931,337</b>	<b>7,917,931</b>	<b>124,744,467</b>	<b>122,551,639</b>
Deferred Outflows of Resources	19,099,439	23,668,245	736,809	906,016	19,836,248	24,574,261
Current Liabilities	6,827,023	7,899,284	411,553	348,052	7,238,576	8,247,336
Noncurrent liabilities	98,794,586	99,937,794	5,278,765	5,308,427	104,073,351	105,246,221
<b>Total liabilities</b>	<b>105,621,609</b>	<b>107,837,078</b>	<b>5,690,318</b>	<b>5,656,479</b>	<b>111,311,927</b>	<b>113,493,557</b>
Deferred Inflows of Resources	11,412,923	7,580,389	246,352	131,138	11,659,275	7,711,527
<b>Net position:</b>						
Net Invested in Capital Assets	55,243,451	55,031,812	2,494,761	2,876,483	57,738,212	57,908,295
Restricted	1,177,699	2,088,652	-	-	1,177,699	2,088,652
Unrestricted	(37,543,113)	(34,235,978)	236,715	159,847	(37,306,398)	(34,076,131)
<b>TOTAL NET POSITION</b>	<b>\$ 18,878,037</b>	<b>\$ 22,884,486</b>	<b>\$ 2,731,476</b>	<b>\$ 3036,330</b>	<b>\$ 21,609,513</b>	<b>\$ 25,920,816</b>

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 generated a noncurrent liability for other post-employment benefits in the amount of \$20 million FY2018. Annual adjustments to these liabilities continued to drive net position down in FY2019.

#### A. Analysis of the City's Operations

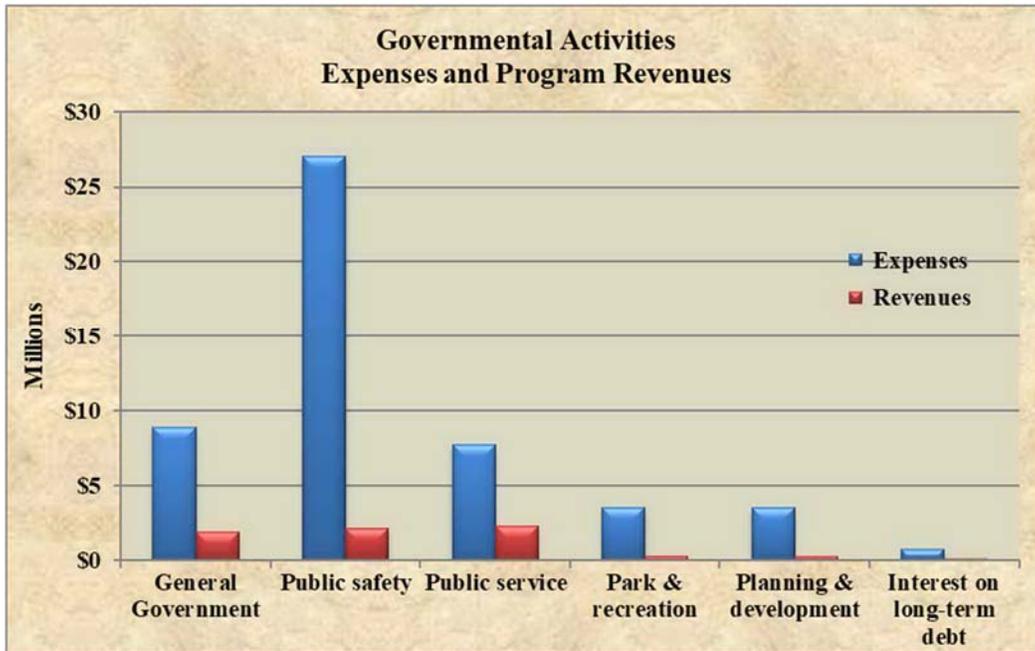
The following table provides a summary of the City's operations for the years ended June 30, 2019 and 2018. Governmental activities decreased the City's net position by \$4,006,449 and business-type activities decreased the City's net position by \$304,854.

**City of Paducah, Kentucky**  
Changes in Net Position  
June 30

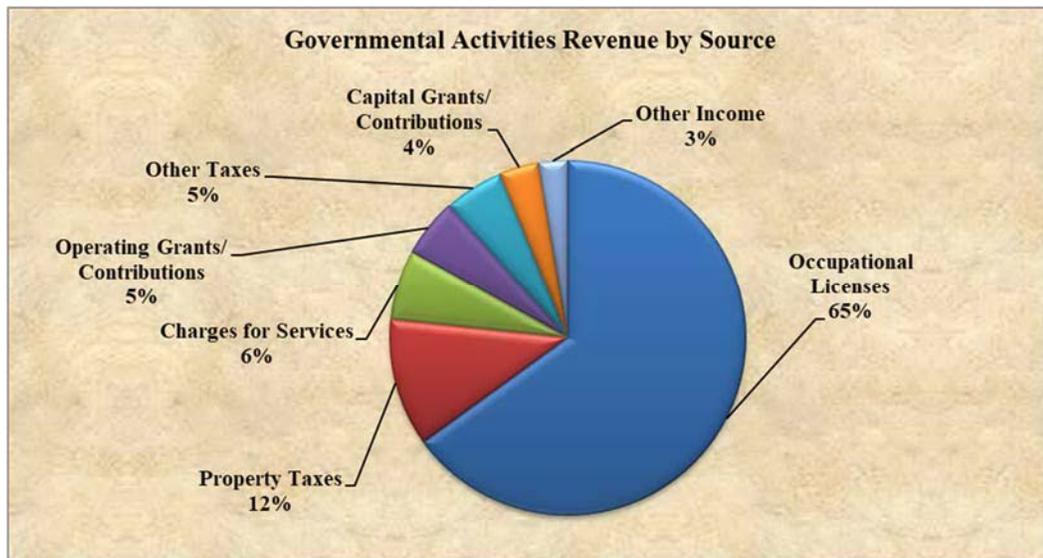
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,991,916	\$ 2,937,204	\$ 4,708,048	\$ 4,634,692	\$ 7,699,964	7,571,896
Operating grants/contributions	2,513,938	2,441,864	2,057,051	1,965,868	4,570,989	4,407,732
Capital grants/contributions	1,685,423	542,980	-	-	1,685,423	542,980
General Revenues:						
Property taxes	5,449,122	5,248,369	-	-	5,449,122	5,248,369
Franchise taxes	214,296	267,846	-	-	214,296	267,846
Telecommunications tax	540,064	626,303	-	-	540,064	626,303
Insurance premium tax	4,486,038	4,592,834	-	-	4,486,038	4,592,834
Vehicle tax	770,092	746,963	-	-	770,092	746,963
Bank tax	321,242	290,262	-	-	321,242	290,262
Gross receipts license tax	4,367,410	4,631,352	-	-	4,367,410	4,631,352
Employee license tax	21,648,742	21,054,644	-	-	21,648,742	21,054,644
Other taxes	686,019	693,831	-	-	686,019	693,831
Intergovernmental revenue	409,383	418,998	-	-	409,383	418,998
Unrestricted investment earnings	728,227	428,721	91,140	54,139	819,367	482,860
Gain on sale of capital assets	-	-	-	-	-	-
Miscellaneous	99,208	14,190	75,923	(13,063)	175,131	1,127
<b>Total revenues</b>	<b>46,911,120</b>	<b>44,936,361</b>	<b>6,932,162</b>	<b>6,641,636</b>	<b>53,843,282</b>	<b>51,577,997</b>
<b>Expenses:</b>						
General Government	8,891,713	9,590,575	-	-	8,891,713	9,590,575
Public safety	27,002,119	25,602,852	-	-	27,002,119	25,602,852
Public service	7,681,383	7,511,063	-	-	7,681,383	7,511,063
Park & recreation	3,544,515	3,397,087	-	-	3,544,515	3,397,087
Planning & development	3,511,710	1,455,677	-	-	3,511,710	1,455,677
Interest on long-term debt	800,175	861,589	-	-	800,175	861,589
Solid Waste	-	-	4,512,447	4,096,022	4,512,447	4,096,022
Section Eight Housing	-	-	2,046,520	2,064,408	2,046,520	2,064,408
Civic Center	-	-	70,956	76,639	70,956	76,639
Transient Boat Dock	-	-	93,047	50,535	93,047	50,535
<b>Total expenses</b>	<b>51,431,615</b>	<b>48,418,843</b>	<b>6,722,970</b>	<b>6,287,604</b>	<b>58,154,585</b>	<b>54,706,447</b>
Increase (decrease) in Net position before transfers	(4,520,495)	(3,482,482)	209,192	354,032	(4,311,303)	(3,128,450)
Transfers	514,046	390,048	(514,046)	(390,048)	-	-
<b>Change in net position</b>	<b>(4,006,449)</b>	<b>(3,092,434)</b>	<b>(304,854)</b>	<b>(36,016)</b>	<b>(4,311,303)</b>	<b>(3,128,450)</b>
Net position, July 1	22,884,486	25,976,920	3,036,330	3,072,346	25,920,816	29,049,266
<b>NET POSITION, JUNE 30</b>	<b>\$ 18,878,037</b>	<b>\$ 22,884,486</b>	<b>\$ 2,731,476</b>	<b>\$ 3,036,330</b>	<b>\$ 21,609,513</b>	<b>\$ 25,920,816</b>

## 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 2019.



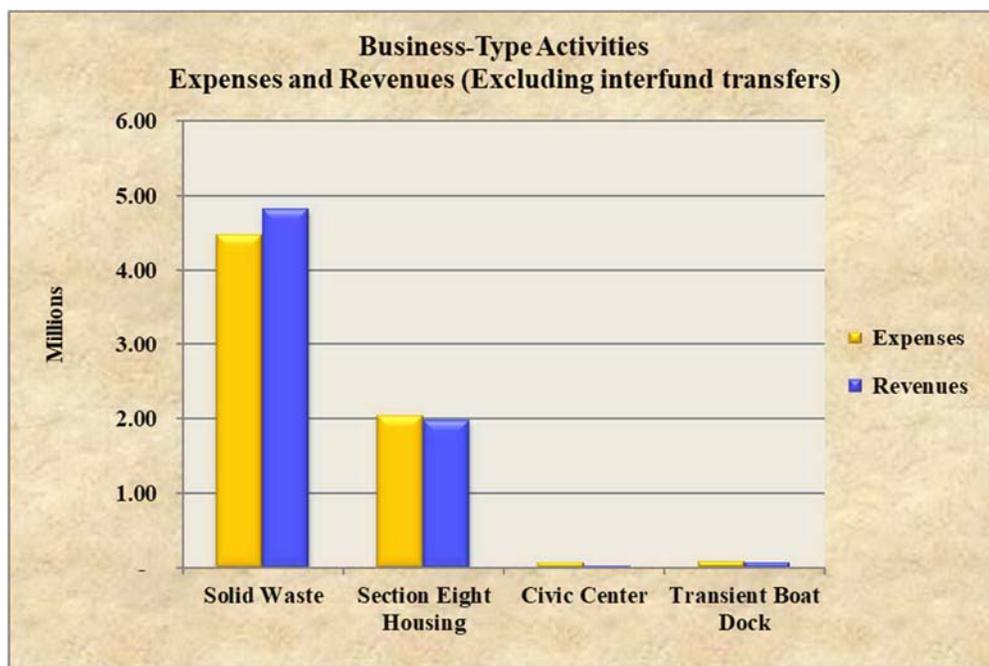
In fiscal year 2019, the City derived approximately 82% of its revenue from taxes/licenses. Occupational licenses, which include payroll withholding tax, business licenses, and insurance premium tax is the largest source of income to the City, totaling \$30.5 million. This category of revenue increased by less than 1% from fiscal year 2018. Payroll tax was the one tax that increased, by 2.8%. Business licenses and insurance premium tax decreased by 5.7% and 2.3%, respectively. None of these changes appear to be the result of one significant taxpayer's activity, but the result of multiple entities having modest increases/decreases. Property taxes continue to be a stable source of revenue, comprising nearly 12% of total revenue in FY2019.

**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 FY2019 – the Solid Waste Fund, with income before contributions and transfers of \$345,958. For many years the appropriate fees have been in place to sustain the operating expenses of the fund.

For fiscal year 2019, business-type activities as a whole had a decrease in net position of \$304,854. 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 this purpose in FY2019 was \$360,000. An additional \$200,000 was transferred from Solid Waste to the Municipal Aid Program Fund to cover street rehabilitation costs caused by refuse trucks damaging City roads and alley ways. These transfers caused the Solid Waste Fund's net position to decrease by \$262 thousand.

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



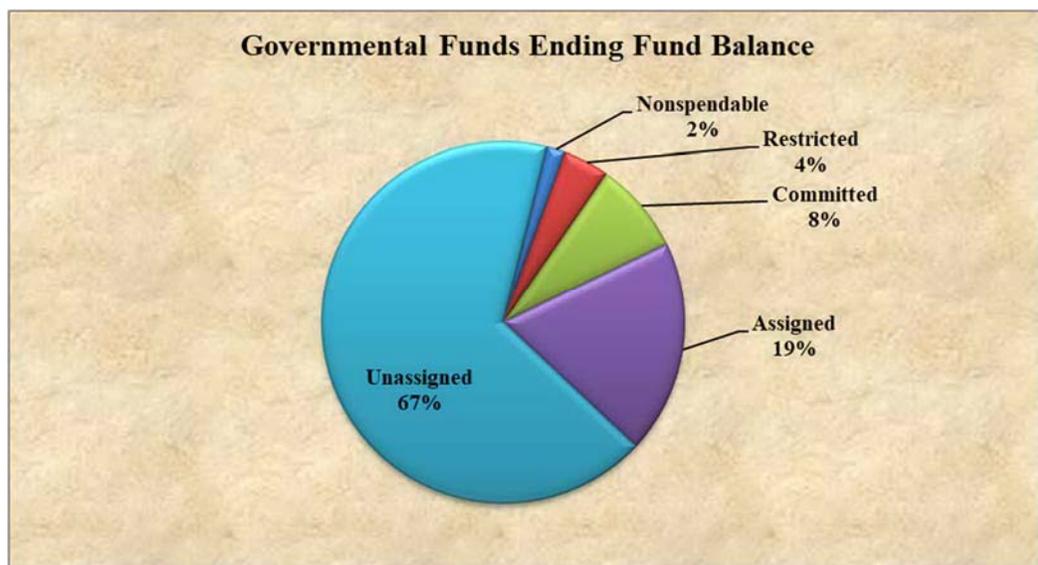
#### IV. Financial Analysis of the City's Funds

##### 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.

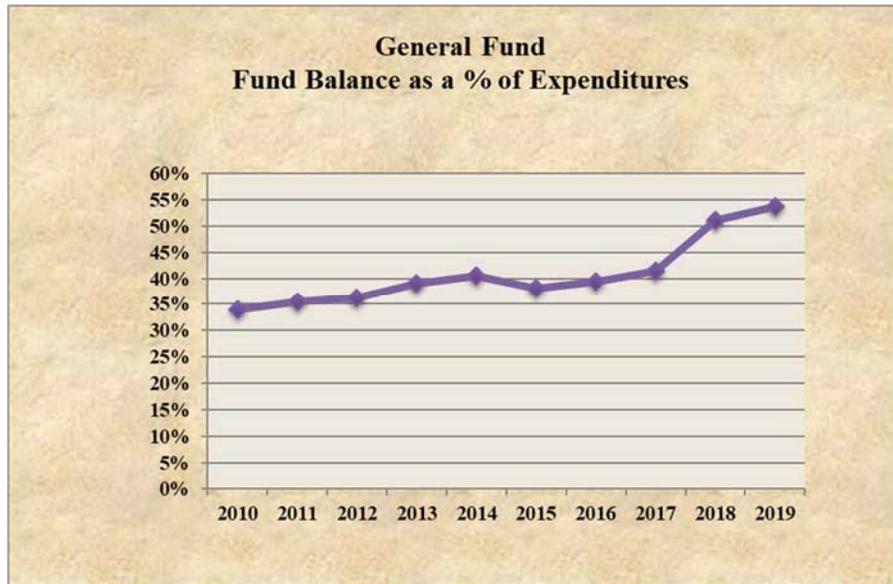
At the end of the fiscal year, the City governmental funds reported combined ending fund balances of \$28.7 million. In FY2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The redefined categories of fund balance are described below:

- *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 \$474,816 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 \$782,692 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 \$2,352,68 in fund balance committed for capital improvements in the Investment Fund.
- *Assigned fund balance* has limitations resulting from intended use; formal action is not required. Approximately 19% of the City's fund balance is assigned for various purposes, including capital improvements, public safety, and debt service.
- *Unassigned fund balance* is the total fund balance in the General Fund in excess of the other fund balance categories.



Approximately 67% of total fund balance, \$19.2 million is unassigned General Fund fund balance, which is available for spending at the government’s discretion but only up to the amount represented by cash. At year-end there was \$13.3 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 2018-06-8537) requires that an amount not less than 12% of the General Fund’s budgeted expenditures remain undesignated in the fund balance, or \$4.5 million, which leaves \$8.8 million as unreserved for fiscal year 2019.

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 (\$19.2 million) represents 54% of expenditures and transfers out (\$35.7 million).



The chart above shows that this ratio has remained very stable over the last ten years. However, there was a significant increase in FY2018. The four primary sources of revenue for the City exceeded budgeted amounts by close to \$1 million that year, driving up fund balance. There was also a large transfer out (\$900 thousand) budgeted for FY2018 for an E911 capital project that was delayed until the following year and funded by a debt issue, lowering expenditures. FY2019 resulted in a less significant increase, more representative of a typical financially healthy year with some positive variances in both revenues and expenditures.

The Investment Fund had a fund balance of \$2.4 million, all of which is committed for capital projects. The Investment Fund was authorized by the City Commission in fiscal year 2005-2006 as a special revenue fund whose use is restricted to property tax reduction, economic development, community redevelopment and capital and infrastructure projects. The Investment Fund captures all manner of financial activities related to revenue from the ½ cent payroll tax increase, effective October 1, 2005. Fund balance for this fund remained fairly flat over the previous year, increasing by only \$42 thousand.

Fund balance in the General Capital Improvements fund decreased by approximately \$1.9 million from the prior year to \$4.5 million. The decrease is due to the completion of the \$4 million City Hall rehabilitation project in FY2019 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	\$2,351,728
Section Eight Housing	(306,640)
Civic Center	94,981
Transient Boat Dock	13,575

Combined total net position change for the four funds was a decrease of \$330 thousand, broken down as follows: Solid Waste (\$262 thousand decrease), Section Eight Housing (\$59 thousand decrease), Civic Center (\$10 thousand decrease), and Transient Boat Dock (\$2 thousand increase). The largest proprietary fund, Solid Waste, was discussed under Business Type Activities (Section III-C).

FY2019 was the first full year 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 \$1.6 million increase in appropriations. There were two major interfund transfers that comprised this increase. A \$750 thousand transfer was made to the Capital Improvements Fund from unreserved fund balance as a partial cash match payment to the U.S. Army Corp of Engineers for the City's multi-year floodwall rehabilitation project. A \$750 thousand transfer was also made from Commission Contingency to the Capital Improvements Fund to demolish a dilapidated building the City acquired.

Final appropriations (including operating transfers out) exceeded total actual expenditures by \$1.4 million. Nearly 60% of that (\$827 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 \$123 thousand less funding than anticipated. The remaining areas of positive budget variance appear to be scattered across many areas and not limited to a particular department or event.

Intergovernmental Expense of \$324 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, 2019, is \$69 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 2019, project and equipment additions totaled over \$7.7 million, with \$6.2 million

of that attributed to Construction in Progress at year-end. Some of the largest capital-type project additions, in terms of dollars in fiscal year 2019, are shown in the following table:

City Hall Renovation (Construction in Progress)	\$2,906,859
Floodwall Pump #2 Rehab (Construction in Progress)	868,780
E911 CAD Upgrade (Construction in Progress)	819,660
Floodwall Pump #7 & #11 (Construction in Progress)	750,000
Health Park Phase 2 (Construction in Progress)	472,448

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

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 10,385,388	\$ 10,393,199	\$ 68,886	\$ 62,152	\$ 10,454,274	\$ 10,455,351
Land improvements	17,432,877	18,179,636	-	-	17,432,877	18,179,636
Construction in progress	9,339,107	3,518,902	-	-	9,339,107	3,518,902
Buildings and improvements	5,871,437	6,272,221	222,343	238,669	6,093,780	6,510,890
Infrastructure	18,066,482	18,712,536	-	-	18,066,482	18,712,536
Equipment	1,907,066	1,883,726	638,449	609,579	2,545,515	2,493,305
Furnishings and fixtures	90,146	58,578	-	-	90,146	58,578
Vehicles	3,081,035	3,605,252	1,565,083	1,966,083	4,646,118	5,571,335
<b>TOTALS</b>	<u>\$ 66,173,538</u>	<u>\$ 62,624,050</u>	<u>\$ 2,494,761</u>	<u>\$ 2,876,483</u>	<u>\$ 68,668,299</u>	<u>\$65,500,533</u>

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 \$26,314,545 in outstanding bonds and notes payable, compared to \$25,799,195 at June 30, 2018 with maturities extending through 2033.

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Kentucky League of Cities – 2003	\$ -	\$1,113,319
Floodwall Rehabilitation – 2008	-	1,729,992
Convention Center Renovation – 2008	1,603,553	1,744,320

Refinanced Convention Center – 2010	3,610,000	4,065,000
Refinanced Rental Building – 2011	1,600,000	1,920,000
Murray State University Agreement – 2011	1,871,659	1,991,487
Public Pool Renovations – 2013	790,000	860,000
Economic Development – 2013	1,750,000	1,895,000
Refinanced Public Projects – 2014	3,870,000	4,195,000
Refinanced Police/Firefighter Pension Fund Liability - 2014	2,845,000	3,255,000
CFSB Agreement - 2017	2,909,367	2,957,575
Riverfront and 911 Equipment – 2018	2,700,000	-
Kentucky Infrastructure Authority – 2018	66,874	-
Refinanced KLC and Floodwall Rehabilitation – 2018	2,355,000	-
Net Premiums/Discounts	<u>343,092</u>	<u>72,502</u>
TOTALS	<u>\$26,314,545</u>	<u>\$25,799,195</u>

The City had three new debt issues during FY2019.

**Riverfront and 911 Equipment.** In August 2018, the City issued general obligation bonds of \$2,700,000 to finance 911 equipment (\$1.045 million) and riverfront development (\$1.655 million).

**Refinanced KLC and Floodwall Rehabilitation.** In August 2018, the City issued general obligation bonds of \$2,670,000 to refund \$2,815,573 of outstanding Kentucky League of Cities Funding Trust 2003 Lease and 2009 lease agreements issued to finance several public improvement projects.

**Kentucky Infrastructure Authority (KIA).** In July 2018, the City entered into an agreement with KIA to obtain up to \$4,610,667 for rehabilitation of Pump Station #2.

Debt issues prior to July 1, 2018 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.

**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 \$254,113,025. 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.

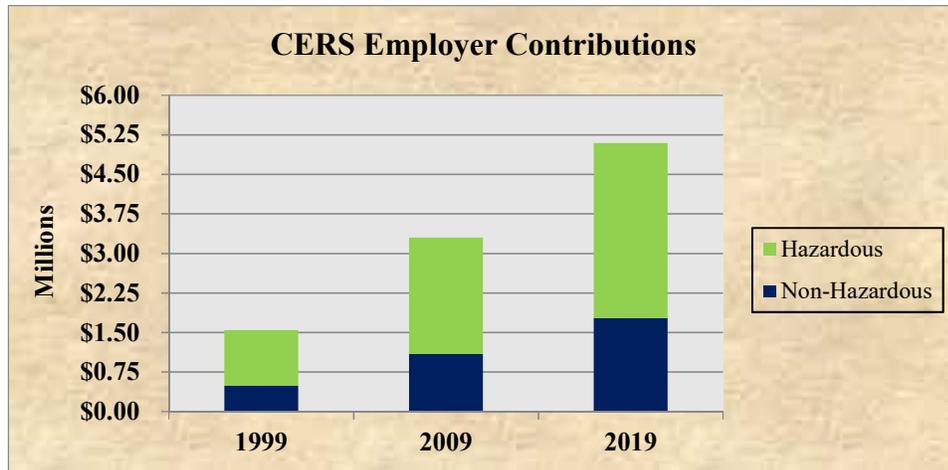
The City of Paducah, Kentucky, issues and incurs debt in order to fund capital improvement projects, purchase major capital equipment and facilities, and respond to other special funding needs. In fiscal year 2019, just over 1% of the General Fund budget was expended for debt service, and thus has minimal 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 1999, 2009, and 2019.

CERS Employer Contributions						
	Non-Hazardous			Hazardous		
FY	Rate	Amount	% Chg	Rate	Amount	% Chg
1999	8.22%	\$490,417		18.85%	\$1,053,765	
2009	13.50%	\$1,092,867	123%	29.50%	\$2,204,000	109%
2019	21.48%	\$1,775,133	62%	35.34%	\$3,314,298	50%



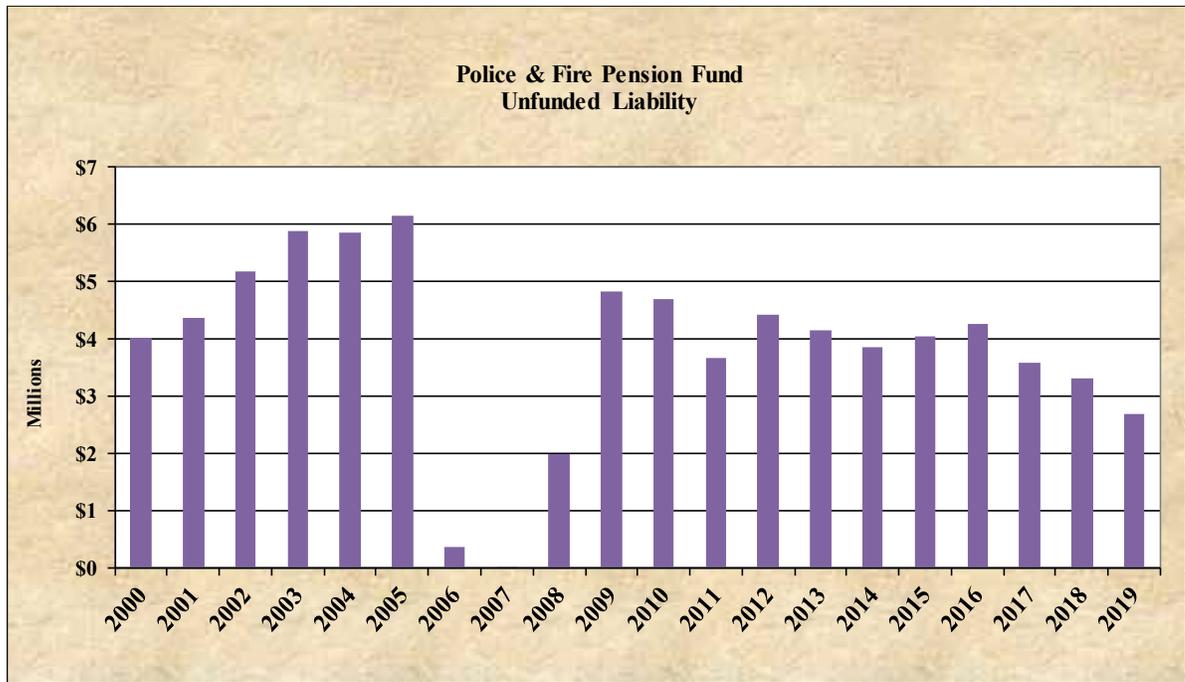
In early spring 2013, the State of Kentucky passed a pension reform bill (Senate Bill 2) to prevent pension costs from escalating even higher. This legislation established a hybrid cash balance plan for participants entering the plan after January 1, 2014, that provides a retirement benefit based on 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 \$5.1 million in contributions for FY2019. 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.

**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 2019 actuary study shows that the PFPF unfunded pension liability is approximately \$2.7 million as the following chart displays.



Since the 2009 drop, the City has contributed approximately \$300,000 - \$400,000 annually to meet the actuary’s recommended amount toward the unfunded pension liability. The valuation as of July 1, 2019, indicates the minimum actuarially sound contribution for FY2020 will be \$315,257.

**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, 2019**

**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

<u>ASSETS</u>	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Paducah Water Works Authority</u>
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 18,745,147	\$ 2,780,892	\$ 21,526,039	\$ 1,168,513
Investments	9,500,000	1,500,000	11,000,000	-
Receivables, net:				
Notes	1,372,110	-	1,372,110	-
Accounts	7,726,316	540,647	8,266,963	1,736,108
Grants	460,974	-	460,974	-
Interest	147,070	19,680	166,750	-
Property tax	5,888,326	-	5,888,326	-
Internal balances	(577,832)	577,832	-	-
Inventory	528,632	17,525	546,157	901,275
Prepaid expenses	1,200,000	-	1,200,000	-
Other current assets	30,516	-	30,516	909,914
	<u>45,021,259</u>	<u>5,436,576</u>	<u>50,457,835</u>	<u>4,715,810</u>
<b>Noncurrent Assets:</b>				
Notes receivable	5,618,333	-	5,618,333	-
Capital assets:				
Land and construction in progress	19,724,495	68,886	19,793,381	1,074,001
Depreciable capital assets	46,449,043	2,425,875	48,874,918	55,022,661
Other assets	-	-	-	8,434,836
	<u>71,791,871</u>	<u>2,494,761</u>	<u>74,286,632</u>	<u>64,531,498</u>
Total assets	<u>116,813,130</u>	<u>7,931,337</u>	<u>124,744,467</u>	<u>69,247,308</u>
<b>Deferred Outflows of Resources:</b>				
Deferred pension related outflows	13,109,655	536,283	13,645,938	1,826,873
Deferred OPEB related outflows	5,740,790	200,526	5,941,316	620,461
Deferred charges on refunding	248,994	-	248,994	-
	<u>19,099,439</u>	<u>736,809</u>	<u>19,836,248</u>	<u>2,447,334</u>

See accompanying notes to the basic financial statements.

<b><u>LIABILITIES</u></b>	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Paducah Water Works Authority</b>
<b>Current Liabilities:</b>				
Voucher and accounts payable	2,314,101	245,350	2,559,451	620,193
Accrued payables	634,829	35,274	670,103	889,783
Asset retirement obligation	-	-	-	42,130
Unearned revenue	47,669	25,500	73,169	-
Accrued compensated absences	1,187,166	105,429	1,292,595	303,770
Accrued interest	111,187	-	111,187	-
Notes payable due within one year	317,071	-	317,071	460,856
Bonds payable due within one year	2,215,000	-	2,215,000	-
Other current liabilities	-	-	-	344,956
<b>Total current liabilities</b>	<b>6,827,023</b>	<b>411,553</b>	<b>7,238,576</b>	<b>2,661,688</b>
<b>Noncurrent Liabilities:</b>				
Accrued compensated absences	892,333	52,557	944,890	-
Landfill post-closure costs	-	2,062,500	2,062,500	-
Pensions obligation	57,912,713	2,449,611	60,362,324	7,212,565
Other post employment benefits (OPEB)	16,207,066	714,097	16,921,163	2,102,559
Notes payable	6,134,382	-	6,134,382	6,230,670
Bonds payable	17,648,092	-	17,648,092	-
<b>Total noncurrent liabilities</b>	<b>98,794,586</b>	<b>5,278,765</b>	<b>104,073,351</b>	<b>15,545,794</b>
<b>Total liabilities</b>	<b>105,621,609</b>	<b>5,690,318</b>	<b>111,311,927</b>	<b>18,207,482</b>
<b>Deferred Inflows of Resources</b>				
Deferred revenues - property taxes	5,665,176	-	5,665,176	-
Deferred pension related inflows	2,074,059	97,245	2,171,304	527,449
Deferred OPEB related inflows	3,673,688	149,107	3,822,795	399,147
<b>Total deferred inflows of resources</b>	<b>11,412,923</b>	<b>246,352</b>	<b>11,659,275</b>	<b>926,596</b>
<b><u>NET POSITION</u></b>				
Net invested in capital assets	55,243,451	2,494,761	57,738,212	49,405,136
Restricted for:				
Housing and development projects	-	-	-	-
Capital projects & infrastructure	964,320	-	964,320	-
Public safety	213,379	-	213,379	-
Unrestricted	(37,543,113)	236,715	(37,306,398)	3,155,428
<b>TOTAL NET POSITION</b>	<b>\$ 18,878,037</b>	<b>\$ 2,731,476</b>	<b>\$ 21,609,513</b>	<b>\$ 52,560,564</b>

**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

<b><u>FUNCTIONS/PROGRAMS</u></b>	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ 8,891,713	\$ 1,347,624	\$ 560,180	\$ 26,300
Public safety	27,002,119	523,209	773,471	893,531
Public service	7,681,383	994,610	628,368	717,186
Parks and recreation	3,544,515	126,473	154,400	48,406
Planning and development	3,511,710	-	268,519	-
Interest on long-term debt	800,175	-	129,000	-
Total governmental activities (See Note 1)	<u>51,431,615</u>	<u>2,991,916</u>	<u>2,513,938</u>	<u>1,685,423</u>
Business-type activities:				
Solid Waste	4,512,447	4,597,398	71,329	-
Section Eight Housing	2,046,520	1,504	1,985,722	-
Civic Center	70,956	29,784	-	-
Transient Boat Dock	93,047	79,362	-	-
Total business-type activities	<u>6,722,970</u>	<u>4,708,048</u>	<u>2,057,051</u>	<u>-</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u><u>\$ 58,154,585</u></u>	<u><u>\$ 7,699,964</u></u>	<u><u>\$ 4,570,989</u></u>	<u><u>\$ 1,685,423</u></u>
<b>Component Unit:</b>				
Paducah Water Works Authority	\$ 11,283,681	\$ 11,492,693	\$ -	\$ 410,607
<b>TOTAL COMPONENT UNITS</b>	<u><u>\$ 11,283,681</u></u>	<u><u>\$ 11,492,693</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 410,607</u></u>

General revenues:

  Taxes and licenses:

    Property taxes, levied for general purposes

    Franchise tax

    Telecommunications tax

    Insurance premium tax

    Vehicle tax

    Bank tax

    Gross receipts license tax

    Employee license tax

    Other taxes

    Transient room tax

  Unrestricted investment earnings

  Sale of assets

    Total general revenues

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

See accompanying notes to the basic financial statements.

**Net (Expense) Revenue and Changes in Net Position**

<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Paducah Water Works Authority</b>
\$ (6,957,609)	\$ -	\$ (6,957,609)	\$ -
(24,811,908)	-	(24,811,908)	-
(5,341,219)	-	(5,341,219)	-
(3,215,236)	-	(3,215,236)	-
(3,243,191)	-	(3,243,191)	-
(671,175)	-	(671,175)	-
<u>(44,240,338)</u>	<u>-</u>	<u>(44,240,338)</u>	<u>-</u>
-	156,280	156,280	-
-	(59,294)	(59,294)	-
-	(41,172)	(41,172)	-
-	(13,685)	(13,685)	-
<u>-</u>	<u>42,129</u>	<u>42,129</u>	<u>-</u>
<u>(44,240,338)</u>	<u>42,129</u>	<u>(44,198,209)</u>	<u>-</u>
-	-	-	619,619
-	-	-	619,619
5,449,122	-	5,449,122	-
214,296	-	214,296	-
540,064	-	540,064	-
4,486,038	-	4,486,038	-
770,092	-	770,092	-
321,242	-	321,242	-
4,367,410	-	4,367,410	-
21,648,742	-	21,648,742	-
686,019	-	686,019	-
409,383	-	409,383	-
728,227	91,140	819,367	175,947
99,208	75,923	175,131	-
<u>39,719,843</u>	<u>167,063</u>	<u>39,886,906</u>	<u>175,947</u>
<u>514,046</u>	<u>(514,046)</u>	<u>-</u>	<u>-</u>
<u>40,233,889</u>	<u>(346,983)</u>	<u>39,886,906</u>	<u>175,947</u>
<u>(4,006,449)</u>	<u>(304,854)</u>	<u>(4,311,303)</u>	<u>795,566</u>
<u>22,884,486</u>	<u>3,036,330</u>	<u>25,920,816</u>	<u>51,764,998</u>
<u>\$ 18,878,037</u>	<u>\$ 2,731,476</u>	<u>\$ 21,609,513</u>	<u>\$ 52,560,564</u>

**CITY OF PADUCAH, KENTUCKY**

**BASIC FINANCIAL STATEMENTS**

***FUND FINANCIAL STATEMENTS***

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2019**

**CITY OF PADUCAH, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

	<b>General Fund</b>	<b>Special Revenue Investment Fund</b>	<b>General Capital Improvements</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 8,288,765	\$ 1,039,892	\$ 3,422,208
Investments	5,000,000	-	1,500,000
Receivables:			
Accounts	8,268,199	-	-
Grants	272,671	-	188,302
Interest	74,309	-	-
Property taxes (net of allowances for uncollectibles)	5,943,326	-	-
Inventory	-	-	474,816
Due from other funds	30,516	1,359,643	-
<b>Total Assets</b>	<b>\$ 27,877,786</b>	<b>\$ 2,399,535</b>	<b>\$ 5,585,326</b>
<b>Liabilities</b>			
Voucher and accounts payable	\$ 677,660	\$ 47,167	\$ 1,122,590
Accrued payroll and payroll taxes	586,228	-	-
Due to other funds	1,359,643	-	-
Due to other taxing agencies	-	-	-
Unearned revenue - other	-	-	-
Accrued compensated absences	169,950	-	-
<b>Total liabilities</b>	<b>2,793,481</b>	<b>47,167</b>	<b>1,122,590</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue-property taxes	5,900,226	-	-
<b>Fund Balances:</b>			
Nonspendable			
Inventory	-	-	474,816
Restricted for:			
Highways and streets	-	-	-
Public safety	-	-	-
Capital improvements	-	-	-
Committed for:			
Capital improvements	-	2,352,368	-
Assigned for:			
Public safety	-	-	-
Debt service	-	-	-
Capital improvements	-	-	3,987,920
Unassigned:			
General Fund	19,184,079	-	-
<b>Total fund balances</b>	<b>19,184,079</b>	<b>2,352,368</b>	<b>4,462,736</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 27,877,786</b>	<b>\$ 2,399,535</b>	<b>\$ 5,585,326</b>

See accompanying notes to the basic financial statements.

<b>Debt Service Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 177,687	\$ 1,594,646	\$ 14,523,198
1,000,000	-	7,500,000
-	293,105	8,561,304
-	-	460,973
11,201	-	85,510
-	-	5,943,326
-	-	474,816
-	-	1,390,159
<u>\$1,188,888</u>	<u>\$ 1,887,751</u>	<u>\$ 38,939,286</u>
\$ -	\$ 345,987	\$ 2,193,404
-	36,949	623,177
-	-	1,359,643
-	-	-
24,083	-	24,083
-	-	169,950
<u>24,083</u>	<u>382,936</u>	<u>4,370,257</u>
-	-	5,900,226
-	-	474,816
-	782,692	782,692
-	213,379	213,379
-	181,628	181,628
-	-	2,352,368
-	327,116	327,116
1,164,805	-	1,164,805
-	-	3,987,920
-	-	19,184,079
<u>1,164,805</u>	<u>1,504,815</u>	<u>28,668,803</u>
<u>\$1,188,888</u>	<u>\$ 1,887,751</u>	<u>\$ 38,939,286</u>

**CITY OF PADUCAH, KENTUCKY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

Total fund balance - total governmental fund: \$ 28,668,803

*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. 180,050

The long-term notes receivable are not reported in the governmental funds balance sheet since they are not available to pay current period expenditures. 5,514,368

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. 31,885

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. 66,173,537

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	248,994	
Deferred OPEB related inflows	(3,673,688)	
Deferred OPEB related outflows	5,740,790	
Deferred pension related inflows	(2,074,059)	
Deferred pension related outflows	<u>13,109,655</u>	13,351,692

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, 2019**

The portion of accrued compensated absences not due and payable in the current period, and therefore, not reported in the governmental funds balance sheet. \$ (1,860,286)

Accrued interest payments on debt are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet. (111,187)

Long-term pensions, OPEB, bonds and notes of (\$100,434,324) are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet. The long-term pensions, OPEB, bonds and notes are:

Due within one year	\$ 2,532,071	
Due after one year	<u>97,902,253</u>	(100,434,324)

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	\$ 8,146,528	
Current liabilities	(205,197)	
Net amount allocated to business-type activities	<u>(577,832)</u>	<u>7,363,499</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 18,878,037</u></u>
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See accompanying notes to the basic financial statements.

**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>General Fund</b>	<b>Special Revenue Investment Fund</b>	<b>General Capital Improvements</b>
<b>Revenues:</b>			
Taxes	\$ 7,390,284	\$ -	\$ -
Licenses	25,687,778	5,299,698	-
Charges for services	646,039	-	-
Intergovernmental	-	-	-
Grants	1,182,351	-	1,102,519
Interest	525,528	-	-
Property upkeep, rentals, sales and other	1,052,234	-	335,281
Total revenues	<u>36,484,214</u>	<u>5,299,698</u>	<u>1,437,800</u>
<b>Expenditures:</b>			
Current operations:			
General government	4,776,778	-	-
Public safety	18,329,123	-	-
Public service	5,711,777	-	-
Parks and recreation	3,255,263	-	-
Planning and development	-	1,093,069	-
Intergovernmental and other	430,441	-	-
Capital outlay	-	-	9,259,270
Debt service:			
Principal requirement	-	-	-
Debt issuance costs	-	-	-
Interest requirement	-	-	-
Total expenditures	<u>32,503,382</u>	<u>1,093,069</u>	<u>9,259,270</u>
Excess (deficiency) of revenues over expenditures	<u>3,980,832</u>	<u>4,206,629</u>	<u>(7,821,470)</u>
<b>Other Financing Sources (Uses):</b>			
Issuance of debt	-	-	133,749
Payment to refunded bond escrow agent	-	-	-
Premium on debt issued	-	-	-
Transfers in	720,133	78,919	5,906,746
Transfers out	<u>(3,214,159)</u>	<u>(4,243,801)</u>	<u>(79,053)</u>
Total other financing sources (uses)	<u>(2,494,026)</u>	<u>(4,164,882)</u>	<u>5,961,442</u>
Net change in fund balances	1,486,806	41,747	(1,860,028)
Fund balances - beginning	<u>17,697,273</u>	<u>2,310,621</u>	<u>6,322,764</u>
Fund balances - ending	<u>\$ 19,184,079</u>	<u>\$ 2,352,368</u>	<u>\$ 4,462,736</u>

See accompanying notes to the basic financial statements.

<b>Debt Service Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 413,236	\$ 7,803,520
-	-	30,987,476
-	334,788	980,827
735,861	510,805	1,246,666
-	295,830	2,580,700
15,981	53,060	594,569
355,875	549,396	2,292,786
<u>1,107,717</u>	<u>2,157,115</u>	<u>46,486,544</u>
-	-	4,776,778
-	1,887,096	20,216,219
-	1,424,054	7,135,831
-	-	3,255,263
-	197,500	1,290,569
-	-	430,441
-	1,174,723	10,433,993
2,443,416	-	2,443,416
-	86,283	86,283
785,888	1,480	787,368
<u>3,229,304</u>	<u>4,771,136</u>	<u>50,856,161</u>
<u>(2,121,587)</u>	<u>(2,614,021)</u>	<u>(4,369,617)</u>
-	5,370,000	5,503,749
-	(2,815,573)	(2,815,573)
-	332,097	332,097
2,289,568	1,648,763	10,644,129
-	(2,832,220)	(10,369,233)
<u>2,289,568</u>	<u>1,703,067</u>	<u>3,295,169</u>
167,981	(910,954)	(1,074,448)
<u>996,824</u>	<u>2,415,769</u>	<u>29,743,251</u>
<u>\$ 1,164,805</u>	<u>\$ 1,504,815</u>	<u>\$ 28,668,803</u>

**CITY OF PADUCAH, KENTUCKY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Net change in fund balances - total governmental funds \$ (1,074,448)

*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 \$336,837. 7,057,338

Collections on long-term notes receivables and related interest receivable are revenues in the government funds when collected. (437,103)

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. 13,522

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. (6,623,758)

Proceeds of the issuance of debt provides current financial resources and is reported as an other financing source in governmental funds. (5,503,749)

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. (7,812)

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 \$881,071. (3,496,487)

See accompanying notes to the basic financial statements.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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.	\$ 5,258,989
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.	(7,468)
Long-term accrued compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(19,173)
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.	(339,435)
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	\$ 653,952
Net of amount allocated to business-type activities	(25,051)
Capital Outlays	(336,837)
Depreciation expense	881,071
	1,173,135
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ (4,006,449)</b>

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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes:				
Real and personal, current year	\$ 5,956,000	\$ 6,079,000	\$ 6,056,795	\$ (22,205)
Real and personal, prior year	115,000	115,000	111,932	(3,068)
Franchise	180,000	259,000	214,296	(44,704)
Bank taxes	275,000	295,770	321,242	25,472
In lieu of tax payment	310,000	310,000	310,017	17
Penalty, interest and advertising	52,000	52,000	51,976	(24)
Paducah Junior College tax collections	-	-	324,026	324,026
<b>Total taxes</b>	<b>6,888,000</b>	<b>7,110,770</b>	<b>7,390,284</b>	<b>279,514</b>
Licenses:				
Business licenses	4,545,000	4,545,000	4,367,410	(177,590)
Employee earnings	15,960,000	15,960,000	16,349,044	389,044
Cable franchise fees	298,000	298,000	303,657	5,657
Penalties	210,000	210,000	201,650	(8,350)
Alcoholic beverages	130,000	130,000	157,720	27,720
Insurance premium tax	4,350,000	4,350,000	4,486,038	136,038
Building permits	137,000	137,000	173,960	36,960
Electrical permits	40,000	40,000	37,275	(2,725)
Zoning change fees	7,000	7,000	6,426	(574)
Miscellaneous building and electrical fees	5,000	5,000	4,000	(1,000)
Payroll tax sharing with County	(366,400)	(366,400)	(399,402)	(33,002)
<b>Total licenses</b>	<b>25,315,600</b>	<b>25,315,600</b>	<b>25,687,778</b>	<b>372,178</b>
Charges for services:				
Tax collection fee	180,000	180,000	200,643	20,643
Administrative charge	324,200	324,200	284,700	(39,500)
Base court revenue	40,000	40,000	34,223	(5,777)
Recreation fees	91,000	91,000	126,473	35,473
<b>Total charges for services</b>	<b>635,200</b>	<b>635,200</b>	<b>646,039</b>	<b>10,839</b>

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Grants:				
Police State Incentive	\$ 401,000	\$ 401,000	\$ 364,093	\$ (36,907)
Fire State Incentive	385,000	385,000	339,954	(45,046)
Police supplemental grants	33,000	33,000	11,457	(21,543)
Other grants	-	458,715	466,847	8,132
Total grants	819,000	1,277,715	1,182,351	(95,364)
Interest	270,000	376,000	525,528	149,528
Other:				
Property rent and sales	687,465	687,465	725,500	38,035
Property upkeep and maintenance	114,780	114,780	106,111	(8,669)
Contractual programs	2,500	2,500	1,757	(743)
E911 - GIS	31,140	31,140	31,168	28
Miscellaneous	123,000	129,000	187,698	58,698
Total other	958,885	964,885	1,052,234	87,349
Total revenues	34,886,685	35,680,170	36,484,214	804,044
<b>Expenditures:</b>				
General government:				
General administration:				
Mayor and Commissioners	205,440	236,035	210,131	25,904
City Manager	484,445	588,210	576,104	12,106
City Clerk	192,815	206,645	206,762	(117)
Corporate Counsel	227,315	207,785	156,628	51,157
Non-departmental	1,743,055	921,570	843,327	78,243
Memberships and contingency	23,400	23,400	23,034	366
Total general administration	2,876,470	2,183,645	2,015,986	167,659
Finance:				
Finance administration	283,745	286,740	284,806	1,934
Accounting and payroll	399,640	422,990	416,878	6,112
Revenue collection	449,270	429,515	415,450	14,065
Total finance	1,132,655	1,139,245	1,117,134	22,111

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, 2019

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
General government:				
Planning:				
Administration	\$ 281,260	\$ 317,845	\$ 307,797	\$ 10,048
Planning	495,630	448,835	377,102	71,733
Total planning	776,890	766,680	684,899	81,781
Radio and rental property	170,900	170,900	55,786	115,114
Human rights	14,220	16,370	16,406	(36)
Information systems	776,745	688,335	538,698	149,637
Human resources/risk management	345,480	345,815	347,869	(2,054)
Total general government	6,093,360	5,310,990	4,776,778	534,212
Public safety:				
Police:				
Police administration	1,334,510	1,349,255	1,297,875	51,380
Patrol	6,686,685	6,748,520	6,391,720	356,800
Investigations	2,094,265	2,133,960	2,026,280	107,680
Total police	10,115,460	10,231,735	9,715,875	515,860
Fire:				
Fire administration	617,450	592,860	584,615	8,245
Suppression	6,807,375	6,822,750	6,759,950	62,800
Prevention and inspection	1,231,155	1,156,760	1,109,317	47,443
Training	159,345	162,255	159,366	2,889
Total fire	8,815,325	8,734,625	8,613,248	121,377
Total public safety	18,930,785	18,966,360	18,329,123	637,237
Public service:				
Public works:				
Street maintenance	2,149,720	2,147,555	2,097,918	49,637
Street lighting	795,000	795,000	790,819	4,181
Facility maintenance	1,182,750	1,182,180	1,125,919	56,261
Total public works	4,127,470	4,124,735	4,014,656	110,079

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, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public service:				
Engineering services:				
Engineering services	\$ 566,140	\$ 555,685	\$ 497,438	\$ 58,247
Flood control	732,725	1,265,000	1,199,685	65,315
Total engineering services	<u>1,298,865</u>	<u>1,820,685</u>	<u>1,697,123</u>	<u>123,562</u>
Total public service	<u>5,426,335</u>	<u>5,945,420</u>	<u>5,711,779</u>	<u>233,641</u>
Parks and recreation:				
Parks and recreation administration	923,865	900,130	869,987	30,143
Grounds maintenance	1,438,110	1,524,300	1,460,688	63,612
Pools and recreation programs	1,076,500	1,014,535	924,588	89,947
Total parks and recreation	<u>3,438,475</u>	<u>3,438,965</u>	<u>3,255,263</u>	<u>183,702</u>
Intergovernmental and other:				
Cable authority	100,605	107,155	106,415	740
Intergovernmental expense	-	-	324,026	(324,026)
Total intergovernmental and other	<u>100,605</u>	<u>107,155</u>	<u>430,441</u>	<u>(323,286)</u>
Total expenditures	<u>33,989,560</u>	<u>33,768,890</u>	<u>32,503,384</u>	<u>1,265,506</u>
Excess (deficiency) of revenues over expenditures	<u>897,125</u>	<u>1,911,280</u>	<u>3,980,830</u>	<u>2,069,550</u>
Other financing sources (uses):				
Transfers in	720,000	720,030	720,133	103
Transfers out	(1,519,170)	(3,363,355)	(3,214,157)	149,198
Total other financing sources (uses)	<u>(799,170)</u>	<u>(2,643,325)</u>	<u>(2,494,024)</u>	<u>149,301</u>
Net change in fund balance	97,955	(732,045)	1,486,806	2,218,851
Fund balance - beginning	<u>17,697,273</u>	<u>17,697,273</u>	<u>17,697,273</u>	<u>-</u>
Fund balance - ending	<u>\$ 17,795,228</u>	<u>\$ 16,965,228</u>	<u>\$ 19,184,079</u>	<u>\$ 2,218,851</u>

See accompanying notes to the basic financial statements.

**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**SPECIAL REVENUE INVESTMENT FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Licenses:				
Employee earnings	\$ 5,320,000	\$ 5,320,000	\$ 5,299,698	\$ (20,302)
Total licenses	<u>5,320,000</u>	<u>5,320,000</u>	<u>5,299,698</u>	<u>(20,302)</u>
Other:				
Miscellaneous	-	-	-	-
Total other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>5,320,000</u>	<u>5,320,000</u>	<u>5,299,698</u>	<u>(20,302)</u>
<b>Expenditures:</b>				
General government:				
Planning and development:				
Economic development	1,247,750	1,247,750	1,093,069	154,681
Total expenditures	<u>1,247,750</u>	<u>1,247,750</u>	<u>1,093,069</u>	<u>154,681</u>
Excess (deficiency) of revenues over expenditures	<u>4,072,250</u>	<u>4,072,250</u>	<u>4,206,629</u>	<u>134,379</u>
Other financing sources (uses):				
Transfers in	-	-	78,919	78,919
Transfers out	(4,573,235)	(4,573,235)	(4,243,801)	329,434
Total other financing sources (uses)	<u>(4,573,235)</u>	<u>(4,573,235)</u>	<u>(4,164,882)</u>	<u>408,353</u>
Net change in fund balance	(500,985)	(500,985)	41,747	542,732
Fund balance - beginning	<u>2,310,621</u>	<u>2,310,621</u>	<u>2,310,621</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,809,636</u>	<u>\$ 1,809,636</u>	<u>\$ 2,352,368</u>	<u>\$ 542,732</u>

See accompanying notes to the basic financial statements.



**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Business-type Activities</b>			<b>Governmental</b>
	<b>Solid Waste</b>	<b>Nonmajor Enterprise Funds</b>	<b>Totals</b>	<b>Internal Service Funds</b>
<b>Operating Revenues:</b>				
Charges for services - internal	\$ -	\$ 109,146	\$ 109,146	\$ 5,873,749
Charges for services - external	4,597,398	-	4,597,398	261,569
Miscellaneous	-	1,504	1,504	-
Total operating revenues	<u>4,597,398</u>	<u>110,650</u>	<u>4,708,048</u>	<u>6,135,318</u>
<b>Operating Expenses:</b>				
Cost of sales and service	3,899,910	2,200,504	6,100,414	5,070,183
Depreciation and amortization	589,764	10,021	599,785	881,071
Total operating expenses	<u>4,489,674</u>	<u>2,210,525</u>	<u>6,700,199</u>	<u>5,951,254</u>
Operating income (loss)	<u>107,724</u>	<u>(2,099,875)</u>	<u>(1,992,151)</u>	<u>184,064</u>
<b>Nonoperating Revenues (Expenses):</b>				
Grants - program purpose	71,329	1,985,722	2,057,051	-
Interest and investment income	90,982	159	91,141	133,657
Gain (loss) on disposal of property and equipment	75,923	-	75,923	49,258
Total nonoperating revenues (expenses)	<u>238,234</u>	<u>1,985,881</u>	<u>2,224,115</u>	<u>182,915</u>
Income (loss) before contributions and transfers	<u>345,958</u>	<u>(113,994)</u>	<u>231,964</u>	<u>366,979</u>
<b>Contributions and Transfers:</b>				
Transfers in	-	45,955	45,955	286,973
Transfers out	(607,824)	-	(607,824)	-
Total contributions and transfers	<u>(607,824)</u>	<u>45,955</u>	<u>(561,869)</u>	<u>286,973</u>
Change in net position	<u>(261,866)</u>	<u>(68,039)</u>	<u>(329,905)</u>	<u>653,952</u>
Net position - beginning	<u>2,613,594</u>	<u>(130,045)</u>		<u>9,913,856</u>
Net position - ending	<u>\$ 2,351,728</u>	<u>\$ (198,084)</u>		<u>\$ 10,567,808</u>
Reconciliation to government-wide statements of net position:				
Adjustment to reflect the consolidation of Internal Service Funds' activities related to Enterprise Funds			<u>25,051</u>	
<b>CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES</b>			<u>\$ (304,854)</u>	

See accompanying notes to the basic financial statements.

**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Business-type Activities</b>			<b>Governmental</b>
	<b>Solid Waste</b>	<b>Nonmajor Enterprise Funds</b>	<b>Totals</b>	<b>Internal Service Funds</b>
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers	\$ 4,583,654	\$ 109,146	\$ 4,692,800	\$ -
Cash received from interfund services provided	-	-	-	6,163,438
Payments to suppliers	(2,584,987)	-	(2,584,987)	(1,332,589)
Payments to employees	(812,593)	(130,237)	(942,830)	(413,682)
Claims paid	-	-	-	(4,068,076)
Payments to internal service funds	(379,634)	(3,225)	(382,859)	-
Other receipts	-	1,504	1,504	-
Other payments	-	(1,873,115)	(1,873,115)	(779,000)
Net cash provided (used) by operating activities	<u>806,440</u>	<u>(1,895,927)</u>	<u>(1,089,487)</u>	<u>(429,909)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Grants - program purpose	71,329	1,985,722	2,057,051	-
Transfers from other funds	-	45,955	45,955	286,973
Transfers to other funds	(607,824)	-	(607,824)	-
Net cash provided (used) by noncapital financing activities	<u>(536,495)</u>	<u>2,031,677</u>	<u>1,495,182</u>	<u>286,973</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Purchase of capital assets	(218,064)	-	(218,064)	(336,837)
Proceeds from sale of capital assets	75,923	-	75,923	52,810
Net cash provided (used) by capital and related financing activities	<u>(142,141)</u>	<u>-</u>	<u>(142,141)</u>	<u>(284,027)</u>
<b>Cash Flows from Investing Activities:</b>				
Interest on cash and investments	75,206	159	75,365	133,657
Purchase of investments	(500,000)	-	(500,000)	(1,000,000)
Net cash provided (used) by investing activities	<u>(424,794)</u>	<u>159</u>	<u>(424,635)</u>	<u>(866,343)</u>
Net increase (decrease) in cash and cash equivalents	(296,990)	135,909	(161,081)	(1,293,306)
Cash and cash equivalents, July 1, 2018	<u>2,737,318</u>	<u>204,655</u>	<u>2,941,973</u>	<u>5,515,255</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2019	<u>\$ 2,440,328</u>	<u>\$ 340,564</u>	<u>\$ 2,780,892</u>	<u>\$ 4,221,949</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ 107,724	\$ (2,099,875)	\$ (1,992,151)	\$ 184,064
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	589,764	10,021	599,785	881,071
Change in assets and liabilities:				
Receivables	(13,744)	-	(13,744)	24,869
Prepaid expenses	-	-	-	(1,200,000)
Inventories	-	(1,637)	(1,637)	361
OPEB obligation and related deferrals	93,463	18,268	111,731	(32,555)
Pension obligation and related deferrals	(7,751)	146,319	138,568	(50,081)
Account and accrued payables	36,984	30,977	67,961	(237,638)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 806,440</u>	<u>\$ (1,895,927)</u>	<u>\$ (1,089,487)</u>	<u>\$ (429,909)</u>

See accompanying notes to the basic financial statements.

**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2019**

<b><u>ASSETS</u></b>	<b>Primary Government</b>		
	<b>Pension Funds</b>	<b>Private- purpose Trusts</b>	<b>Agency Funds</b>
Cash and cash equivalents	\$ 2,541	\$ 104,432	\$ 724,585
Receivables:			
Interest	4,149	-	-
Other	198	-	-
Investments at fair value			
Money market funds	95,935	-	-
Common stock	2,136,541	-	-
Mutual funds	2,833,886	1,086,943	-
Total assets	5,073,250	1,191,375	\$ 724,585
<b><u>LIABILITIES</u></b>			
Voucher and accounts payable	-	-	-
Payroll taxes and withholdings payable	-	-	\$ 724,585
Total liabilities	-	-	\$ 724,585
<b><u>NET POSITION</u></b>			
Net position restricted for pensions	\$ 5,073,250		
Held in trust for other purposes		\$ 1,191,375	

See accompanying notes to the basic financial statements

**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Pension Funds</b>	<b>Private- purpose Trusts</b>
<b>Additions:</b>		
Contributions:		
Employer	\$ 379,588	\$ -
Plan members	6,448	-
Private donations	-	2,060
	<hr/>	<hr/>
Total contributions	386,036	2,060
	<hr/>	<hr/>
Investment income:		
Net increase (decrease) in fair value of investments	352,504	(32,629)
Interest and dividends	109,000	69,089
	<hr/>	<hr/>
Net investment income	461,504	36,460
	<hr/>	<hr/>
Total additions	847,540	38,520
	<hr/>	<hr/>
<b>Deductions:</b>		
Benefits	1,044,330	-
Capital outlay	-	50,313
Administrative expenses	46,590	13,900
	<hr/>	<hr/>
Total deductions	1,090,920	64,213
	<hr/>	<hr/>
Change in net position	(243,380)	(25,693)
Net position - beginning	5,316,630	1,217,068
	<hr/>	<hr/>
Net position - ending	<u>\$ 5,073,250</u>	<u>\$ 1,191,375</u>

See accompanying notes to the basic financial statements.

**CITY OF PADUCAH, KENTUCKY**

**NOTES TO THE FINANCIAL STATEMENTS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2019**

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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. 8<sup>th</sup> Street  
Paducah, Kentucky 42003

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**Note 1 - Summary of Significant Accounting Policies:**

**Related Organizations**

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

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

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

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

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

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

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

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

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 1 - Summary of Significant Account Policies:**

**Basis of Presentation**

*Government-wide Financial Statements*

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

*Fund Financial Statements*

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

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

The funds of the financial reporting entity are described below:

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

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

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

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

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

The City has presented the following major proprietary fund:

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

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 1 - Summary of Significant Account Policies:**

**Basis of Presentation**

*Fund Financial Statements*

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

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

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

**Measurement Focus**

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

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

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

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary, pension, and private-purpose trust funds and financial statements of City component units utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary, pension, and private-purpose trust fund equity is classified as net position.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

**Basis of Accounting**

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

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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, 2019.

**Cash and Investments**

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

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

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

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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 \$53,816 held for consumption and re-sell and real property of \$474,816 held for urban development. The cost is recorded as an expenditure at the time individual items are consumed or sold for urban development rather than when purchased.

**Capital Assets**

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

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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 <u>July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2019</u>
Governmental Activities				
Deferred outflows of resources				
<i>Deferred charge on refunding</i>	\$ 317,839	\$ -	\$ (68,845)	\$ 248,994
Pensions:				
<i>Deferred pension contributions</i>	\$ 2,960,195	\$ 3,324,543	\$ (2,960,195)	\$ 3,324,543
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	773,409	-	(318,045)	455,364
<i>Differences between expected and actual experience</i>	1,366,360	4,038,905	(1,801,391)	3,603,874
<i>Change of assumptions</i>	10,347,934	-	(4,622,136)	5,725,798
<i>Difference between projected and actuarial earnings</i>	524,133	-	(524,059)	74
<i>Pension related deferred outflows</i>	<u>\$ 15,972,031</u>	<u>\$ 7,363,448</u>	<u>\$ (10,225,826)</u>	<u>\$ 13,109,653</u>
Deferred inflows of resources				
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	\$ 328,276	\$ 930,030	\$ (328,276)	\$ 930,030
<i>Differences between expected and actual experience</i>	416,501	-	(197,770)	218,731
<i>Difference between projected and actuarial earnings</i>	209,461	1,316,707	(600,870)	925,298
<i>Pension related deferred inflows</i>	<u>\$ 954,238</u>	<u>\$ 2,246,737</u>	<u>\$ (1,126,916)</u>	<u>\$ 2,074,059</u>
Other post-employment benefits (OPEB):				
Deferred outflows of resources				
<i>Deferred OPEB contributions</i>	\$ 1,150,612	\$ 1,290,077	\$ (1,150,612)	\$ 1,290,077
<i>Change of assumptions</i>	6,227,763	-	(1,777,050)	4,450,713
<i>OPEB related deferred outflows</i>	<u>\$ 7,378,375</u>	<u>\$ 1,290,077</u>	<u>\$ (2,927,662)</u>	<u>\$ 5,740,790</u>
Deferred inflows of resources				
<i>Differences between expected and actual experience</i>	\$ 47,250	\$ 2,255,483	\$ (468,206)	\$ 1,834,527
<i>Change of assumptions</i>	-	53,115	(10,856)	42,259
<i>Difference between projected and actuarial earnings</i>	1,117,073	906,115	(610,177)	1,413,011
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	15,773	383,891	(15,773)	383,891
<i>OPEB related deferred inflows</i>	<u>\$ 1,180,096</u>	<u>\$ 3,598,604</u>	<u>\$ (1,105,012)</u>	<u>\$ 3,673,688</u>
Deferred inflows of resources				
<i>Unavailable revenues – property taxes</i>	<u>\$ 5,446,055</u>	<u>\$ 5,665,176</u>	<u>\$ (5,446,055)</u>	<u>\$ 5,665,176</u>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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				
<i>Deferred pension contributions</i>	\$ 145,690	\$ 178,575	\$ (145,690)	\$ 178,575
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	63,525	-	(25,113)	38,412
<i>Differences between expected and actual experience</i>	2,952	112,379	(35,431)	79,900
<i>Change of assumptions</i>	439,231	-	(199,835)	239,396
<i>Difference between projected and actuarial earnings</i>	<u>29,441</u>	<u>-</u>	<u>(29,441)</u>	<u>-</u>
<i>Pension related deferred outflows</i>	<u>\$ 680,839</u>	<u>\$ 290,954</u>	<u>\$ (435,510)</u>	<u>\$ 536,283</u>
Deferred inflows of resources				
<i>Differences between expected and actual experience</i>	\$ 60,422	-	(28,407)	32,015
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	27,912	35,857	(27,912)	35,857
<i>Difference between projected and actuarial earnings</i>	<u>-</u>	<u>29,373</u>	<u>-</u>	<u>29,373</u>
<i>Pension related deferred inflows</i>	<u>\$ 88,334</u>	<u>\$ 65,230</u>	<u>\$ (56,319)</u>	<u>\$ 97,245</u>

Other post-employment benefits (OPEB)

Deferred outflows of resources				
<i>Deferred OPEB contributions</i>	\$ 47,289	\$ 57,911	\$ (47,289)	\$ 57,911
<i>Change of assumptions</i>	<u>177,888</u>	<u>-</u>	<u>(35,273)</u>	<u>142,615</u>
<i>OPEB related deferred outflows</i>	<u>\$ 225,177</u>	<u>\$ 57,911</u>	<u>\$ (82,562)</u>	<u>\$ 200,526</u>
Deferred inflows of resources				
<i>Differences between expected and actual experience</i>	\$ 2,271	\$ 96,756	\$ (15,809)	\$ 83,218
<i>Change of assumptions</i>	-	1,961	(311)	1,650
<i>Difference between projected and actuarial earnings</i>	38,636	48,672	(38,121)	49,187
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	<u>1,897</u>	<u>15,052</u>	<u>(1,897)</u>	<u>15,052</u>
<i>OPEB related deferred inflows</i>	<u>\$ 42,804</u>	<u>\$ 162,441</u>	<u>\$ (56,138)</u>	<u>\$ 149,107</u>

*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.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 1 - Summary of Significant Accounting Policies:**

**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.

**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)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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 includes amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund. The General Fund is the only 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)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 1 - Summary of Significant Accounting Policies:**

**Operating and Non-Operating Revenues and Expenses – Proprietary Funds**

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

**Expenditures/Expenses**

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

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

Governmental Funds – by function:	Current (further classified by character)
	Debt Service
	Capital Outlay

Proprietary Fund – by operating and nonoperating

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

**Interfund Transfers**

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

**Use of Estimates**

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

**Stewardship, Compliance, and Accountability**

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

*Fund Accounting Requirements*

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

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Section Eight Housing Choice Voucher Program	Subsidize Rental Costs for Low-Income Families
FEMA - Disaster Grants	Debris Removal and Disaster Recovery
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, 2019, 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)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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 19, 2019, 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, 2019, are as follows:

<u>Description</u>	<u>Date</u>
Assessment and enforceable lien	January 1, 2018
Levy	October 9, 2018
Face value amount payment dates	1 <sup>st</sup> half by November 1, 2018 2 <sup>nd</sup> half by February 1, 2019
Delinquent date - 10% penalty plus 1/2% per month	1 <sup>st</sup> half - November 30, 2018 2 <sup>nd</sup> half - February 28, 2019

**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, 2019, 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 \$22,357,597 and \$23,997,880, respectively.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**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: Valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.
- 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)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 3 - Detail Notes on Transaction Classes/Accounts:**

The City has the following fair value measurements as of June 30, 2019 :

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Average Credit Quality/ Rating (1)</u>	<u>Fair Value</u>			<u>Weighted Average Maturity Years (2)</u>
			<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<b>Governmental and Business Funds</b>						
Certificates of deposits	<u>\$11,000,000</u>	NR	-	<u>\$11,000,000</u>	-	0.80
<b>Fiduciary and Private Purpose Trust Funds</b>						
Cash equivalents	\$ 95,935	NR	\$ 95,935	\$ -	\$ -	NA
Common stock	2,136,541	NR	2,136,541	-	-	NA
Mutual funds						
Bond	1,839,310	NR	1,839,310	-	-	6.81
Equity	1,693,716	NR	1,693,716	-	-	NA
International	<u>387,803</u>	NR	387,803	-	-	NA
TOTAL FIDUCIARY AND PRIVATE PURPOSE TRUST FUNDS	<u>\$ 6,153,305</u>					

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

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

**Interest Rate Risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. The City policy provides that, to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from overconcentration of assets in a specific maturity period, a single issuer, or an individual class of securities. Unless matched to a specific cash flow, investments are not, in general, made in securities maturing more than five years from the date of purchase. Surplus cash may be invested in securities exceeding five years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the investment. **Concentration of credit risk** is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City policy does not specifically address concentration of credit risk.

***Pension Trust Policy***

The City's pension trust is the Police and Firefighters' Pension Fund (PFPF). Investment policy provides for investment manager(s) who have full discretion of assets allocated to them subject to the overall investment guidelines set out in the policy. Overall investment guidelines provide for diversification and allow investment in domestic and international common stocks, fixed income securities, and cash equivalents. **Custodial credit risk** is addressed by the policy providing for the engagement of a custodian who accepts possession of securities for safekeeping; collects and disburses income; collects principal of sold, matured, or called items; and provides periodic accounting to the pension board.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 3 - Detail Notes on Transaction Classes/Accounts:**

***Pension Trust Policy***

Asset allocation guideline for the plan is as follows:

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

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

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

***Private Purpose Trust***

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

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 3 - Detail Notes on Transaction Classes/Accounts:**

**Capital Assets**

Capital asset activity for the year ended June 30, 2019, was as follows:

<b>Primary Government:</b>	<b><u>Balance</u></b>			<b><u>Balance</u></b>
	<b><u>July 1, 2018</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b><u>June 30, 2019</u></b>
Capital assets, not being depreciated:				
Land	\$10,393,199	\$ -	\$ 7,811	\$10,385,388
Construction-in-progress	<u>3,518,902</u>	<u>6,242,332</u>	<u>422,127</u>	<u>9,339,107</u>
Total capital assets, not being depreciated	<u>13,912,101</u>	<u>6,242,332</u>	<u>429,938</u>	<u>19,724,495</u>
Capital assets, being depreciated:				
Land improvements	23,000,830	399,334	-	23,400,164
Buildings and improvements	20,137,412	8,707	-	20,146,119
Infrastructure	51,420,719	-	-	51,420,719
Equipment	8,939,324	476,173	316,115	9,099,382
Furnishings and fixtures	252,620	42,412	1,600	293,432
Vehicles	<u>9,749,706</u>	<u>310,506</u>	<u>384,162</u>	<u>9,676,050</u>
Totals at historical cost	<u>113,500,611</u>	<u>1,237,132</u>	<u>701,877</u>	<u>114,035,866</u>
Less accumulated depreciation:				
Land improvements	4,821,194	1,146,093	-	5,967,287
Buildings and improvements	13,865,191	409,491	-	14,274,682
Infrastructure	32,708,183	646,054	-	33,354,237
Equipment	7,055,598	452,833	316,115	7,192,316
Furnishings and fixtures	194,042	10,844	1,600	203,286
Vehicles	<u>6,144,454</u>	<u>831,172</u>	<u>380,611</u>	<u>6,595,015</u>
Total accumulated depreciation	<u>64,788,662</u>	<u>3,496,487</u>	<u>698,326</u>	<u>67,586,823</u>
Total capital assets, being depreciated, net	<u>48,711,949</u>	<u>(2,259,355)</u>	<u>3,551</u>	<u>46,449,043</u>
<b>PRIMARY GOVERNMENT ACTIVITIES CAPITAL ASSETS, NET</b>	<b><u>\$62,624,050</u></b>	<b><u>\$ 3,982,977</u></b>	<b><u>\$ 433,489</u></b>	<b><u>\$66,173,538</u></b>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 3 - Detail Notes on Transaction Classes/Accounts:**

**Capital Assets**

Depreciation expense was charged to governmental activities as follows:

General government:	
General administration	\$ 279,621
Finance	180
Planning	19,857
Information systems	8,921
Fleet maintenance	<u>6,368</u>
Total general government	<u>314,947</u>
Public safety:	
Police	242,475
Fire	116,405
Grants	-
Emergency 911	26,629
Court awards	3,214
Fleet Lease Trust	<u>874,703</u>
Total public safety	<u>1,263,426</u>
Public service:	
Public works	45,883
Engineering	<u>32,022</u>
Total public service	<u>77,905</u>
Parks and recreation	<u>1,023,016</u>
Planning and development:	
Infrastructure	815,635
Grants	<u>1,558</u>
Total planning and development	<u>817,193</u>
TOTAL DEPRECIATION EXPENSE – GOVERNMENTAL ACTIVITIES	<u>\$3,496,487</u>

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

Solid Waste Fund	\$ 589,764
Section Eight Housing	-
Civic Center	<u>10,021</u>
TOTAL DEPRECIATION EXPENSE – BUSINESS-TYPE ACTIVITIES	<u>\$ 599,785</u>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 3 - Detail Notes on Transaction Classes/Accounts:****Capital Assets**

	<b>Balance July 1, 2018</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2019</b>
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 62,152	\$ 6,734	\$ -	\$ 68,886
Total capital assets, not being depreciated	<u>62,152</u>	<u>6,734</u>	<u>-</u>	<u>68,886</u>
Capital assets, being depreciated:				
Buildings and improvements	567,511	-	3,546	563,965
Equipment	1,613,341	211,329	7,489	1,817,181
Vehicles	<u>3,845,562</u>	<u>-</u>	<u>184,844</u>	<u>3,660,718</u>
Totals at historical cost	<u>6,026,414</u>	<u>211,329</u>	<u>195,879</u>	<u>6,041,864</u>
Less accumulated depreciation:				
Buildings and improvements	328,842	16,326	3,546	341,622
Equipment	1,003,762	182,459	7,489	1,178,732
Vehicles	<u>1,879,479</u>	<u>401,000</u>	<u>184,844</u>	<u>2,095,635</u>
Total accumulated depreciation	<u>3,212,083</u>	<u>599,785</u>	<u>195,879</u>	<u>3,615,989</u>
Total capital assets, being depreciated, net	<u>2,814,331</u>	<u>(388,456)</u>	<u>-</u>	<u>2,425,875</u>
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$ 2,876,483</u>	<u>\$ (381,722)</u>	<u>\$ -</u>	<u>\$ 2,494,761</u>
<b>Discretely Presented Component Units:</b>	<b>Balance July 1, 2018</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2019</b>
Capital assets, not being depreciated:				
Land & construction in progress	\$ 1,471,143	\$ -	\$ 397,142	\$ 1,074,001
Capital assets, being depreciated:				
Utility plant	93,962,959	3,714,212	851,644	96,825,527
Less accumulated depreciation:				
Utility plant	<u>39,744,448</u>	<u>2,323,823</u>	<u>265,405</u>	<u>41,802,866</u>
Total capital assets, being depreciated, net	<u>54,218,511</u>	<u>1,390,389</u>	<u>586,239</u>	<u>55,022,661</u>
<b>COMPONENT UNIT CAPITAL ASSETS, NET</b>	<u>\$ 55,689,654</u>	<u>\$ 1,390,389</u>	<u>\$ 983,381</u>	<u>\$ 56,096,662</u>

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

Paducah Water Works	<u>\$ 2,323,823</u>
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**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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, 2019, the governmental long-term liabilities consisted of the following:

General obligation bonds:	
Current portion	\$ 2,215,000
Noncurrent portion	<u>17,648,092</u>
<b>TOTAL GENERAL OBLIGATION</b>	
<b>BOND COSTS, NET OF PREMIUMS AND DISCOUNTS</b>	<b><u>\$ 19,863,092</u></b>
Note payable:	
Current portion	\$ 317,071
Noncurrent portion	<u>6,134,382</u>
<b>TOTAL NOTE PAYABLE PAYMENTS</b>	<b><u>\$ 6,451,453</u></b>
Accrued compensated absences:	
Current portion	\$ 1,187,166
Noncurrent portion	<u>892,333</u>
<b>TOTAL ACCRUED COMPENSATED</b>	
<b>ABSENCES</b>	<b><u>\$ 2,079,499</u></b>

*Business-type Activities*

As of June 30, 2019, the long-term liabilities payable from proprietary fund resources consisted of the following:

Accrued compensated absences:	
Current portion	\$ 105,429
Noncurrent portion	<u>52,557</u>
<b>TOTAL ACCRUED COMPENSATED</b>	
<b>ABSENCES</b>	<b><u>\$ 157,986</u></b>

**CITY OF PADUCAH, KENTUCKY**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**Note 3 - Detail Notes on Transaction Classes/Accounts:**

**Long-Term Liabilities**

*General Obligation Bonds*

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

Series 2011 Bond Issue – The City of Paducah issued general obligation taxable refunding bonds of \$3,910,000 in August 2011 with an interest rate of 3.68%, to refund \$3,780,000 of outstanding 2004 series bonds issued for an economic development project in the Industrial Park West with interest rates ranging from 2.25% to 6%. These bonds are required to be fully paid within 13 years from the date of issue and are backed by the full faith and credit of the City. While these bonds are issued by the City, 50% of the principal amount of the bonds was issued on behalf of the County of McCracken, Kentucky which intends to participate on an equal basis with the City and has guaranteed 50% of the principal amount of the bonds. This note receivable is reflected in the government-wide Statement of Net Position. In accordance with an Interlocal Cooperation Agreement between the City and McCracken County, Kentucky (the County), principal and interest payments on the bonds are supported by an operating lease collected by the City. The rental revenues collected from the lease during the current year cover \$289,000 of the bond and interest payments due with the remaining amount of \$101,656 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.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 3 - Detail Notes on Transaction Classes/Accounts:**

**Long-Term Liabilities**

*General Obligation Bonds*

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.

Series 2018A Bond Issue – The City of Paducah issued general obligation bonds of \$2,700,000 in August 2018, to finance 911 Equipment and Riverfront development. Interest rates are fixed ranging from 3.125% to 5.0%. 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 2018B Bond Issue – The City of Paducah issued general obligation bonds of \$2,670,000 in August 2018, to refund \$2,815,573 of outstanding Kentucky League of Cities Funding Trust 2003 Lease and 2009 Lease agreements issued to finance several public improvement projects. Interest rates are fixed ranging from 4.0% to 5.0%. 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.

*Notes Payable*

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 and are backed by the full faith and credit of the City.

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% and are backed by the full faith and credit of the City.

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% and are backed by the full faith and credit of the City.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 3 - Detail Notes on Transaction Classes/Accounts:**

**Long-Term Liabilities**

*Notes Payable*

Kentucky Infrastructure Authority (KIA) – On July 1, 2018, the City entered into an agreement with KIA to obtain up to \$4,610,667 for rehabilitation of Pump Station #2. The agreement contains principal forgiveness in the amount of 50% but not to exceed \$1,300,000. Interest rate is fixed at 0.50%. This agreement is required to be fully paid within 20 years from the date of initiation of operation for the project and are backed by the full faith and credit of the City.

*Changes in Long-Term Liabilities*

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

<b>Type of Liability:</b>	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due within One Year</u></b>
Governmental activities:					
<i>General obligation bonds:</i>					
Floodwall Rehabilitation	\$ 1,729,992	\$ -	\$(1,729,992)	\$ -	\$ -
Refinanced Pension	3,255,000	-	(410,000)	2,845,000	425,000
Refinanced Convention Center	4,065,000	-	(455,000)	3,610,000	470,000
Refinanced Rental Building	1,920,000	-	(320,000)	1,600,000	335,000
Public Pool Renovations	860,000	-	(70,000)	790,000	70,000
Economic Development	1,895,000	-	(145,000)	1,750,000	150,000
Refinancing Public Projects	4,195,000	-	(325,000)	3,870,000	310,000
Riverfront and 911 Equipment	-	2,700,000	-	2,700,000	145,000
Refunding Floodwall issue	-	2,670,000	(315,000)	2,355,000	310,000
Premiums	135,522	332,097	(75,077)	392,542	-
Discounts	(63,020)	-	13,570	(49,450)	-
<i>Total bonds payable</i>	<u>17,992,494</u>	<u>5,702,097</u>	<u>(3,831,499)</u>	<u>19,863,092</u>	<u>2,215,000</u>
<i>Notes payable:</i>					
Kentucky League of Cities	1,113,319	-	(1,113,319)	-	-
Kentucky Infrastructure Authority	-	133,749	(66,875)	66,874	-
Kentucky Association of Counties	1,744,320	-	(140,767)	1,603,553	147,577
Murray State University Agreement	1,991,487	-	(119,828)	1,871,659	122,249
CFSB Agreement	<u>2,957,575</u>	<u>-</u>	<u>(48,208)</u>	<u>2,909,367</u>	<u>47,245</u>
<i>Total notes payable</i>	<u>7,806,701</u>	<u>133,749</u>	<u>(1,488,997)</u>	<u>6,451,453</u>	<u>317,071</u>
Accrued Compensated Absences	<u>2,055,455</u>	<u>1,395,825</u>	<u>(1,371,781)</u>	<u>2,079,499</u>	<u>1,187,166</u>
<b>TOTAL GENERAL LONG-TERM LIABILITIES</b>	<b><u>\$27,854,650</u></b>	<b><u>\$ 7,231,671</u></b>	<b><u>\$(6,692,277)</u></b>	<b><u>\$ 28,394,044</u></b>	<b><u>\$ 3,719,237</u></b>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 3 - Detail Notes on Transaction Classes/Accounts:**

**Long-Term Liabilities**

*Changes in Long-Term Liabilities*

On August 1, 2018, the City issued \$2,670,000 of general obligation bonds, Series 2018B. The proceeds of the Series 2018B Bonds were used to currently refund \$2,815,573 of outstanding principal of July 1, 2003 and March 2, 2009 Kentucky League of Cities Funding Trust debt issues. The refunding reduced debt service payments over the next ten years by \$132,174 and resulted in a net present value loss of (\$28,680).

<b>Type of Liability:</b>	<b><u>Beginning</u></b>		<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending</u></b>	<b><u>Due within</u></b>
	<b><u>Balance</u></b>				<b><u>Balance</u></b>	<b><u>One Year</u></b>
Business-type activities:						
Accrued compensated						
Absences	\$ 147,664	\$ 94,225	\$ (83,903)	\$ 157,986	\$ 105,429	
<b>TOTAL BUSINESS LONG-TERM LIABILITIES</b>	<b><u>\$ 147,664</u></b>	<b><u>\$ 94,225</u></b>	<b><u>\$ (83,903)</u></b>	<b><u>\$ 157,986</u></b>	<b><u>\$ 105,429</u></b>	

*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	\$66,173,538
<i>Less:</i>	
19.75% of the outstanding 2010B General obligation bonds	\$ (712,975)
100% of the outstanding 2011 General obligation bonds	(1,600,000)
Net of the County's portion	<u>1,156,488</u>
	(1,156,487)
78% of the outstanding 2014A General obligation bonds	(3,018,600)
100% of the outstanding 2013A General obligation bonds	(790,000)
52% of the outstanding 2013B General obligation bonds	(910,000)
100% of the outstanding 2018A General obligation bonds	(2,700,000)
100% of the outstanding 2018B General obligation bonds	<u>(2,355,000)</u>
Net investment in capital assets	<u>\$55,243,451</u>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 3 - Detail Notes on Transaction Classes/Accounts:**

**Long-Term Liabilities**

*Annual Debt Service Requirements*

The annual debt service requirements to maturity for bonds and notes as of June 30, 2019, are as follows:

<b><u>Year Ending June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2020	\$ 2,593,786	\$ 811,295
2021	2,676,097	723,353
2022	2,763,099	632,825
2023	2,842,796	541,076
2024	2,531,243	450,258
2025-2029	9,735,267	1,186,535
2030-2034	<u>3,172,257</u>	<u>146,901</u>
 TOTALS	 <u>\$26,314,545</u>	 <u>\$ 4,492,243</u>

**Accrued Compensated Absences**

Compensated absence obligations arise from amounts due to City employees for vested amounts of vacation pay and sick pay which will be payable in the future. Typically, the compensated absence obligations have been paid by the General Fund, Emergency Communication Service Fund, Section Eight Housing Fund, Solid Waste Fund, and Fleet Maintenance Fund. Amounts accrued at June 30, 2019, are as follows:

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>
Accrued sick leave	\$ 717,801	\$ 86,198
Accrued vacation leave	<u>1,361,698</u>	<u>71,788</u>
 Totals	 2,079,499	 157,986
Less current portion	<u>1,187,166</u>	<u>105,429</u>
 LONG-TERM PORTION	 <u>\$ 892,333</u>	 <u>\$ 52,557</u>

**Termination Benefits**

Twelve 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 \$18,663 were paid for the year ended June 30, 2019.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 3 - Detail Notes on Transaction Classes/Accounts:**

**Termination Benefits**

In addition, qualified participants in the County Employee's Retirement System (CERS), under certain circumstances are eligible to convert accrued sick pay benefits into additional credit for years of service upon retirement. Costs and notification of payment for these benefits are not calculated by the CERS actuary until a qualified participant submits an application for retirement benefits. Accordingly, no provision has been made for these benefits; and, the City funds these benefits in the period of notification for payment by the CERS. For the year ended June 30, 2019, \$197,957 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, 2019, approval had not yet been granted. The County estimated post-closure care costs totaling \$4,125,000 or \$125,000 per year plus 10% for inflation. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. In the year ending June 30, 2001, the City entered into an inter-local agreement to share equally the costs for post-closure costs and, accordingly, has recorded a long-term liability for 50% of the estimated closure expense. It is anticipated that post-closure costs will be paid out of the Solid Waste Fund to the extent that funds are available with any excess costs being funded using long-term borrowing.

**Interfund Transactions and Balances**

Interfund transfers during the year ended June 30, 2019, were as follows:

	<b><u>Interfund Transfers In</u></b>	<b><u>Interfund Transfers Out</u></b>
Governmental Funds:		
General Fund	\$ 720,133	\$3,214,159
Special Revenue Investment Fund	78,919	4,243,801
Capital Project Fund	5,906,746	79,053
Debt Service Fund	2,289,568	-
Nonmajor Governmental Funds	1,648,763	2,832,220
Internal Service Funds	286,973	-
Proprietary Funds:		
Solid Waste	-	607,824
Nonmajor Proprietary Funds	<u>45,955</u>	<u>-</u>
<b>TOTALS</b>	<b><u>\$10,977,057</u></b>	<b><u>\$10,977,057</u></b>

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 \$599,013 for E911 support; \$490,556 for debt service; and \$1,839,485 for capital projects. Significant transfers from the special revenue investment fund includes \$849,750 for municipal aid street resurfacing program; \$1,765,552 for debt service; and \$1,268,500 for capital projects. Significant transfers from solid waste fund include \$360,000 for general fund operations support and \$200,000 for municipal aid street resurfacing program.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 3 - Detail Notes on Transaction Classes/Accounts:**

**Due To/From Balances**

Due to/from balances used to cover current operating expenses were as follows as of June 30, 2019:

	<b>Due From</b>	<b>Due To</b>
General Fund	\$ 30,516	\$1,359,643
Special Revenue Investment Fund	1,359,643	-
Nonmajor Proprietary Funds	-	30,516
<b>TOTALS</b>	<b>\$1,390,159</b>	<b>\$1,390,159</b>

**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 (PFPP) 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:

**Cost-Sharing Multiple-Employer Defined Benefit Plan**

**County Employees' Retirement System**

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

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

*Non-hazardous members:*

Tier 1	Participation date Unreduced retirement Reduced retirement	Prior to September 1, 2008 27 years of service or 65 years old Minimum 5 years of service and 55 years old Minimum 25 years of service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 to December 31, 2013 Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87 Minimum 10 years of service and 60 years old

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 4 - Pension Plans - City of Paducah:**

**Cost-Sharing Multiple-Employer Defined Benefit Plan**

**County Employees' Retirement System**

*Non-hazardous members:*

Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 65 years old
	Reduced retirement	Age of 57 or older and sum of service years plus age equal 87
		Not available

*Hazardous members:*

Tier 1	Participation date	Prior to September 1, 2008
	Unreduced retirement	20 years of service and any age
	Reduced retirement	Minimum 5 years of service and 55 years old
		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
	Reduced retirement	25 years of service and any age
		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
	Reduced retirement	25 years of service and any age
		Not available

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

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

	<u><i>Non-hazardous</i></u>		<u><i>Hazardous</i></u>
	<u>Required Contribution</u>		<u>Required Contribution</u>
Tier 1	5%	Tier 1	8%
Tier 2	5% plus 1% for insurance	Tier 2	8% plus 1% for insurance
Tier 3	5% plus 1% for insurance	Tier 3	8% plus 1% for insurance

Employers contribute at the rate determined by the CERS Board to be necessary for the actuarial soundness of the system, as required by KRS 61.565 and 61.752. The City's required contribution rate was 16.22% for non-hazardous employees and 24.86% for hazardous employees for the year ended June 30, 2019. Non-hazardous and hazardous employee plans are administered separately.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 4 - Pension Plans - City of Paducah:**

**Cost-Sharing Multiple-Employer Defined Benefit Plan**

**County Employees' Retirement System**

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

At June 30, 2019, 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	\$ 19,185,252
City's hazardous proportionate share of the CERS net pension liability	<u>38,425,266</u>
 Total CERS net pension liability associated with the City	 <u>\$ 57,610,518</u>

The net pension liability for each plan was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The City's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2019, the City's non-hazardous proportion was 0.315013% percent and hazardous proportion was 1.588834% percent.

For the year ended June 30, 2019, the City recognized pension expense of \$9,671,058 (\$3,014,227 for non-hazardous and \$6,656,831 for hazardous) related to CERS pension plans. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the CERS pension plans from the following sources:

	<u>Non-hazardous</u>		<u>Hazardous</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 625,770	\$ 250,747	\$ 3,058,003	\$ -
Changes in assumptions	1,874,957	-	4,090,237	-
Net difference between projected and actual earnings on pension plan investments	-	230,042	-	433,419
Changes in proportion and differences between City contributions and proportionate share of contributions	300,846	280,832	192,931	685,055
City contributions subsequent to the measurement date	<u>1,324,047</u>	<u>-</u>	<u>2,179,073</u>	<u>-</u>
 Total	 <u>\$ 4,125,620</u>	 <u>\$ 761,621</u>	 <u>\$ 9,520,244</u>	 <u>\$ 1,118,474</u>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 4 - Pension Plans - City of Paducah:**

**Cost-Sharing Multiple-Employer Defined Benefit Plan**

**County Employees' Retirement System**

The City reported \$3,503,120 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

	<u>Fiscal Year Ending June 30</u>	
	<u>Non-</u>	
	<u>Hazardous</u>	<u>Hazardous</u>
2020	\$ 1,616,232	\$ 4,623,033
2021	787,480	2,047,331
2022	(260,787)	(274,147)
2023	(102,973)	(173,518)

*Actuarial assumptions* - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>Non-Hazardous</u>	<u>Hazardous</u>
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)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 4 - Pension Plans - City of Paducah:**

**Cost-Sharing Multiple-Employer Defined Benefit Plan**

**County Employees' Retirement System**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Combined Equity	35.0%	4.5%-7.25%
Combined Fixed Income	28.0%	3.0%-8.5%
Real Estate	5.0%	9.0%
Private Equity	10.0%	6.5%
Real Return (Diversified Inflation Strategies)	10.0%	7.0%
Absolute Return (Diversified Hedge Funds)	10.0%	5.0%
Cash	<u>2.0%</u>	1.5%
Total	<u>100.0%</u>	

*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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
<b>CERS</b>	5.25%	6.25%	7.25%
Non-hazardous' proportionate share of net pension liability	\$24,152,245	\$19,185,252	\$15,023,781
Hazardous' proportionate share of net pension liability	\$48,144,343	\$38,425,266	\$30,390,629

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**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, 2019. AEPF does not issue a separate, stand-alone report. Accordingly, the plan financial statements are included in this audit report.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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, 2019:

	<b>PFPF</b>	<b>AEPF</b>
Active participants	1	0
Beneficiaries	23	2
Retired participants	17	0
<b>TOTAL PARTICIPANTS</b>	<b>41</b>	<b>2</b>

These plans are closed to new members.

*Benefits provided:*

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

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

*Funding policy:*

PFPF - Plan members are required to contribute 8% of their annual covered salary. A member reserve is established for member contributions, less amounts transferred to reserves for retirement and disability and amounts refunded to terminated employees.

AEPF - Since there are only retired employees and beneficiaries receiving benefits, the City expects little or no additional pension obligation. The City has pledged to maintain benefits and the financial soundness of the plan by appropriations from the General Fund, as necessary.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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:*

<b><i>PFPF</i></b>	<b>Total Pension Liability</b>	<b>Plan Net Position</b>	<b>Net Pension Liability</b>
	<u>(a)</u>	<u>(b)</u>	<u>(a) – (b)</u>
Balance – June 30, 2018	\$ 8,638,518	\$ 5,316,631	\$ 3,321,887
Service cost	10,267	-	10,267
Interest expense	527,900	-	527,900
Experience losses (gains)	(384,990)	-	(384,990)
Change in assumptions	-	-	-
Contributions – City	-	366,129	(366,129)
Contributions – Members	-	6,448	(6,448)
Investment income	-	461,503	(461,503)
Benefits paid	(1,033,958)	(1,033,958)	-
Plan administrative expenses	-	(45,503)	43,503
Net change	<u>(880,781)</u>	<u>(245,381)</u>	<u>(637,400)</u>
Balance – June 30, 2019	<u>\$ 7,757,737</u>	<u>\$ 5,071,250</u>	<u>\$ 2,684,487</u>

<b><i>AEPF</i></b>	<b>Total Pension Liability</b>	<b>Plan Net Position</b>	<b>Net Pension Liability</b>
	<u>(a)</u>	<u>(b)</u>	<u>(a) – (b)</u>
Balance – June 30, 2018	\$ 70,279	\$ -	\$ 70,279
Service cost	-	-	-
Interest expense	3,906	-	3,906
Experience losses (gains)	3,506	-	3,506
Change in assumptions	-	-	-
Contributions – City	-	13,459	(13,459)
Contributions – Members	-	-	-
Investment income	-	-	-
Benefits paid	(10,372)	(10,372)	-
Plan administrative expenses	-	(3,087)	3,087
Net change	<u>(2,960)</u>	<u>-</u>	<u>(2,960)</u>
Balance – June 30, 2019	<u>\$ 67,319</u>	<u>\$ -</u>	<u>\$ 67,319</u>

For the year ended June 30, 2019, the City recognized pension income of \$178,592 (\$189,522 income for PFPF and (\$10,930) expense for AEPF) for these pension plans.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the PFPF and AEPF pension plans from the following sources:

	<u>PFPF</u>		<u>AEPF</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -	\$ -	\$ -
Changes in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>291,209</u>	<u>74</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ 291,209</u>	<u>\$ 74</u>	<u>\$ -</u>

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

	<u>Fiscal Year Ending June 30</u>	
	<u>PFPF</u>	<u>AEPF</u>
2020	\$ (80,605)	\$ 74
2021	(132,478)	-
2022	(53,066)	-
2023	(25,060)	-

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

*Actuarial assumption*

	<u>PFPF</u>	<u>AEPF</u>
	<u>7/1/19</u>	<u>7/1/19</u>
Valuation date	7/1/19	7/1/19
Actuarial cost method	Entry age normal	Aggregate (1)
Amortization method	Level dollar closed	Level dollar closed
Remaining amortization period	15 Years	10 Years
Asset valuation method	Market value	Market value

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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, 2019 PFPF plan year, the assumed rate of return was 6.50%. For the AEPF July 1, 2019 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)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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	\$ 3,228,017	\$ 2,684,487	\$ 2,205,675
AEPF Net Pension Liability	\$ 70,845	\$ 67,319	\$ 64,118

**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, 2019**

	PFPF	AEPF	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,541	\$ -	\$ 2,541
Receivables:			
Interest	4,149	-	4,149
Other	198	-	198
Investments at fair value			
Money market accounts	95,935	-	95,935
Common stock	2,136,541	-	2,136,541
Mutual funds	2,833,886	-	2,833,886
Total assets	5,073,250	-	5,073,250
<b>Liabilities</b>			
Vouchers and accounts payable	-	-	-
<b>Net Position</b>			
Held in trust for pension benefits	\$ 5,073,250	\$ -	\$ 5,073,250

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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, 2019**

	<u>PFPF</u>	<u>AEPF</u>	<u>Total</u>
<b>Additions:</b>			
Contributions			
Employer	\$ 366,129	\$ 13,459	\$ 379,588
Plan members	<u>6,448</u>	<u>-</u>	<u>6,448</u>
Total contributions	<u>372,577</u>	<u>13,459</u>	<u>386,036</u>
Investments earnings:			
Net change in fair value of investments	352,503	-	352,503
Interest and dividends	<u>109,000</u>	<u>-</u>	<u>109,000</u>
Net investment earnings	<u>461,503</u>	<u>-</u>	<u>461,503</u>
Total additions	<u>834,080</u>	<u>13,459</u>	<u>847,539</u>
<b>Deductions:</b>			
Benefits	1,033,958	10,372	1,044,330
Administrative expenses	<u>43,503</u>	<u>3,087</u>	<u>46,590</u>
Total deductions	<u>1,077,461</u>	<u>13,459</u>	<u>1,090,920</u>
<b>Change in net position</b>	(243,381)	-	(243,381)
<b>Net position - beginning</b>	<u>5,316,631</u>	<u>-</u>	<u>5,316,631</u>
<b>Net position - ending</b>	<u>\$ 5,073,250</u>	<u>\$ -</u>	<u>\$ 5,073,250</u>

**Note 5 – 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 be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 5 – 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 Statutes 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 5.26% of non-hazardous covered payroll and 10.47% of hazardous covered payroll for the fiscal years ended June 30, 2018.

At June 30, 2019, 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, 2018, 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, 2018, the City's non-hazardous proportion was 0.315001 percent and hazardous proportion was 1.588924 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	\$ 5,592,780
City's hazardous proportionate share of the CERS medical insurance liability	<u>11,328,383</u>
Total CERS medical insurance liability associated with the City	<u>\$ 16,921,163</u>

For the year ended June 30, 2019, the City recognized an OPEB expense of \$2,512,509 (\$690,720 non-hazardous and \$1,821,789 hazardous, respectively). At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<b>Non-hazardous</b>		<b>Hazardous</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ 651,763	\$ -	\$ 1,265,982
Changes in assumptions	1,116,960	12,922	3,476,368	30,987
Net difference between projected and actual earnings on pension plan investments	-	385,233	-	1,076,965
Changes in proportion and differences between City contributions and proportionate share of contributions	-	117,888	-	281,055
City contributions subsequent to the measurement date	<u>429,376</u>	<u>-</u>	<u>918,612</u>	<u>-</u>
Total	<u>\$ 1,546,336</u>	<u>\$ 1,167,806</u>	<u>\$ 4,394,980</u>	<u>\$ 2,654,989</u>

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 5 – Other Postemployment Benefits (OPEB):**

\$1,347,988 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

	<b>Fiscal Year Ending June 30</b>	
	<b>Non-</b>	
	<b><u>Hazardous</u></b>	<b><u>Hazardous</u></b>
2020	\$ (2,883)	\$ 600,710
2021	(2,883)	600,710
2022	(2,883)	(24,542)
2023	71,936	(355,499)
2024	(71,330)	
2025	(42,803)	

*Actuarial assumptions* – The total OPEB liability in the June 30, 2018 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	2.00%
Healthcare cost trend rates	
Under 65	7.00% at January 1, 2020 decreasing to an ultimate rate of 4.05% over a period of 12 years
Ages 65 and Older	5.00% at January 1, 2020 decreasing to an ultimate rate of 4.05% over a period of 10 years
Municipal Bond Index Rate	3.62%
Discount Rate	5.85% and 5.97% for non-hazardous and hazardous

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)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 5 – 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	35.0%	4.5%-5.2%
Fixed Income	28.0%	3.0%-6.0%
Real Estate	5.0%	9.0%
Private Equity	10.0%	6.5%
Absolute Return	10.0%	5.0%
Real Return	10.0%	7.0%
Cash	<u>2.0%</u>	1.5%
Total	<u>100.0%</u>	

*Discount rate* - The discount rate used to measure the total OPEB liability was 5.85% for non-hazardous and 5.97% for hazardous. 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 5.85% for non-hazardous and 5.97% for hazardous, 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 (4.85% for non-hazardous and 4.97% for hazardous) or 1-percentage-point higher (6.85% for non-hazardous and 6.97% for hazardous) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
<b><i>CERS</i></b>			
Non-hazardous’ proportionate share of net OPEB liability	\$ 7,277,042	\$ 5,592,780	\$ 4,169,100
Hazardous’ proportionate share of net pension liability	\$15,747,011	\$11,328,383	\$ 7,791,156

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 5 – 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:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
Non-hazardous’ proportionate share of net OPEB liability	\$ 4,163,880	\$ 5,592,780	\$ 7,277,042
Hazardous’ proportionate share of net pension liability	\$ 7,715,176	\$11,328,383	\$15,803,491

**Note 6 - Component Unit Long-Term Liabilities:**

Long-term liabilities of the discretely presented component units consist of the following at June 30, 2019:

**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, 2019, are as follows:

<b><u>Year Ending June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>.25% Service Fee</u></b>	<b><u>R &amp; M Reserve</u></b>	<b><u>Total</u></b>
2020	\$ 460,856	\$ 81,646	\$ 16,442	\$ 29,950	\$ 588,894
2021	466,250	76,252	15,287	29,950	587,739
2022	471,709	70,793	14,117	11,200	567,819
2023	477,236	65,266	12,934	11,200	566,636
2024	482,835	59,668	11,737	11,200	565,440
2025-2029	2,500,635	211,872	40,241	33,600	2,786,348
2030-2034	1,426,670	76,172	11,952	-	1,514,794
2035-2037	405,335	12,504	1,787	-	419,626
<b>TOTALS</b>	<b>\$6,691,526</b>	<b>\$654,173</b>	<b>\$124,497</b>	<b>\$127,100</b>	<b>\$7,597,296</b>

**Note 7 - Appropriations Deficit:**

No departments that adopted budgets annually had excess expenditures over appropriations for the fiscal year ended June 30, 2019.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 8 - 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, 2019, the most significant construction commitment were as follows:

	<b><u>Cumulative Costs Incurred</u></b>	<b><u>Estimated Total Costs</u></b>
Comprehensive Stormwater Master Plan Study	\$ 973,640	\$ 1,047,040
Greenway Trails – Phase IV	121,886	563,119
Floodwall Rehab	891,055	5,416,118
City Hall Improvement – Phase I	<u>4,555,292</u>	<u>4,690,281</u>
	<b><u>\$ 6,541,873</u></b>	<b><u>\$11,716,558</u></b>

**Note 9 - 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:

	<b><u>Beginning of Fiscal Year Liability</u></b>	<b><u>Current Year Claims and Changes in Estimates</u></b>	<b><u>Actual Claim Payments</u></b>	<b><u>Balance at Fiscal Year End</u></b>
2016 - 2017	\$ -	\$ 110,570	\$ 110,570	\$ -
2017 - 2018	-	99,033	99,033	-
2018 - 2019	-	101,030	101,030	-

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, 2019, that amount was \$2,889,221. 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 \$93,297 at June 30, 2019.

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 9 - Risk Management and Litigation:**

The analysis of claims activity is presented below:

	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Actual Claim Payments</b>	<b>Balance at Fiscal Year End</b>
2016 - 2017	\$ 202,365	\$ 1,792,627	\$1,894,220	\$ 100,772
2017 - 2018	100,772	2,088,594	2,080,554	108,812
2018 - 2019	108,812	2,114,691	2,130,206	93,297

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 10 - 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 2019 totaled \$753,031.

The following is an analysis of property leased under these leases at June 30, 2019:

Land	\$ 480,000
Buildings	3,422,261
Equipment	<u>110,126</u>
Total	4,012,387
Less: accumulated depreciation	<u>(1,408,211)</u>
NET BOOK VALUE	<u>\$2,604,176</u>

Depreciation expense for the year ended June 30, 2019, on leased property was \$81,466.

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 10 - Lease Agreements:**

**Operating Leases**

The following is a schedule of future minimum rental income from operating leases at June 30, 2019:

	<b>Lease Income</b>
2020	\$ 746,203
2021	494,237
2022	289,000
2023	289,000
2024	289,000
2025	-
TOTAL MINIMUM LEASE RECEIPTS	<b><u>\$2,107,440</u></b>

**Note 11 – Tax Abatements:**

**Developer Residential Property Tax Abatements –**

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

For the year ended June 30, 2019, the City abated property taxes totaling \$36,965 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	\$17,179	\$92,426
Greenway Village, LLC	Greenway Village In-fill	2011-2-7789	\$19,786	\$66,450

**Kentucky Business Investment (KBI) Program, KRS 154.32 –**

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

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 11 – Tax Abatements:**

For the year ended June 30, 2019, the City rebated employee local payroll taxes totaling \$11,262 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	\$11,262	\$24,455

**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, 2019, the City shared payroll tax revenue totaling \$142,893 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	\$ 6,905	\$312,970
Genova	September 2014	\$46,351	\$112,070
H.T. Hackney	March 2012	\$25,587	\$165,844
Whitehall	December 2014	\$64,050	\$238,451

**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, 2019, the City shared payroll tax revenue totaling \$232,506 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	\$67,055	\$748,947
Ulrich	March 2006	\$14,755	\$181,658
Pepsi	December 2007	\$ 3,163	\$ 78,544
Marquette	March 2008	\$93,829	\$908,178
Teletech	December 2014	\$53,704	\$210,066

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 11 – 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, 2019, the City shared payroll tax revenue totaling \$12,741 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	\$12,741	\$165,826

**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, 2019, 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 12 – Implementation of GASB Pronouncements**

**Accounting Pronouncements Adopted during the Fiscal Year ended June 30, 2019**

The financial statements of the City are prepared in conformity with GAAP as applied to government units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. During the current year, the City adopted the following GASB pronouncements:

Statement No. 83 – *Certain Asset Retirement Obligations* (FY2019)

Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement* (FY2019)

The impact of GASB Statement No. 88 has been implemented in the report in Note 3. GASB Statement No. 83 was considered for application of use and was determined not to have an impact on financial reporting at this time.

(Continued)

**CITY OF PADUCAH, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 12 – Implementation of GASB Pronouncements**

**Future Implementation of GASB Pronouncements**

In addition to the pronouncements discussed previously, GASB has issued additional guidance for state and local governments that are not yet effective. The City is currently reviewing the provisions of the following pronouncements to determine the impact of implementation in future periods.

Statement No. 84 – *Fiduciary Activities* (FY2020)

Statement No. 87 – *Leases* (FY2021)

Statement No 89 – *Accounting for Interest Costs Incurred before the End of a Construction Period* (FY2021)

Statement No 90 – *Majority Equity Interests – an amendment of GASB Statements No 14 and No. 61* (FY2020)

Statement No 91 – *Conduit Debt Obligations* (FY2021)

**CITY OF PADUCAH, KENTUCKY**

**REQUIRED SUPPLEMENTARY INFORMATION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2019**

**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 Six Fiscal Years Ending June 30 (1)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>						
Service cost	\$ 10,267	\$ 7,678	\$ 7,038	\$ 7,183	\$ 5,576	\$ 4,871
Interest	527,900	560,538	626,531	686,614	744,910	792,267
Changes in benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(384,990)	(2,758)	(278,063)	(111,824)	(43,965)	150,977
Changes in assumptions	-	-	148,359	156,880	166,753	175,893
Benefit payments/refunds	<u>(1,033,958)</u>	<u>(1,101,201)</u>	<u>(1,223,078)</u>	<u>(1,308,290)</u>	<u>(1,386,273)</u>	<u>(1,445,080)</u>
Net change in total pension liability	(880,781)	(535,743)	(719,213)	(569,437)	(512,999)	(321,072)
<b>Total pension liability - beginning</b>	<u>8,638,518</u>	<u>9,174,261</u>	<u>9,893,474</u>	<u>10,462,911</u>	<u>10,975,910</u>	<u>11,296,982</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 7,757,737</u>	<u>\$ 8,638,518</u>	<u>\$ 9,174,261</u>	<u>\$ 9,893,474</u>	<u>\$ 10,462,911</u>	<u>\$ 10,975,910</u>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 366,129	\$ 380,168	\$ 436,575	\$ 420,352	\$ 391,468	\$ 420,834
Contributions - member	6,448	6,325	4,001	4,494	6,088	5,354
Net investment income	461,503	492,276	766,509	165,489	310,681	1,057,726
Benefit payments/refunds	(1,033,958)	(1,101,201)	(1,223,078)	(1,308,290)	(1,386,273)	(1,445,080)
Administrative expenses	(43,503)	(44,419)	(44,786)	(46,422)	(49,115)	(48,406)
Other	-	-	-	-	-	-
Net change in plan fiduciary net position	<u>(243,381)</u>	<u>(266,851)</u>	<u>(60,779)</u>	<u>(764,377)</u>	<u>(727,151)</u>	<u>(9,572)</u>
<b>Plan fiduciary net position - beginning</b>	<u>5,316,631</u>	<u>5,583,482</u>	<u>5,644,261</u>	<u>6,408,638</u>	<u>7,135,789</u>	<u>7,145,361</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 5,073,250</u>	<u>\$ 5,316,631</u>	<u>\$ 5,583,482</u>	<u>\$ 5,644,261</u>	<u>\$ 6,408,638</u>	<u>\$ 7,135,789</u>
<b>Net pension liability ending (a) - (b)</b>	<u>\$ 2,684,487</u>	<u>\$ 3,321,887</u>	<u>\$ 3,590,779</u>	<u>\$ 4,249,213</u>	<u>\$ 4,054,273</u>	<u>\$ 3,840,121</u>
Plan fiduciary net position as a percentage of total pension liability	<u>65%</u>	<u>62%</u>	<u>61%</u>	<u>57%</u>	<u>61%</u>	<u>65%</u>
Covered payroll	<u>\$ 80,600</u>	<u>\$ 79,064</u>	<u>\$ 50,009</u>	<u>\$ 56,175</u>	<u>\$ 76,102</u>	<u>\$ 66,928</u>
Net pension liability as a percentage of covered-employee payroll	<u>3331%</u>	<u>4202%</u>	<u>7180%</u>	<u>7564%</u>	<u>5327%</u>	<u>5738%</u>

(1)

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>						
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	3,906	4,084	5,308	5,400	5,687	8,258
Changes in benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	3,506	3,308	(13,742)	9,751	9,391	(30,605)
Changes in assumptions	-	-	-	-	-	-
Benefit payments/refunds	(10,372)	(10,372)	(13,533)	(19,856)	(19,856)	(21,152)
Net change in total pension liability	(2,960)	(2,980)	(21,967)	(4,705)	(4,778)	(43,499)
<b>Total pension liability - beginning</b>	<u>70,279</u>	<u>73,259</u>	<u>95,226</u>	<u>99,931</u>	<u>104,709</u>	<u>148,208</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 67,319</u>	<u>\$ 70,279</u>	<u>\$ 73,259</u>	<u>\$ 95,226</u>	<u>\$ 99,931</u>	<u>\$ 104,709</u>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 13,459	\$ 14,012	\$ 21,062	\$ 6,599	\$ -	\$ -
Contributions - member	-	-	-	-	-	-
Net investment income	-	-	-	53	264	598
Benefit payments/refunds	(10,372)	(10,372)	(13,533)	(19,856)	(19,856)	(21,152)
Administrative expenses	(3,087)	(3,640)	(7,529)	(7,539)	(7,533)	(7,483)
Other	-	-	-	-	-	-
Net change in plan fiduciary net position	-	-	-	(20,743)	(27,125)	(28,037)
<b>Plan fiduciary net position - beginning</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,743</u>	<u>47,868</u>	<u>75,905</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,743</u>	<u>\$ 47,868</u>
<b>Net pension liability ending (a) - (b)</b>	<u>\$ 67,319</u>	<u>\$ 70,279</u>	<u>\$ 73,259</u>	<u>\$ 95,226</u>	<u>\$ 79,188</u>	<u>\$ 56,841</u>
Plan fiduciary net position as a percentage of total pension liability	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>20.8%</u>	<u>45.7%</u>
Covered payroll	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
Net pension liability as a percentage of covered-employee payroll	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>

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

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

	<b>Schedule of Contributions</b>					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$368,373	\$380,168	\$434,758	\$ 416,844	\$ 391,468	\$ 421,933
Contributions in relation to the actuarially determined contribution	<u>366,129</u>	<u>376,148</u>	<u>436,575</u>	<u>420,352</u>	<u>391,468</u>	<u>420,834</u>
Contribution deficiency (excess)	<u>\$ 2,244</u>	<u>\$ 4,020</u>	<u>\$ (1,817)</u>	<u>\$ (3,508)</u>	<u>\$ -</u>	<u>\$ 1,099</u>
Covered payroll	<u>\$ 80,600</u>	<u>\$ 79,064</u>	<u>\$ 50,009</u>	<u>\$ 56,175</u>	<u>\$ 76,102</u>	<u>\$ 66,928</u>
Contributions as a percentage of covered-employee payroll	<u>454%</u>	<u>476%</u>	<u>873%</u>	<u>748%</u>	<u>514%</u>	<u>629%</u>
	<b>Schedule of Investment Returns</b>					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	<u>9.28%</u>	<u>9.44%</u>	<u>14.61%</u>	<u>2.78%</u>	<u>4.69%</u>	<u>15.95%</u>

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

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

	<b>Schedule of Contributions</b>					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 10,372	\$ 10,372	\$ 19,856	\$ 19,856	\$ 15,734	\$ 10,779
Contributions in relation to the actuarially determined contribution	<u>13,459</u>	<u>14,012</u>	<u>21,062</u>	<u>6,599</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ (3,087)</u>	<u>\$ (3,640)</u>	<u>\$ (1,206)</u>	<u>\$ 13,257</u>	<u>\$ 15,734</u>	<u>\$ 10,779</u>
Covered payroll	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
Contributions as a percentage of covered-employee payroll	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
	<b>Schedule of Investment Returns</b>					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expenses	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.47%</u>	<u>0.75%</u>	<u>0.97%</u>

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

**CITY OF PADUCAH, KENTUCKY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**COUNTY EMPLOYEES' RETIREMENT SYSTEM**  
**LAST SIX 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
<b><u>CERS Nonhazardous</u></b>					
2019	0.3150%	\$ 19,185,252	\$ 7,880,115	243.4641%	53.5420%
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%
<b><u>CERS Hazardous</u></b>					
2019	1.5888%	\$ 38,425,266	\$ 8,850,650	434.1519%	49.2645%
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.

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

Year Ended June 30	Contractually required person contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percentage of covered payroll
<b><i>CERS Nonhazardous</i></b>					
2019	\$ 1,324,047	\$ 1,324,047	\$ -	\$ 8,069,115	16.4088%
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%
<b><i>CERS Hazardous</i></b>					
2019	\$ 2,179,073	\$ 2,179,073	\$ -	\$ 8,731,001	24.9579%
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, 2019**

***Changes of Benefit Terms:***

None

***Methods and assumptions used in the actuarially determined contributions:***

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 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, 2018:

The assumptions were updated as of result of an experience study for the five year period ending June 30, 2013.

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

The investment rate of return remained unchanged at 7.50% from the prior measurement date.

The discount rate remained unchanged at 6.25% from the prior measurement date.

The inflation rate remained unchanged at 2.30% from the prior measurement date.

Projected salary increases changed from 2.00% to 3.05% from the prior measurement date.

**CITY OF PADUCAH, KENTUCKY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET MEDICAL INSURANCE LIABILITY**  
**COUNTY EMPLOYEES' RETIREMENT SYSTEM**  
**LAST TWO 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
<b><u>CERS Nonhazardous</u></b>					
2019	0.3150%	5,592,780	7,880,115	70.9733%	57.6218%
2018	0.3210%	6,452,856	7,861,744	82.0792%	52.3940%
<b><u>CERS Hazardous</u></b>					
2019	1.5888%	\$ 11,328,383	\$ 8,850,650	127.9949%	64.2437%
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.

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

Year Ended June 30	Contractually required pension contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percentage of covered payroll
<b><u>CERS Nonhazardous</u></b>					
2019	\$ 429,376	\$ 429,376	\$ -	\$ 8,163,051	5.2600%
2018	\$ 370,365	\$ 370,365	\$ -	\$ 7,880,115	4.7000%
2017	\$ 371,860	\$ 371,860	\$ -	\$ 7,861,744	4.7300%
<b><u>CERS Hazardous</u></b>					
2019	\$ 918,612	\$ 918,612	\$ -	\$ 8,765,379	10.4800%
2018	\$ 827,536	\$ 827,536	\$ -	\$ 8,850,650	9.3500%
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, 2019**

***Changes of Benefit Terms:***

None

***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, 2018:

Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	27 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	3.05%
Investment Return	6.25%
Inflation	2.30%
Single discount rate	5.85% and 5.97% for non-hazardous and hazardous; increase from 5.84% and 5.96%
Mortality	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 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Healthcare trend rates (Post-65)	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05 over a period of 10 years.

**CITY OF PADUCAH, KENTUCKY**

**SUPPLEMENTARY INFORMATION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2019**

**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, 2019**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>			
Intergovernmental and grants			
Grants	\$ 2,390,343	\$ 1,102,519	\$ (1,287,824)
Property upkeep, rentals, sales and other	376,571	335,281	(41,290)
	<u>2,796,914</u>	<u>1,437,800</u>	<u>(1,359,114)</u>
<b>Expenditures:</b>			
Capital outlay	19,565,144	9,259,270	10,305,874
Excess (deficiency) of revenues over expenditures	<u>(16,768,230)</u>	<u>(7,821,470)</u>	<u>8,946,760</u>
<b>Other Financing Sources (Uses):</b>			
Long-term debt issued	4,600,000	133,749	(4,466,251)
Transfers in	5,906,744	5,906,746	2
Transfers out	(79,062)	(79,053)	9
	<u>10,427,682</u>	<u>5,961,442</u>	<u>(4,466,240)</u>
Net change in fund balance	<u>\$ (6,340,548)</u>	<u>(1,860,028)</u>	<u>\$ 4,480,520</u>
Fund balance, July 1, 2018		<u>6,322,764</u>	
FUND BALANCE, JUNE 30, 2019		<u>\$ 4,462,736</u>	

See auditors report on pages 11-12.

**CITY OF PADUCAH, KENTUCKY**  
**DEBT SERVICE FUND**  
**DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>			
Intergovernmental	\$ 735,925	\$ 735,861	\$ (64)
Interest	-	15,981	15,981
Property upkeep, rentals, sales and other	289,000	355,875	66,875
Total revenues	1,024,925	1,107,717	82,792
<b>Expenditures:</b>			
Debt service:			
Principal requirement	2,906,270	2,443,416	462,854
Interest and fiscal requirement	850,060	785,888	64,172
Total expenditures	3,756,330	3,229,304	527,026
Excess (deficiency) of revenues over expenditures	(2,731,405)	(2,121,587)	609,818
<b>Other Financing Sources (Uses):</b>			
Transfers in	2,744,405	2,289,568	(454,837)
Total other financing sources	2,744,405	2,289,568	(454,837)
Net change in fund balance	\$ 13,000	167,981	\$ 154,981
Fund balance, July 1, 2018		996,824	
FUND BALANCE, JUNE 30, 2019		\$ 1,164,805	

See auditors report on pages 11-12.

**CITY OF PADUCAH, KENTUCKY**

**SUPPLEMENTARY INFORMATION**

***NONMAJOR GOVERNMENTAL FUNDS***

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2019**

**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, 2019**

<u><b>ASSETS</b></u>	<u><b>Special Revenue Funds</b></u>		
	<u><b>Municipal Aid Program</b></u>	<u><b>Emergency Communication Service Fund</b></u>	<u><b>Court Awards Fund</b></u>
Cash and cash equivalents	\$ 771,413	\$ 163,698	\$297,700
Receivables, net:			
Accounts	88,821	204,284	-
<b>TOTAL ASSETS</b>	<u><u>\$ 860,234</u></u>	<u><u>\$ 367,982</u></u>	<u><u>\$297,700</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Voucher and accounts payable	\$ 77,542	\$ 3,917	\$ 84,321
Accrued payroll and payroll taxes	-	36,949	-
<b>Total liabilities</b>	<u>77,542</u>	<u>40,866</u>	<u>84,321</u>
<b>Fund Balances:</b>			
Restricted for:			
Highway and streets	782,692	-	-
Public safety	-	-	213,379
Capital Improvements	-	-	-
Assigned for:			
Public safety	-	327,116	-
<b>Total fund balances</b>	<u>782,692</u>	<u>327,116</u>	<u>213,379</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 860,234</u></u>	<u><u>\$ 367,982</u></u>	<u><u>\$297,700</u></u>

See auditors report on pages 11-12.

<b>Special Revenue Funds</b>		<b>Total Nonmajor Governmental Funds</b>
<b>CDBG Grant Fund</b>	<b>Bond Fund</b>	
\$ -	\$ 361,835	\$ 1,594,646
-	-	293,105
<u>\$ -</u>	<u>\$ 361,835</u>	<u>\$ 1,887,751</u>
\$ -	\$ 180,207	\$ 345,987
-	-	36,949
<u>-</u>	<u>180,207</u>	<u>382,936</u>
-	-	782,692
-	-	213,379
-	181,628	181,628
<u>-</u>	<u>-</u>	<u>327,116</u>
<u>-</u>	<u>181,628</u>	<u>1,504,815</u>
<u>\$ -</u>	<u>\$ 361,835</u>	<u>\$ 1,887,751</u>

**CITY OF PADUCAH, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Special Revenue Funds</b>		
	<b>Municipal Aid Program</b>	<b>Emergency Communication Service Fund</b>	<b>Court Awards Fund</b>
<b>Revenues:</b>			
Taxes	\$ -	\$ 413,236	\$ -
Charges for services	-	334,788	-
Intergovernmental	510,805	-	-
Grants	-	-	98,330
Interest	16,751	4,676	5,795
Miscellaneous	-	549,396	-
Total revenues	<u>527,556</u>	<u>1,302,096</u>	<u>104,125</u>
<b>Expenditures:</b>			
Current operations:			
Public safety	-	1,867,651	19,445
Public service	1,424,054	-	-
Planning and development	-	-	-
Capital Outlay	-	-	-
Debt Service:			
Debt issuance costs	-	-	-
Interest and fiscal requirement	-	-	-
Total expenditures	<u>1,424,054</u>	<u>1,867,651</u>	<u>19,445</u>
Excess (deficiency) of revenues over expenditures	<u>(896,498)</u>	<u>(565,555)</u>	<u>84,680</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds of debt	-	-	-
Payment to refunded bond escrow agent	-	-	-
Premium on debt issued	-	-	-
Transfers in	1,049,750	599,013	-
Transfers out	-	(33,459)	-
Total other financing sources (uses)	<u>1,049,750</u>	<u>565,554</u>	<u>-</u>
Net change in fund balances	153,252	(1)	84,680
Fund balances, July 1, 2018	<u>629,440</u>	<u>327,117</u>	<u>128,699</u>
FUND BALANCES, JUNE 30, 2019	<u><u>\$ 782,692</u></u>	<u><u>\$ 327,116</u></u>	<u><u>\$ 213,379</u></u>

See auditors report on pages 11-12.

<b>Special Revenue Funds</b>		<b>Total Nonmajor Governmental Funds</b>
<b>CDBG Grant Fund</b>	<b>Bond Fund</b>	
\$ -	\$ -	\$ 413,236
-	-	334,788
-	-	510,805
197,500	-	295,830
-	25,838	53,060
-	-	549,396
<u>197,500</u>	<u>25,838</u>	<u>2,157,115</u>
-	-	1,887,096
-	-	1,424,054
197,500	-	197,500
-	1,174,723	1,174,723
-	86,283	86,283
-	1,480	1,480
<u>197,500</u>	<u>1,262,486</u>	<u>4,771,136</u>
-	(1,236,648)	(2,614,021)
-	5,370,000	5,370,000
-	(2,815,573)	(2,815,573)
-	332,097	332,097
-	-	1,648,763
-	(2,798,761)	(2,832,220)
-	87,763	1,703,067
-	(1,148,885)	(910,954)
-	1,330,513	2,415,769
<u>\$ -</u>	<u>\$ 181,628</u>	<u>\$ 1,504,815</u>

**CITY OF PADUCAH, KENTUCKY**  
**MUNICIPAL AID PROGRAM FUND**  
**DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Intergovernmental	\$ 500,000	\$ 510,805	\$ 10,805
Interest	5,000	16,751	11,751
Total revenues	<u>505,000</u>	<u>527,556</u>	<u>22,556</u>
<b>Expenditures:</b>			
Public service	<u>1,554,750</u>	<u>1,424,054</u>	<u>130,696</u>
Excess (deficiency) of revenues over expenditures	<u>(1,049,750)</u>	<u>(896,498)</u>	<u>153,252</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	1,049,750	1,049,750	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>1,049,750</u>	<u>1,049,750</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	153,252	<u>\$ 153,252</u>
Fund balance, July 1, 2018		<u>629,440</u>	
FUND BALANCE, JUNE 30, 2019		<u>\$ 782,692</u>	

See auditors report on pages 11-12.

**CITY OF PADUCAH, KENTUCKY**  
**EMERGENCY COMMUNICATION SERVICE FUND**  
**DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Local contributions	\$ 410,000	\$ 413,236	\$ 3,236
Telephone surcharges	410,000	334,788	(75,212)
Interest	3,000	4,676	1,676
Miscellaneous	568,000	549,396	(18,604)
Total revenues	<u>1,391,000</u>	<u>1,302,096</u>	<u>(88,904)</u>
<b>Expenditures:</b>			
Public safety	<u>1,859,885</u>	<u>1,867,651</u>	<u>(7,766)</u>
Excess (deficiency) of revenues over expenditures	<u>(468,885)</u>	<u>(565,555)</u>	<u>(96,670)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	684,095	599,013	(85,082)
Transfers out	<u>(146,645)</u>	<u>(33,459)</u>	<u>113,186</u>
Total other financing sources (uses)	<u>537,450</u>	<u>565,554</u>	<u>28,104</u>
Net change in fund balance	<u>\$ 68,565</u>	(1)	<u>\$ (68,566)</u>
Fund balance, July 1, 2018		<u>327,117</u>	
FUND BALANCE, JUNE 30, 2019		<u>\$ 327,116</u>	

See auditors report on pages 11-12.

**CITY OF PADUCAH, KENTUCKY**  
**COURT AWARDS FUND**  
**DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Grants	\$ 25,000	\$ 98,330	\$ 73,330
Interest	2,000	5,795	3,795
Total revenues	<u>27,000</u>	<u>104,125</u>	<u>77,125</u>
<b>Expenditures:</b>			
Public safety	<u>40,750</u>	<u>19,445</u>	<u>21,305</u>
Excess (deficiency) of revenues over expenditures	<u>(13,750)</u>	<u>84,680</u>	<u>98,430</u>
Net change in fund balance	<u><u>\$ (13,750)</u></u>	<u>84,680</u>	<u><u>\$ 98,430</u></u>
Fund balance, July 1, 2018		<u>128,699</u>	
FUND BALANCE, JUNE 30, 2019		<u><u>\$ 213,379</u></u>	

See auditors report on pages 11-12.

**CITY OF PADUCAH, KENTUCKY**  
**CDBG FUND**  
**DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Grants	\$ 197,500	\$ 197,500	\$ -
Total revenues	<u>197,500</u>	<u>197,500</u>	<u>-</u>
<b>Expenditures:</b>			
Planning and development	<u>197,500</u>	<u>197,500</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, July 1, 2018		<u>-</u>	
FUND BALANCE, JUNE 30, 2019		<u>\$ -</u>	

See auditors report on pages 11-12.

**CITY OF PADUCAH, KENTUCKY**  
**BOND FUND**  
**DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Grants	\$ -	\$ -	\$ -
Interest	5,000	25,838	20,838
	<hr/>	<hr/>	<hr/>
Total revenues	5,000	25,838	20,838
	<hr/>	<hr/>	<hr/>
<b>Expenditures:</b>			
Debt issuance costs	-	86,283	(86,283)
Interest and fiscal requirement	-	1,480	(1,480)
Capital outlay	1,305,400	1,174,723	130,677
	<hr/>	<hr/>	<hr/>
Total expenditures	1,305,400	1,262,486	42,914
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	(1,300,400)	(1,236,648)	63,752
	<hr/>	<hr/>	<hr/>
<b>Other Financing Sources (Uses):</b>			
Proceeds of debt	2,910,000	5,370,000	2,460,000
Payment to refunded bond escrow agent	-	(2,815,573)	(2,815,573)
Premium on debt issued	-	332,097	332,097
Transfers out	(2,798,761)	(2,798,761)	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	111,239	87,763	(23,476)
	<hr/>	<hr/>	<hr/>
Net change in fund balance	<u>\$ (1,189,161)</u>	<u>(1,148,885)</u>	<u>\$ 40,276</u>
	<hr/>	<hr/>	<hr/>
Fund balance, July 1, 2018		1,330,513	
		<hr/>	
FUND BALANCE, JUNE 30, 2019		<u>\$ 181,628</u>	

See auditors report on pages 11-12.

**CITY OF PADUCAH, KENTUCKY**

**SUPPLEMENTARY INFORMATION**

***NONMAJOR PROPRIETARY FUNDS***

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2019**

**COMBINING FINANCIAL STATEMENTS**  
**NONMAJOR PROPRIETARY FUNDS**

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

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

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

**CITY OF PADUCAH, KENTUCKY**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR PROPRIETARY FUNDS**  
**JUNE 30, 2019**

<u>ASSETS</u>	<b>Section Eight Housing</b>	<b>Civic Center Fund</b>	<b>Transient Dock Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 340,564	\$ -	\$ -	\$ 340,564
Inventory	-	-	17,525	17,525
Total current assets	340,564	-	17,525	358,089
<b>Noncurrent Assets:</b>				
Net depreciable capital assets	-	99,469	-	99,469
Total assets	340,564	99,469	17,525	457,558
<b>Deferred Outflows of Resources:</b>				
Deferred pension related outflows	79,714	-	-	79,714
Deferred OPEB related outflows	30,915	-	-	30,915
Total deferred outflows of resources	110,629	-	-	110,629
<u>LIABILITIES</u>				
<b>Current Liabilities:</b>				
Voucher and accounts payable	74,553	4,488	3,478	82,519
Accrued payroll	-	-	472	472
Accrued compensated absences	396	-	-	396
Due to other funds	30,516	-	-	30,516
Total current liabilities	105,465	4,488	3,950	113,903
<b>Noncurrent Liabilities:</b>				
Pensions obligation	466,067	-	-	466,067
Other post employment benefits (OPEB)	135,865	-	-	135,865
Accrued compensated absences	3,565	-	-	3,565
Total noncurrent liabilities	605,497	-	-	605,497
Total liabilities	710,962	4,488	3,950	719,400
<b>Deferred Inflows of Resources</b>				
Deferred pension related inflows	18,502	-	-	18,502
Deferred OPEB related inflows	28,369	-	-	28,369
Total deferred inflows of resources	46,871	-	-	46,871
<u>NET POSITION</u>				
Net invested in capital assets	-	99,469	-	99,469
Unrestricted	(306,640)	(4,488)	13,575	(297,553)
<b>TOTAL NET POSITION</b>	<b>\$ (306,640)</b>	<b>\$ 94,981</b>	<b>\$ 13,575</b>	<b>\$ (198,084)</b>

See auditors report on pages 11-12.

**CITY OF PADUCAH, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**NONMAJOR PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Section Eight Housing</b>	<b>Civic Center Fund</b>	<b>Transient Dock Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Operating Revenues:</b>				
Charges for services	\$ -	\$ 29,784	\$ 79,362	\$ 109,146
Miscellaneous	1,504	-	-	1,504
Total operating income	<u>1,504</u>	<u>29,784</u>	<u>79,362</u>	<u>110,650</u>
<b>Operating Expenses:</b>				
Cost of sales and service	2,046,522	60,935	93,047	2,200,504
Depreciation and amortization	-	10,021	-	10,021
Total operating expenses	<u>2,046,522</u>	<u>70,956</u>	<u>93,047</u>	<u>2,210,525</u>
Operating income (loss)	<u>(2,045,018)</u>	<u>(41,172)</u>	<u>(13,685)</u>	<u>(2,099,875)</u>
<b>Non-Operating Revenues (Expenses):</b>				
Grants - program purpose	1,985,722	-	-	1,985,722
Interest and investment income	25	-	134	159
Total nonoperating revenues (expenses)	<u>1,985,747</u>	<u>-</u>	<u>134</u>	<u>1,985,881</u>
Income (loss) before contributions and transfers	<u>(59,271)</u>	<u>(41,172)</u>	<u>(13,551)</u>	<u>(113,994)</u>
<b>Contributions and Operating Transfers:</b>				
Transfers in	-	30,848	15,107	45,955
Transfers out	-	-	-	-
Total contributions and operating transfers	<u>-</u>	<u>30,848</u>	<u>15,107</u>	<u>45,955</u>
Change in net position	(59,271)	(10,324)	1,556	(68,039)
Net position - beginning	<u>(247,369)</u>	<u>105,305</u>	<u>12,019</u>	<u>(130,045)</u>
Net position - ending	<u>\$ (306,640)</u>	<u>\$ 94,981</u>	<u>\$ 13,575</u>	<u>\$ (198,084)</u>

See auditors report on pages 11-12.

**CITY OF PADUCAH, KENTUCKY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Section Eight Housing</b>	<b>Civic Center Fund</b>	<b>Transient Dock Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers	\$ -	\$ 29,784	\$ 79,362	\$ 109,146
Payments to employees	(109,820)	-	(20,417)	(130,237)
Payments to internal service funds	(894)	(2,331)	-	(3,225)
Other receipts	1,504	-	-	1,504
Housing assistance and other payments	(1,740,021)	(58,533)	(74,561)	(1,873,115)
Net cash provided (used) by operating activities	<u>(1,849,231)</u>	<u>(31,080)</u>	<u>(15,616)</u>	<u>(1,895,927)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Grants - program purpose	1,985,722	-	-	1,985,722
Transfers from other funds	-	30,848	15,107	45,955
Transfers to other funds	-	-	-	-
Net cash provided (used) by noncapital financing activities	<u>1,985,722</u>	<u>30,848</u>	<u>15,107</u>	<u>2,031,677</u>
<b>Cash Flows from Investing Activities:</b>				
Interest on cash and investments	25	-	134	159
Net increase (decrease) in cash and cash equivalents	136,516	(232)	(375)	135,909
Cash and cash equivalents, July 1, 2018	<u>204,048</u>	<u>232</u>	<u>375</u>	<u>204,655</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2019</b>	<u><u>\$ 340,564</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 340,564</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ (2,045,018)	\$ (41,172)	\$ (13,685)	\$ (2,099,875)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	-	10,021	-	10,021
Change in assets and liabilities:				
Inventory	-	-	(1,637)	(1,637)
OPEB obligation and related deferrals	18,268	-	-	18,268
Pension obligation and related deferrals	146,319	-	-	146,319
Accounts payable and accrued expenses	31,200	71	(294)	30,977
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ (1,849,231)</u></u>	<u><u>\$ (31,080)</u></u>	<u><u>\$ (15,616)</u></u>	<u><u>\$ (1,895,927)</u></u>

See auditors report on pages 11-12.

**CITY OF PADUCAH, KENTUCKY**

**SUPPLEMENTARY INFORMATION**

***INTERNAL SERVICE FUNDS***

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2019**

**COMBINING FINANCIAL STATEMENTS  
INTERNAL SERVICE FUNDS**

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

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

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

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

**CITY OF PADUCAH, KENTUCKY**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2019**

<u>ASSETS</u>	<u>Fleet Maintenance</u>	<u>Fleet Lease Trust</u>	<u>Insurance Fund</u>	<u>Health Insurance Fund</u>	<u>Combined Total</u>
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 17,306	\$2,706,102	\$ 409,172	\$ 1,089,369	\$ 4,221,949
Investments	-	-	250,000	1,750,000	2,000,000
Receivables, net	9,032	553,711	509	107,511	670,763
Prepaid expense	-	1,200,000	-	-	1,200,000
Inventories	53,816	-	-	-	53,816
Total current assets	80,154	4,459,813	659,681	2,946,880	8,146,528
<b>Noncurrent Assets:</b>					
Net depreciable capital assets	18,905	3,385,614	-	-	3,404,519
Total assets	99,059	7,845,427	659,681	2,946,880	11,551,047
<b>Deferred Outflows of Resources:</b>					
Deferred pension related outflows	154,014	-	-	-	154,014
Deferred OPEB related outflows	57,669	-	-	-	57,669
Total deferred outflows of resources	211,683	-	-	-	211,683
<u>LIABILITIES</u>					
<b>Current Liabilities:</b>					
Voucher and accounts payable	12,260	6,980	8,159	93,297	120,696
Accrued payroll and payroll taxes	11,653	-	-	-	11,653
Accrued compensated absences	38,731	-	-	-	38,731
Deferred revenue	-	-	-	23,585	23,585
Total current liabilities	62,644	6,980	8,159	116,882	194,665
<b>Noncurrent Liabilities:</b>					
Pensions obligation	710,967	-	-	-	710,967
Other post employment benefits (OPEB)	207,257	-	-	-	207,257
Accrued compensated absences	10,532	-	-	-	10,532
Total noncurrent liabilities	928,756	-	-	-	928,756
Total liabilities	991,400	6,980	8,159	116,882	1,123,421
<b>Deferred Inflows of Resources</b>					
Deferred pension related inflows	28,224	-	-	-	28,224
Deferred OPEB related inflows	43,277	-	-	-	43,277
Total deferred inflows of resources	71,501	-	-	-	71,501
<u>NET POSITION</u>					
Net invested in capital assets	18,905	3,385,614	-	-	3,404,519
Unrestricted	(771,064)	4,452,833	651,522	2,829,998	7,163,289
<b>TOTAL NET POSITION</b>	<u>\$ (752,159)</u>	<u>\$7,838,447</u>	<u>\$ 651,522</u>	<u>\$2,829,998</u>	<u>\$ 10,567,808</u>

See auditors report on pages 11-12.

**CITY OF PADUCAH, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Fleet Maintenance</u>	<u>Fleet Lease Trust</u>	<u>Insurance Fund</u>	<u>Health Insurance Fund</u>	<u>Combined Total</u>
<b>Operating Revenues:</b>					
Charges for services - internal	\$ 406,795	\$ 987,184	\$ 1,252,282	\$ 3,227,488	\$ 5,873,749
Charges for services - external	-	-	-	261,569	261,569
Total operating revenues	<u>406,795</u>	<u>987,184</u>	<u>1,252,282</u>	<u>3,489,057</u>	<u>6,135,318</u>
<b>Operating Expenses:</b>					
Vehicle maintenance	475,456	-	-	-	475,456
Administrative	-	53,819	-	496,446	550,265
Insurance premium, claims and medical	-	-	1,247,016	2,797,446	4,044,462
Depreciation	6,368	874,703	-	-	881,071
Total operating expenses	<u>481,824</u>	<u>928,522</u>	<u>1,247,016</u>	<u>3,293,892</u>	<u>5,951,254</u>
Operating income (loss)	<u>(75,029)</u>	<u>58,662</u>	<u>5,266</u>	<u>195,165</u>	<u>184,064</u>
<b>Nonoperating Revenues and (Expenses):</b>					
Interest and investment income	-	92,580	-	41,077	133,657
Gain (loss) on disposal of property and equipment	586	48,672	-	-	49,258
Total nonoperating revenues (expenses)	<u>586</u>	<u>141,252</u>	<u>-</u>	<u>41,077</u>	<u>182,915</u>
Income (loss) before transfers	<u>(74,443)</u>	<u>199,914</u>	<u>5,266</u>	<u>236,242</u>	<u>366,979</u>
<b>Contributions and Transfers:</b>					
Transfers in	164,910	-	122,063	-	286,973
Transfers out	-	-	-	-	-
Total contributions and operating transfers	<u>164,910</u>	<u>-</u>	<u>122,063</u>	<u>-</u>	<u>286,973</u>
Change in net position	90,467	199,914	127,329	236,242	653,952
Net position - beginning as restated (See Note 13)	<u>(842,626)</u>	<u>7,638,533</u>	<u>524,193</u>	<u>2,593,756</u>	<u>9,913,856</u>
Net position - ending	<u><u>\$(752,159)</u></u>	<u><u>\$7,838,447</u></u>	<u><u>\$ 651,522</u></u>	<u><u>\$ 2,829,998</u></u>	<u><u>\$10,567,808</u></u>

See auditors report on pages 11-12.

**CITY OF PADUCAH, KENTUCKY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Fleet Maintenance</b>	<b>Fleet Lease Trust</b>	<b>Insurance Fund</b>	<b>Health Insurance Fund</b>	<b>Combined Total</b>
<b>Cash Flows from Operating Activities:</b>					
Receipts from other funds for services	\$ 397,781	\$ 1,058,511	\$ 1,251,773	\$ 3,455,373	\$ 6,163,438
Payments to suppliers	(132,589)	(1,200,000)	-	-	(1,332,589)
Payments to employees	(413,682)	-	-	-	(413,682)
Insurance premium, claims and medical	-	-	(1,255,113)	(2,812,963)	(4,068,076)
Other payments	-	(282,556)	-	(496,444)	(779,000)
Net cash provided (used) by operating activities	<u>(148,490)</u>	<u>(424,045)</u>	<u>(3,340)</u>	<u>145,966</u>	<u>(429,909)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>					
Transfers from other funds	164,910	-	122,063	-	286,973
Transfers to other funds	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	<u>164,910</u>	<u>-</u>	<u>122,063</u>	<u>-</u>	<u>286,973</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Proceeds from sale of capital assets	586	52,224	-	-	52,810
Purchase of capital assets	-	(336,837)	-	-	(336,837)
Net cash used by capital and related financing	<u>586</u>	<u>(284,613)</u>	<u>-</u>	<u>-</u>	<u>(284,027)</u>
<b>Cash Flows from Investing Activities:</b>					
Interest and dividends	-	92,580	-	41,077	133,657
Purchase of investments	-	-	(250,000)	(750,000)	(1,000,000)
Net cash used by investing activities	<u>-</u>	<u>92,580</u>	<u>(250,000)</u>	<u>(708,923)</u>	<u>(866,343)</u>
Net increase (decrease) in cash and cash equivalents	17,006	(616,078)	(131,277)	(562,957)	(1,293,306)
Cash and cash equivalents, July 1, 2018	300	3,322,180	540,449	1,652,326	5,515,255
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2019</b>	<u>\$ 17,306</u>	<u>\$ 2,706,102</u>	<u>\$ 409,172</u>	<u>\$ 1,089,369</u>	<u>\$ 4,221,949</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>					
Operating income (loss)	\$ (75,029)	\$ 58,662	\$ 5,266	\$ 195,165	\$ 184,064
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	6,368	874,703	-	-	881,071
Change in assets and liabilities:					
Receivables	(9,014)	71,327	(509)	(36,935)	24,869
Prepaid expense	-	(1,200,000)	-	-	(1,200,000)
Inventories	361	-	-	-	361
OPEB obligation and related deferrals	(32,555)	-	-	-	(32,555)
Pension obligation and related deferrals	(50,081)	-	-	-	(50,081)
Accounts payable and accrued expenses	11,460	(228,737)	(8,097)	(12,264)	(237,638)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ (148,490)</u>	<u>\$ (424,045)</u>	<u>\$ (3,340)</u>	<u>\$ 145,966</u>	<u>\$ (429,909)</u>

See auditors report on pages 11-12.

**CITY OF PADUCAH, KENTUCKY**

**SUPPLEMENTARY INFORMATION**

***FIDUCIARY FUNDS***

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2019**

**COMBINING FINANCIAL STATEMENTS  
FIDUCIARY FUNDS**

**Private-purpose Trust Funds**

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

**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS - PRIVATE-PURPOSE TRUST FUNDS**  
**JUNE 30, 2019**

	<b>Cemetery and Park Trusts</b>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 104,432
Investments at fair value	
Money market funds	-
Mutual funds	<u>1,086,943</u>
Total assets	<u>1,191,375</u>
<b><u>LIABILITIES</u></b>	
Accounts payable	<u>-</u>
<b><u>NET POSITION</u></b>	
Held in trust for other purposes	<u><u>\$ 1,191,375</u></u>

See auditors report on pages 11-12.

**CITY OF PADUCAH, KENTUCKY**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS - PRIVATE-PURPOSE TRUST FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u><b>Cemetery and Park Trusts</b></u>
<b>Additions:</b>	
Contributions:	
Intergovernmental revenues	\$ -
Private donations	2,060
Total contributions	<u>2,060</u>
Investment earnings:	
Change in fair value of investments	(32,629)
Interest and dividends	69,089
Net investment earnings	<u>36,460</u>
Total additions	<u>38,520</u>
<b>Deductions:</b>	
Capital outlay	50,313
Administrative expenses	13,900
Total deductions	<u>64,213</u>
Change in net position	(25,693)
Net position - beginning	<u>1,217,068</u>
Net position - ending	<u><u>\$ 1,191,375</u></u>

See auditors report on pages 11-12.

**COMBINING FINANCIAL STATEMENTS  
FIDUCIARY FUNDS**

**Agency Fund**

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

**CITY OF PADUCAH, KENTUCKY**  
**AGENCY FUND**  
**STATEMENT OF CHANGES**  
**IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

<b>Payroll Fund:</b>	<u><b>Balance</b></u> <u><b>July 1, 2018</b></u>	<u><b>Additions</b></u>	<u><b>Deductions</b></u>	<u><b>Balance</b></u> <u><b>June 30, 2019</b></u>
Assets:				
Cash and cash equivalents	<u>\$ 858,399</u>	<u>\$14,503,997</u>	<u>\$14,637,811</u>	<u>\$724,585</u>
Liabilities:				
Payroll taxes and withholdings payable	<u>\$ 858,399</u>	<u>\$14,503,997</u>	<u>\$14,637,811</u>	<u>\$724,585</u>

See auditors report on pages 11-12.

**CITY OF PADUCAH, KENTUCKY**

**STATISTICAL SECTION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2019**

## **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.*

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being changed over time.	<b>129-133</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and employee taxes.	<b>134-139</b>
<b>Debt Capacity</b> 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.	<b>140-143</b>
<b>Economic and Demographic Information</b> These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	<b>144-145</b>
<b>Operating Information</b> 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.	<b>146-148</b>

**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									
	2019	2018 (1)	2017	2016	2015 (2)	2014	2013	2012	2011	2010 (3)
<b>Governmental activities:</b>										
Net Invested in Capital Assets	\$ 55,243,449	\$ 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
Restricted for:										
Program purposes	213,379	128,699	131,055	147,218	144,857	205,979	284,760	897,942	1,264,986	1,100,696
Capital projects	964,320	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
Unrestricted	(37,543,113)	(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
<b>Total governmental activities net position</b>	<b>\$ 18,878,035</b>	<b>\$ 22,884,486</b>	<b>\$ 37,333,171</b>	<b>\$ 24,362,615</b>	<b>\$ 19,712,327</b>	<b>\$ 55,601,018</b>	<b>\$ 48,490,497</b>	<b>\$ 42,874,959</b>	<b>\$ 44,387,863</b>	<b>\$ 45,479,337</b>
<b>Business-type activities:</b>										
Net Invested in Capital Assets	2,494,761	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
Restricted for:										
Program purposes	-	-	-	38,247	124,012	437,483	385,885	732,817	999,885	620,800
Unrestricted	256,715	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
<b>Total business-type activities net position</b>	<b>\$ 2,751,476</b>	<b>\$ 3,036,330</b>	<b>\$ 3,666,108</b>	<b>\$ 4,911,203</b>	<b>\$ 4,291,060</b>	<b>\$ 5,484,932</b>	<b>\$ 5,046,887</b>	<b>\$ 5,287,711</b>	<b>\$ 5,338,898</b>	<b>\$ 4,090,466</b>
<b>Primary government:</b>										
Net Invested in Capital Assets	57,738,210	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
Restricted for:										
Program purposes	213,379	128,699	131,055	185,465	268,869	643,462	670,645	1,630,759	2,264,871	1,721,496
Capital projects	964,320	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
Unrestricted	(37,286,398)	(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
<b>Total primary government net position</b>	<b>\$ 21,629,511</b>	<b>\$ 25,920,816</b>	<b>\$ 40,999,279</b>	<b>\$ 29,273,818</b>	<b>\$ 24,003,387</b>	<b>\$ 61,085,950</b>	<b>\$ 53,537,384</b>	<b>\$ 48,162,670</b>	<b>\$ 49,726,761</b>	<b>\$ 49,569,803</b>

(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									
	2019	2018 (1)	2017	2016	2015 (2)	2014	2013	2012	2011	2010 (3)
<b>Expenses</b>										
<i>Governmental activities:</i>										
General government	\$ 8,891,713	\$ 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
Public safety	27,002,119	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
Public service	7,681,383	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
Parks and recreation	3,544,515	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
Planning and development	3,511,710	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
Interest on long-term debt	800,175	861,589	885,380	900,593	850,827	1,084,016	1,066,876	1,059,537	1,363,580	1,099,450
Total governmental activities expenses	<u>51,431,615</u>	<u>48,418,843</u>	<u>41,622,484</u>	<u>45,413,299</u>	<u>39,293,651</u>	<u>39,067,751</u>	<u>37,456,789</u>	<u>41,053,917</u>	<u>39,432,102</u>	<u>38,394,895</u>
<i>Business-type activities:</i>										
Solid Waste	4,512,447	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
Section Eight Housing	2,046,520	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
Civic Center	70,956	76,639	92,471	74,457	98,318	81,982	78,000	71,069	76,546	69,537
Transit Boat Dock	93,047	50,535	1,031	-	-	-	-	-	-	-
TISA	-	-	-	-	-	-	-	173,708	183,546	206,798
Total business-type activities expenses	<u>6,722,970</u>	<u>6,287,604</u>	<u>5,948,850</u>	<u>5,764,007</u>	<u>5,760,727</u>	<u>5,923,084</u>	<u>6,078,333</u>	<u>6,066,045</u>	<u>6,048,950</u>	<u>6,134,802</u>
Total primary government expenses	<u>\$ 58,154,585</u>	<u>\$ 54,706,447</u>	<u>\$ 47,571,334</u>	<u>\$ 51,177,306</u>	<u>\$ 45,054,378</u>	<u>\$ 44,990,835</u>	<u>\$ 43,535,122</u>	<u>\$ 47,119,962</u>	<u>\$ 45,481,052</u>	<u>\$ 44,529,697</u>
<b>Program Revenue:</b>										
<i>Governmental activities:</i>										
Charges for services:										
General government	\$ 1,347,624	\$ 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
Public safety	523,209	571,427	340,705	237,641	237,222	264,143	354,829	509,297	790,650	484,754
Public service	994,610	962,822	967,518	1,065,010	945,471	960,271	963,893	1,032,953	1,205,666	1,197,194
Parks and recreation	126,473	125,996	121,929	132,909	108,307	105,248	106,183	97,896	129,790	152,890
Planning and development	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	2,513,938	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
Capital grants and contributions	1,685,423	542,980	3,702,428	4,139,036	899,522	4,136,749	2,165,548	533,169	1,767,093	1,390,848
Total governmental activities program revenues	<u>7,191,277</u>	<u>5,922,048</u>	<u>14,291,619</u>	<u>12,883,090</u>	<u>5,736,998</u>	<u>12,558,678</u>	<u>8,183,246</u>	<u>5,877,407</u>	<u>7,031,333</u>	<u>6,032,076</u>
<i>Business-type activities:</i>										
Solid Waste	\$ 4,597,398	\$ 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
Section Eight Housing	1,504	-	-	-	-	-	-	-	-	-
Civic Center	29,784	35,670	36,725	40,148	43,486	41,266	38,265	34,038	33,766	32,455
Transit Boat Dock	79,362	43,534	-	-	-	-	-	-	-	-
TISA	-	-	-	-	-	-	-	99,603	138,797	148,158
Operating grants and contributions	2,057,051	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
Capital grants and contributions	-	-	-	-	-	-	-	15,266	8,659	27,239
Total business-type activities program revenues	<u>6,765,099</u>	<u>6,600,560</u>	<u>6,566,242</u>	<u>6,405,781</u>	<u>6,241,715</u>	<u>6,408,320</u>	<u>6,137,563</u>	<u>6,234,229</u>	<u>7,057,901</u>	<u>6,984,659</u>
Total primary government program revenues	<u>\$ 13,956,376</u>	<u>\$ 12,522,608</u>	<u>\$ 20,857,861</u>	<u>\$ 19,288,871</u>	<u>\$ 11,978,713</u>	<u>\$ 18,966,998</u>	<u>\$ 14,320,809</u>	<u>\$ 12,111,636</u>	<u>\$ 14,089,234</u>	<u>\$ 13,016,735</u>

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

	Fiscal Year									
	2019	2018 (1)	2017	2016	2015 (1)	2014	2013	2012	2011	2010 (3)
<b>Net (Expense)/Revenue</b>										
<i>Governmental activities</i>	\$ (44,240,338)	\$ (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)
<i>Business-type activities</i>	42,129	312,956	617,392	641,774	480,988	485,236	59,230	168,184	1,008,951	849,857
Total primary government net (expense)	<u>\$ (44,198,209)</u>	<u>\$ (42,183,839)</u>	<u>\$ (26,713,473)</u>	<u>\$ (31,888,435)</u>	<u>\$ (33,075,665)</u>	<u>\$ (26,023,837)</u>	<u>\$ (29,214,313)</u>	<u>\$ (35,008,326)</u>	<u>\$ (31,391,818)</u>	<u>\$ (31,512,962)</u>
<b>General Revenues and Other Changes in Net Position</b>										
<i>Governmental activities:</i>										
Taxes and licenses:										
Property taxes, levied for general purposes	5,449,122	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
Insurance premium tax	4,486,038	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
Gross receipts license tax	4,367,410	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
Employee license tax	21,648,742	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
Other taxes	2,941,096	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
Intergovernmental revenue	-	-	-	-	-	-	-	-	-	-
Unrestricted investment earnings	728,227	428,721	188,097	137,224	176,229	232,204	211,306	203,261	264,913	172,213
Miscellaneous	99,208	14,190	51,922	189,489	16,870	(482,137)	300,378	36,718	62,539	64,620
Insurance recoveries	-	-	-	-	-	-	-	27,448	410,462	-
Litigation settlement	-	-	-	-	-	-	-	-	(1,482,743)	-
Transfers in/out	514,046	390,048	2,274,377	137,582	194,014	212,128	485,138	270,620	(125,772)	(78,893)
Total governmental activities	<u>40,233,889</u>	<u>39,404,361</u>	<u>40,301,421</u>	<u>37,180,497</u>	<u>35,355,356</u>	<u>33,760,448</u>	<u>34,889,081</u>	<u>33,663,606</u>	<u>31,309,295</u>	<u>31,620,788</u>
<i>Business-type activities:</i>										
Unrestricted investment earnings	91,140	54,139	37,644	30,302	39,565	48,255	49,382	48,806	46,052	33,724
Miscellaneous	75,923	(13,063)	374,244	85,649	8,339	116,682	135,702	2,443	67,657	1,112
Transfers	(514,046)	(390,048)	(2,274,377)	(137,582)	(194,014)	(212,128)	(485,138)	(270,620)	125,772	78,893
Total business-type activities	<u>(346,983)</u>	<u>(348,972)</u>	<u>(1,862,489)</u>	<u>(21,631)</u>	<u>(146,110)</u>	<u>(47,191)</u>	<u>(300,054)</u>	<u>(219,371)</u>	<u>239,481</u>	<u>113,729</u>
<b>Change in Net Position</b>										
<i>Governmental activities:</i>	(4,006,449)	(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)
<i>Business-type activities:</i>	(304,854)	(36,016)	(1,245,097)	620,143	334,878	438,045	(240,824)	(51,187)	1,248,432	963,586
Total primary government	<u>\$ (4,311,303)</u>	<u>\$ (3,128,450)</u>	<u>\$ 11,725,459</u>	<u>\$ 5,270,431</u>	<u>\$ 2,133,581</u>	<u>\$ 7,689,420</u>	<u>\$ 5,374,714</u>	<u>\$ (1,564,091)</u>	<u>\$ 156,958</u>	<u>\$ 221,555</u>

- (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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010 (1)
<b>General Fund</b>										
Unassigned	\$ 19,184,079	\$ 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	<u>\$ 19,184,079</u>	<u>\$ 17,697,273</u>	<u>\$ 15,330,645</u>	<u>\$ 13,198,126</u>	<u>\$ 12,549,232</u>	<u>\$ 12,694,610</u>	<u>\$ 12,311,565</u>	<u>\$ 11,321,438</u>	<u>\$ 10,940,121</u>	<u>\$ 10,208,678</u>
<b>All Other Governmental Funds</b>										
Nonspendable:										
Inventory	\$ 474,816	\$ 471,135	\$ 525,732	\$ 623,735	\$ 828,419	\$ 1,497,659	\$ 1,336,234	\$ 1,098,304	\$ 1,253,953	\$ 1,416,130
Restricted for:										
Program purposes	996,071	758,139	736,461	1,296,007	1,303,030	205,979	284,760	1,236,780	-	-
Capital improvements	181,628	1,330,513	1,532,244	-	1,269,045	2,168,201	1,301,421	286,276	-	-
Committed for:										
Capital improvements	2,352,368	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
Assigned for:										
Program purposes	1,491,921	1,323,941	1,325,941	1,049,802	951,296	802,692	752,691	472,235	683,578	1,402,731
Capital improvements	<u>3,987,920</u>	<u>5,851,629</u>	<u>7,429,412</u>	<u>5,179,330</u>	<u>4,665,475</u>	<u>3,206,412</u>	<u>3,055,250</u>	<u>1,487,938</u>	<u>2,133,786</u>	<u>5,151,791</u>
Total all other governmental funds	<u>\$ 9,484,724</u>	<u>\$ 12,045,978</u>	<u>\$ 13,937,712</u>	<u>\$ 10,167,455</u>	<u>\$ 10,832,099</u>	<u>\$ 9,639,877</u>	<u>\$ 9,319,455</u>	<u>\$ 7,212,766</u>	<u>\$ 6,658,329</u>	<u>\$ 10,815,358</u>

(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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Revenues:</b>										
Taxes	\$ 7,803,520	\$ 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
Licenses	30,987,476	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
Charges for services	980,827	1,037,668	964,766	884,259	848,971	851,080	815,791	817,607	811,590	846,087
Intergovernmental	1,246,666	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
Grants	2,580,700	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
Interest	594,569	364,975	144,079	115,922	148,411	199,583	175,371	162,580	205,837	121,246
Other	2,292,786	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
<b>Total revenues</b>	<b>46,486,544</b>	<b>45,008,998</b>	<b>48,786,544</b>	<b>49,694,459</b>	<b>41,938,253</b>	<b>46,571,536</b>	<b>42,493,554</b>	<b>38,870,536</b>	<b>38,877,558</b>	<b>38,081,101</b>
<b>Expenditures:</b>										
General government	4,776,778	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
Public safety	20,216,219	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
Public service	7,135,831	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
Parks and recreation	3,255,263	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
Planning and development	1,290,569	1,071,878	936,855	910,379	950,297	2,086,527	1,776,897	2,372,314	1,842,474	2,471,869
Other	430,441	441,674	393,812	441,742	247,878	640,452	766,847	516,534	486,239	847,188
Capital outlay	10,433,993	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
Debt service:										
Principal requirement	2,443,416	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
Debt issuance costs	86,283	-	-	-	51,461	109,292	-	-	-	-
Interest and fiscal requirement	787,368	804,620	810,917	845,609	817,191	1,086,866	1,089,447	1,114,852	1,519,329	1,077,128
<b>Total expenditures</b>	<b>50,856,161</b>	<b>44,775,518</b>	<b>48,005,749</b>	<b>49,639,778</b>	<b>40,950,867</b>	<b>49,310,208</b>	<b>40,448,566</b>	<b>39,414,044</b>	<b>42,436,984</b>	<b>43,584,932</b>
<b>Other Financing Sources (Uses):</b>										
Bonds issued	5,370,000	-	-	-	4,225,000	9,055,000	-	-	-	6,645,000
Payment to bond escrow agent	(2,815,573)	-	-	-	(4,143,964)	(5,627,447)	-	-	-	-
Premium on debt issued	332,097	-	-	-	-	220,683	-	-	-	-
Discount on debt issued	-	-	-	-	(29,576)	(53,529)	-	-	-	-
Long-term debt draws/issued	133,749	-	3,000,000	-	-	-	308,112	101,983	366,039	1,480,781
Capital lease	-	-	-	-	-	-	405,796	405,796	405,796	405,796
Transfers in	10,644,129	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
Transfers out	(10,369,233)	(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)
<b>Total other financing sources (uses)</b>	<b>3,295,169</b>	<b>241,414</b>	<b>5,121,982</b>	<b>(70,431)</b>	<b>56,085</b>	<b>3,544,349</b>	<b>1,051,828</b>	<b>587,087</b>	<b>1,026,015</b>	<b>8,360,720</b>
<b>Net change in fund balances</b>	<b>\$ (1,074,448)</b>	<b>\$ 474,894</b>	<b>\$ 5,902,777</b>	<b>\$ (15,750)</b>	<b>\$ 1,043,471</b>	<b>\$ 805,677</b>	<b>\$ 3,096,816</b>	<b>\$ 43,579</b>	<b>\$ (2,533,411)</b>	<b>\$ 2,856,889</b>
<b>Capital outlay (1)</b>	<b>\$ 7,057,338</b>	<b>\$ 4,871,811</b>	<b>\$ 8,180,134</b>	<b>\$ 9,718,561</b>	<b>\$ 1,481,948</b>	<b>\$ 10,843,726</b>	<b>\$ 4,034,424</b>	<b>\$ 2,156,290</b>	<b>\$ 4,833,547</b>	<b>\$ 8,763,073</b>
Debt service as a percentage of noncapital expenditures	7.38%	7.92%	7.67%	7.47%	7.54%	7.37%	7.66%	6.84%	9.98%	6.02%

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

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

Fiscal Year	Assessed Value				Estimated Actual Value	Total Direct Tax Rate	Percent Assessed To Estimated Value	Exemptions	
	Real Estate		Personal Property	Franchise					
	Commercial	Residential							
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
2019	959,205,670	882,316,666	550,296,896	65,404,364	2,457,223,596	2,541,130,248	0.291	96.7%	83,906,652

**Source:** McCracken County Property Valuation Administrator

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

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

Fiscal Year	City Direct Rates			McCracken Co. School Districts		City of Paducah School Districts		Paducah Junior College		McCracken County	
	General Fund		Total Direct Rate	Real Estate	Personal	Real Estate	Personal	Real Estate	Personal	Real Estate	Personal
	Real Estate	Personal									
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
2019	0.261	0.390	0.291	0.538	0.538	0.840	0.840	0.016	0.016	0.096	0.132

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**

<b>Taxpayer</b>	<b>2019</b>		<b>2010</b>	
	<b>(1)</b> <b>Assessed</b> <b>Valuation</b>	<b>(1)</b> <b>Percentage of</b> <b>Total Assessed</b> <b>Valuation</b>	<b>(2)</b> <b>Assessed</b> <b>Valuation</b>	<b>(2)</b> <b>Percentage of</b> <b>Total Assessed</b> <b>Valuation</b>
Kentucky Oaks Mall	\$ 50,900,262	2.07%	\$ 50,900,262	2.54%
Cpark Paducah LLC	20,111,900	0.82%		
Paducah Medical Investors	13,440,090	0.55%	13,440,090	0.67%
Ducmall LLC	13,119,800	0.53%	14,374,800	0.72%
Woodstone Enterprises LP	12,429,000	0.51%		
Wal Mart Real Estate Business	10,646,400	0.43%	10,646,400	0.53%
Superior Care Homes Properties	10,000,000	0.41%		
S & R Investments	1,000,000	0.04%		
Paducah Hospitality Partners	9,600,000	0.39%		
Sams Real Estate Business Trust	9,222,955	0.38%	9,222,955	0.46%
Computer Service Inc			9,083,185	0.45%
Wal Mart Store			9,000,000	0.45%
Olivet Church 1031 LLC			10,245,400	0.51%
<b>TOTALS</b>	<b>\$ 150,470,407</b>	<b>6.13%</b>	<b>\$ 126,913,092</b>	<b>6.33%</b>

(1) Source - Property Valuation Administration; Assessed value as of January 1, 2018.

(2) Source - Property Valuation Administration; Assessed value as of January 1, 2009.

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

<b>Fiscal Year Ended June 30,</b>	<b>(1) Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>(1) Amount of Collections</b>	<b>Percent of Levy Collected</b>		<b>Total Collections</b>	<b>Percent of Levy Collected</b>
2010	4,249,909	4,131,454	97.2%	109,658	4,241,112	99.8%
2011	4,188,441	4,110,973	98.2%	68,128	4,179,101	99.8%
2012	4,217,157	4,119,689	97.7%	88,788	4,208,477	99.8%
2013	4,429,684	4,334,698	97.9%	85,360	4,420,058	99.8%
2014	4,596,255	4,509,874	98.1%	74,567	4,584,441	99.7%
2015	4,720,677	4,644,522	98.4%	61,453	4,705,975	99.7%
2016	4,878,157	4,802,067	98.4%	56,295	4,858,362	99.6%
2017	4,986,723	4,888,303	98.0%	71,863	4,960,166	99.5%
2018	5,210,057	5,120,761	98.3%	42,989	5,163,750	99.1%
2019	5,444,786	5,323,669	97.8%	-	5,323,669	97.8%

(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**

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<b>Fiscal Year</b>	<b>(1) Taxes Collected</b>	<b>Direct Tax Rate</b>
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%
2019	21,648,742	2.00%
	<u>191,005,463</u>	

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

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

<b>Taxpayers By Range</b>	<b>2019</b>			
	<b>Number of Filers</b>	<b>Percentage of Total</b>	<b>(1) Taxes Collected</b>	<b>Percentage of Total Employee License Tax</b>
\$0 - \$50,000	2,190	97.42%	9,837,758	45.44%
\$50,001 - \$100,000	28	1.25%	2,092,371	9.67%
\$100,001 - \$500,000	25	1.11%	5,296,050	24.46%
Greater than \$500,000	5	0.22%	4,422,563	20.43%
<b>TOTALS</b>	<b>2,248</b>	<b>100.00%</b>	<b>\$ 21,648,742</b>	<b>100.00%</b>

<b>Taxpayers By Range</b>	<b>2010</b>			
	<b>Number of Filers</b>	<b>Percentage of Total</b>	<b>(1) Taxes Collected</b>	<b>Percentage of Total Employee License Tax</b>
\$0 - \$50,000	1,936	99.38%	11,701,363	71.42%
\$50,001 - \$100,000	8	0.41%	1,553,815	9.48%
\$100,001 - \$500,000	4	0.21%	3,129,331	19.10%
Greater than \$500,000	0	0.00%	-	0.00%
<b>TOTALS</b>	<b>1,948</b>	<b>100.00%</b>	<b>\$ 16,384,509</b>	<b>100.00%</b>

(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**

<b>Fiscal Year</b>	<b>Reported General Obligation Bonds</b>	<b>Public Improvement Debt</b>	<b>Capital Lease</b>	<b>Net Public Improvement Debt</b>	<b>Net Refunding Revenue Bonds</b>	<b>Total Primary Government</b>	<b>(1) Ratio of Net Debt to Actual Value</b>	<b>(3) Net Debt as Percentage of Personal Income</b>	<b>(2) Net Debt Per Capita</b>
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
2019	19,863,092	6,451,453	-	-	-	26,314,545	1.04	5.23%	1,052

**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	Riverfront and E911 Equipment	Amortization of Discounts and Premiums	Total	(1)	(2)
											Ratio of Net Bonds to Actual Value	Net Bonds Per Capita
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
2019	3,610,000	2,845,000	1,600,000	2,355,000	3,870,000	790,000	1,750,000	2,700,000	343,092	19,863,092	0.78	794

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

**TABLE 13**  
**CITY OF PADUCAH, KENTUCKY**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF JUNE 30, 2019**

	<b>Reported Debt Outstanding</b>	<b>(1) Percentage Applicable to the City</b>	<b>Estimated Share of Direct and Overlapping Debt</b>
City of Paducah	<u>\$ 26,314,545</u>	100.00%	<u>\$ 26,314,545</u>
Paducah Independent School District	60,927,000 *	100.00%	60,927,000
McCracken County	23,939,454 *	46.10%	11,036,088
McCracken County Board of Education	<u>88,375,000 *</u>	<u>32.40%</u>	<u>28,633,500</u>
Overlapping debt	<u>173,241,454</u>		<u>100,596,588</u>
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b>	<b><u><u>\$ 199,555,999</u></u></b>		<b><u><u>\$ 126,911,133</u></u></b>

(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		\$ 2,457,223,596
Add exemption		<u>83,906,652</u>
Total assessed value		<u>\$ 2,541,130,248</u>
Debt limit - 10% of total assessed (1)		\$ 254,113,025
Debt outstanding:		
General obligation bonds outstanding	\$ 19,863,092	
Note payable	6,451,453	
Less debt not subject to limit	<u>-</u>	
Gross bonded debt	26,314,545	
Less amount available in debt service funds	<u>1,177,687</u>	
Net bonded indebtedness subject to limit		<u>25,136,858</u>
LEGAL DEBT MARGIN		<u><u>\$ 228,976,167</u></u>

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Debt limit	<u>\$ 254,113,025</u>	<u>\$ 244,995,800</u>	<u>\$ 244,792,901</u>	<u>\$ 239,483,487</u>	<u>\$ 233,374,672</u>	<u>\$ 227,059,775</u>	<u>\$ 221,497,836</u>	<u>\$ 212,207,634</u>	<u>\$ 210,312,025</u>	<u>\$ 207,696,169</u>
Total net debt applicable to limit	<u>25,136,858</u>	<u>24,778,288</u>	<u>27,011,206</u>	<u>26,489,770</u>	<u>28,769,092</u>	<u>30,721,830</u>	<u>28,966,286</u>	<u>30,936,733</u>	<u>29,716,418</u>	<u>31,377,263</u>
LEGAL DEBT MARGIN	<u><u>\$ 228,976,167</u></u>	<u><u>\$ 220,217,512</u></u>	<u><u>\$ 217,781,695</u></u>	<u><u>\$ 212,993,717</u></u>	<u><u>\$ 204,605,580</u></u>	<u><u>\$ 196,337,945</u></u>	<u><u>\$ 192,531,550</u></u>	<u><u>\$ 181,270,901</u></u>	<u><u>\$ 180,595,607</u></u>	<u><u>\$ 176,318,906</u></u>
Total net debt applicable to the limited as a percentage of debt limit	9.89%	10.11%	11.03%	11.06%	12.33%	13.08%	14.58%	14.13%	15.11%	12.03%

(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**

<b>Fiscal Year</b>	<b>(1) Population</b>	<b>(1) Personal Income</b>	<b>(1) Per Capita Income</b>	<b>(1) Median Age</b>	<b>(2) School Enrollment</b>	<b>(3) Unemployment Rate</b>
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%
2018-2019	25,024	503,179,300	20,430	41.4	2,980	5.5%

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**

<u>Employer</u>	<u>2019</u>		<u>2010</u>	
	<u>Employees (1)</u>	<u>Percentage of Total Employment (2)</u>	<u>Employees (1)</u>	<u>Percentage of Total Employment (2)</u>
Baptist Healthcare Systems	1,592	5.71%		
Catholic Healthcare Partners	1,259	4.52%		
Wal-Mart Associates, Inc.	956	3.43%	1,130	3.88%
Paducah Board of Education	592	2.12%	694	2.38%
Kentucky Community & Technical College	450	1.61%	500	1.72%
City of Paducah	396	1.42%	395	1.36%
Lowes Home Center, Inc. #2460	347	1.25%		
Vi Wintech Window & Door	320	1.15%		
Credit Bureau Systems, Inc.	306	1.10%		
Baptist Health Medical Group Inc	305	1.09%		
Western Baptist Hospital			1,965	6.74%
Lourdes Hospital, Inc.			1,415	4.85%
State of Kentucky			338	1.16%
Paxton Media Group			290	0.99%
LYNX Services			214	0.73%
NRE Acquisitions			131	0.45%
<b>TOTALS</b>	<u>6,523</u>	<u>23.41%</u>	<u>7,072</u>	<u>24.26%</u>

(1) Source - City of Paducah Finance Department

(2) State of Kentucky - Office of Employment and Training. Ratio based on employment within County of McCracken.

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<i>Governmental Activities</i>										
<b>General government</b>										
General administration	12	12	12	11	11	11	12	12	12	12
Finance	11	11	11	11	11	11	11	11	14	14
Inspection	0	0	0	0	0	0	0	11	11	10
Information systems	6	5	5	5	5	5	6	6	6	6
Risk/Human resources	3	3	4	3	3	3	3	3	1	1
<b>Public safety</b>										
Police	87	87	87	87	87	87	88	90	90	90
Fire	76	77	76	76	76	76	74	64.5	64	65
<b>Public service</b>										
Streets	21.2	21.2	21.2	21	21	20	20	23	23	23
Facilities	12.8	12.8	12.8	12.5	12.5	13.5	13.5	11.5	14	34
Engineering	5.3	5.3	5.8	6.6	6.6	6.6	7.6	7.6	7	5
E911**	22	22	22	0	0	0	0	0	0	0
Other	5	5	5	5	5	5	5	5	6	4
<b>Parks and recreation</b>	27	27	25	25	25	24	24	24	24	7
<b>Planning and development</b>	12	11	11	10	10	9	9	9	9	9
<b>Other</b>										
Paducah Riverfront Dev. Authority	0	0	0	1	1	1	1	1	0	0
Renaissance	0	0	0	0	0	3	3	4	5	3
Fleet maintenance	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	8
<i>Business-type Activities</i>										
Solid waste	26.2	26.2	25.7	25.4	25.4	25.4	25.4	25.4	26	27
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>333</b>	<b>332</b>	<b>330</b>	<b>306</b>	<b>306</b>	<b>307</b>	<b>309</b>	<b>314.5</b>	<b>318</b>	<b>318</b>

\* Source - City of Paducah Human Resource 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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>General government</b>										
Building and electrical permits issued	1,130	1,179	1,285	1,344	1,175	1,251	1,202	1,232	1,239	1,263
Business licenses issued	3,401	4,240	4,234	3,826	3,729	3,717	3,966	3,956	3,254	3,397
<b>Public safety</b>										
Police										
Adult arrests	2,371	2,443	2,259	2,174	2,293	2,546	2,508	2,753	3,564	3,859
Murder	-	6	1	2	2	3	-	3	3	1
Rape	18	24	13	11	10	17	16	14	22	12
Robberies	29	17	29	42	41	36	38	14	31	56
Burglary	144	178	130	185	138	127	142	123	155	245
Auto theft	70	101	89	59	49	60	41	47	54	62
Larceny	1,115	1,064	1,027	1,173	1,138	1,090	1,110	1,005	1,013	1,092
Arson	9	10	6	7	2	3	5	7	6	7
Traffic accidents	1,901	1,770	1,826	1,936	1,722	1,664	1,573	1,666	1,762	1,774
Traffic violations	2,168	3,723	4,663	4,231	5,501	6,821	10,168	8,573	7,701	7,240
Fire										
Emergency responses	3,235	3,320	3,275	3,201	2,956	2,935	3,054	3,164	3,181	2,603
Fires extinguished	108	118	135	124	118	115	105	138	122	133
Structure fires	35	39	36	42	42	35	33	53	37	49
Incidents with reported losses	136	119	138	72	73	56	55	89	73	89
Medical/rescue	2,244	2,295	2,308	2,259	2,150	2,080	2,151	2,270	2,133	1,690
Tours/in-services/car seats	276	229	262	305	400	378	570	524	671	676
Training man hours	9,372	10,755	8,378	10,589	10,860	8,959	9,155	7,232	7,033	8,493
Inspections	1,060	709	2,126	2,060	1,324	1,710	1,157	1,417	1,063	985
<b>Refuse collection</b>										
Residential										
Refuse collected (tons per day)	37	36	36	41	34	36	36	34	34	38
Customers served	9,895	9,889	9,806	9,801	9,639	9,600	9,478	9,488	9,568	9,445
Commercial										
Refuse collected (tons per day)	69	70	70	61	64	61	65	71	71	70
Customers served	950	930	858	854	861	927	805	803	806	810
<b>Public service</b>										
911 dispatches	90,191	94,187	94,053	85,380	83,465	83,614	92,786	79,333	82,268	79,768
Police	47,719	53,522	53,896	46,660	44,337	43,877	51,131	43,686	44,794	42,496
Fire	3,296	3,351	3,314	3,230	3,152	3,517	4,747	3,189	3,226	2,702
Other	39,176	37,314	36,843	35,490	35,976	36,220	36,908	32,458	34,248	34,570

\* Information not available.

\*\* Information from city departments

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Public safety</b>										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Stations	5	5	5	5	5	5	5	5	5	5
<b>Refuse collection</b>										
Collection trucks										
Residential	10	10	10	10	10	10	10	10	9	9
Commercial	4	4	4	4	4	4	4	4	4	5
<b>Other public works</b>										
Streets (miles paved)	218	218	218	218	218	218	218	218	218	218
Sidewalks (miles)	47	47	47	47	47	47	47	47	47	47
Traffic signals	13	13	13	13	13	13	13	13	13	13
<b>Parks and recreation</b>										
Parks	29	29	29	29	28	28	27	27	27	27
Acreage	960	960	960	960	960	960	960	1125	1125	1125
Community centers	2	2	2	2	2	2	2	2	2	1
Swimming pools	1	1	1	1	1	1	1	1	1	1
Public tennis courts	7	6	6	6	6	6	6	6	6	6
Public golf/disk golf courses	4	4	4	4	4	4	3	3	3	3

\* Information from city departments.

**CITY OF PADUCAH, KENTUCKY**

**SINGLE AUDIT SECTION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2019**

**CITY OF PADUCAH, KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

<u>Federal Grantor/Pass-Through Grantor/ Program Title:</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Pass-Through To Subrecipients</u>	<u>Expenditures</u>
<b>Department of Housing and Urban Development:</b>				
Direct Programs:				
Section 8 Housing Choice Vouchers	14.871	N/A	\$ -	\$ 1,985,722
Pass-through Kentucky Governors Office for Local Development:				
Community Development Block Grants	14.228	N/A	-	325,186
Community Development Block Grants	14.228	N/A	200,000	200,000
Total Department of Housing and Urban Development			200,000	2,510,908
<b>Department of Justice:</b>				
Direct Programs:				
Bulletproof Vest Partnership Program	16.607	N/A	-	944
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	-	11,284
Assistance Grant Program	16.738	N/A	-	11,816
Total Department of Justice			-	24,044
<b>Department of Homeland Security:</b>				
Passed-through Kentucky Division of Homeland Security				
Homeland Security Grant Program	97.067	HS16115FRE	-	54,082
Homeland Security Grant Program	97.067	18-085	-	59,827
Passed-through Kentucky Division of Emergency Management:				
Disaster Grants - Public Assistance	97.036		-	400,506
Total Department of Homeland Security			-	514,415
<b>U.S. Department of the Treasury</b>				
Direct Programs:				
Equitable Sharing	21.016	N/A	-	3,345
Total U.S. Department of the Treasury			-	3,345
<b>Department of Transportation:</b>				
Passed-through Kentucky Transportation Cabinet				
State and Community Highway Safety	20.600	PT-18-59	-	3,412
State and Community Highway Safety	20.600	PT-19-525	-	7,713
Highway Planning and Construction	20.205	N/A	-	55,287
Highway Planning and Construction	20.205	N/A	-	(16,880)
Total Department of Transportation			-	49,532
<b>Delta Regional Authority</b>				
Direct Programs:				
Delta Area Economic Development	90.201		-	392,000
Total Department of the Interior			-	392,000
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 200,000	\$ 3,494,244

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, 2019

**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:

<b>Program Title</b>	<b>Federal CFDA Number</b>	<b>Amount Provided</b>
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	<u>\$ 3,494,244</u>
Federal Awards by Fund	
General Fund	\$ 406,351
Capital Improvement Fund	904,671
Special Revenue Fund	197,500
Proprietary Fund	<u>1,985,722</u>
Total Federal Awards	<u>\$ 3,494,244</u>



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

Honorable Brandi Harless, Mayor  
Members of the Board of Commissioners  
City of Paducah  
Paducah, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Paducah, Kentucky, as of and for the year ended June 30, 2019, 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 19, 2019.

**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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Kemper CPA Group, LLP*

Certified Public Accountants and Consultants  
Paducah, Kentucky  
December 19, 2019



**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, 2019. 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, 2019.

**Report on Internal Control Over Compliance**

Management of City of Paducah, Kentucky, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Paducah, Kentucky's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Paducah, Kentucky's internal control over compliance.

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

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

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

*Kemper CPA Group, LLP*

Certified Public Accountants and Consultants  
Paducah, Kentucky  
December 19, 2019

**CITY OF PADUCAH, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

**Section I – Summary of Auditor’s Results**

1. The independent auditor’s report expresses an unmodified opinion on whether the financial statements of the City of Paducah, Kentucky were prepared in accordance with generally accepted accounting principles.
2. No significant deficiencies relating to the audit of the financial statements are reported. No material weaknesses relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of the City of Paducah, Kentucky, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No deficiencies relating to the audit of major federal award programs are reported. No material weaknesses relating to the audit of major federal award programs are reported.
5. The auditor’s report on compliance for the major federal award programs for the City of Paducah, Kentucky expresses an unmodified opinion on all major federal programs.
6. There a findings to be reported in accordance with 2 CFR Section 200.516(a) in this schedule.
7. The programs tested as major programs included:

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

8. The threshold used for distinguishing Types A and B programs was \$750,000.
9. The City of Paducah, Kentucky did qualify to be audited as a low-risk auditee.

**Section II – Findings – Financial Statements Audit**

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

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

There are no findings or questioned costs related to the major federal programs which are required to be reported in accordance with Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Award* (Uniform Guidance).

**CITY OF PADUCAH, KENTUCKY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2018**

**Section II – Findings – Financial Statements Audit**

**Finding #2018-001**

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

*Status:* This finding has been corrected.

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

**Finding #2018-002**

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

*Status:* This finding has been corrected.