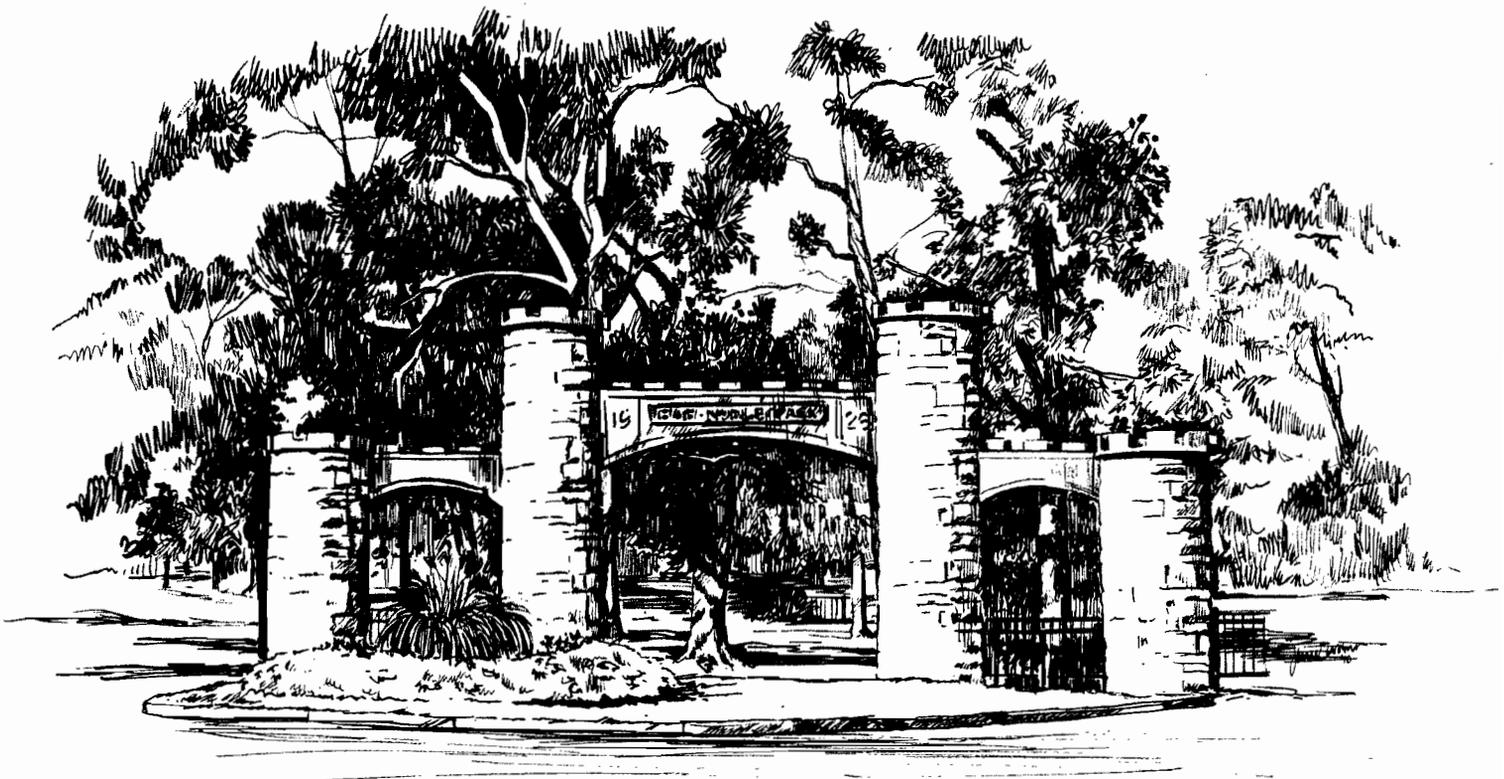


CITY OF PADUCAH, KENTUCKY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2010

FINANCE DEPARTMENT
CITY OF PADUCAH,
KENTUCKY



pen and ink

Charles Beck

James Cropper

City of Paducah
Paducah, Kentucky
Comprehensive Annual Financial Report
Year Ended June 30, 2010



**Issued by the
Finance Department**

CITY OF PADUCAH, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2010

TABLE OF CONTENTS

	<u>Exhibit No.</u>	<u>Page No.</u>
Introductory Section:		
Letter of Transmittal		1 - 8
Organizational Chart		9
Principal Officials		10
GFOA Certificate of Achievement		11
 Financial Section:		
Independent Auditor's Report		12-13
Required Supplementary Information:		
Management's Discussion and Analysis		14-28
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	1	29-30
Statement of Activities	2	31-32
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	3	33-34
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Assets	4	35-36
Statement of Revenues, Expenditures and Changes in Fund Balances	5	37-38
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	39-40
Budgetary Comparison Statement (Budgetary Basis) - General Fund	7	41-44
Budgetary Comparison Statement - Note to RSI - General Fund	8	45
Budgetary Comparison Statement (Budgetary Basis) - Special Revenue Investment Fund	9	46
Budgetary Comparison Statement - Note to RSI - Special Revenue Investment Fund	10	47
Budgetary Comparison Statement (Budgetary Basis) - Special Revenue Bond Fund	11	48
Budgetary Comparison Statement - Note to RSI - Special Revenue Bond Fund	12	49
Proprietary Funds:		
Statement of Net Assets	13	50
Statement of Revenues, Expenses and Changes in Fund Net Assets	14	51
Statement of Cash Flows	15	52
Fiduciary Funds:		
Statement of Net Assets	16	53
Statement of Changes in Net Assets	17	54
Component Units Financial Statements:		
Statement of Net Assets	18	55-56
Statement of Activities	19	57-58
Notes to Financial Statements		59-91
Required Supplementary Information:		
Pension Trust Fund Schedules	A-1	92

	<u>Exhibit No.</u>	<u>Page No.</u>
Supplementary Information:		
Nonmajor Governmental Funds:		
General Capital Improvements Detail Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	B-1	93
Debt Service Fund Detail Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	B-2	94
Combining Balance Sheet	B-3	95-96
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	B-4	97-98
Detail Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:		
Municipal Aid Program Fund	B-5	99
Emergency Communication Service Fund	B-6	100
Court Awards Fund	B-7	101
Small Grant Fund	B-8	102
CDBG Grant Fund	B-9	103
Home Grant Fund	B-10	104
HUD Revolving Grant Fund	B-11	105
PRA Fund	B-12	106
Nonmajor Proprietary Funds:		
Nonmajor Enterprise Funds:		
Combining Statement of Net Assets	C-1	107
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	C-2	108
Combining Statement of Cash Flows	C-3	109
Internal Service Funds:		
Combining Statement of Net Assets	D-1	110
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	D-2	111
Combining Statement of Cash Flows	D-3	112
Fiduciary Funds:		
Combining Statement of Net Assets – Pension Trust Funds	E-1	113
Combining Statement of Changes in Net Assets – Pension Trust Funds	E-2	114
Combining Statement of Net Assets – Private-purpose Trust Funds	E-3	115
Combining Statement of Changes in Net Assets – Private-purpose Trust Funds	E-4	116
Statement of Changes in Assets and Liabilities – Agency Funds	E-5	117

	<u>Table No.</u>	<u>Page No.</u>
Statistical Section:		
Net Assets by Component	1	118
Changes in Net Assets	2	119-121
Fund Balances, Governmental Funds	3	122
Changes in Fund Balances, Governmental Funds	4	123
Assessed and Estimated Actual Value of Taxable Property	5	124

	<u>Table No.</u>	<u>Page No.</u>
Statistical Section:		
Property Tax Rates - Direct and Overlapping Governments	6	125
Principal Taxpayers	7	126
Secured Tax Levies and Collections	8	127
Employee License Tax Collections	9	128
Principal Employee License Taxpayers	10	129
Ratio of Outstanding Debt by Type	11	130
Ratio of Net General Bonded Debt Outstanding	12	131
Direct and Overlapping Governmental Activities Debt	13	132
Legal Debt Margin Information	14	133
Demographic and Economic Statistics	15	134
Principal Employers	16	135
City Full-Time Employees by Function	17	136
Operating Indicators by Function	18	137
Capital Asset Statistics by Function	19	138
 Single Audit Section:		
Schedule of Expenditures of Federal Awards		139-140
Notes to the Schedule of Expenditures of Federal Awards		141
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		142-143
Report on Compliance with Requirements Applicable to each Major Program and On Internal Control Over Compliance in Accordance with OMB Circular A-133		144-145
Schedule of Findings and Questioned Costs		146

CITY OF PADUCAH, KENTUCKY

INTRODUCTORY SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2010



CITY OF PADUCAH

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

December 16, 2010

Honorable Mayor and Commissioners
City of Paducah
Paducah, Kentucky

We are pleased to submit Paducah's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2010. 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, 2010, is in the Management's Discussion and Analysis (MD&A) section of this report, immediately following the Report of Independent Auditors. The letter of transmittal is written to complement the MD&A and the financial statements, and should be read from that perspective and in conjunction with all other sections of the CAFR.

THE CITY

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

Industry

The Paducah area has moved from the traditional "manufacturing industry" to a "service industry" economy. Multi-state computer services, significant banking corporations, wholesale and retail trade, river-related services, the health care industry and related services are the major employment centers. Traditional manufacturing employment is heavily concentrated in the categories of chemicals, petroleum, coal and rubber, and enriched uranium.

Economic Development Activities

The Greater Paducah Economic Development Council (GPEDC) 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, GPEDC 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, GPEDC 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. The Info Park’s focal point was centered on the Resource Center, which was designed to coordinate resources of government, business and education.

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, GPEDC began assembling property to establish Riverport West, a 1,000-acre industrial park with rail and river access in western McCracken County.

In FY2010, as the following table indicates, there were 433-448 jobs created and retained, and \$20.63 million capital invested not to mention the added fiscal impact from the jobs created and capital invested. Additionally, numerous other retail shops opened, creating several dozen more service industry jobs, further strengthening Paducah’s retail market.

Summary of Capital Investment and New/Retained Jobs			
FY2010			
Company	Capital Investment In Millions	Jobs	
		New	Retained
H.T. Hackney	\$14.10	25-40	117
Paducah & Louisville Railway (announced)	\$4.20	10	50
Credit Bureau Systems	\$1.50	35	140
H.B. Fuller	\$.83	11	45
Total	\$20.63	81-96	352
Source: Greater Paducah Economic Development Council			

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. Higher education is available locally from West Kentucky Community and Technical College (WKCTC), formerly known as Paducah Community College, 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, which held classes this fall in its temporary location, while the permanent facility is developed.

Medical Facilities

Paducah serves as the regional medical center for much of the Jackson Purchase Area of Western Kentucky, a large portion of Southern Illinois, and Northwestern Tennessee. Paducah's medical industry has almost every major medical specialty represented in the physician population. The medical industry, represented by Lourdes Hospital and Western Baptist Hospital, provides over 640 beds for medical needs. The two largest hospitals, together, employ approximately 3,400 persons.

Recreation And Culture

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

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

The LowerTown Art and Music Festival is uniquely showcased within the borders of Paducah's 140-year-old historic neighborhood. The LowerTown Art and Music Festival is an outdoor-juried show in its 8th year. The weekend includes jazz, salsa, zydeco and blues music, as well as food from area restaurants.

Started in 2004, the 'Rivers Edge International Film Festival' is a four-day event built around the showing of independent film from around the world. The festival is held in multiple venues including Maiden Alley Cinema, Market House Theatre, and Yeiser Art Center. In addition to appealing to the film lover, the festival also provides filmmakers opportunities for exhibition, education, and networking.

Paducah is the site of the Museum of the American Quilter's Society. In May 2008, a congressional designation was passed naming the museum as the National Quilt Museum of the United States. The museum, dedicated in 1991, is the centerpiece for the quilters' annual convention held in April. The convention attracts an estimated 30,000 visitors to Paducah annually.

'Live on Broadway', which began as the 'Downtown After Dinner Program' in May 1997, started out as an experiment to draw people to Paducah's downtown district. From May to September, businesses remain open late on Saturday night, while street corner musicians of all types entertain.

The 'Paducah Summer Festival', started in 1967, is an annual celebration held during the last week in July. Some of the Festival's activities include skydiving, hot air balloon races, a variety of music concerts, and usually concludes with a spectacular riverfront fireworks display.

One of Paducah's oldest celebrations is the '8th of August Emancipation Celebration', which features African American family reunions, or a homecoming. It is a time for African Americans to pay tribute to their heritage and roots, and a time of reconciliation.

The 'Barbecue on the River' event was started in 1995, as a way for local charities to raise funds. It attracts in excess of 70,000 participants to Paducah's riverfront during the last weekend in September.

Over time, this annual event has grown to incorporate other events, including 'Marine Industry Day' and 'Old Market Days'.

Paducah Power sponsors the annual 'Christmas in the Park' lighting display at Noble Park. The public is invited to a special lighting ceremony the Friday after Thanksgiving. This is the twelfth year for the event. Although the event is free, volunteers collect more than \$30,000 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 most recent addition to the City's cultural lineup is the 'Luther F. Carson Four Rivers Center for the Performing Arts'. The Center 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 supplements this community resource. The combined inventories of the two libraries yield nearly 121,000 titles, not counting numerous periodicals and newspapers.

THE GOVERNMENT

Paducah operates under a Council-City Manager form of government. The Paducah Board of Commissioners is made up of a Mayor and four Commissioners elected at large by the citizens on a non-partisan basis. The Mayor is elected for a four-year term and Commissioners for a two-year term. The Mayor and Commissioners have equal voting powers.

The Board of Commissioners sets the policies that govern the City. It appoints advisory citizens groups that help in the decision-making process. The City Manager is appointed by the Board and assists it in formulating objectives, policies and programs. The City Manager is responsible for the day-to-day operation of the City's 318 full-time employees as of June 30, 2010. 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 following component units have been presented as discrete units to emphasize that they are legally separate from the City. Paducah Water Works and Transit Authority of the City of Paducah are all included in the City's financial statements because of their financial relationship with the City.

The City provides a full range of municipal services, including police and fire protection; maintenance of streets and infrastructure; sanitation services; storm sewer services; cultural events and recreation activities.

Accounting System

The City's accounting system is organized on the basis of separate funds, each of which is considered to be a separate accounting entity. The financial activities of each fund generate a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. Municipal resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The City's accounting records for the governmental funds and agency funds are maintained on a modified accrual basis, with revenues being recorded when "measurable and available" and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's proprietary funds and trust funds are maintained on the accrual basis, with revenues recognized when earned and expenses recorded when the liability is incurred or economic asset used.

Internal Control

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal controls. 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. Open encumbrances at fiscal year-end, if any, are reported as reservations of fund balance. 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 FY2010, some 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 annually as well as make the necessary contribution to eliminate any unfunded liability that would arise from the fund being in a deficit position as of the actuarial date. For FY2010 this contribution was \$460,000. This amount is almost double the contribution amount of \$230,530 in FY2009.

Fund Balance Reserve. The City's operating budget policy states that the general fund's minimum undesignated cash balance shall be 8% of the general fund's budgeted expenditures. Any year-end operating surpluses in excess of the required reserve may be kept as additional reserve or made available for capital projects and/or "one-time only" general fund expenditures as determined by the Board of Commissioners. In the fall of 2009, the Commission approved \$1.265 million in additional appropriations. The most significant of these included a \$460,000 transfer to the pension fund to make the required contribution towards the police and fire pension unfunded liability. In addition \$450,000 was set aside for a possible negotiated settlement and related attorney costs in the International Association of Fire Fighters (IAFF) overtime lawsuit.

As part of the City's annual budget process, financial policies are reviewed and amended as necessary. On May 28, 2010, the City Commission held its annual Budget Advance. At this meeting the Commission conducted a debt review. They examined a summary of all of the City's debt issues, which included the original issuance date/amount, purpose, and payment schedule for each. Although no official action was taken, and the City is well within its legal debt limit, the Commission publicly stated that it has no intention of any future borrowings. In FY2010, there were no official changes in policy that would have a significant impact on the financial statements of the City.

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: economic development, community redevelopment, infrastructure capital investment, and property tax relief. During the FY 2011 budget process, the Commission reviewed numerous decision packages proposed for the Investment Fund Budget; expenditures totaling \$4.78 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 60 years of age. It is still in good condition long beyond its design life; however, it is in need of necessary repairs. The estimated cost of this restoration project is approximately \$6 million. It is anticipated that grant funds will cover 65% of the project. In FY2009, the City proceeded with making the most seriously needed repairs by borrowing around \$2 million. This phase of repairs neared completion in FY2010.

Riverfront Redevelopment Plan. The City's Riverfront Redevelopment Plan includes proposed improvements that will provide public amenities, recreational facilities & public spaces that will tie the City's downtown to the Ohio River. The plan includes a public marina, boat ramp, recreational trails and shoreline enhancements, and a steamboat landing, just to name a few. Completion of Phase I & Phase II of the entire riverfront redevelopment plan will cost an estimated \$46.2 million. In FY2007 the City was allocated \$5.3 million in federal funds for construction of Phase 1 and the Ohio River Boat Launch Project. Environmental assessment and remediation procedures required by the permitting process have temporarily stalled the construction of this phase of the project. Once all permits are secured, construction will be able to begin. Operating costs will be a long-term planning consideration.

Sports Park. In FY2010 the City entered into an agreement for a land purchase that will be used to develop a sports park. In the future a plan will be developed which will likely include soccer fields, softball/baseball fields, trails, shelters, and ancillary buildings. Depending on possible partnerships and construction phasing, development costs may range between \$2 million and \$6 million dollars. Operating costs of the facility will be a long-term planning consideration and is estimated at build-out to be \$150,000 to \$200,000 annually.

Hotel Development. In FY2010 the City spent approximately \$2.4 million to purchase a 435 room derelict hotel and prepare it for demolition. This hotel is adjacent to the City's Julian Carroll Convention Center and Expo Center, which provides 110,000 square feet of convention and meeting space, making it the fourth largest convention center in the State of Kentucky. The City has invested \$13.8 million into the convention facility, with \$7.5 million for initial construction of the Expo Center in 2002, and \$6.3 million in renovations to the Convention Center, the most recent one being in 2009. The City is currently preparing a request for proposal for a new hotel facility to be constructed on the site. Demolition is scheduled to begin in the fall of 2010.

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 remained flat in comparison to the prior year, with 29,148 persons employed (McCracken County) as of June 30, 2010.

The June 2010 unemployment rate was 8.5% (McCracken County), which is an improvement from 9.4% in the prior year and is favorable compared to the June 2010 federal unemployment rate of 9.6%. The number of active electric and water meters was nearly the same as the prior year. The number of building and electric permits obtained was 1,263 for fiscal year 2010 valued at \$48.9 million, which is up \$11 million from fiscal year 2009.

INDEPENDENT AUDIT

Kentucky Revised Statute 91 A-040 requires an annual audit of each fund of the City by an auditor of public accounts or a certified public accountant. The independent certified public accounting firm of Williams, Williams & Lentz, 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, 2009. This was the nineteenth 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.

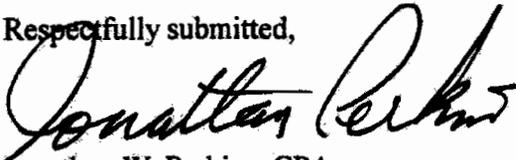
A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility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

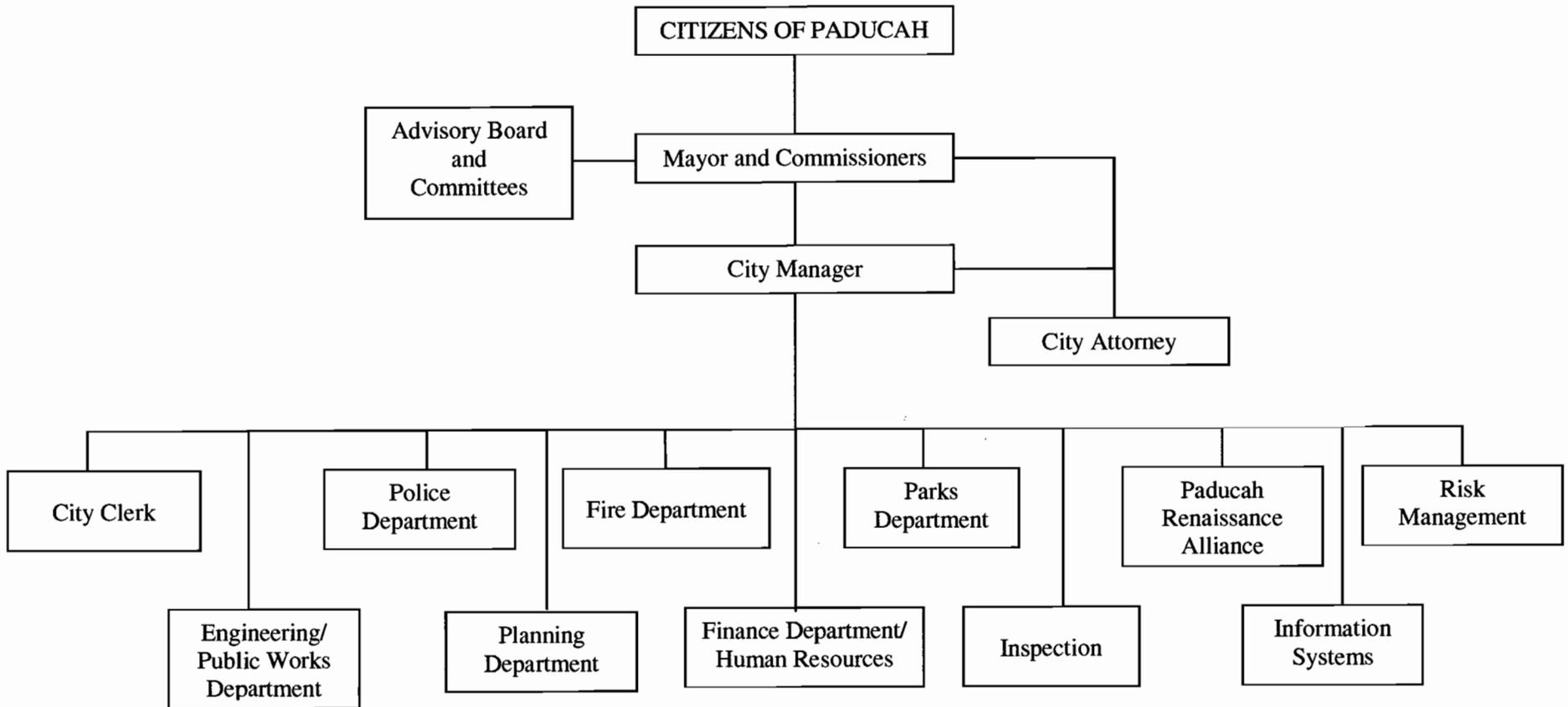
to Williams, Williams & Lentz, LLP. We also thank the Mayor, City Manager, and City Commission for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

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

Jonathan W. Perkins, CPA
Finance Director/Treasurer

**CITY OF PADUCAH, KENTUCKY
ORGANIZATIONAL CHART**



**CITY OF PADUCAH, KENTUCKY
PRINCIPAL OFFICIALS**

BOARD OF COMMISSIONERS

Mayor

William F. Paxton

Mayor Pro tem

Gayle Kaler

Commissioner

Gerald Watkins

Commissioner

Carol Gault

Commissioner

Richard Abraham

INTERIM CITY MANAGER

Jonathan Perkins, C.P.A.

Finance/Human Resources

Jonathan Perkins, C.P.A.

Police Chief

James Berry

Fire Chief

Steve Kyle

City Engineer/Public Works

Richard Murphy

Planning

Stephen Ervin

Parks Services

Mark Thompson

Inspections

Joel Scarbrough

Information Services

Greg Mueller

City Clerk

Tammy Brock

Risk Manager

Cindy Medford

Public Information

Pam Spencer

Paducah Renaissance Alliance

Steve Doolittle

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Paducah
Kentucky

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

CITY OF PADUCAH, KENTUCKY

FINANCIAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2010

WILLIAMS, WILLIAMS & LENTZ, LLP

CERTIFIED PUBLIC ACCOUNTANTS

601 JEFFERSON

PADUCAH, KENTUCKY 42001

J. RICHARD WALKER
ROBERT R. ROBERTSON
C. SUZETTE CRONCH
MICHAEL F. KARNES
MARK A. THOMAS
ROGER G. HARRIS
J. DAVID BAILEY, III

G. LEON WILLIAMS, 1926-2004
H. WILLIAM LENTZ, 1925-2007
JERRY G. SEVERNS

MAILING ADDRESS
POST OFFICE BOX 2500
PADUCAH, KY 42002-2500

TELEPHONE
270-443-3643

FAX
270-444-0652

WEBSITE
www.lpa.com

Independent Auditor's Report

Honorable William F. Paxton, Mayor
Members of the Board of Commissioners
City of Paducah
Paducah, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Paducah, Kentucky (the City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Paducah, Kentucky's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Transit Authority of the City of Paducah, a component unit, which represents nineteen percent of the assets and revenues of the Component Units column. Those financial statements were audited by another auditor whose reports have been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the Transit Authority of the City of Paducah, a discretely presented component unit, is based on the report of another 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of another auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Paducah, Kentucky as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and Special Revenue Investment Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of each nonmajor governmental, nonmajor enterprise, internal service, and fiduciary fund, which collectively comprise the City's combining and individual fund statements and schedules as listed in the table of contents as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Capital Improvements, Debt Service Fund and the non-major governmental funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2010, on our consideration of the City's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Pension Trust Fund Schedules on pages 14 through 28 and 92, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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.

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 and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Paducah, Kentucky. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

Williams, Williams & Lentz, LLP

December 16, 2010

CITY OF PADUCAH, KENTUCKY

REQUIRED SUPPLEMENTARY INFORMATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2010

CITY OF PADUCAH, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

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, 2010. 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 1-8) and the basic financial statements (pages 29-91) provided in this document.

The City first implemented Government Accounting Standards Board Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, for fiscal year 2003.

I. Financial Highlights

- Assets exceeded liabilities by \$49.6 million at the close of the 2009-2010 fiscal year. Of this amount, \$10.0 million (unrestricted net assets) may be used to meet City government's ongoing obligations to citizens and creditors.
- Total net assets increased \$221,555.
- At fiscal year end, City governmental funds reported a combined ending fund balance of \$19.6 million. Approximately 60% of this total amount, \$11.6 million, is unreserved and available for spending at the City's discretion. Of the \$11.6 million, \$1.4 is in various special funds, which are earmarked for specific purposes.
- At the end of the current fiscal year, unreserved General Fund fund balance was \$10.2 million, of which cash and investments make up approximately \$6.1 million. When compared to total appropriations, the General Fund cash and investments balance is 20%.

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 Assets presents information on all City assets and liabilities, with the difference between assets and liabilities reported as net assets. Monitoring increases and/or decreases in net assets 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 assets changed during the fiscal year. All net asset changes are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows. Revenues and expenses are reported in the Statement of Activities for some items that will only result in cash flows in the future (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish City functions that are primarily supported by taxes and intergovernmental revenues (governmental activities) from other City

functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). City governmental activities include general government, public safety, public service, park and recreation, planning and development, and interest on long-term debt. Business-type activities of the City include Solid Waste, Section Eight Housing, Civic Center and Telecommunication Information System Authority (TISA).

Government-wide financial statements include not only the City (the primary government), but also a legally separate Paducah Water Works and Transit Authority of the City of Paducah (component units) for which the City is financially accountable. Financial information for the component units 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 thirteen (13) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, General Capital Improvements, Investment, Bond, and Debt Service Funds, all of which are considered to be major funds. Data from the other eight (8) 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 93-106.

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 TISA, as well as certain component units that provide water and public transit. TISA and Civic Center receive subsidy from the General Fund.

The City's component unit enterprises include the Paducah Water Works and Paducah Transit Authority, which provide water and public transportation. These component units, each of which has their own board of directors, are also enterprise funds and are shown on pages 55-58.

- 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 107-109 of this report. Individual data for the internal service funds is likewise presented in the form of combining statements on pages 110-112 of this report.

- 3) **Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government and are not reflected in government-wide financial statements because those resources are not available to support City programs. Individual data for the City's four (4) fiduciary funds (Appointive Employees' Pension, Police and Firefighters' Retirement, Other Trust Funds, and Maintenance and Rehabilitation Trust) are presented in the form of combining statements on pages 113-117 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 59-91 of this report.

D. Other Information

In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning City funding of its obligation to provide pension benefits to its employees and budgetary comparison schedules for the general and major special revenue funds.

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor proprietary funds, internal service funds and fiduciary funds are presented immediately following the required supplementary information on pensions and budgetary comparisons. Combining fund statements and schedules can be found on pages 95-117 of this report.

III. Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. City assets exceeded liabilities by \$49.6 million as of June 30, 2010.

For FY2010, the largest portion of the City's net assets (66%) 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.

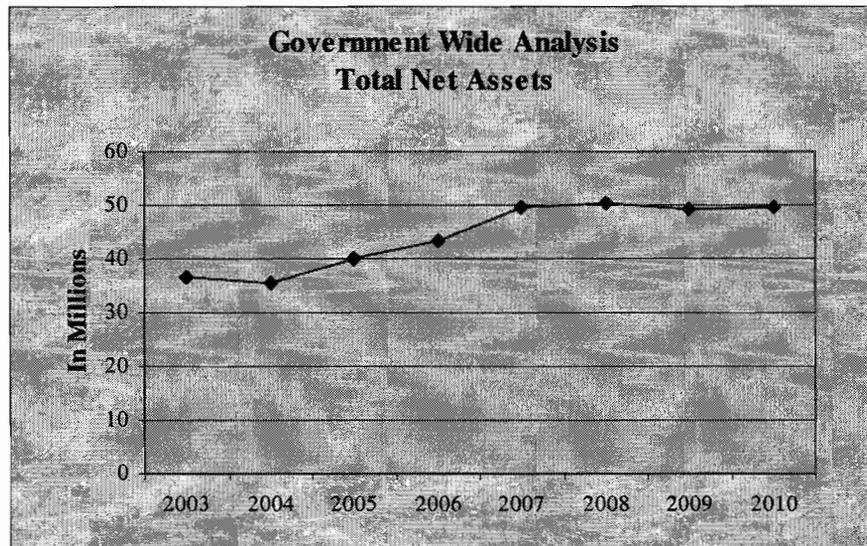
An additional portion of City net assets (14%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (20%) may be used to meet the City's ongoing obligations to citizens and creditors.

As of June 30, 2010, the City reports positive balances of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

City of Paducah, Kentucky Net Assets June 30

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2010</u>	<u>2009</u> <u>(Restated)</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u> <u>(Restated)</u>
Current assets	\$ 38,121,799	\$ 39,955,659	\$ 4,886,893	\$ 3,769,371	\$ 43,008,692	\$43,725,030
Capital assets	39,531,590	34,407,092	1,652,961	1,721,419	41,184,551	36,128,511
Other noncurrent assets	<u>7,822,828</u>	<u>8,093,792</u>	-	-	<u>7,822,828</u>	<u>8,093,792</u>
Total assets	<u>85,476,217</u>	<u>82,456,543</u>	<u>6,539,854</u>	<u>5,490,790</u>	<u>92,016,071</u>	<u>87,947,333</u>
Current liabilities	9,880,596	11,410,186	372,106	287,449	10,252,702	11,697,635
Noncurrent liabilities	<u>30,116,284</u>	<u>24,824,989</u>	<u>2,077,282</u>	<u>2,076,461</u>	<u>32,193,566</u>	<u>26,901,450</u>
Total liabilities	<u>39,996,880</u>	<u>36,235,175</u>	<u>2,449,388</u>	<u>2,363,910</u>	<u>42,446,268</u>	<u>38,599,085</u>
Net assets:						
Invested in capital assets, net of related debt	31,136,514	31,215,252	1,652,961	1,721,419	32,789,475	32,936,671
Restricted	6,177,722	6,385,039	620,800	369,367	6,798,522	6,754,406
Unrestricted	<u>8,165,101</u>	<u>8,621,077</u>	<u>1,816,705</u>	<u>1,036,094</u>	<u>9,981,806</u>	<u>9,657,171</u>
TOTAL NET ASSETS	<u>\$ 45,479,337</u>	<u>\$ 46,221,368</u>	<u>\$ 4,090,466</u>	<u>\$ 3,126,880</u>	<u>\$ 49,569,803</u>	<u>\$49,348,248</u>

The exhibit below charts the City's total net assets from the implementation of GASB 34 through the present.



Annual increases to total net assets began in FY2005 primarily due to the increase of the City's payroll tax and the creation of the Investment Fund. The additional tax generates approximately \$4 million in revenue each year, which is used mostly for capital investment. Increases have leveled off for the past few year's due to mid-year appropriations made by the Commission, reducing the City's unreserved cash balance at June 30 to the minimum requirement of 8% each time. During FY2010, most categories of revenue were either flat or decreased due to the economic downturn.

A. Analysis of the City's Operations

The following table provides a summary of the City's operations for the years ended June 30, 2010 and 2009. Governmental activities decreased the City's net assets by \$742,031. Business-type activities increased the City's net assets by \$963,586.

City of Paducah, Kentucky
Changes in Net Assets
June 30

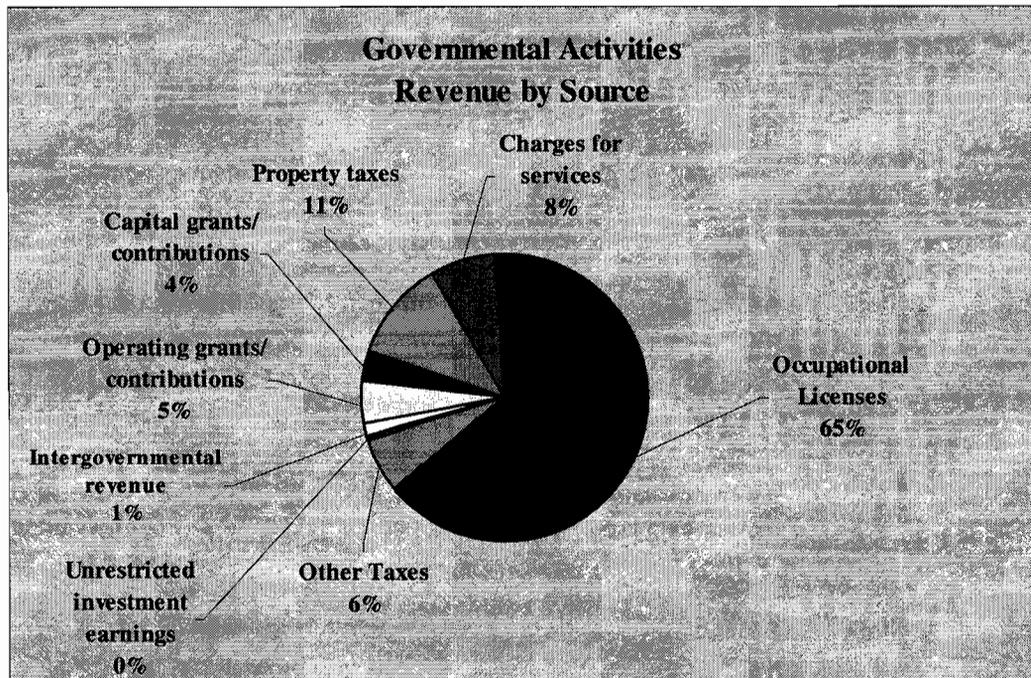
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2010</u>	<u>2009</u> <u>(Restated)</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u> <u>(Restated)</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,828,209	\$ 3,308,948	\$4,617,153	\$4,734,827	\$ 7,445,362	\$ 8,043,775
Operating grants/ contributions	1,813,019	2,119,845	2,340,267	1,965,936	4,153,286	4,085,781
Capital grants/ contributions	1,390,848	4,727,087	27,239	129,032	1,418,087	4,856,119
General Revenues:						
Property taxes	4,207,736	3,986,760	-	-	4,207,736	3,986,760
Franchise taxes	149,642	134,552	-	-	149,642	134,552
Telecommunications tax	794,027	815,859	-	-	794,027	815,859
Insurance premium tax	3,797,347	4,055,228	-	-	3,797,347	4,055,228
Vehicle tax	585,495	576,876	-	-	585,495	576,876
Bank tax	204,522	186,531	-	-	204,522	186,531
Gross receipts license tax	4,229,102	4,320,850	-	-	4,229,102	4,320,850
Employee license tax	16,384,509	16,584,636	-	-	16,384,509	16,584,636
Other taxes	610,984	533,506	-	-	610,984	533,506
Intergovernmental revenue	499,484	529,083	-	-	499,484	529,083
Unrestricted investment earnings	172,213	336,960	33,724	52,961	205,937	389,921
Gain on sale of capital assets	64,620	68,530	1,112	98,369	65,732	166,899
Total revenues	<u>37,731,757</u>	<u>42,285,251</u>	<u>7,019,495</u>	<u>6,981,125</u>	<u>44,751,252</u>	<u>49,266,376</u>
Expenses:						
General government	9,763,178	12,148,118	-	-	9,763,178	12,148,118
Public safety	16,239,042	15,734,557	-	-	16,239,042	15,734,557
Public service	7,669,729	12,849,566	-	-	7,669,729	12,849,566
Park and recreation	2,653,474	1,492,306	-	-	2,653,474	1,492,306
Planning and development	970,022	708,827	-	-	970,022	708,827
Interest on long-term debt	1,099,450	1,029,888	-	-	1,099,450	1,029,888
Solid Waste	-	-	3,797,097	4,037,845	3,797,097	4,037,845
Section Eight Housing	-	-	2,061,370	2,154,360	2,061,370	2,154,360
Civic Center	-	-	69,537	75,692	69,537	75,692
TISA	-	-	206,798	162,849	206,798	162,849
Total expenses	<u>38,394,895</u>	<u>43,963,262</u>	<u>6,134,802</u>	<u>6,430,746</u>	<u>44,529,697</u>	<u>50,394,008</u>
Increase (decrease) in net assets before transfers	(663,138)	(1,678,011)	884,693	550,379	221,555	(1,127,632)
Transfers	(78,893)	(110,838)	78,893	110,838	-	-
Change in net assets	<u>(742,031)</u>	<u>(1,788,849)</u>	<u>963,586</u>	<u>661,217</u>	<u>221,555</u>	<u>(1,127,632)</u>
Net assets, July 1, restated	<u>46,221,368</u>	<u>48,010,217</u>	<u>3,126,880</u>	<u>2,465,663</u>	<u>49,348,248</u>	<u>50,475,880</u>
NET ASSETS, JUNE 30	<u>\$45,479,337</u>	<u>\$46,221,368</u>	<u>\$4,090,466</u>	<u>\$3,126,880</u>	<u>\$49,569,803</u>	<u>\$49,348,248</u>

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 2010.

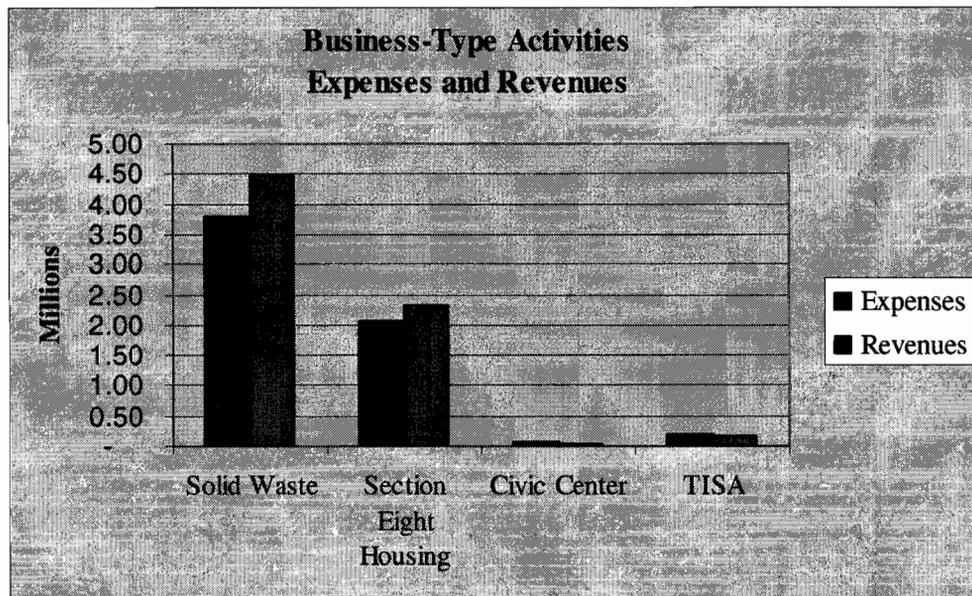


In fiscal year 2010, the City derived 82% of its revenue from taxes/licenses. Occupational licenses, which include payroll withholding tax, business licenses, and insurance premium tax is the largest source of income to the City, totaling \$24.4 million. This category of revenue declined 2.2% from fiscal year 2009. All taxes within this category experienced a decrease in collections. Insurance premium tax had the largest decrease of \$257,881 or 6.4%. Gross receipts license tax and employee license tax decreased 2.1% and 1.2%, respectively. There does not appear to be any one significant closing or layoff that led to these decreases. Economic downturn appears to have contributed heavily to an overall decrease in general revenues from the prior year.

Although most areas of taxes/licenses declined from prior year, they comprised a larger portion of the City's revenue. This is because of a significant decrease in capital grants/contributions from prior year. In 2009 the City received \$4.9 million in Federal disaster assistance as a result of the Hurricane Ike windstorm and the 2009 Ice Storm. In 2010 capital grants/contributions was at a more typical level of \$1.4 million.

C. Business-Type Activities

The chart below shows the operating results for each of the City's business-type activities. These activities should break-even; that is, the charges for services should be large enough to sustain operations. For fiscal year 2010, business-type activities as a whole had an increase in net assets of \$963,586. This was primarily due to the performance of the Solid Waste Fund.



The Solid Waste Fund, a major fund of the organization, has experienced a positive change in net assets in excess of \$600,000 for the second year in a row. During 2008, efforts were made to improve the performance of this function, including a rate increase as well as efficiency measures through equipment and route reorganization. In 2009, another rate increase was implemented. In addition, the entire Public Works department was reorganized at the end of FY2009, which led to the sale of unnecessary equipment and reduced spending.

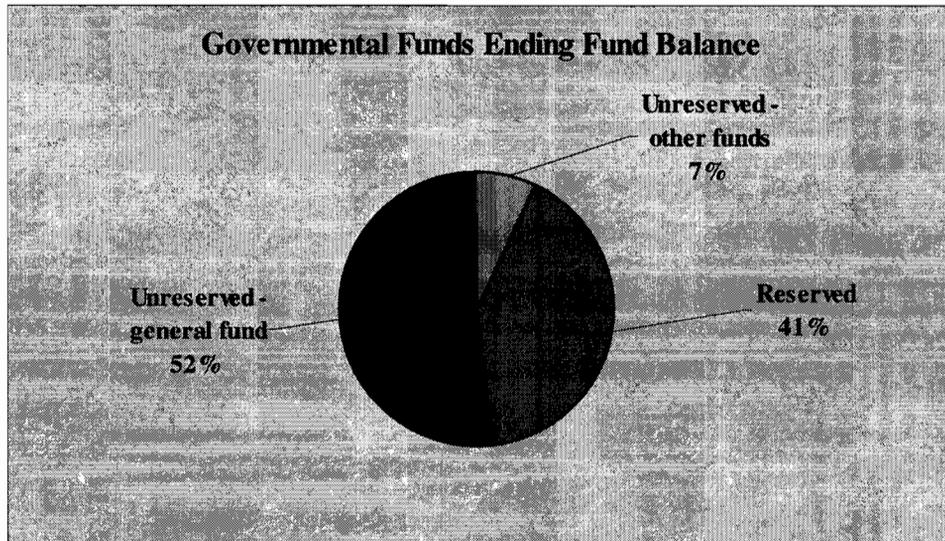
IV. Financial Analysis of the City's Funds

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.

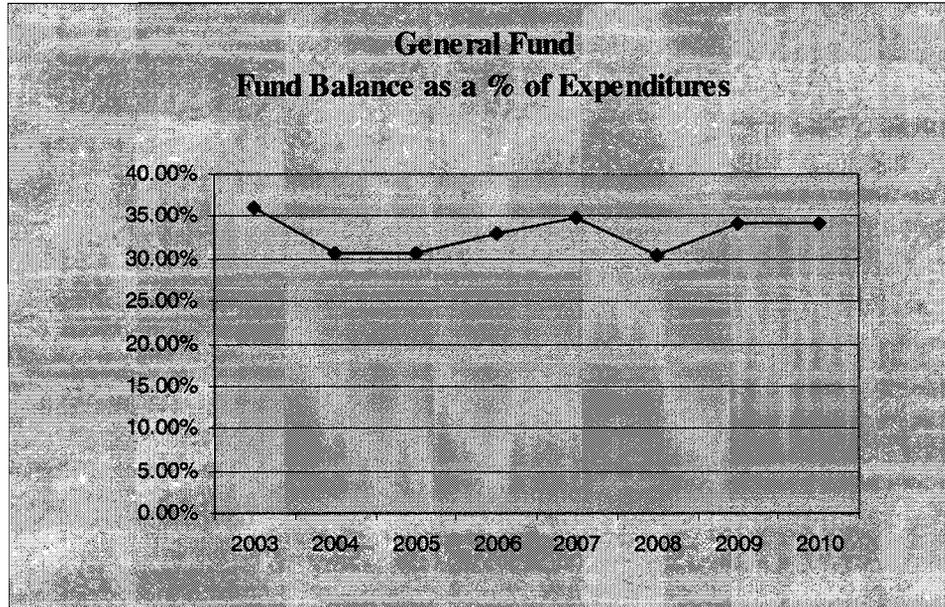
At the end of the fiscal year, the City governmental funds reported combined ending fund balances of \$19.6 million. Approximately 59% of this total amount, \$11.6 million, is unreserved fund balance, which is available for spending at the government's discretion but only up to the amount represented by cash. Of the \$11.6 million, \$1.4 million is in the Debt Service Fund and various special revenue funds, which are earmarked for specific purposes.

The amount of unreserved general fund dollars has remained virtually unchanged from the prior year at \$10.2 million. However, the allocation of fund balances among the categories (shown below) has shifted. This is primarily due to unspent 2010 bond proceeds at June 30, 2010. Of the \$6.5 million in bond proceeds, nearly \$3 million remained at year-end. These funds have been reserved for several large capital projects including renovation of the Noble Park parking lot, greenway trail development (matching funds), and the sports park property purchase, to name a few.



City fiscal policy (ordinance 2009-6-7575) requires that an amount not less than 8% of the General Fund's budgeted expenditures remain undesignated in the fund balance, or \$2.4 million, which leaves \$7.8 million as unreserved for fiscal year 2010. While \$7.8 million represents unreserved fund balance, it is worth noting here that at year-end there was \$6.1 million available as cash, the balance is tied up in other assets including accounts receivable and property taxes collectible.

As a measure of General Fund liquidity, readers may compare unreserved fund balance to total General Fund expenditures. Unreserved General Fund fund balance represents approximately 34% of expenditures and transfers out (\$30 million). This has remained stable since the implementation of GASB 34, staying between approximately 30% and 35% since fiscal year 2003.



The Investment Fund had a fund balance of \$2.8 million, all of which is reserved for capital projects. The Investment Fund's fund balance increased \$227 thousand. 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. Payroll tax revenue decreased slightly from fiscal 2009 to 2010. The increase in fund balance is due to economic development dollars that were set aside but not utilized during the year.

B. Proprietary Funds

The City's proprietary funds provide the same information found in the government-wide financial statements, but in more detail.

Net assets of the respective proprietary funds are:

Solid Waste	\$2,652,060
Section Eight Housing	643,539
Civic Center	184,548
TISA	376,949

Combined total net asset change for the four funds was an increase of \$933 thousand, broken down as follows: Solid Waste (\$681 thousand increase), Section Eight Housing (\$252 thousand increase), Civic Center (\$14 thousand decrease), and TISA (\$14 thousand increase). The most significant change, Solid Waste, was discussed under Business Type Activities (Section III-C). Section Eight experienced an increase in fund balance in FY2010 after losses of over 20% each year in FY2008 and 2009. Annual HUD grant funding is based on expected rentals for the year. During fiscal year 2008 and 2009 rental costs exceeded what had been projected. For fiscal year 2010, the Section Eight office implemented a plan to reduce program expenditures so that reserves would be replenished.

V. General Fund Budgetary Highlights

Differences between the original budget and the final actual amounts resulted in a \$1.5 million increase in appropriations and can be briefly summarized as follows:

<u>Department</u>	<u>Appropriations</u>	
	<u>Increase</u>	<u>Decrease</u>
	<u>(In Thousands)</u>	
General administration	\$ 360	\$ -
Finance	195	-
Planning	10	-
Human rights	-	4
Inspection	-	21
Information systems	-	33
Risk management	-	11
Police	56	-
Fire	-	4
Public works	-	1,353
Engineering services	-	45
Recreation	1,249	-
Other	1,118	-

In FY2010 there was a mid-year budget appropriation of \$1.265 million. Of the \$1.265 million, \$460,000 was transferred to the pension fund for the required contribution towards the police and firefighters' pension unfunded liability. This is reflected in the increase in General Administration appropriations. In addition \$450,000 was set aside for the possible negotiated settlement and related attorney costs for the International Association of Fire Fighters (IAFF) overtime lawsuit. The remaining \$355,000 was designated for various police and fire capital projects and restoration of the City's commission contingency fund.

The Finance Department's budget increased by \$195,000. There are certain non-departmental expenses accounted for in the Finance Department, including the City's 800 mhz radio operations. During FY2010, final payment was made on a radio controller upgrade. This payment was not included in the original FY2010 budget.

Other significant budget changes include the remaining after-effects of the FY2009 Economic Efficiency Plan. As a result of this plan, Engineering and Public Works were combined into a single department. After that merger was complete, it was decided to transfer grounds maintenance operations from Public Works to Recreation. Since this management decision was made just prior to the end of FY2009 and subsequent to the development of the FY2010 budget, the original FY2010 budget did not reflect these changes.

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, 2010, is \$41.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles and equipment, park facilities, roads, highways, 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 2010, projects and equipment expenditures totaled over \$8.3 million. Some of the largest capital-type projects, in terms of dollars in fiscal year 2010, are shown in the following table:

Hotel Purchase/Demolition Preparation	\$2,419,981
Pavilion Purchase	1,628,920
Floodwall Rehabilitation	1,081,014
Fire Truck Purchase	701,789
Community Redevelopment	409,558
Sports Park Property Purchase	308,748

In the upcoming years, several street, economic development, riverfront development, quality of life and drainage projects will continue and are estimated to cost several million dollars. Capital improvement projects including infrastructure, recreational 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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 7,181,028	\$ 6,239,585	\$ 62,152	\$ 65,908	\$ 7,243,180	\$ 6,305,493
Land improvements	1,729,014	1,814,848	-	-	1,729,014	1,814,848
Construction in progress	9,097,164	3,610,527	-	-	9,097,164	3,610,527
Buildings and improvements	3,754,087	4,034,368	218,220	227,378	3,972,307	4,261,746
Infrastructure	13,361,137	15,185,098	-	-	13,361,137	15,185,098
Equipment	1,826,536	1,675,022	427,177	408,977	2,253,713	2,083,999
Furnishings and fixtures	4,081	5,605	-	-	4,081	5,605
Vehicles	<u>2,578,543</u>	<u>1,842,039</u>	<u>945,412</u>	<u>1,019,156</u>	<u>3,523,955</u>	<u>2,861,195</u>
TOTALS	<u>\$39,531,590</u>	<u>\$34,407,092</u>	<u>\$1,652,961</u>	<u>\$1,721,419</u>	<u>\$41,184,551</u>	<u>\$36,128,511</u>

Additional information on City capital assets can be found in Note 3 in the notes to financial statements on pages 72-76.

B. Long-Term Debt

At year-end, the City had \$31,469,707 in outstanding bonds and notes payable, compared to \$24,986,900 at June 30, 2009, with maturities extending through 2030.

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Convention and Performing Arts Center – 2001	\$ 7,030,000	\$ 7,320,000
Kentucky League of Cities – 2003	2,517,763	2,672,649
Infiniti Media Building – 2004	3,975,000	4,160,000
Police/Firefighter Pension Fund Liability – 2006	5,340,000	5,545,000
Floodwall Rehabilitation – 2008	2,671,440	2,774,638
Convention Center Renovation – 2008	2,417,500	2,500,000
HOME grant – 2009	273,004	14,613
Public Improvement Projects – 2010	6,645,000	-
Sports Park property – 2010	600,000	-
TOTALS	<u>\$31,469,707</u>	<u>\$24,986,900</u>

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

Public Improvement Projects. In March 2010, a \$6.645 million general obligation was 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 a portion of the hotel purchase described earlier in this document.

Sports Park Property Purchase. In December 2009, the City entered into an agreement in the amount of \$600,000 with L. Wayne & Linda Lindsey to finance the acquisition of real property to be used for the development of a sports park with soccer complex in the community. This obligation will be met with bond proceeds issued in March 2010.

Debt issues prior to July 1, 2009, are described below:

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.

Convention Center Renovation. In March 2009, the City 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.

Convention and Performing Arts Center. In June 2001, a \$9.29 million general obligation bond was added to the City's debt obligation to finance construction of the Luther F. Carson Four Rivers Center for the Performing Arts (approximately \$3.0 million) and the expansion of the Julian Carroll Convention Center (approximately \$6.0 million). While the City issued these bonds, 50% of the principal amount of the bonds is being issued on behalf of the County of McCracken, Kentucky. McCracken County has issued the City a general obligation note in a principal amount equal to 50% of the principal amount of the bonds.

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).

Infiniti Media Building. In fiscal year 2004, the City sold \$5.0 million in bonds to construct the Infiniti Media Building in the Paducah Industrial Park West, an economic development project. By interlocal agreement, McCracken County is obligated to an amount equal to 50% of the principal amount of the bonds. After the third year of the life of the bond, the Infiniti Media Company is obligated to make monthly lease payments to the City in an amount nearly equal to the debt service obligation.

Police/Firefighter Pension Fund Liability. In fiscal year 2006, the City issued \$6.1 million in general obligation bonds to finance the police and firefighter's pension fund estimated pension liability.

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 \$207,696,169. The City's latest bond rating by Standard & Poor's is AA-. The City has a 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 2010, less than 2.4% 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 liability can be found in Note 3 in the notes to financial statements on pages 76-79.

VII. Other Potentially Significant Matters.

- A. Post-employment Benefits.** Personal service costs make up over two-thirds of the City's annual operating budget, and that number is continuously affected by rising retirement costs. In the past five years, the City's combined hazardous and non-hazardous retirement contribution has increased from approximately \$2.5 million in fiscal year 2006 to \$3.6 million in fiscal year 2010. The rates for FY2011 have increased, causing budgeted figures for the upcoming year to increase another \$263,000 compared to what was incurred in FY2010. Based on trends and projections provided by the Retirement System, the long-term outlook on funding requirements is of utmost concern.
- 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 City contributed the actuary's recommended amount of \$460,000 toward the unfunded pension liability in fiscal year 2010. The valuation as of July 1, 2010, dated October 22, 2010, indicates the amount for fiscal year 2011 will be \$455,000.
- C. IAFF Overtime Lawsuit.** At this time, we are aware of a lawsuit filed against the City of Paducah under Wage and Hour law that affects 76 former and current firefighters named as Plaintiffs, relating to the way the City administered State Incentive Overtime Pay for the five years preceding filing of the lawsuit. An additional element of the lawsuit addresses contract law and could have potential effect reaching back 15 years from the date of filing. A trial date of 12/07/10 has been set. We do not know if this lawsuit will adversely affect the City of Paducah at this time. However, if a judgment is awarded the Plaintiffs, the City could be liable for a significant amount of back pay, interest, and reasonable attorney fees.
- D. Bond Refunding.** In July 2010, the Commission approved an ordinance to refinance a bond issued in 2001. The original bond issued was a 25-year \$9.29 million general obligation bond used to finance the construction of the Paducah-McCracken County Expo Center and to make a contribution to the construction of the Four Rivers Carson Center. Through the remaining life of the bond issue (through 2026), the savings by refinancing will be approximately \$987,000. The bonds were sold July 29, 2010.

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 42001.

CITY OF PADUCAH, KENTUCKY

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2010

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET ASSETS
JUNE 30, 2010

<u>ASSETS</u>	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Current Assets:				
Cash and cash equivalents	\$13,856,597	\$2,475,130	\$16,331,727	\$ 3,346,051
Investments	4,900,778	1,525,000	6,425,778	-
Receivables, net:				
Notes	1,152,500	-	1,152,500	-
Lease	590,719	-	590,719	-
Accounts	5,661,263	544,593	6,205,856	575,885
Grants	541,263	95,569	636,832	159,797
Interest	51,151	6,749	57,900	-
Property tax	4,346,106	-	4,346,106	-
Other	-	-	-	900,304
Internal balances	(233,370)	233,370	-	-
Inventory	1,487,095	-	1,487,095	457,669
Prepaid pension obligation	5,706,840	-	5,706,840	-
Prepaid expenses	15,000	6,482	21,482	16,043
Other current assets	45,857	-	45,857	773,669
	<u>38,121,799</u>	<u>4,886,893</u>	<u>43,008,692</u>	<u>6,229,418</u>
Total current assets				
Noncurrent Assets:				
Notes receivable	3,519,873	-	3,519,873	-
Lease receivable	3,625,253	-	3,625,253	-
Bond issuance costs, net	303,431	-	303,431	-
Net capital assets:				
Land and construction in progress	16,278,192	62,152	16,340,344	5,338,405
Depreciable capital assets	23,253,398	1,590,809	24,844,207	37,963,316
Other assets	374,271	-	374,271	2,173,104
	<u>47,354,418</u>	<u>1,652,961</u>	<u>49,007,379</u>	<u>45,474,825</u>
Total noncurrent assets				
Total assets	<u>85,476,217</u>	<u>6,539,854</u>	<u>92,016,071</u>	<u>51,704,243</u>

LIABILITIES

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Current Liabilities:				
Voucher and accounts payable	\$ 1,444,612	\$ 220,261	\$ 1,664,873	\$ 2,797,640
Accrued payables	739,816	37,934	777,750	103,258
Due to other taxing agencies	73,276	-	73,276	-
Unearned revenue	4,249,524	-	4,249,524	-
Accrued compensated absences	975,982	71,330	1,047,312	-
Accrued interest	183,298	-	183,298	-
Notes payable due within one year	1,117,596	-	1,117,596	57,415
Bonds payable due within one year	1,096,492	-	1,096,492	-
Other current liabilities	-	42,581	42,581	990,047
Total current liabilities	9,880,596	372,106	10,252,702	3,948,360
Noncurrent Liabilities:				
Accrued compensated absences	860,665	14,782	875,447	-
Landfill post-closure costs	-	2,062,500	2,062,500	-
Notes payable	4,690,671	-	4,690,671	3,650,506
Bonds payable	24,564,948	-	24,564,948	-
Total noncurrent liabilities	30,116,284	2,077,282	32,193,566	3,650,506
Total liabilities	39,996,880	2,449,388	42,446,268	7,598,866
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	31,136,514	1,652,961	32,789,475	39,601,867
Restricted for:				
Housing and development projects	1,100,696	620,800	1,721,496	-
Capital projects	5,077,026	-	5,077,026	-
Unrestricted	8,165,101	1,816,705	9,981,806	4,503,510
TOTAL NET ASSETS	\$45,479,337	\$4,090,466	\$49,569,803	\$44,105,377

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
General government	\$ 9,763,178	\$ 993,371	\$ 434,515	\$ -
Public safety	16,239,042	484,754	655,694	1,319,161
Public service	7,669,729	1,197,194	202,587	65,525
Parks and recreation	2,653,474	152,890	-	-
Planning and development	970,022	-	299,427	6,162
Interest on long-term debt	1,099,450	-	220,796	-
Total governmental activities (See Note 1)	<u>38,394,895</u>	<u>2,828,209</u>	<u>1,813,019</u>	<u>1,390,848</u>
Business-type activities:				
Solid Waste	3,797,097	4,436,540	27,000	10,192
Section Eight Housing	2,061,370	-	2,313,267	-
Civic Center	69,537	32,455	-	-
TISA	206,798	148,158	-	17,047
Total business-type activities	<u>6,134,802</u>	<u>4,617,153</u>	<u>2,340,267</u>	<u>27,239</u>
TOTAL PRIMARY GOVERNMENT	<u>\$44,529,697</u>	<u>\$7,445,362</u>	<u>\$4,153,286</u>	<u>\$1,418,087</u>
Component Units:				
Authorities:				
Paducah Water Works	\$ 6,965,498	\$7,836,232	\$ -	\$ 473,251
Paducah Transit Authority	4,500,195	1,457,800	1,708,085	3,036,612
TOTAL COMPONENT UNITS	<u>\$11,465,693</u>	<u>\$9,294,032</u>	<u>\$1,708,085</u>	<u>\$3,509,863</u>

General revenues:

- Taxes and licenses:
 - Property taxes, levied for general purposes
 - Franchise tax
 - Telecommunications tax
 - Insurance premium tax
 - Vehicle tax
 - Bank tax
 - Gross receipts license tax
 - Employee license tax
 - Other taxes
 - Transient room tax
- Unrestricted investment earnings
- Gain (loss) on sale of capital assets
- Miscellaneous

Total general revenues

Transfers

Total general revenues and transfers

Change in net assets

Net assets, July 1, 2009

Adjustment to beginning net assets (See Note 10)

NET ASSETS, JUNE 30, 2010

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (8,335,292)	\$ -	\$ (8,335,292)	\$ -
(13,779,433)	-	(13,779,433)	-
(6,204,423)	-	(6,204,423)	-
(2,500,584)	-	(2,500,584)	-
(664,433)	-	(664,433)	-
(878,654)	-	(878,654)	-
<u>(32,362,819)</u>	<u>-</u>	<u>(32,362,819)</u>	<u>-</u>
-	676,635	676,635	-
-	251,897	251,897	-
-	(37,082)	(37,082)	-
-	(41,593)	(41,593)	-
<u>-</u>	<u>849,857</u>	<u>849,857</u>	<u>-</u>
<u>(32,362,819)</u>	<u>849,857</u>	<u>(31,512,962)</u>	<u>-</u>
-	-	-	1,343,985
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,702,302</u>
-	-	-	3,046,287
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4,207,736	-	4,207,736	-
149,642	-	149,642	-
794,027	-	794,027	-
3,797,347	-	3,797,347	-
585,495	-	585,495	-
204,522	-	204,522	-
4,229,102	-	4,229,102	-
16,384,509	-	16,384,509	-
610,984	-	610,984	-
499,484	-	499,484	-
172,213	33,724	205,937	17,338
64,620	1,112	65,732	(8,426)
<u>-</u>	<u>-</u>	<u>-</u>	<u>84,560</u>
31,699,681	34,836	31,734,517	93,472
<u>(78,893)</u>	<u>78,893</u>	<u>-</u>	<u>-</u>
<u>31,620,788</u>	<u>113,729</u>	<u>31,734,517</u>	<u>93,472</u>
(742,031)	963,586	221,555	3,139,759
46,383,801	3,126,880	49,510,681	40,965,618
<u>(162,433)</u>	<u>-</u>	<u>(162,433)</u>	<u>-</u>
<u>\$ 45,479,337</u>	<u>\$4,090,466</u>	<u>\$ 49,569,803</u>	<u>\$44,105,377</u>

CITY OF PADUCAH, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

<u>ASSETS</u>	<u>General Fund</u>	<u>General Capital Improvements</u>	<u>Special Revenue Investment Fund</u>
Cash and cash equivalents	\$ 3,585,045	\$1,616,410	\$1,209,091
Investments	2,500,000	500,000	500,000
Accounts receivable:			
Accounts	6,190,514	159,292	160,000
Grants	295,182	201,208	-
Interest	10,391	24	24
Property taxes (net of allowances for uncollectibles)	4,260,766	-	-
Due from other funds	145,839	-	975,591
TOTAL ASSETS	<u><u>\$16,987,737</u></u>	<u><u>\$2,476,934</u></u>	<u><u>\$2,844,706</u></u>
 <u>LIABILITIES AND FUND BALANCES</u> 			
Liabilities:			
Voucher and accounts payable	\$ 667,100	\$ 244,614	\$ -
Accrued payroll and payroll taxes	687,579	-	-
Due to other funds	975,573	-	-
Due to other taxing agencies	73,276	-	-
Deferred revenue	4,214,499	-	-
Accrued compensated absences	161,032	-	-
Total liabilities	<u><u>6,779,059</u></u>	<u><u>244,614</u></u>	<u><u>-</u></u>
Fund Balances:			
Reserved for:			
Capital improvements	-	2,232,320	2,844,706
Unreserved:			
General Fund	10,208,678	-	-
Special Revenue Funds	-	-	-
Debt Service Fund	-	-	-
Total fund balances	<u><u>10,208,678</u></u>	<u><u>2,232,320</u></u>	<u><u>2,844,706</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$16,987,737</u></u>	<u><u>\$2,476,934</u></u>	<u><u>\$2,844,706</u></u>

See accompanying notes to the basic financial statements.

Special Revenue Bond Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$2,919,471	\$92,444	\$1,306,578	\$10,729,039
-	-	150,778	3,650,778
-	-	204,787	6,714,593
-	-	44,873	541,263
-	-	516	10,955
-	-	-	4,260,766
-	-	-	1,121,430
<u>\$2,919,471</u>	<u>\$92,444</u>	<u>\$1,707,532</u>	<u>\$27,028,824</u>

\$ -	\$ -	\$ 258,255	\$ 1,169,969
-	-	38,207	725,786
-	-	100,000	1,075,573
-	-	-	73,276
-	-	-	4,214,499
-	-	783	161,815
-	-	<u>397,245</u>	<u>7,420,918</u>

2,919,471	-	-	7,996,497
-	-	-	10,208,678
-	-	1,310,287	1,310,287
-	92,444	-	92,444
<u>2,919,471</u>	<u>92,444</u>	<u>1,310,287</u>	<u>19,607,906</u>
<u>\$2,919,471</u>	<u>\$92,444</u>	<u>\$1,707,532</u>	<u>\$27,028,824</u>

CITY OF PADUCAH, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
JUNE 30, 2010

Total fund balance - total governmental funds	\$19,607,906
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Delinquent property taxes receivable are not reported in the governmental funds balance sheet since they are not considered "available" revenues.	85,340
The long-term notes receivable are not reported in the governmental funds balance sheet since they are not available to pay current period expenditures.	3,596,031
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.	32,432
Inventory is not a current financial resource and, therefore, is not reported in the governmental funds balance sheet.	1,416,130
A prepaid pension obligation is not a current financial resource, and therefore, is not reported in the governmental funds balance sheet.	5,706,840
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.	39,531,590
Governmental funds report losses on direct financing leases when incurred, whereas the loss of direct financing leases are deferred and amortized over the life of the lease in the Statement of Net Assets.	374,271
Bond issuance costs used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	303,431

(Continued)

CITY OF PADUCAH, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
JUNE 30, 2010

Receivables from direct financing leases are not available in the current period and, therefore, are deferred in the governmental funds balance sheet.		\$ 4,215,972
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.		(183,298)
The portion of accrued compensated absences not due and payable in the current period and, therefore, not reported in the governmental funds balance sheet.		(1,638,304)
Long-term debts of (\$24,986,899) are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet. See Note 3 for detail. The long-term debts are:		
Due within one year	\$ 2,214,088	
Due after one year	<u>29,255,619</u>	(31,469,707)
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	\$ 4,494,299	
Total liabilities	(360,226)	
Net amount allocated to business-type activities	<u>(233,370)</u>	<u>3,900,703</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$45,479,337</u></u>

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, 2010

	General Fund	General Capital Improvements	Special Revenue Investment Fund
Revenues:			
Taxes	\$ 5,815,145	\$ -	\$ -
Licenses	20,969,137	-	4,010,631
Charges for services	582,978	-	-
Intergovernmental	-	-	-
Grants	736,237	1,112,184	-
Interest	82,550	14,043	7,002
Miscellaneous	1,336,009	670,302	-
Total revenues	<u>29,522,056</u>	<u>1,796,529</u>	<u>4,017,633</u>
Expenditures:			
Current operations:			
General government	5,277,916	-	-
Public safety	14,575,456	-	-
Public service	4,636,599	-	-
Parks and recreation	2,582,382	-	-
Planning and development	-	-	680,099
Other	847,188	-	-
Capital outlay	-	8,324,312	-
Debt service:			
Principal requirement	-	-	-
Interest and fiscal requirement	-	-	-
Total expenditures	<u>27,919,541</u>	<u>8,324,312</u>	<u>680,099</u>
Excess (deficiency) of revenues over expenditures	<u>1,602,515</u>	<u>(6,527,783)</u>	<u>3,337,534</u>
Other Financing Sources (Uses):			
Capital lease	-	-	-
Long-term debt draws	-	1,176,866	45,524
Long-term debt issued	-	-	-
Transfers in	512,102	6,095,916	481,635
Transfers out	(2,054,996)	(258,445)	(3,638,134)
Total other financing sources (uses)	<u>(1,542,894)</u>	<u>7,014,337</u>	<u>(3,110,975)</u>
Net change in fund balances	59,621	486,554	226,559
Fund balances, July 1, 2009	10,311,490	1,745,766	2,618,147
Adjustment to beginning net assets (See Note 10)	(162,433)	-	-
FUND BALANCES, JUNE 30, 2010	<u><u>\$ 10,208,678</u></u>	<u><u>\$ 2,232,320</u></u>	<u><u>\$ 2,844,706</u></u>

See accompanying notes to the basic financial statements.

Special Revenue Bond Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 511,595	\$ 6,326,740
-	-	-	24,979,768
-	-	263,109	846,087
-	601,487	489,837	1,091,324
-	-	214,133	2,062,554
9,283	-	8,368	121,246
-	-	647,071	2,653,382
<u>9,283</u>	<u>601,487</u>	<u>2,134,113</u>	<u>38,081,101</u>
-	-	-	5,277,916
-	-	1,423,981	15,999,437
-	-	1,347,516	5,984,115
-	-	-	2,582,382
115,000	-	1,073,270	1,868,369
-	-	-	847,188
-	-	-	8,324,312
-	1,020,585	-	1,020,585
-	1,077,128	-	1,077,128
<u>115,000</u>	<u>2,097,713</u>	<u>3,844,767</u>	<u>42,981,432</u>
<u>(105,717)</u>	<u>(1,496,226)</u>	<u>(1,710,654)</u>	<u>(4,900,331)</u>
-	405,796	-	405,796
-	-	-	1,222,390
6,645,000	-	258,391	6,903,391
-	1,089,630	1,543,569	9,722,852
(3,619,812)	-	(322,322)	(9,893,709)
<u>3,025,188</u>	<u>1,495,426</u>	<u>1,479,638</u>	<u>8,360,720</u>
2,919,471	(800)	(231,016)	3,460,389
-	93,244	1,541,303	16,309,950
-	-	-	(162,433)
<u>\$ 2,919,471</u>	<u>\$ 92,444</u>	<u>\$ 1,310,287</u>	<u>\$ 19,607,906</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, 2010

Net change in fund balances - total governmental funds \$ 3,460,389

*Amounts reported for governmental activities in the Statement
of Activities are different because:*

Inventory purchases require the use of current financial resources and, therefore, are reported as expenditures in governmental funds. 810,893

Inventory sales provide current financial resources and are reported as revenues in governmental funds. (1,414,394)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in the current period. This amount includes Internal Service Fund's capital outlays of \$1,267,822. 8,763,073

Proceeds from the disposal of capital assets are reported gross in the governmental funds because the related assets were recorded as expenditures when purchased. However, the proceeds are netted with the book value in the government-wide statement of activities. This amount includes Internal Service Fund's book value of \$30,811. (30,811)

Collections on long-term notes receivable and related interest receivable are revenues in the governmental funds when collected. (149,517)

Delinquent property taxes receivable are not considered "available" revenues in the governmental funds. (124,294)

Direct financing leases receivable are not considered "available" revenues in the governmental funds. (194,167)

The prepayment of a pension obligation requires the use of current financial resources and, therefore, is reported as an expenditure in governmental funds. However, the prepayment does not affect net assets in the government-wide Statement of Activities. (72,423)

Depreciation expense on capital assets is reported in the government-wide Statement of Activities and Changes in Net Assets, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. This amount includes Internal Service Funds' depreciation expense of \$513,814. (3,607,763)

(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, 2010

Proceeds from the issuance and draw down of debt provides current financial resources and is reported as an other financing source in governmental funds. \$(8,125,781)

Capital acquisitions financed with long term financing excluded from the governmental funds because it does not produce or use current financial resources (600,000)

Principal payments of debt require the use of current financial resources and, therefore, are reported as expenditures in governmental funds. However, principal payments of debt do not affect net assets in the government-wide Statement of Activities. 1,020,585

Governmental funds report the effect of losses on direct financing leases when incurred, whereas these amounts are deferred and amortized in the Statement of Activities. (26,895)

Accrued interest payments on debt do not require the use of current financial resources. Accrued interest is reported as an expenditure in the government-wide Statement of Activities. (83,128)

Long-term accrued compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (8,901)

Governmental funds report the effect of bond issuance costs when debt is issued, whereas these amounts are deferred and amortized in the Statement of Activities. 99,770

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the Internal Service Funds is reported with governmental activities net of the amount allocated to business-type activities and depreciation expense. These amounts are as follows:

Change in net assets	\$ 294,651	
Net of amount allocated to business-type activities	(30,121)	
Capital Outlays	(1,267,822)	
Book value of disposals	30,811	
Depreciation expense	<u>513,814</u>	<u>(458,667)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (742,031)

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
BUDGETARY COMPARISON STATEMENT (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning budgetary fund balance	<u>\$10,149,057</u>	<u>\$10,149,057</u>	<u>\$10,149,057</u>	<u>\$ -</u>
Resources (Inflows):				
Taxes:				
Real and personal, current year	4,754,000	4,717,355	4,717,362	7
Real and personal, prior year (net of refunds)	107,000	110,645	110,646	1
Franchise	135,000	171,625	171,631	6
Bank taxes	195,000	204,520	204,522	2
In lieu of tax payment	206,000	253,695	253,700	5
Penalty, interest and advertising	54,000	47,690	47,696	6
Paducah Junior College tax collections	-	309,585	309,588	3
Total taxes	<u>5,451,000</u>	<u>5,815,115</u>	<u>5,815,145</u>	<u>30</u>
Licenses:				
Business licenses	4,020,000	4,229,100	4,229,102	2
Employee earnings	12,231,000	12,373,875	12,373,878	3
Comcast fees	307,250	306,870	306,874	4
Penalties	99,625	156,940	156,944	4
Alcoholic beverages	131,000	123,740	123,740	-
Insurance premium tax	4,100,000	3,797,345	3,797,347	2
Building permits	73,000	107,710	107,714	4
Electrical permits	19,500	28,125	28,126	1
Zoning change fees	7,500	6,605	6,609	4
Miscellaneous building and electrical fees	-	250	252	2
KJDA payroll rebate	(245,700)	(161,450)	(161,449)	1
Total licenses	<u>20,743,175</u>	<u>20,969,110</u>	<u>20,969,137</u>	<u>27</u>
Charges for services:				
Tax collection fee	133,000	146,075	146,078	3
Administrative charge	229,000	229,000	229,000	-
Base court revenue	70,000	55,010	55,010	-
Recreation fees	98,000	152,875	152,890	15
Total charges for services	<u>530,000</u>	<u>582,960</u>	<u>582,978</u>	<u>18</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Grants:				
Police State Incentive	\$ 300,000	\$ 288,755	\$ 288,757	\$ 2
Police hiring supplement	-	121,170	121,172	2
Fire State Incentive	264,000	253,855	253,855	-
Ronald McDonald Grant	-	1,245	1,248	3
Kentucky League of Counties grants	-	7,500	7,500	-
Waste management grants	5,000	-	-	-
Paducah Housing Authority after school program	65,000	8,370	8,372	2
Police supplemental grants	25,000	55,330	55,333	3
Total grants	<u>659,000</u>	<u>736,225</u>	<u>736,237</u>	<u>12</u>
Interest	<u>153,000</u>	<u>82,545</u>	<u>82,550</u>	<u>5</u>
Other:				
Property rent and sales	688,535	767,260	767,274	14
Property upkeep and maintenance	189,225	287,940	287,948	8
Contractual programs	5,000	7,290	7,294	4
E911 - GIS	23,885	23,885	23,885	-
Miscellaneous	209,915	249,595	249,608	13
Total other	<u>1,116,560</u>	<u>1,335,970</u>	<u>1,336,009</u>	<u>39</u>
Other financing sources:				
Operating transfers in	-	512,355	512,102	(253)
Amounts available for appropriation	<u>38,801,792</u>	<u>40,183,337</u>	<u>40,183,215</u>	<u>(122)</u>
Charges to Appropriations (Outflows):				
General government:				
General administration:				
Mayor and Commissioners	213,925	202,125	202,099	26
City Manager	343,160	436,470	436,426	44
City Clerk	173,570	166,680	166,646	34
Corporate Counsel	159,780	182,565	182,550	15
Non-departmental	285,000	830,000	830,000	-
Memberships and contingency	381,125	99,010	98,995	15
Civic beautification	4,010	3,770	3,768	2
Total general administration	<u>1,560,570</u>	<u>1,920,620</u>	<u>1,920,484</u>	<u>136</u>

CITY OF PADUCAH, KENTUCKY
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
General government:				
Finance:				
Finance administration	\$ 193,345	\$ 158,250	\$ 158,209	\$ 41
Accounting and payroll	312,905	284,425	284,384	41
Budget and human resources	272,450	252,955	252,904	51
Rental property	134,735	34,720	34,706	14
Radio operations	57,680	455,470	455,459	11
Revenue collection	384,250	364,380	364,333	47
Total finance	<u>1,355,365</u>	<u>1,550,200</u>	<u>1,549,995</u>	<u>205</u>
Planning:				
Administration	244,165	260,425	260,382	43
Planning	84,540	78,045	78,006	39
Grants	161,735	162,665	162,642	23
Total planning	<u>490,440</u>	<u>501,135</u>	<u>501,030</u>	<u>105</u>
Human rights	<u>60,000</u>	<u>56,235</u>	<u>56,202</u>	<u>33</u>
Inspection:				
Inspection administration	176,805	174,930	174,898	32
Construction	289,500	277,935	277,899	36
Code enforcement	407,555	399,175	399,145	30
Neighborhood redevelopment	-	1,120	1,110	10
Total inspection	<u>873,860</u>	<u>853,160</u>	<u>853,052</u>	<u>108</u>
Information technology	<u>522,355</u>	<u>489,210</u>	<u>489,173</u>	<u>37</u>
Risk management	<u>108,470</u>	<u>97,625</u>	<u>97,573</u>	<u>52</u>
Public safety:				
Police:				
Police administration	1,091,270	963,685	963,595	90
Patrol	5,705,690	5,849,540	5,849,460	80
Investigations	1,580,490	1,620,370	1,620,299	71
Total police	<u>8,377,450</u>	<u>8,433,595</u>	<u>8,433,354</u>	<u>241</u>
Fire:				
Fire administration	216,560	219,975	219,926	49
Suppression	5,611,540	5,640,215	5,640,147	68
Prevention	191,900	159,200	159,155	45
Training	126,720	122,790	122,754	36
Total fire	<u>6,146,720</u>	<u>6,142,180</u>	<u>6,141,982</u>	<u>198</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public service:				
Public works:				
Public Works Administration	\$ 173,870	\$ 166,885	\$ 166,841	\$ 44
Street maintenance	2,151,500	2,049,455	2,049,395	60
Street lighting	535,000	494,680	494,680	-
Maintenance	1,379,715	1,075,952	1,075,892	60
Downtown landscaping	900,905	805	785	20
Total public works	<u>5,140,990</u>	<u>3,787,777</u>	<u>3,787,593</u>	<u>184</u>
Engineering services:				
Engineering services	434,550	380,630	380,574	56
GIS operation	-	3,490	3,475	15
Flood control	460,245	465,020	464,957	63
Total engineering services	<u>894,795</u>	<u>849,140</u>	<u>849,006</u>	<u>134</u>
Parks and recreation				
Parks administration	757,055	657,265	657,207	58
Grounds maintenance	-	1,333,698	1,333,628	70
Pool	122,340	111,850	111,817	33
Recreation programs	454,140	479,780	479,730	50
Total recreation	<u>1,333,535</u>	<u>2,582,593</u>	<u>2,582,382</u>	<u>211</u>
Other:				
Cable authority	85,665	85,105	85,096	9
Mainstreet program	237,475	300,710	300,691	19
Leave expense	-	(37,660)	(37,660)	-
Intergovernmental expense	-	309,590	309,588	2
Total other	<u>323,140</u>	<u>657,745</u>	<u>657,715</u>	<u>30</u>
Other financing uses:				
Operating transfers out	1,271,825	2,055,015	2,054,996	19
Total charges to appropriations	<u>28,459,515</u>	<u>29,976,230</u>	<u>29,974,537</u>	<u>1,693</u>
BUDGETARY FUND BALANCE, JUNE 30, 2010	<u><u>\$10,342,277</u></u>	<u><u>\$10,207,107</u></u>	<u><u>\$10,208,678</u></u>	<u><u>\$ 1,571</u></u>

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

Note A - Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	General Fund
Sources/inflows of resources:	
Actual amounts "available for appropriation" from the budgetary comparison schedule	\$40,183,215
Differences - budget to GAAP:	
The beginning fund balance is a budgetary resource, but is not a current year revenue for financial reporting purposes	(10,149,057)
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	<u>(512,102)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u><u>\$29,522,056</u></u>
Uses/outflows of resources:	
Actual amounts "total charges to appropriations" from the budgetary comparison schedule	\$29,974,537
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes	<u>(2,054,996)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u><u>\$27,919,541</u></u>

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
BUDGETARY COMPARISON STATEMENT (BUDGETARY BASIS)
SPECIAL REVENUE INVESTMENT FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning budgetary fund balance	<u>\$2,618,147</u>	<u>\$2,618,147</u>	<u>\$2,618,147</u>	<u>\$ -</u>
Resources (Inflows):				
Licenses:				
Employee earnings	4,077,000	4,010,630	4,010,631	1
Interest	-	7,000	7,002	2
Total licenses	<u>4,077,000</u>	<u>4,017,630</u>	<u>4,017,633</u>	<u>3</u>
Other financing sources:				
Long-term debt issued	-	45,520	45,524	4
Operating transfers in	-	481,630	481,635	5
Total licenses	<u>-</u>	<u>527,150</u>	<u>527,159</u>	<u>9</u>
Amounts available for appropriation	<u>6,695,147</u>	<u>7,162,927</u>	<u>7,162,939</u>	<u>12</u>
Charges to Appropriations (Outflows):				
General government:				
Planning and development:				
Economic development	884,500	680,100	680,099	1
Other financing uses:				
Operating transfers out	<u>3,692,500</u>	<u>3,638,135</u>	<u>3,638,134</u>	<u>1</u>
Total charges to appropriations	<u>4,577,000</u>	<u>4,318,235</u>	<u>4,318,233</u>	<u>2</u>
BUDGETARY FUND BALANCE, JUNE 30, 2010	<u><u>\$2,118,147</u></u>	<u><u>\$2,844,692</u></u>	<u><u>\$2,844,706</u></u>	<u><u>\$ 14</u></u>

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
BUDGETARY COMPARISON STATEMENT
SPECIAL REVENUE INVESTMENT FUND
FOR THE YEAR ENDED JUNE 30, 2010

Note A - Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources:

Actual amounts "available for appropriation" from the budgetary comparison schedule	\$ 7,162,939
---	--------------

Differences - budget to GAAP:

The beginning fund balance is a budgetary resource, but is not a current year revenue for financial reporting purposes	(2,618,147)
--	-------------

Proceeds from the issuance of debt are inflows of budgetary resources, but are not revenues for financial reporting purposes	(45,524)
--	----------

Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	<u>(481,635)</u>
--	------------------

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u><u>\$ 4,017,633</u></u>
--	----------------------------

Uses/outflows of resources:

Actual amounts "total charges to appropriations" from the budgetary comparison schedule	\$ 4,318,233
---	--------------

Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes	<u>(3,638,134)</u>
---	--------------------

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u><u>\$ 680,099</u></u>
--	--------------------------

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
BUDGETARY COMPARISON STATEMENT (BUDGETARY BASIS)
SPECIAL REVENUE BOND FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning budgetary fund balance	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Interest	-	9,280	9,283	3
Other financing sources:				
Long-term debt issued	-	6,645,000	6,645,000	-
Operating transfers in	-	-	-	-
Total licenses	-	6,645,000	6,645,000	-
Amounts available for appropriation	-	6,654,280	6,654,283	3
Charges to Appropriations (Outflows):				
General government:				
Planning and development:				
Bond issuance costs	-	115,000	115,000	-
Other financing uses:				
Operating transfers out	-	3,619,815	3,619,812	3
Total charges to appropriations	-	3,734,815	3,734,812	3
BUDGETARY FUND BALANCE, JUNE 30, 2010	\$ -	\$ 2,919,465	\$ 2,919,471	\$ 6

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
BUDGETARY COMPARISON STATEMENT
SPECIAL REVENUE BOND FUND
FOR THE YEAR ENDED JUNE 30, 2010

Note A - Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources:

Actual amounts "available for appropriation" from the budgetary comparison schedule	\$ 6,654,283
---	--------------

Differences - budget to GAAP:

The beginning fund balance is a budgetary resource, but is not a current year revenue for financial reporting purposes	-
--	---

Proceeds from the issuance of debt are inflows of budgetary resources, but are not revenues for financial reporting purposes	(6,645,000)
--	-------------

Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	-
--	---

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$ 9,283</u>
--	-----------------

Uses/outflows of resources:

Actual amounts "total charges to appropriations" from the budgetary comparison schedule	\$ 3,734,812
---	--------------

Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes	<u>(3,619,812)</u>
---	--------------------

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$ 115,000</u>
--	-------------------

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

<u>ASSETS</u>	<u>Business-type Activities</u>			<u>Governmental</u>
	<u>Solid</u>	<u>Nonmajor</u>	<u>Totals</u>	<u>Internal</u>
	<u>Waste</u>	<u>Enterprise</u>		<u>Service</u>
		<u>Funds</u>		<u>Funds</u>
Current Assets:				
Cash and cash equivalents	\$1,404,972	\$1,070,158	\$2,475,130	\$3,127,559
Investments	1,525,000	-	1,525,000	1,250,000
Accounts receivable	540,395	4,198	544,593	-
Grants receivable	95,569	-	95,569	-
Interest receivable	6,749	-	6,749	30,774
Prepaid expenses	-	6,482	6,482	15,000
Inventory	-	-	-	70,966
Total current assets	<u>3,572,685</u>	<u>1,080,838</u>	<u>4,653,523</u>	<u>4,494,299</u>
Noncurrent Assets:				
Net capital assets:				
Land	62,152	-	62,152	-
Depreciable capital assets	1,302,465	288,344	1,590,809	2,661,881
Total noncurrent assets	<u>1,364,617</u>	<u>288,344</u>	<u>1,652,961</u>	<u>2,661,881</u>
Total assets	<u>4,937,302</u>	<u>1,369,182</u>	<u>6,306,484</u>	<u>7,156,180</u>
<u>LIABILITIES</u>				
Current Liabilities:				
Voucher and accounts payable	115,120	105,141	220,261	309,667
Accrued payroll and payroll taxes	37,934	-	37,934	14,030
Accrued compensated absences	69,688	1,642	71,330	-
Due to other funds	-	42,581	42,581	-
Total current liabilities	<u>222,742</u>	<u>149,364</u>	<u>372,106</u>	<u>323,697</u>
Noncurrent Liabilities:				
Landfill post-closure costs	2,062,500	-	2,062,500	-
Accrued compensated absences	-	14,782	14,782	36,529
Total noncurrent liabilities	<u>2,062,500</u>	<u>14,782</u>	<u>2,077,282</u>	<u>36,529</u>
Total liabilities	<u>2,285,242</u>	<u>164,146</u>	<u>2,449,388</u>	<u>360,226</u>
<u>NET ASSETS</u>				
Invested in capital assets	1,364,617	288,344	1,652,961	2,661,881
Restricted for:				
Housing development projects	-	620,800	620,800	-
Unrestricted	1,287,443	295,892	1,583,335	4,134,073
TOTAL NET ASSETS	<u>\$2,652,060</u>	<u>\$1,205,036</u>	3,857,096	<u>\$6,795,954</u>
Reconciliation to government-wide statements of net assets:				
Adjustment to reflect the consolidation of Internal Service Funds' activities related to Enterprise Funds			233,370	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES			<u>\$4,090,466</u>	

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Business-type Activities</u>			<u>Governmental</u>
	<u>Solid</u>	<u>Nonmajor</u>	<u>Totals</u>	<u>Internal</u>
	<u>Waste</u>	<u>Enterprise</u>		<u>Service</u>
		<u>Funds</u>		<u>Funds</u>
Operating Revenues:				
Charges for services - internal	\$ -	\$ 148,158	\$ 148,158	\$5,651,545
Charges for services - external	4,380,115	2,344,208	6,724,323	245,589
Miscellaneous	63,497	1,515	65,012	-
Total operating revenues	<u>4,443,612</u>	<u>2,493,881</u>	<u>6,937,493</u>	<u>5,897,134</u>
Operating Expenses:				
Cost of sales and service	3,425,675	2,297,958	5,723,633	5,233,240
Depreciation and amortization	371,423	39,764	411,187	513,814
Total operating expenses	<u>3,797,098</u>	<u>2,337,722</u>	<u>6,134,820</u>	<u>5,747,054</u>
Operating income (loss)	<u>646,514</u>	<u>156,159</u>	<u>802,673</u>	<u>150,080</u>
Nonoperating Revenues (Expenses):				
Interest and investment income	33,460	280	33,740	50,968
Gain (loss) on disposal of property and equipment	1,112	-	1,112	64,620
Total nonoperating revenues (expenses)	<u>34,572</u>	<u>280</u>	<u>34,852</u>	<u>115,588</u>
Income (loss) before contributions and transfers	<u>681,086</u>	<u>156,439</u>	<u>837,525</u>	<u>265,668</u>
Contributions and Transfers:				
Capital contributions	-	17,047	17,047	-
Transfers in	-	78,893	78,893	28,984
Transfers out	-	-	-	-
Total contributions and transfers	<u>-</u>	<u>95,940</u>	<u>95,940</u>	<u>28,984</u>
Change in net assets	681,086	252,379	933,465	294,652
Total net assets, July 1, 2009	<u>1,970,974</u>	<u>952,657</u>		<u>6,501,302</u>
TOTAL NET ASSETS - JUNE 30, 2010	<u><u>\$2,652,060</u></u>	<u><u>\$1,205,036</u></u>		<u><u>\$6,795,954</u></u>
Reconciliation to government-wide statements of net assets:				
Adjustment to reflect the consolidation of Internal Service Funds' activities related to Enterprise Funds			<u>30,121</u>	
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES			<u><u>\$ 963,586</u></u>	

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Business-type Activities</u>			<u>Governmental</u>
	<u>Solid</u>	<u>Nonmajor</u>	<u>Totals</u>	<u>Internal</u>
	<u>Waste</u>	<u>Enterprise</u>		<u>Service</u>
		<u>Funds</u>		<u>Funds</u>
Cash Flows from Operating Activities:				
Cash received from customers	\$ 4,438,855	\$ 2,508,333	\$ 6,947,188	\$ -
Cash received from interfund services provided	-	-	-	5,971,769
Payments to suppliers	(1,444,794)	-	(1,444,794)	(275,479)
Payments to employees	(1,373,875)	(123,998)	(1,497,873)	(278,107)
Claims paid	-	-	-	(3,100,439)
Payments to internal service funds	(574,793)	(4,268)	(579,061)	-
Other receipts	63,497	1,515	65,012	-
Other payments	-	(2,112,315)	(2,112,315)	(871,007)
	<u>1,108,890</u>	<u>269,267</u>	<u>1,378,157</u>	<u>1,446,737</u>
Cash Flows from Noncapital Financing Activities:				
Transfers (to) from other funds	-	96,012	96,012	28,984
	<u>-</u>	<u>96,012</u>	<u>96,012</u>	<u>28,984</u>
Cash Flows from Capital and Related Financing Activities:				
Capital contributions	-	17,047	17,047	-
Purchase of capital assets	(269,594)	(73,136)	(342,730)	(1,267,823)
Proceeds from sale of capital assets	1,112	-	1,112	95,431
	<u>1,112</u>	<u>-</u>	<u>1,112</u>	<u>95,431</u>
Net cash provided (used) by capital and related financing activities	(268,482)	(56,089)	(324,571)	(1,172,392)
Cash Flows from Investing Activities:				
Proceeds from sale of investment securities	1,750,000	-	1,750,000	4,300,000
Interest on cash and investments	33,460	280	33,740	50,968
Purchase of investments	(2,025,000)	-	(2,025,000)	(2,350,000)
	<u>(241,540)</u>	<u>280</u>	<u>(241,260)</u>	<u>2,000,968</u>
Net cash provided (used) by investing activities	(241,540)	280	(241,260)	2,000,968
Net increase (decrease) in cash and cash equivalents	598,868	309,470	908,338	2,304,297
Cash and cash equivalents, July 1, 2009	806,104	760,688	1,566,792	823,262
	<u>806,104</u>	<u>760,688</u>	<u>1,566,792</u>	<u>823,262</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2010	<u>\$ 1,404,972</u>	<u>\$ 1,070,158</u>	<u>\$ 2,475,130</u>	<u>\$ 3,127,559</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 646,514	\$ 156,159	\$ 802,673	\$ 150,080
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	371,423	39,764	411,187	513,814
Change in assets and liabilities:				
Receivables	58,740	15,967	74,707	74,635
Prepaid expenses	-	21,230	21,230	1,266,647
Inventories	-	-	-	2,639
Due to other funds	-	-	-	(801,000)
Accrued expenses	(8,211)	912	(7,299)	7,379
Accounts payable	40,424	35,235	75,659	232,543
	<u>40,424</u>	<u>35,235</u>	<u>75,659</u>	<u>232,543</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,108,890</u>	<u>\$ 269,267</u>	<u>\$ 1,378,157</u>	<u>\$ 1,446,737</u>

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

<u>ASSETS</u>	<u>Primary Government</u>		
	<u>Pension Funds</u>	<u>Private- purpose Trusts</u>	<u>Agency Funds</u>
Cash and cash equivalents	\$ 58,680	\$ 85,730	\$111,335
Receivables:			
Accounts	-	3,000	-
Interest	27,158	-	-
Investments at fair value:			
Money market funds	230,787	-	-
Certificates of deposit	125,000	-	-
Common stock	1,358,418	-	-
Corporate bonds	365,209	-	-
U.S. agencies bonds	1,251,053	-	-
Mutual funds	5,205,504	923,604	-
Total assets	<u>8,621,809</u>	<u>1,012,334</u>	<u>111,335</u>
 <u>LIABILITIES</u> 			
Voucher and accounts payable	268	-	-
Due to other funds	-	3,276	-
Payroll taxes and withholdings payable	-	-	111,335
Total liabilities	<u>268</u>	<u>3,276</u>	<u>\$111,335</u>
 <u>NET ASSETS</u> 			
Held in trust for pension benefits and other purposes	<u>\$8,621,541</u>	<u>\$1,009,058</u>	

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Pension Funds	Private- purpose Trusts
Additions:		
Contributions:		
Employer	\$ 465,170	\$ -
Plan members	5,075	-
Intergovernmental revenues	-	10,725
Private donations	-	10,000
Interfund transfers in	-	71,092
	470,245	91,817
Investment income:		
Net increase (decrease) in fair value of investments	880,537	80,246
Loss on sale of investments	-	(5,898)
Interest and dividends	252,407	18,843
	1,132,944	93,191
Total additions	1,603,189	185,008
Deductions:		
Benefits	1,799,186	-
Capital outlay	-	893
Administrative expenses	55,997	13,910
Interfund transfers out	-	8,112
	1,855,183	22,915
Change in net assets	(251,994)	162,093
Net assets, July 1, 2009	8,873,535	846,965
NET ASSETS, JUNE 30, 2010	\$8,621,541	\$1,009,058

See accompanying notes to the basic financial statements.

CITY OF PADUCAH, KENTUCKY

BASIC FINANCIAL STATEMENTS

COMPONENT UNITS FINANCIAL STATEMENTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2010

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF PADUCAH, KENTUCKY
STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2010

<u>ASSETS</u>	Paducah Water Works	Paducah Transit Authority	All Component Unit Totals
Current Assets:			
Cash and cash equivalents	\$ 2,173,532	\$1,172,519	\$ 3,346,051
Receivables, net:			
Accounts	395,204	180,681	575,885
Grants	-	159,797	159,797
Other	900,304	-	900,304
Inventories	442,669	15,000	457,669
Prepaid expenses	-	16,043	16,043
Other current assets	773,669	-	773,669
Total current assets	<u>4,685,378</u>	<u>1,544,040</u>	<u>6,229,418</u>
Noncurrent Assets:			
Net capital assets:			
Land and construction in progress	4,852,091	486,314	5,338,405
Depreciable capital assets	33,189,978	4,773,338	37,963,316
Other assets	2,173,104	-	2,173,104
Total noncurrent assets	<u>40,215,173</u>	<u>5,259,652</u>	<u>45,474,825</u>
Total assets	<u>44,900,551</u>	<u>6,803,692</u>	<u>51,704,243</u>

	<u>LIABILITIES</u>	Paducah Water Works	Paducah Transit Authority	All Component Unit Totals
Current Liabilities:				
Voucher and accounts payable		\$ 1,377,919	\$1,419,721	\$ 2,797,640
Accrued payables		-	103,258	103,258
Notes payable due within one year		25,000	32,415	57,415
Other current liabilities		990,047	-	990,047
Total current liabilities		<u>2,392,966</u>	<u>1,555,394</u>	<u>3,948,360</u>
Noncurrent Liabilities:				
Notes payable		3,578,635	71,871	3,650,506
Total noncurrent liabilities		<u>3,578,635</u>	<u>71,871</u>	<u>3,650,506</u>
Total liabilities		<u>5,971,601</u>	<u>1,627,265</u>	<u>7,598,866</u>
<u>NET ASSETS</u>				
Net Assets:				
Invested in capital assets, net of related debt		34,446,501	5,155,366	39,601,867
Unrestricted		4,482,449	21,061	4,503,510
TOTAL NET ASSETS		<u>\$38,928,950</u>	<u>\$5,176,427</u>	<u>\$44,105,377</u>

See accompanying notes to the basic financial statements

CITY OF PADUCAH, KENTUCKY
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2010

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>	
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Authorities:				
Business-type activities:				
Paducah Water Works	\$ 6,965,498	\$7,836,232	\$ -	\$ 473,251
Paducah Transit Authority	4,500,195	1,457,800	1,708,085	3,036,612
TOTAL COMPONENT UNITS	<u><u>\$11,465,693</u></u>	<u><u>\$9,294,032</u></u>	<u><u>\$1,708,085</u></u>	<u><u>\$3,509,863</u></u>
General Revenues:				
Unrestricted investment earnings				
Gain (loss) on disposal of assets				
Miscellaneous general				
Total general revenues and transfers				
Change in net assets				
Net assets, July 1, 2009				
NET ASSETS, JUNE 30, 2010				

See accompanying notes to the basic financial statements.

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

Paducah Water Works	Paducah Transit Authority	Totals
\$ 1,343,985	\$ -	\$ 1,343,985
-	1,702,302	1,702,302
<u>1,343,985</u>	<u>1,702,302</u>	<u>3,046,287</u>
17,140	198	17,338
2,520	(10,946)	(8,426)
-	84,560	84,560
<u>19,660</u>	<u>73,812</u>	<u>93,472</u>
1,363,645	1,776,114	3,139,759
<u>37,565,305</u>	<u>3,400,313</u>	<u>40,965,618</u>
<u>\$38,928,950</u>	<u>\$5,176,427</u>	<u>\$44,105,377</u>

CITY OF PADUCAH, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2010

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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.

Discretely Presented Component Units

The component unit column in the basic financial statements includes the financial data of the City's other component units. They are reported in a separate column to emphasize that they are legally separate from the City. The following component units are included in the reporting entity because of their financial relationship with the City and the City is able to impose its will on the organizations.

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

Transit Authority of the City of Paducah – The Transit Authority's governing board is appointed by the Mayor of the City of Paducah. The City is the grantee agency receiving, on behalf of the Transit Authority, its principal revenues. The City also contributes substantially to the operation of the Authority by providing cash subsidies and facilities.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 1 - Summary of Significant Accounting Policies:

Discretely Presented Component Units

Complete financial statements of the individual component units can be obtained from their respective administrative offices in the following locations:

Paducah Water Works
401 Washington Street
Paducah, Kentucky 42003

Transit Authority of the
City of Paducah
850 Harrison Street
Paducah, Kentucky 42001

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 in the City's report.

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. This organization is not included as a component unit of 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. This organization is not included as a component unit of 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. This organization is not included as a component unit of 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. This organization is not included as a component unit of the City.

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

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 1 - Summary of Significant Account Policies:

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Assets 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, liabilities, fund equity, revenues, and expenditure/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.

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.

Special Revenue Bond Fund – To account for the proceeds from the issuance of the 2010 Build America Bonds used for public improvement projects.

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.

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.

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

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 1 - Summary of Significant Account Policies:

Basis of Presentation

Fund Financial Statements

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 Employee' Pension Fund (AEPF). Pension trust funds report the receipt, investment, and distribution of retirement contributions. The remaining funds are private-purpose trust funds which report the receipt and distribution of in accordance with maintenance trust agreements.

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

Measurement Focus

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

On the government-wide Statement of Net Assets 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 assets (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 assets.
- 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 Assets 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.

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

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 1 - Summary of Significant Account Policies:

Basis of Accounting

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.

Deferred/unearned revenue

The City reports unearned revenue on its government-wide statement of net assets and deferred revenue on the fund financial statements. Deferred/unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred/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 deferred/unearned revenue is removed and revenue is recognized.

Allocation of Indirect Expenses

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

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:

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 1 - Summary of Significant Accounting Policies:

Budgets and Budgetary Accounting

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

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds. In accordance with generally accepted accounting principles (GAAP), encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. There are no encumbrances at June 30, 2010.

Cash and Investments

The City Council updated and adopted formal deposit and investment policies in January 2001. These policies apply to all City funds not contained in public trusts. Pension trust fund has investment policies separately approved by their oversight board. The private purpose trust has no adopted deposit and investment policy.

For the purpose of the Statement of Net Assets, "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.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Major receivable balances for the governmental activities include property taxes, employee earnings taxes, business licenses, insurance premiums taxes, franchise taxes, grant revenue and interlocal note receivable. Business-type activities report utilities and interest earnings as their major receivables.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 1 - Summary of Significant Accounting Policies:

Receivables

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 Assets. See Note 3 for details of interfund transactions, including receivables and payables at year end.

Inventories

Inventories are stated at cost on a first-in, first-out basis. Inventory consists of expendable supplies of \$70,966 held for consumption and real property of \$1,416,129 held for urban development.

Capital Assets

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

Government-wide Statement

In the government-wide financial statements, property, plant, and equipment are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2004.

Assets capitalized have an original cost of \$500 or more prior to July 1, 1999, \$2,500 or more after July 1, 1999, and \$3,000 or more after June 24, 2009. Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 1 - Summary of Significant Accounting Policies:

Capital Assets

Capital assets of the primary government are depreciated over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land improvements	10-15 Years
Buildings	30 Years
Building improvements	10-15 Years
Infrastructure	15-30 Years
Equipment	7-9 Years
Furnishings and fixtures	3-5 Years
Vehicles	5-7 Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited to applicable bond covenants.

Compensated Absences

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 Employee's Retirement System, under certain circumstances, are eligible to convert accrued sick pay benefits into additional credit for years of service upon retirement.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable, notes payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 1 - Summary of Significant Accounting Policies:

Equity Classifications

Government-wide Statements

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

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – 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 assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

Interfund Transactions

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

All other interfund transactions are reported as operating transfers.

Program Revenues

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

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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 1 - Summary of Significant Accounting Policies:

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 character:	Current (further classified by function)
	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.

Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements. 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
American Recovery & Reinvestment Act Grants	Job creation and retention
HOME Investment Partnerships Grant	Construction of Low-income Rental Units
Emergency Communication Revenue	E-911 Emergency Services
County Bed Tax	Debt Obligations
Homeland Security Grant Program	Homeland Security Enhancement
Kentucky Housing Corporation	Façade Loans
Other Grants	Grant Program Expenditures
25% of Employee Earning Tax	Economic, Community and Capital Development

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 1 - Summary of Significant Accounting Policies:

Stewardship, Compliance, and Accountability

Revenue Restrictions

For the year ended June 30, 2010, the City complied, in all material respects, with these revenue restrictions.

Debt Restrictions and Covenants

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

Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 16, 2010, 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, 2010, are as follows:

<u>Description</u>	<u>Date</u>
Assessment and enforceable lien	January 1, 2009
Levy	September 25, 2009
Face value amount payment dates	1 st half by November 1, 2009 2 nd half by February 1, 2010
Delinquent date - 10% penalty plus 1/2% per month	1 st half - November 30, 2009 2 nd half - February 28, 2010

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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 3 - Detail Notes on Transaction Classes/Accounts:

Deposits

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, 2010, 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 was \$16,587,472 and \$21,251,585, respectively.

Investments

As of June 30, 2010, the City's reporting entity had the following investments:

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Average Credit Quality/ Rating (1)</u>	<u>Investment Maturities (In Years) (2)</u>			
			<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Greater Than 10</u>
Primary Government						
Money market funds	\$ 100,778	NA	\$ 100,778	\$ -	\$ -	\$ -
Certificates of deposit (3)	<u>6,325,000</u>	NA	2,450,000	3,875,000	-	-
TOTAL PRIMARY GOVERNMENT	<u>\$6,425,778</u>					
Fiduciary and Private Purpose Trust Funds						
Money market funds	\$ 230,787	NA	\$ 230,787	\$ -	\$ -	\$ -
Certificates of deposit (3)	125,000	NA	-	125,000	-	-
Common stock	1,358,418	NA	NA	NA	NA	NA
Corporate bonds	365,209	A/A-	-	365,209	-	-
U.S. agencies (4)	1,251,053	AAA/A	-	1,148,368	102,685	-
Mutual funds						
Equity	3,902,088	NA	NA	NA	NA	NA
Commodities	504,151	NR	NA	NA	NA	NA
Fixed	1,568,259	NA	NA	NA	NA	NA
Index	<u>154,610</u>	NA	NA	NA	NA	NA
TOTAL FIDUCIARY AND PRIVATE PURPOSE TRUST FUNDS	<u>\$9,459,575</u>					

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 3 - Detail Notes on Transaction Classes/Accounts:

Investments

- (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.
- (3) \$125,000 of the fiduciary's certificates of deposit is pooled with the primary government's certificates of deposit.
- (4) Includes \$493,161 of securities callable as of June 30, 2010.

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 issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by section 41.240(4) of the Kentucky Revised Statutes;
6. Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a national recognized rating agency.

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

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 3 - Detail Notes on Transaction Classes/Accounts:

Investment Policies

Pension Trust Policy

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

Asset allocation guideline for the plan is as follows:

	<u>PFPF Retirement Plan</u>		
	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Equities	35%	50%	65%
Fixed income	35%	50%	65%

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.

Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 3 - Detail Notes on Transaction Classes/Accounts:

Capital Assets

	Balance			Balance
Primary Government:	<u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2010</u>
Capital assets, not being depreciated:				
Land	\$ 6,239,585	\$ 941,443	\$ -	\$ 7,181,028
Construction-in-progress	<u>3,610,527</u>	<u>7,127,819</u>	<u>1,641,182</u>	<u>9,097,164</u>
Total capital assets, not being depreciated	<u>9,850,112</u>	<u>8,069,262</u>	<u>1,641,182</u>	<u>16,278,192</u>
Capital assets, being depreciated:				
Land improvements	3,061,972	-	-	3,061,972
Buildings and improvements	15,445,256	-	-	15,445,256
Infrastructure	34,918,483	284,396	-	35,202,879
Equipment	8,290,078	782,772	367,154	8,705,696
Furnishings and fixtures	230,312	-	19,332	210,980
Vehicles	<u>7,582,726</u>	<u>1,267,823</u>	<u>1,399,481</u>	<u>7,451,068</u>
Totals at historical cost	<u>69,528,827</u>	<u>2,334,991</u>	<u>1,785,967</u>	<u>70,077,851</u>
Less accumulated depreciation:				
Land improvements	1,247,124	85,834	-	1,332,958
Buildings and improvements	11,410,888	280,281	-	11,691,169
Infrastructure	19,733,385	2,108,357	-	21,841,742
Equipment	6,615,056	631,258	367,154	6,879,160
Furnishings and fixtures	224,707	1,525	19,333	206,899
Vehicles	<u>5,740,687</u>	<u>500,508</u>	<u>1,368,670</u>	<u>4,872,525</u>
Total accumulated depreciation	<u>44,971,847</u>	<u>3,607,763</u>	<u>1,755,157</u>	<u>46,824,453</u>
Total capital assets, being depreciated, net	<u>24,556,980</u>	<u>(1,272,772)</u>	<u>30,810</u>	<u>23,253,398</u>
PRIMARY GOVERNMENT ACTIVITIES CAPITAL ASSETS, NET	<u>\$34,407,092</u>	<u>\$6,796,491</u>	<u>\$1,671,993</u>	<u>\$39,531,590</u>
	Balance			Balance
Business-type Activities:	<u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2010</u>
Capital assets, not being depreciated:				
Land	\$ 65,908	\$ -	\$ 3,756	\$ 62,152
Construction-in-progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, not being depreciated	<u>65,908</u>	<u>-</u>	<u>3,756</u>	<u>62,152</u>
Capital assets, being depreciated:				
Buildings and improvements	429,254	-	-	429,254
Equipment	1,405,469	130,359	18,999	1,516,829
Vehicles	<u>2,559,093</u>	<u>212,370</u>	<u>-</u>	<u>2,771,463</u>
Totals at historical cost	<u>4,393,816</u>	<u>342,729</u>	<u>18,999</u>	<u>4,717,546</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 3 - Detail Notes on Transaction Classes/Accounts:

Capital Assets

	<u>Balance</u> <u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2010</u>
Business-type Activities:				
Less accumulated depreciation:				
Buildings and improvements	\$ 201,876	\$ 12,914	\$ 3,756	\$ 211,034
Equipment	996,492	112,159	18,999	1,089,652
Vehicles	<u>1,539,937</u>	<u>286,114</u>	<u>-</u>	<u>1,826,051</u>
Total accumulated depreciation	<u>2,738,305</u>	<u>411,187</u>	<u>22,755</u>	<u>3,126,737</u>
 Total capital assets, being depreciated, net	 <u>1,655,511</u>	 <u>(68,458)</u>	 <u>(3,756)</u>	 <u>1,590,809</u>
 BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	 <u>\$ 1,721,419</u>	 <u>\$ (68,457)</u>	 <u>\$ 1</u>	 <u>\$ 1,652,961</u>

Depreciation expense was charged to governmental activities as follows:

General government:	
General administration	\$ 150,115
Finance	2,018
Planning	4,135
Inspections	528
Personnel	1,295
Information systems	-
Fleet maintenance	<u>10,264</u>
 Total general government	 <u>168,355</u>
 Public safety:	
Police	147,040
Fire	35,368
Grants	58,114
Emergency 911	84,540
Court awards	14,869
Fleet Lease Trust	<u>503,550</u>
 Total public safety	 <u>843,481</u>
 Public service:	
Public works	81,542
Engineering	<u>247,018</u>
 Total public service	 <u>328,560</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 3 - Detail Notes on Transaction Classes/Accounts:

Capital Assets

Parks and recreation	\$ <u>156,710</u>
Planning and development:	
Infrastructure	2,108,786
Grants	<u>1,871</u>
Total planning and development	<u>2,110,657</u>
TOTAL DEPRECIATION EXPENSE – GOVERNMENTAL ACTIVITIES	<u>\$3,607,763</u>

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

Solid Waste Fund	\$ 371,423
Section Eight Housing	7,200
Civic Center	10,495
TISA Fund	<u>22,069</u>
TOTAL DEPRECIATION EXPENSE – BUSINESS-TYPE ACTIVITIES	<u>\$ 411,187</u>

Discretely Presented Component Units:	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Capital assets, not being depreciated:				
Land	\$ 486,314	\$ _____	\$ _____	\$ 486,314
Total capital assets, not being depreciated	<u>486,314</u>	_____	_____	<u>486,314</u>
Capital assets, being depreciated:				
Buildings and improvements	1,680,992	70,421	-	1,751,413
Equipment	5,990,903	2,559,558	349,155	8,201,306
Utility plant	<u>60,913,286</u>	<u>5,176,299</u>	<u>77,745</u>	<u>66,011,840</u>
Total capital assets, being depreciated	<u>68,585,181</u>	<u>7,806,278</u>	<u>426,900</u>	<u>75,964,559</u>
Less accumulated depreciation:				
Buildings and improvements	755,074	107,935	-	863,009
Equipment	3,894,358	756,474	334,460	4,316,372
Utility plant	<u>26,670,801</u>	<u>1,376,715</u>	<u>77,745</u>	<u>27,969,771</u>
Total accumulated depreciation	<u>31,320,233</u>	<u>2,241,124</u>	<u>412,205</u>	<u>33,149,152</u>
Total capital assets, being depreciated, net	<u>37,264,948</u>	<u>5,565,154</u>	<u>14,695</u>	<u>42,815,407</u>
COMPONENT UNIT CAPITAL ASSETS, NET	<u>\$37,751,262</u>	<u>\$5,565,154</u>	<u>\$ 14,695</u>	<u>\$43,301,721</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 3 - Detail Notes on Transaction Classes/Accounts:

Capital Assets

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

Paducah Water Works	\$ 1,376,715
Paducah Transit Authority	<u>864,409</u>
TOTAL DEPRECIATION EXPENSE BY ACTIVITY	<u>\$ 2,241,124</u>

Accounts Payable

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

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, 2010, the governmental long-term liabilities consisted of the following:

General obligation bonds:	
Current portion	\$ 1,096,492
Noncurrent portion	<u>24,564,948</u>
TOTAL GENERAL OBLIGATION BOND COSTS	<u>\$25,661,440</u>
Note payable:	
Current portion	\$ 1,117,596
Noncurrent portion	<u>4,690,671</u>
TOTAL NOTE PAYABLE PAYMENTS	<u>\$ 5,808,267</u>
Accrued compensated absences:	
Current portion	\$ 975,982
Noncurrent portion	<u>860,665</u>
TOTAL ACCRUED COMPENSATED ABSENCES	<u>\$ 1,836,647</u>

Business-type Activities

As of June 30, 2010, the long-term liabilities payable from proprietary fund resources consisted of the following:

Accrued compensated absences:	
Current portion	\$ 71,330
Noncurrent portion	<u>14,782</u>
TOTAL ACCRUED COMPENSATED ABSENCES	<u>\$ 86,112</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 3 - Detail Notes on Transaction Classes/Accounts:

Long-Term Liabilities

General Obligation Bonds

Series 2001 Bond Issue – The City of Paducah issued general obligation bonds of \$9,290,000 in June 2001, to finance construction of the new Luther F. Carson Four Rivers Center for the Performing Arts and the expansion of the Julian Carroll Convention Center. Interest rates range from 3.5% to 5%. These bonds are required to be fully paid within 25 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 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 Assets. 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 2004 Bond Issue – The City of Paducah issued general obligation bonds of \$5,000,000 in June 2004, to finance construction of the new Infiniti Media Building. Interest rates range from 2.25% to 6%. These bonds are required to be fully paid within 20 years from the date of issue and are backed by the full faith and credit of the City. 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 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 Assets. Principal and interest payments prior to September 1, 2007, on the bonds were split evenly between the City and the County. After September 1, 2007, the City and County will pay 2.031% of the bond payments with the remaining amount being made from a sale-lease with Infiniti Plastic Technologies, Inc.

Series 2005 Bond Issue – The City of Paducah issued general obligation bonds of \$6,100,000 in November 2005, to finance the police and firefighter's pension fund estimated actuary liability. Interest rate is fixed at 5.35%. These bonds are required to be fully paid within 20 years from the date of issue and are backed by the full faith and credit of the City.

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

Series 2010 Bond Issue – The City of Paducah issued general obligation Build America Bonds of \$6,645,000 in March 2010, to finance several public improvement projects. Interest rates range from 1.00% to 5.50%, with a Federal subsidy equal to 35% of the interest payments. These bonds are required to be fully paid within 20 years from the date of issue and are backed by the full faith and credit of the City.

Notes Payable

Kentucky League of Cities – On July 1, 2003, the City entered into an agreement in the amount of \$3,500,000 with the Kentucky League of Cities to finance the acquisition and installation of various public capital projects. Interest is charged at a rate of approximately 2.98%. The note is required to be fully paid within 20 years from the date of issue and is backed by the full faith and credit of the City.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 3 - Detail Notes on Transaction Classes/Accounts:

Long-Term Liabilities

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. 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.

Kentucky Association of Counties – The County of McCracken, Kentucky entered into an agreement in the amount of \$250,000 in August 2004, with the Kentucky Association of Counties to assist the Paducah-McCracken County Industrial Development Authority finance construction of the new speculative building in Industrial Park West. Interest rate is 4.250%. This note is required to be fully paid within 5 years from the date of issue and is backed jointly by the full faith and credit of the City and the County. While this 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 June 1, 2004.

L. Wayne & Linda Lindsey Agreement – On December 18, 2009, the City entered into an agreement in the amount of \$600,000 with L. Wayne & Linda Lindsey to finance the acquisition of real property to be used for the development of a sports park in the community. The note matures on December 19, 2010 and has an annual interest rate of 2%.

Community Financial Services Bank – On February 6, 2009, the City entered into a multiple draw agreement in the amount of \$500,000 with Community Financial Service Bank (CFSB) to finance the program activities of the Home Grant Fund. As of June 30, 2010, \$273,003 had been drawn on this agreement. Interest rate is 3.95%, fixed. The note matures on February 6, 2011.

Changes in Long-Term Liabilities

The following is a summary of changes in long-term debt for the year ended June 30, 2010:

Type of Liability:	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental activities:					
General obligation bonds:					
Convention and Arts Center	\$ 7,320,000	\$ -	\$ 290,000	\$ 7,030,000	\$ 305,000
Infiniti Media Building	4,160,000	-	185,000	3,975,000	195,000
Pension	5,545,000	-	205,000	5,340,000	215,000
Floodwall Rehabilitation	2,774,638	-	103,198	2,671,440	106,492
Build America Bonds	-	6,645,000	-	6,645,000	275,000
Notes payable:					
Kentucky League of Cities	2,672,649	-	154,886	2,517,763	159,592
Kentucky Association of Counties	2,500,000	-	82,500	2,417,500	85,000
CFSB	14,613	258,391	-	273,004	273,004
Lindsey Agreement	-	600,000*	-	600,000	600,000
Accrued compensated absences	1,862,242	783,001	808,596	1,836,647	975,982
TOTAL GENERAL LONG- TERM LIABILITIES	<u>\$26,849,142</u>	<u>\$8,286,392</u>	<u>\$1,829,180</u>	<u>\$33,306,354</u>	<u>\$3,190,070</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 3 - Detail Notes on Transaction Classes/Accounts:

Long-Term Liabilities

Changes in Long-Term Liabilities

*Acquisition of land for the sports park was financed directly with the seller. This transaction did not create or use current financial resources and, therefore, was not reported as another financing source on the Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.

Business-type activities:

Accrued compensated absences \$ 91,783 \$ 44,160 \$ 49,831 \$ 86,112 \$ 71,330

(1) The calculation to reconcile amounts in this schedule to the "net assets invested in capital assets, net of related debt" for governmental activities is:

Net Capital Assets	\$39,531,590
<i>Less:</i>	
19.75% of the outstanding 2001 general obligation bonds	\$(1,388,425)
Net of the County's portion	<u>694,212</u>
	(694,213)
78% of the outstanding 2010 general obligation bonds	(5,183,100)
100% of the outstanding Kentucky League of Cities' note payable	<u>(2,517,763)</u>
Net assets invested in capital assets, net of related debt	<u>\$31,136,514</u>

Annual Debt Service Requirements

The annual debt service requirements to maturity, excluding obligations associated with compensated absences, for long-term debt as of June 30, 2010, are as follows:

Year Ending June 30	Principal	Interest	Federal Interest Subsidy
2011	\$ 2,214,088	\$ 1,264,527	\$ (92,061)
2012	1,389,179	1,232,017	(95,102)
2013	1,435,357	1,183,994	(93,684)
2014	1,499,011	1,132,725	(91,759)
2015	1,555,541	1,077,374	(89,554)
2016-2020	8,833,281	4,391,609	(395,248)
2021-2025	10,075,203	2,324,405	(274,628)
2026-2030	<u>4,468,047</u>	<u>468,175</u>	<u>(116,995)</u>
TOTALS	<u>\$31,469,707</u>	<u>\$13,074,826</u>	<u>\$(1,249,031)</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, 2010, are as follows:

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 3 - Detail Notes on Transaction Classes/Accounts:

Accrued Compensated Absences

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accrued sick leave	\$ 696,424	\$20,894
Accrued vacation leave	<u>1,140,223</u>	<u>65,218</u>
Totals	1,836,647	86,112
Less current portion	<u>975,982</u>	<u>71,330</u>
LONG-TERM PORTION	<u>\$ 860,665</u>	<u>\$14,782</u>

Termination Benefits

Nine employees, through employment contracts, are entitled to certain termination benefits upon involuntary termination of employment by the City Commission. These benefits include provision for salary payments for three to six months, as well as, certain health, life, dental, and disability insurance coverage for same period of time. As these benefits are only provided for involuntary termination of employment, no provision has been made for these benefits. The City funds these benefits on a pay-as-you-go basis in the period incurred. For the year ended June 30, 2010, \$87,415 was paid for 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 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, 2010, payments of \$13,326 were 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, 2010, approval had not yet been granted. The County estimated post-closure care costs totaling \$4,125,000 or \$125,000 per year plus 10% for inflation. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. In the year ending June 30, 2001, the City entered into an inter-local agreement to share equally the costs for post-closure costs and, accordingly, has recorded a long-term liability for 50% of the estimated closure expense. It is anticipated that post-closure costs will be paid out of the Solid Waste Fund to the extent that funds are available with any excess costs being funded using long-term borrowing.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 3 - Detail Notes on Transaction Classes/Accounts:

Interfund Transactions and Balances

Interfund transfers during the year ended June 30, 2010, were as follows:

	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
Governmental Funds:		
General Fund	\$ 512,102	\$2,054,996
Capital Project Fund	6,095,916	258,445
Special Revenue Investment Fund	481,635	3,638,134
Special Revenue Bond Fund	-	3,619,812
Debt Service Fund	1,089,630	-
Nonmajor Governmental Funds	1,543,569	322,322
Internal Service Funds	28,984	-
Fiduciary Funds:		
Other trusts	71,092	8,112
Proprietary Funds:		
Nonmajor Proprietary Funds	<u>78,893</u>	<u>-</u>
TOTALS	<u>\$9,901,821</u>	<u>\$9,901,821</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Due To/From Balances

Due to/from balances used to cover current operating expenses were as follows as of June 30, 2010:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 145,839	\$ 975,573
Special Revenue Investment Fund	975,591	-
Nonmajor Governmental Funds	-	100,000
Nonmajor Proprietary Funds	-	42,581
Other Trusts	<u>-</u>	<u>3,276</u>
TOTALS	<u>\$1,121,430</u>	<u>\$1,121,430</u>

Note 4 - Pension Plans - City of Paducah:

The City provides retirement benefits to its employees through three pension funds. Two of these funds are single-employer defined benefit funds and are administered by the City. These funds are Police and Firefighters' Pension Fund (PFPF) and Appointive Employee' 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:

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

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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 4 - Pension Plans - City of Paducah:

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

Funding – The Appointive Employee’s Pension Fund Board and the City of Paducah Police and Firefighter’s 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.

Police and Firefighters’ Pension Fund

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 provides retirement, disability and death benefits to plan members and their beneficiaries. These benefits are determined by Kentucky Revised Statutes (KRS) sections 95.851 to 95.884. PFPF does not issue a separate, stand-alone report. Accordingly, the plan financial statements are included in this audit report.

Contributions: 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.

Funding: As of the most recent actuarial valuation dated July 1, 2010, the Plan had an unfunded balance of \$4,691,556. A schedule of the funded status and funding progress for the previous six years can be found on page 92, which contains trend information about the changes in actuarial value of the plan assets relative to the actuarially determined liability for benefits over time.

Components of annual pension cost for PFPF are as follows:

Component	<u>Year Ended June 30, 2010</u>	<u>Year Ended June 30, 2009</u>	<u>Year Ended June 30, 2008</u>
Beginning NPO balance	\$(5,551,753)	\$(5,546,740)	\$(5,552,551)
ARC	460,892	183,661	12,887
Interest on NPO	(444,140)	(443,739)	(444,204)
Unfunded ARC adjustment	<u>488,235</u>	<u>481,122</u>	<u>481,626</u>
Pension cost	504,987	221,044	50,309
Less actual contribution	<u>465,170</u>	<u>226,057</u>	<u>44,498</u>
Net change in NPO	<u>39,817</u>	<u>(5,013)</u>	<u>5,811</u>
ENDING NPO BALANCE	<u>\$(5,511,936)</u>	<u>\$(5,551,753)</u>	<u>\$(5,546,740)</u>
PERCENTAGE OF PENSION COST CONTRIBUTED	<u>92%</u>	<u>102%</u>	<u>88%</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 4 - Pension Plans - City of Paducah:

Police and Firefighters' Pension Fund

The financial statements for the Police and Firefighters' Pension Fund are as follows:

Statement of Fiduciary Net Assets
Police and Firefighters' Retirement Fund
June 30, 2010

Assets:	
Cash and cash equivalents	\$ 5,439
Receivables	27,152
Investment at fair value	<u>8,410,971</u>
Total assets	8,443,562
Liabilities:	
Voucher and accounts payable	<u>266</u>
Net Assets:	
Held in trust for pension benefits and other purposes	<u>\$ 8,443,296</u>

Statement of Changes in Net Assets
Police and Firefighters' Retirement Fund
For the Year Ended June 30, 2010

Additions:	
Employer contributions	\$ 465,170
Plan members' contributions	<u>5,075</u>
Total contributions	<u>470,245</u>
Investment earnings:	
Net increase in fair value of investments	880,537
Interest and dividends	<u>250,249</u>
Net investment earnings	<u>1,130,786</u>
Total additions	<u>1,601,031</u>
Deductions:	
Benefits	1,755,944
Administrative expenses	<u>49,310</u>
Total deductions	<u>1,805,254</u>
Change in net assets	(204,223)
Net assets, July 1, 2009	<u>8,647,519</u>
NET ASSETS, JUNE 30, 2010	<u>\$ 8,443,296</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 4 - Pension Plans - City of Paducah:

Appointive Employees' Pension Fund

Plan Description: 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, 2010. AEPF does not issue a separate, stand-alone report. Accordingly, the plan financial statements are included in this audit report.

Contributions: 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.

Funding: As of the most recent actuarial valuation dated July 1, 2010, the Plan had an unfunded balance of \$116,539. A schedule of the funded status and funding progress for the previous six years can be found on page 92, which contains trend information about the changes in actuarial value of the plan assets relative to the actuarially determined liability for benefits over time.

Components of annual pension cost for AEPF are as follows:

Component	<u>Year Ended June 30, 2010</u>	<u>Year Ended June 30, 2009</u>	<u>Year Ended June 30, 2008</u>
Beginning NPO balance	<u>\$(227,510)</u>	<u>\$(250,893)</u>	<u>\$(278,827)</u>
ARC	17,095	6,278	8,925
Interest on NPO	(13,651)	(15,054)	(16,730)
Unfunded ARC adjustment	<u>29,162</u>	<u>32,159</u>	<u>35,739</u>
Pension cost	32,606	23,383	27,934
Less actual contribution	<u>-</u>	<u>-</u>	<u>-</u>
Net change in NPO	<u>32,606</u>	<u>23,383</u>	<u>27,934</u>
ENDING NPO BALANCE	<u>\$(194,904)</u>	<u>\$(227,510)</u>	<u>\$(250,893)</u>
PERCENTAGE OF PENSION COST CONTRIBUTED	<u>0%</u>	<u>0%</u>	<u>0%</u>

The financial statements for the Appointive Employees' Pension Fund are as follows:

Statement of Fiduciary Net Assets
Appointive Employees' Pension Fund
June 30, 2010

Assets:	
Cash and cash equivalents	\$ 53,241
Receivables	6
Investment at fair value	<u>125,000</u>
Total assets	178,247
Liabilities:	
Voucher and accounts payable	<u>2</u>
Net Assets:	
Held in trust for pension benefits and other purposes	<u>\$ 178,245</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 4 - Pension Plans - City of Paducah:

Appointive Employees' Pension Fund

Statement of Changes in Net Assets
Appointive Employees' Pension Fund
For the Year Ended June 30, 2010

Additions:

Interest and dividends	\$ 2,158
Employer contributions	<u> -</u>
Total additions	<u> 2,158</u>

Deductions:

Benefits	43,242
Administrative expenses	<u> 6,687</u>
Total deductions	<u> 49,929</u>

Change in net assets	(47,771)
Net assets, July 1, 2009	<u> 226,016</u>

NET ASSETS, JUNE 30, 2010 \$178,245

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

Contribution Information

A summary of actuarial assumptions at June 30, 2010, the date of the latest actuarial valuation is as follows:

	PFPF	AEPF
	7/1/10	7/1/10
Valuation date	7/1/10	7/1/10
Actuarial cost method	Entry age normal	Aggregate (1)
Amortization method	Level dollar closed	Level dollar closed
Remaining amortization period	23 Years	10 Years
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return	8.00%	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.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 4 - Pension Plans - City of Paducah:

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

Contribution Information

- (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.

Membership Information

Membership of each plan consisted of the following at June 30, 2010:

	<u>PFPF</u>	<u>AEPF</u>
Active participants	1	0
Beneficiaries	44	4
Retired participants	36	3
TOTAL PARTICIPANTS	81	7

Cost-Sharing Multiple-Employer Defined Benefit Plan

County Employees' Retirement System

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

Funding Policy: Hazardous position employees are required to contribute 8% to the plan and nonhazardous position employees are required to contribute 5% of their creditable compensation by State statute. For employees hired on September 1, 2008, or thereafter, an additional 1% must be contributed to a health insurance account. The City is required by the same statute to contribute the remaining amounts necessary to pay benefits when due. For the years ended June 30, 2010, 2009, and 2008, the City contributed 32.97%, 29.50%, and 33.87%, respectively, of each hazardous employee's creditable compensation and 16.16%, 13.50%, and 16.17%, respectively, of each nonhazardous employee's creditable compensation. These actuarially determined rates are set by the Board of Trustees of Kentucky Retirement Systems. The City's contributions to CERS for the years ending June 30, 2010, 2009, and 2008, were \$4,538,848, \$4,198,042, and \$4,533,944, respectively, equal to the required contributions for each year.

Note 5 - Appropriations Deficit:

No departments that adopted budgets annually had excess expenditures over appropriations for the fiscal year ended June 30, 2010.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 6 - Component Unit Long-Term Liabilities:

Long-term liabilities of the discretely presented component units consists of the following at June 30, 2010:

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 rates range from 1.59% to 5.19%, with a .2% annual service fee. The annual requirements to amortize the outstanding debt as of June 30, 2010, are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Fee (0.2%)</u>	<u>Total</u>
2011	\$ 30,000	\$ 4,521	\$ 180	\$ 34,701
2012	185,609	37,866	8,819	232,294
2013	187,621	34,744	8,357	230,722
2014	159,597	31,606	7,902	199,105
2015	161,598	30,006	7,501	199,105
2016-2020	838,899	125,301	31,325	995,525
2021-2025	892,830	82,156	20,539	995,525
2026-2030	950,227	36,238	9,060	995,525
2031	<u>197,254</u>	<u>1,481</u>	<u>370</u>	<u>199,105</u>
TOTALS	<u>\$3,603,635</u>	<u>\$383,919</u>	<u>\$ 94,053</u>	<u>\$4,081,607</u>

Notes Payable, Kentucky Association of Counties (KACO) - Paducah Transit Authority

On February 13, 2004, the Transit Authority of the City of Paducah entered into an agreement with the KACO in connection with grant match projects. Interest rate on this agreement is 4.07%. As of June 30, 2010, the outstanding balance was \$104,286.

The following schedule summarizes the remaining debt service requirements for the Transit Authority of the City of Paducah notes payable:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2011	\$ 32,415	\$ 3,572	\$ 35,987
2012	36,788	2,446	39,234
2013	<u>35,083</u>	<u>854</u>	<u>35,937</u>
TOTALS	<u>\$104,286</u>	<u>\$ 6,872</u>	<u>\$ 111,158</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 7 - Commitments and Contingencies:

Grant Contingencies

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

Construction Commitments

The City has various on-going contracts for construction, renovations, paving materials, equipment, and labor. As of June 30, 2010, the significant construction commitments were as follows:

	<u>Cumulative Costs Incurred</u>	<u>Estimated Total Costs</u>
Floodwall Survey Modification	\$ 212,891	\$ 213,700
Floodwall Restoration Survey	159,855	246,085
Floodwall Pipe Rehabilitation	1,863,312	1,863,312
Olivet Church Road Improvement Project	1,267,635	1,267,635
Riverfront Development - Phase I	759,576	816,520
Riverfront - Other River Boat Launch Project	284,163	291,075
Greenway Trail Project	57,394	185,825
Pavilion Project	<u>1,628,920</u>	<u>1,628,920</u>
	<u>\$6,233,746</u>	<u>\$6,513,072</u>

Note 8 - Risk Management and Litigation:

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

An analysis of claims activity is presented below:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Actual Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2007 - 2008	\$ -	\$69,572	\$69,572	\$ -
2008 - 2009	-	76,686	76,686	-
2009 - 2010	-	46,051	46,051	-

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 \$150,000 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, 2010, that number was \$2,745,465. 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 \$228,648 at June 30, 2010.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 8 - Risk Management and Litigation:

The analysis of claims activity is presented below:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Actual Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2007 - 2008	\$386,326	\$2,726,811	\$3,006,773	\$106,364
2008 - 2009	106,364	2,650,054	2,702,832	53,586
2009 - 2010	53,586	2,682,055	2,506,993	228,648

During the fiscal year ended June 30, 2006, several current and former firefighters of the City of Paducah filed a lawsuit for unpaid compensation benefits and related pension obligations. The range of possible financial exposure for the City is zero to six million dollars. The City intends to vigorously defend the case.

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

Note 9 - Lease Agreements:

Operating Leases

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

The City also leases certain other property to various lessees under non-cancelable agreements that have various expiration dates through June 30, 2011. Rental revenue received from leased property during 2010 totaled \$495,565.

The following is an analysis of property leased under these leases at June 30, 2010:

Land	\$ 270,000
Buildings	873,250
Equipment	<u>110,126</u>
Total	1,253,376
Less: accumulated depreciation	<u>796,515</u>
NET BOOK VALUE	<u>\$ 456,861</u>

Depreciation expense for the year ended June 30, 2010, on leased property was \$20,775.

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 9 - Lease Agreements:

Operating Leases

The following is a schedule of future minimum rental income from operating leases at June 30, 2010:

	<u>Lease Income</u>
2011	<u>\$ 268,519</u>
TOTAL MINIMUM LEASE RECEIPTS	<u>\$ 268,519</u>

Direct Financing Lease

The City is leasing land and a building to Infiniti Media, Incorporated for use by Infiniti Plastic Technologies, Incorporated for a primary term of 20 years. No rental revenue was required during the first three years of the lease term which resulted in a loss of \$450,353. For the government-wide statement, the loss is amortized over the life of the lease. Rental payments commenced on September 1, 2007, at a monthly payment of \$33,816 and end with the final payment due August 1, 2024. Infiniti Media may purchase the property during the term of lease by paying off the related indebtedness. In addition, at the end of the lease term, Infiniti Media may purchase the property for \$1. Infiniti Media has the option to cancel this lease at any time after the sixth year of the lease term by providing written notice 18 months prior to the date of termination. The lease payments received coincide with debt service payments the City is required to make on bonds maturing annually through year ending June 30, 2024.

Future minimum lease payments to be received under the lease agreement for the fiscal year ending June 30 are as follows:

	<u>Lease Income</u>
2011	<u>\$ 405,796</u>
2012	405,796
2013	405,796
2014	405,796
2015	405,796
2016 through 2024	<u>3,652,160</u>
Net minimum lease payments	5,681,140
Less amount representing interest	<u>(1,883,848)</u>
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	<u>\$ 3,797,292</u>

Note 10 - Restatement of Net Assets:

As of June 30, 2009, the General Fund had a grant receivable from FEMA of \$655,352 for claims submitted in fiscal year 2009. Of these claims, \$162,433 was recorded erroneously. The grant receivable account for the General Fund was adjusted accordingly; the effect of this adjustment on fund balance and net assets are as follows:

(Continued)

CITY OF PADUCAH, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 10 - Restatement of Net Assets:

	<u>Net Assets As Previously Reported</u>	<u>Restatement</u>	<u>Net Assets As Restated</u>
Governmental Funds:			
General Fund	<u>\$10,311,490</u>	<u>\$(162,433)</u>	<u>\$10,149,057</u>
Governmental-Wide Statement:			
Governmental Activities Funds	<u>\$46,383,801</u>	<u>\$(162,433)</u>	<u>\$46,221,368</u>

Note 11 - Subsequent Events:

In July 2010, the City issued bond series 2010B in the amount of \$7,165,000. The bonds mature over 16 years starting June 1, 2011 and ending June 1, 2026; with optional redemption prior to maturity at any time on or after June 1, 2020. The interest rates range from 1.00% to 3.25% depending on stated maturity date. This issuance is intended to defease the City's portion of the 2001 bond issue.

CITY OF PADUCAH, KENTUCKY

REQUIRED SUPPLEMENTARY INFORMATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2010

**CITY OF PADUCAH, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
PENSION TRUST FUNDS SCHEDULES**

Schedules of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
Police and Firefighters' Pension Fund (PFPF) (Using Entry Age Normal Method)						
7/1/2005	\$ 9,150,861	\$15,310,380	\$6,159,519	59.8	\$198,307	\$ 3,106.05
7/1/2006	14,163,498	14,527,020	363,522	97.5	165,414	219.76
7/1/2007	14,470,016	14,463,785	(6,231)	100.0	100,986	(6.17)
7/1/2008	12,097,054	14,076,843	1,979,789	85.9	56,475	3,505.60
7/1/2009	8,647,519	13,476,007	4,828,488	64.2	55,475	8,641.74
7/1/2010	8,443,296	13,134,852	4,691,556	64.3	63,434	7,395.96

Appointive Employees' Pension Fund (AEPF) (Using Entry Age Actuarial Method)

7/1/2005	\$ 328,888	\$ 455,526	\$ 126,638	72.2	n/a*	n/a*
7/1/2006	344,644	443,207	98,563	77.8	n/a*	n/a*
7/1/2007	317,575	382,916	65,341	82.9	n/a*	n/a*
7/1/2008	271,701	317,849	46,148	85.5	n/a*	n/a*
7/1/2009	226,016	306,287	80,271	73.8	n/a*	n/a*
7/1/2010	178,245	294,784	116,539	60.5	n/a*	n/a*

* There are no active participants.

Schedules of Employer Contributions

PFPF			
<u>Year Ended June 30</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percent ARC Contributed</u>	<u>Ending Net Pension Obligation (NPO)</u>
2005	\$953,044	100	\$ -
2006	719,348	854	(5,425,468)
2007	46,948	446	(5,552,551)
2008	12,887	345	(5,546,740)
2009	183,661	123	(5,551,753)
2010	460,892	109	(5,511,936)
AEPF			
<u>Year Ended June 30</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percent ARC Contributed</u>	<u>Ending Net Pension Obligation (NPO)</u>
2005	\$ 26,328	285	\$ (246,269)
2006	17,182	437	(287,297)
2007	13,883	180	(278,827)
2008	8,925	0	(250,893)
2009	6,278	0	(227,510)
2010	17,095	0	(194,904)

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2010

**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.

PRA - Paducah Renaissance Alliance, to account for the expenditures related to the economic promotion of downtown Paducah, Kentucky.

CITY OF PADUCAH, KENTUCKY
GENERAL CAPITAL IMPROVEMENTS
DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Grants	\$ 1,112,165	\$ 1,112,184	\$ 19
Interest	14,040	14,043	3
Miscellaneous	670,295	670,302	7
Total revenues	<u>1,796,500</u>	<u>1,796,529</u>	<u>29</u>
Expenditures:			
Capital outlay	<u>8,324,335</u>	<u>8,324,312</u>	<u>23</u>
Excess (deficiency) of revenues over expenditures	<u>(6,527,835)</u>	<u>(6,527,783)</u>	<u>52</u>
Other Financing Sources (Uses):			
Long-term debt issued	1,176,865	1,176,866	1
Operating transfers in	6,095,905	6,095,916	11
Operating transfers out	<u>(258,450)</u>	<u>(258,445)</u>	<u>5</u>
Total other financing sources (uses)	<u>7,014,320</u>	<u>7,014,337</u>	<u>17</u>
Net change in fund balance	<u>\$ 486,485</u>	486,554	<u>\$ 69</u>
Fund balance, July 1, 2009		<u>1,745,766</u>	
FUND BALANCE, JUNE 30, 2010		<u>\$ 2,232,320</u>	

See auditors report on pages 12-13.

CITY OF PADUCAH, KENTUCKY
DEBT SERVICE FUND
DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	<u>\$ 601,480</u>	<u>\$ 601,487</u>	<u>\$ 7</u>
Expenditures:			
Principal requirement	1,020,593	1,020,585	8
Interest and fiscal requirement	<u>1,077,132</u>	<u>1,077,128</u>	<u>4</u>
Total expenditures	<u>2,097,725</u>	<u>2,097,713</u>	<u>12</u>
Excess (deficiency) of revenues over expenditures	<u>(1,496,245)</u>	<u>(1,496,226)</u>	<u>19</u>
Other Financing Sources (Uses):			
Capital lease	405,790	405,796	6
Operating transfers in	<u>1,089,630</u>	<u>1,089,630</u>	<u>-</u>
Total other financing sources (uses)	<u>1,495,420</u>	<u>1,495,426</u>	<u>6</u>
Net change in fund balance	<u>\$ (825)</u>	(800)	<u>\$ 25</u>
Fund balance, July 1, 2009		<u>93,244</u>	
FUND BALANCE, JUNE 30, 2010		<u>\$ 92,444</u>	

See auditors report on pages 12-13.

CITY OF PADUCAH, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

<u>ASSETS</u>	<u>Special Revenue Funds</u>			
	<u>Municipal Aid Program</u>	<u>Emergency Communication Service Fund</u>	<u>Court Awards Fund</u>	<u>Small Grant Fund</u>
Cash and cash equivalents	\$545,130	\$451,170	\$ 54,789	\$ -
Investments	-	-	50,000	-
Receivables, net:				
Accounts	30,319	118,360	-	-
Grants	-	-	-	-
Interest	-	-	516	-
TOTAL ASSETS	<u><u>\$575,449</u></u>	<u><u>\$569,530</u></u>	<u><u>\$105,305</u></u>	<u><u>\$ -</u></u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Voucher and accounts payable	\$138,820	\$ 17,075	\$ 72,221	\$ -
Accrued payroll and payroll taxes	-	38,207	-	-
Due to other funds	-	-	-	-
Accrued compensated absences	-	-	-	-
Total liabilities	<u>138,820</u>	<u>55,282</u>	<u>72,221</u>	<u>-</u>
Fund Balances:				
Reserved for:				
Unreserved	<u>436,629</u>	<u>514,248</u>	<u>33,084</u>	<u>-</u>
Total fund balances	<u>436,629</u>	<u>514,248</u>	<u>33,084</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$575,449</u></u>	<u><u>\$569,530</u></u>	<u><u>\$105,305</u></u>	<u><u>\$ -</u></u>

See auditors report on pages 12-13.

Special Revenue Funds

CDBG Grant Fund	Home Grant Fund	HUD Revolving Grant Fund	PRA Fund	Total Nonmajor Governmental Funds
\$ -	\$148,080	\$ -	\$107,409	\$1,306,578
-	-	-	100,778	150,778
-	-	-	56,108	204,787
12,266	32,607	-	-	44,873
-	-	-	-	516
<u>\$12,266</u>	<u>\$180,687</u>	<u>\$ -</u>	<u>\$264,295</u>	<u>\$1,707,532</u>

\$12,266	\$ 5,284	\$ -	\$ 12,589	\$ 258,255
-	-	-	-	38,207
-	-	-	100,000	100,000
-	-	-	783	783
<u>12,266</u>	<u>5,284</u>	<u>-</u>	<u>113,372</u>	<u>397,245</u>

-	175,403	-	150,923	1,310,287
-	175,403	-	150,923	1,310,287
<u>\$12,266</u>	<u>\$180,687</u>	<u>\$ -</u>	<u>\$264,295</u>	<u>\$1,707,532</u>

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds			
	Municipal Aid Program	Emergency Communication Service Fund	Court Awards Fund	Small Grant Fund
Revenues:				
Taxes	\$ -	\$ 511,595	\$ -	\$ -
Charges for services	-	263,109	-	-
Intergovernmental	489,837	-	-	-
Grants	-	-	-	-
Interest	2,286	3,210	918	-
Miscellaneous	-	278,734	49,001	30,000
Total revenues	492,123	1,056,648	49,919	30,000
Expenditures:				
Current operations:				
Public safety	-	1,391,970	32,011	-
Public service	1,347,516	-	-	-
Planning and development	-	-	-	199,375
Total expenditures	1,347,516	1,391,970	32,011	199,375
Excess (deficiency) of revenues over expenditures	(855,393)	(335,322)	17,908	(169,375)
Other Financing Sources (Uses):				
Capital lease	-	-	-	-
Long-term debt issued	-	-	-	-
Transfers in	857,278	335,322	-	-
Transfers out	-	-	-	(99,505)
Total other financing sources (uses)	857,278	335,322	-	(99,505)
Net change in fund balances	1,885	-	17,908	(268,880)
Fund balances, July 1, 2009	434,744	514,248	15,176	268,880
FUND BALANCES, JUNE 30, 2010	\$ 436,629	\$ 514,248	\$33,084	\$ -

See auditors report on pages 12-13.

Special Revenue Funds

CDBG Grant Fund	Home Grant Fund	HUD Revolving Grant Fund	PRA Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 511,595
-	-	-	-	263,109
-	-	-	-	489,837
28,933	185,200	-	-	214,133
-	-	514	1,440	8,368
-	232,855	-	56,481	647,071
<u>28,933</u>	<u>418,055</u>	<u>514</u>	<u>57,921</u>	<u>2,134,113</u>
-	-	-	-	1,423,981
-	-	-	-	1,347,516
<u>28,933</u>	<u>527,798</u>	<u>11,181</u>	<u>305,983</u>	<u>1,073,270</u>
<u>28,933</u>	<u>527,798</u>	<u>11,181</u>	<u>305,983</u>	<u>3,844,767</u>
<u>-</u>	<u>(109,743)</u>	<u>(10,667)</u>	<u>(248,062)</u>	<u>(1,710,654)</u>
-	-	-	-	-
-	258,391	-	-	258,391
-	-	-	350,969	1,543,569
-	-	(199,815)	(23,002)	(322,322)
<u>-</u>	<u>258,391</u>	<u>(199,815)</u>	<u>327,967</u>	<u>1,479,638</u>
-	148,648	(210,482)	79,905	(231,016)
-	26,755	210,482	71,018	1,541,303
<u>\$ -</u>	<u>\$ 175,403</u>	<u>\$ -</u>	<u>\$ 150,923</u>	<u>\$1,310,287</u>

CITY OF PADUCAH, KENTUCKY
MUNICIPAL AID PROGRAM FUND
DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 489,835	\$ 489,837	\$ 2
Interest	2,285	2,286	1
	<u>492,120</u>	<u>492,123</u>	<u>3</u>
Expenditures:			
Public service	1,347,516	1,347,516	-
Excess (deficiency) of revenues over expenditures	(855,396)	(855,393)	3
Other Financing Sources (Uses):			
Operating transfers in	857,275	857,278	3
Net change in fund balance	<u>\$ 1,879</u>	1,885	<u>\$ 6</u>
Fund balance, July 1, 2009		<u>434,744</u>	
FUND BALANCE, JUNE 30, 2010		<u>\$ 436,629</u>	

See auditors report on pages 12-13.

CITY OF PADUCAH, KENTUCKY
EMERGENCY COMMUNICATION SERVICE FUND
DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 511,595	\$ 511,595	\$ -
Telephone surcharges	263,105	263,109	4
Interest	3,205	3,210	5
Miscellaneous	278,730	278,734	4
Total revenues	<u>1,056,635</u>	<u>1,056,648</u>	<u>13</u>
Expenditures:			
Public safety	<u>1,392,015</u>	<u>1,391,970</u>	<u>45</u>
Excess (deficiency) of revenues over expenditures	(335,380)	(335,322)	58
Other Financing Sources (Uses):			
Operating transfers in	<u>335,320</u>	<u>335,322</u>	<u>2</u>
Net change in fund balance	<u>\$ (60)</u>	-	<u>\$ 60</u>
Fund balance, July 1, 2009		<u>514,248</u>	
FUND BALANCE, JUNE 30, 2010		<u>\$ 514,248</u>	

See auditors report on pages 12-13.

CITY OF PADUCAH, KENTUCKY
COURT AWARDS FUND
DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Court awarded forfeitures	\$ 49,420	\$49,001	\$ (419)
Interest	485	918	433
Total revenues	<u>49,905</u>	<u>49,919</u>	<u>14</u>
Expenditures:			
Public safety	<u>32,015</u>	<u>32,011</u>	<u>4</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 17,890</u>	17,908	<u>\$ 18</u>
Fund balance, July 1, 2009		<u>15,176</u>	
FUND BALANCE, JUNE 30, 2010		<u>\$33,084</u>	

See auditors report on pages 12-13.

CITY OF PADUCAH, KENTUCKY
SMALL GRANT FUND
DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Grants	\$ -	\$ -	\$ -
Interest	-	-	-
Other	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Total revenues	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Expenditures:			
Planning and development	<u>199,380</u>	<u>199,375</u>	<u>5</u>
Excess (deficiency) of revenues over expenditures	<u>(169,380)</u>	<u>(169,375)</u>	<u>5</u>
Other Financing Sources (Uses):			
Operating transfers out	<u>(99,510)</u>	<u>(99,505)</u>	<u>5</u>
Net change in fund balance	<u>\$ (268,890)</u>	(268,880)	<u>\$ 10</u>
Fund balance, July 1, 2009		<u>268,880</u>	
FUND BALANCE, JUNE 30, 2010		<u>\$ -</u>	

See auditors report on pages 12-13.

CITY OF PADUCAH, KENTUCKY
CDBG GRANT FUND
DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Grants	\$28,930	\$28,933	\$ 3
Miscellaneous	-	-	-
Total revenues	<u>28,930</u>	<u>28,933</u>	<u>3</u>
Expenditures:			
Planning and development	<u>28,935</u>	<u>28,933</u>	<u>2</u>
Excess (deficiency) of revenues over expenditures	<u>(5)</u>	<u>-</u>	<u>5</u>
Other Financing Sources (Uses):			
Operating transfers in	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ (5)</u>	<u>-</u>	<u>\$ 5</u>
Fund balance, July 1, 2009		<u>-</u>	
FUND BALANCE, JUNE 30, 2010		<u>\$ -</u>	

See auditors report on pages 12-13.

CITY OF PADUCAH, KENTUCKY
HOME GRANT FUND
DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Grants	\$ 185,200	\$ 185,200	\$ -
Miscellaneous	232,855	232,855	-
Total revenues	<u>418,055</u>	<u>418,055</u>	<u>-</u>
Expenditures:			
Planning and development	<u>527,800</u>	<u>527,798</u>	<u>2</u>
Excess (deficiency) of revenues over expenditures	<u>(109,745)</u>	<u>(109,743)</u>	<u>2</u>
Other Financing Sources (Uses):			
Long-term debt issued	258,390	258,391	1
Operating transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>258,390</u>	<u>258,391</u>	<u>1</u>
Net change in fund balance	<u>\$ 148,645</u>	148,648	<u>\$ 3</u>
Fund balance, July 1, 2009		<u>26,755</u>	
FUND BALANCE, JUNE 30, 2010		<u>\$ 175,403</u>	

See auditors report on pages 12-13.

CITY OF PADUCAH, KENTUCKY
HUD REVOLVING GRANT FUND
DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 510	\$ 514	\$ 4
Other	-	-	-
	<u>510</u>	<u>514</u>	<u>4</u>
Total revenues	<u>510</u>	<u>514</u>	<u>4</u>
Expenditures:			
Planning and development	11,185	11,181	4
	<u>11,185</u>	<u>11,181</u>	<u>4</u>
Excess (deficiency) of revenues over expenditures	<u>(10,675)</u>	<u>(10,667)</u>	<u>8</u>
Other Financing Sources (Uses):			
Operating transfers out	(199,820)	(199,815)	5
	<u>(199,820)</u>	<u>(199,815)</u>	<u>5</u>
Total other financing sources (uses)	<u>(199,820)</u>	<u>(199,815)</u>	<u>5</u>
Net change in fund balance	<u><u>\$(210,495)</u></u>	<u>(210,482)</u>	<u><u>\$ 13</u></u>
Fund balance, July 1, 2009		<u>210,482</u>	
FUND BALANCE, JUNE 30, 2010		<u><u>\$ -</u></u>	

See auditors report on pages 12-13.

CITY OF PADUCAH, KENTUCKY
PRA FUND
DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 1,430	\$ 1,440	\$ 10
Other	56,475	56,481	6
Total revenues	<u>57,905</u>	<u>57,921</u>	<u>16</u>
Expenditures:			
Planning and development	<u>306,030</u>	<u>305,983</u>	<u>47</u>
Excess (deficiency) of revenues over expenditures	<u>(248,125)</u>	<u>(248,062)</u>	<u>63</u>
Other Financing Sources (Uses):			
Operating transfers in	350,965	350,969	
Operating transfers out	<u>(23,000)</u>	<u>(23,002)</u>	<u>(2)</u>
Total other financing sources (uses)	<u>327,965</u>	<u>327,967</u>	<u>(2)</u>
Net change in fund balance	<u>\$ 79,840</u>	79,905	<u>\$ 61</u>
Fund balance, July 1, 2009		<u>71,018</u>	
FUND BALANCE, JUNE 30, 2010		<u>\$ 150,923</u>	

See auditors report on pages 12-13.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

NONMAJOR PROPRIETARY FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2010

**COMBINING FINANCIAL STATEMENTS
NONMAJOR ENTERPRISE 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.

TISA Fund – to account for revenues and expenses associated with the operation of the Paducah-McCracken County telecommunications and information systems.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2010

<u>ASSETS</u>	<u>Section Eight Housing</u>	<u>Civic Center Fund</u>	<u>TISA Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
Current Assets:				
Cash and cash equivalents	\$772,693	\$ -	\$297,465	\$1,070,158
Accounts receivable	-	-	4,198	4,198
Grants receivable	-	-	-	-
Prepaid expense	-	-	6,482	6,482
Total current assets	<u>772,693</u>	<u>-</u>	<u>308,145</u>	<u>1,080,838</u>
Noncurrent Assets:				
Net depreciable capital assets	<u>22,739</u>	<u>190,224</u>	<u>75,381</u>	<u>288,344</u>
Total assets	<u>795,432</u>	<u>190,224</u>	<u>383,526</u>	<u>1,369,182</u>
 <u>LIABILITIES</u> 				
Current Liabilities:				
Voucher and accounts payable	92,888	5,676	6,577	105,141
Accrued compensated absences	1,642	-	-	1,642
Due to other funds	42,581	-	-	42,581
Total current liabilities	<u>137,111</u>	<u>5,676</u>	<u>6,577</u>	<u>149,364</u>
Noncurrent Liabilities:				
Accrued compensated absences	<u>14,782</u>	<u>-</u>	<u>-</u>	<u>14,782</u>
Total liabilities	<u>151,893</u>	<u>5,676</u>	<u>6,577</u>	<u>164,146</u>
 <u>NET ASSETS</u> 				
Invested in capital assets	22,739	190,224	75,381	288,344
Restricted for:				
Housing and development projects	620,800	-	-	620,800
Unrestricted	-	(5,676)	301,568	295,892
TOTAL NET ASSETS	<u><u>\$643,539</u></u>	<u><u>\$184,548</u></u>	<u><u>\$376,949</u></u>	<u><u>\$1,205,036</u></u>

See auditors report on pages 12-13.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Section Eight Housing	Civic Center Fund	TISA Fund	Total Nonmajor Enterprise Funds
Operating Revenues:				
Charges for services	\$2,311,753	\$ 32,455	\$148,158	\$2,492,366
Miscellaneous	1,515	-	-	1,515
Total operating revenues	<u>2,313,268</u>	<u>32,455</u>	<u>148,158</u>	<u>2,493,881</u>
Operating Expenses:				
Cost of sales and service	2,054,170	59,059	184,729	2,297,958
Depreciation and amortization	7,200	10,495	22,069	39,764
Total operating expenses	<u>2,061,370</u>	<u>69,554</u>	<u>206,798</u>	<u>2,337,722</u>
Operating income (loss)	<u>251,898</u>	<u>(37,099)</u>	<u>(58,640)</u>	<u>156,159</u>
Non-Operating Revenues (Expenses):				
Interest and investment income	280	-	-	280
Income (loss) before contributions and operating transfers	<u>252,178</u>	<u>(37,099)</u>	<u>(58,640)</u>	<u>156,439</u>
Contributions and Operating Transfers:				
Capital contributions	-	-	17,047	17,047
Transfers in	-	22,726	56,167	78,893
Transfers out	-	-	-	-
Total contributions and operating transfers	<u>-</u>	<u>22,726</u>	<u>73,214</u>	<u>95,940</u>
Change in net assets	252,178	(14,373)	14,574	252,379
Net assets, July 1, 2009	<u>391,361</u>	<u>198,921</u>	<u>362,375</u>	<u>952,657</u>
NET ASSETS, JUNE 30, 2010	<u>\$ 643,539</u>	<u>\$184,548</u>	<u>\$376,949</u>	<u>\$1,205,036</u>

See auditors report on pages 12-13.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Section Eight Housing	Civic Center Fund	TISA Fund	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities:				
Cash received from customers	\$ 2,314,431	\$ 32,455	\$ 161,447	\$ 2,508,333
Payments to employees	(123,998)	-	-	(123,998)
Payments to internal service funds	-	(2,709)	(1,559)	(4,268)
Other receipts	1,515	-	-	1,515
Other payments	(1,899,698)	(56,313)	(156,304)	(2,112,315)
Net cash provided (used) by operating activities	<u>292,250</u>	<u>(26,567)</u>	<u>3,584</u>	<u>269,267</u>
Cash Flows from Noncapital Financing Activities:				
Transfers (to) from other funds	<u>17,119</u>	<u>22,726</u>	<u>56,167</u>	<u>96,012</u>
Cash Flows from Capital and Related Financing Activities:				
Capital contributions	-	-	17,047	17,047
Acquisition and construction of capital assets	<u>(7,946)</u>	<u>-</u>	<u>(65,190)</u>	<u>(73,136)</u>
Net cash used by capital and related financing activities	<u>(7,946)</u>	<u>-</u>	<u>(48,143)</u>	<u>(56,089)</u>
Cash Flows from Investing Activities:				
Interest on cash and investments	<u>280</u>	<u>-</u>	<u>-</u>	<u>280</u>
Net increase (decrease) in cash and cash equivalents	301,703	(3,841)	11,608	309,470
Cash and cash equivalents, July 1, 2009	<u>470,990</u>	<u>3,841</u>	<u>285,857</u>	<u>760,688</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2010	<u><u>\$ 772,693</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 297,465</u></u>	<u><u>\$ 1,070,158</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 251,898	\$ (37,099)	\$ (58,640)	\$ 156,159
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	7,200	10,495	22,069	39,764
Change in assets and liabilities:				
Receivables	2,678	-	13,289	15,967
Prepaid expense	-	-	21,230	21,230
Accrued expenses	912	-	-	912
Accounts payable	<u>29,562</u>	<u>37</u>	<u>5,636</u>	<u>35,235</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 292,250</u></u>	<u><u>\$ (26,567)</u></u>	<u><u>\$ 3,584</u></u>	<u><u>\$ 269,267</u></u>

See auditors report on pages 12-13.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

INTERNAL SERVICE FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2010

**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 ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2010

ASSETS

	Fleet Maintenance	Fleet Lease Trust	Insurance Fund	Health Insurance Fund	Combined Total
Current Assets:					
Cash and cash equivalents	\$18,851	\$2,349,724	\$307,653	\$451,331	\$3,127,559
Investments	-	1,250,000	-	-	1,250,000
Receivables, net	-	7,763	17,633	5,378	30,774
Prepaid expense	-	-	-	15,000	15,000
Inventories	70,966	-	-	-	70,966
Total current assets	89,817	3,607,487	325,286	471,709	4,494,299
Noncurrent Assets:					
Net depreciable capital assets	29,500	2,632,381	-	-	2,661,881
Total assets	119,317	6,239,868	325,286	471,709	7,156,180

LIABILITIES

Current Liabilities:					
Voucher and accounts payable	12,419	15,260	34,600	247,388	309,667
Accrued payroll and payroll taxes	14,030	-	-	-	14,030
Accrued compensated absences	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total current liabilities	26,449	15,260	34,600	247,388	323,697
Noncurrent Liabilities:					
Accrued compensated absences	36,529	-	-	-	36,529
Total liabilities	62,978	15,260	34,600	247,388	360,226

NET ASSETS

Invested in capital assets, net of related debt	29,500	2,632,381	-	-	2,661,881
Unrestricted	26,839	3,592,227	290,686	224,321	4,134,073
TOTAL NET ASSETS	\$56,339	\$6,224,608	\$290,686	\$224,321	\$6,795,954

See auditors report on pages 12-13.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Fleet Maintenance	Fleet Lease Trust	Insurance Fund	Health Insurance Fund	Combined Total
Operating Revenues:					
Charges for services - internal	\$ 389,473	\$ 766,962	\$1,139,338	\$3,355,772	\$5,651,545
Charges for services - external	-	-	-	245,589	245,589
Total operating revenues	<u>389,473</u>	<u>766,962</u>	<u>1,139,338</u>	<u>3,601,361</u>	<u>5,897,134</u>
Operating Expenses:					
Vehicle maintenance	566,549	-	-	-	566,549
Administrative	-	6,901	-	318,971	325,872
Insurance	-	-	1,002,050	3,335,603	4,337,653
Leave expense	3,166	-	-	-	3,166
Depreciation	10,264	503,550	-	-	513,814
Total operating expenses	<u>579,979</u>	<u>510,451</u>	<u>1,002,050</u>	<u>3,654,574</u>	<u>5,747,054</u>
Operating income (loss)	<u>(190,506)</u>	<u>256,511</u>	<u>137,288</u>	<u>(53,213)</u>	<u>150,080</u>
Nonoperating Revenues and (Expenses):					
Interest and investment income	334	50,634	-	-	50,968
Gain (loss) on disposal of property and equipment	4,918	59,702	-	-	64,620
Total nonoperating revenues (expenses)	<u>5,252</u>	<u>110,336</u>	<u>-</u>	<u>-</u>	<u>115,588</u>
Income (loss) before operating transfers	<u>(185,254)</u>	<u>366,847</u>	<u>137,288</u>	<u>(53,213)</u>	<u>265,668</u>
Contributions and Operating Transfers:					
Transfers in	-	20,000	8,984	-	28,984
Change in net assets	(185,254)	386,847	146,272	(53,213)	294,652
Net assets, July 1, 2009	<u>241,593</u>	<u>5,837,761</u>	<u>144,414</u>	<u>277,534</u>	<u>6,501,302</u>
NET ASSETS, JUNE 30, 2010	<u>\$ 56,339</u>	<u>\$6,224,608</u>	<u>\$ 290,686</u>	<u>\$ 224,321</u>	<u>\$6,795,954</u>

See auditors report on pages 12-13.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Fleet Maintenance	Fleet Lease Trust	Insurance Fund	Health Insurance Fund	Combined Total
Cash Flows from Operating Activities:					
Receipts from other funds for services	\$ 389,473	\$ 827,409	\$1,156,755	\$ 3,598,132	\$ 5,971,769
Payments to suppliers	(275,479)		-	-	(275,479)
Payments to employees	(278,107)	-	-	-	(278,107)
Claims paid	-	-	-	(3,100,439)	(3,100,439)
Other receipts	-	-	-	-	-
Other payments	-	306,077	(858,113)	(318,971)	(871,007)
Net cash provided (used) by operating activities	<u>(164,113)</u>	<u>1,133,486</u>	<u>298,642</u>	<u>178,722</u>	<u>1,446,737</u>
Cash Flows from Noncapital Financing Activities:					
Transfers from other funds	-	20,000	8,984	-	28,984
Cash Flows from Capital and Related Financing Activities:					
Purchase of capital assets	-	(1,267,823)	-	-	(1,267,823)
Proceeds from sale of capital assets	4,918	90,513	-	-	95,431
Net cash used by capital and related financing	<u>4,918</u>	<u>(1,177,310)</u>	<u>-</u>	<u>-</u>	<u>(1,172,392)</u>
Cash Flows from Investing Activities:					
Proceeds from sales and maturities of investments	-	4,300,000	-	-	4,300,000
Interest and dividends	334	50,634	-	-	50,968
Purchase of investments	-	(2,350,000)	-	-	(2,350,000)
Net cash provided (used) by investing activities	<u>334</u>	<u>2,000,634</u>	<u>-</u>	<u>-</u>	<u>2,000,968</u>
Net increase (decrease) in cash and cash equivalents	(158,861)	1,976,810	307,626	178,722	2,304,297
Cash and cash equivalents, July 1, 2009	<u>177,712</u>	<u>372,914</u>	<u>27</u>	<u>272,609</u>	<u>823,262</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2010	<u>\$ 18,851</u>	<u>\$ 2,349,724</u>	<u>\$ 307,653</u>	<u>\$ 451,331</u>	<u>\$ 3,127,559</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ (190,506)	\$ 256,511	\$ 137,288	\$ (53,213)	\$ 150,080
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	10,264	503,550	-	-	513,814
Change in assets and liabilities:					
Receivables	-	60,447	17,417	(3,229)	74,635
Prepaid expense	-	297,907	927,377	41,363	1,266,647
Inventories	2,639	-	-	-	2,639
Due to other funds	-	-	(801,000)	-	(801,000)
Accrued expenses	7,379	-	-	-	7,379
Accounts payable	6,111	15,071	17,560	193,801	232,543
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (164,113)</u>	<u>\$ 1,133,486</u>	<u>\$ 298,642</u>	<u>\$ 178,722</u>	<u>\$ 1,446,737</u>

See auditors report on pages 12-13.

CITY OF PADUCAH, KENTUCKY

SUPPLEMENTARY INFORMATION

FIDUCIARY FUNDS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2010

**COMBINING FINANCIAL STATEMENTS
FIDUCIARY FUNDS**

Pension Trust Funds

Police and Firefighters' Retirement Fund and Appointive Employees' Pension Fund – to account for the accumulation of resources to be used for retirement payments at appropriate amounts and times in the future. Resources are contributed by employees and by the City at amounts determined by Kentucky Statutes and/or City Commission decisions.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - PENSION TRUST FUNDS
JUNE 30, 2010

<u>ASSETS</u>	Police and Firefighters' Retirement Fund	Appointive Employees' Pension Fund	Total
Cash and cash equivalents	\$ 5,439	\$ 53,241	\$ 58,680
Receivables:			
Interest	27,152	6	27,158
Investments at fair value			
Money market funds	230,787	-	230,787
Certificates of deposit	-	125,000	125,000
Common stock	1,358,418	-	1,358,418
Corporate bonds	365,209	-	365,209
U.S. agencies bonds	1,251,053	-	1,251,053
Mortgage backed securities	-	-	-
Mutual funds	<u>5,205,504</u>	<u>-</u>	<u>5,205,504</u>
Total assets	<u>8,443,562</u>	<u>178,247</u>	<u>8,621,809</u>
<u>LIABILITIES</u>			
Voucher and accounts payable	<u>266</u>	<u>2</u>	<u>268</u>
<u>NET ASSETS</u>			
Held in trust for pension benefits and other purposes	<u>\$8,443,296</u>	<u>\$178,245</u>	<u>\$8,621,541</u>

See auditors report on pages 12-13.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS - PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

Additions:	Police and Firefighters' Retirement Fund	Appointive Employees' Pension Fund	Totals
Contributions:			
Employer	\$ 465,170	\$ -	\$ 465,170
Plan members	5,075	-	5,075
Total contributions	470,245	-	470,245
Investment earnings:			
Net increase in fair value of investments	880,537	-	880,537
Interest and dividends	250,249	2,158	252,407
Net investment earnings	1,130,786	2,158	1,132,944
Total additions	1,601,031	2,158	1,603,189
Deductions:			
Benefits	1,755,944	43,242	1,799,186
Administrative expenses	49,310	6,687	55,997
Total deductions	1,805,254	49,929	1,855,183
Change in net assets	(204,223)	(47,771)	(251,994)
Net assets, July 1, 2009	8,647,519	226,016	8,873,535
NET ASSETS, JUNE 30, 2010	\$8,443,296	\$178,245	\$8,621,541

See auditors report on pages 12-13.

**COMBINING FINANCIAL STATEMENTS
FIDUCIARY FUNDS**

Private-purpose Trust Funds

Other Trusts and Maintenance and Rehab Trust - to account for assets held by the City in the capacity of trustee for specified purposes.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF NET ASSETS
FIDUCIARY FUNDS - PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2010

<u>ASSETS</u>	<u>Other Trusts</u>	<u>Maintenance and Rehab Trust</u>	<u>Total</u>
Cash and cash equivalents	\$ 85,454	\$ 276	\$ 85,730
Accounts receivable	-	3,000	3,000
Investments at fair value			
Mutual funds	<u>923,604</u>	<u>-</u>	<u>923,604</u>
Total assets	<u>1,009,058</u>	<u>3,276</u>	<u>1,012,334</u>
<u>LIABILITIES</u>			
Due to other funds	<u>-</u>	<u>3,276</u>	<u>3,276</u>
<u>NET ASSETS</u>			
Held in trust for other purposes	<u>\$1,009,058</u>	<u>\$ -</u>	<u>\$1,009,058</u>

See auditors report on pages 12-13.

CITY OF PADUCAH, KENTUCKY
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS - PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Other Trusts</u>	<u>Maintenance and Rehab Trust</u>	<u>Totals</u>
Additions:			
Contributions:			
Intergovernmental revenues	\$ 2,725	\$ 8,000	\$ 10,725
Private donations	10,000	-	10,000
Total contributions	<u>12,725</u>	<u>8,000</u>	<u>20,725</u>
Investment earnings:			
Net increase in fair value of investments	80,246	-	80,246
Loss on sale of investments	(5,898)	-	(5,898)
Interest and dividends	18,843	-	18,843
Net investment earnings	<u>93,191</u>	<u>-</u>	<u>93,191</u>
Total additions	<u>105,916</u>	<u>8,000</u>	<u>113,916</u>
Deductions:			
Capital outlay	-	893	893
Administrative expenses	9,558	4,352	13,910
Transfers:			
Interfund transfers in	(71,092)		(71,092)
Interfund transfers out	-	8,112	8,112
Total deductions	<u>(61,534)</u>	<u>13,357</u>	<u>(48,177)</u>
Change in net assets	167,450	(5,357)	162,093
Net assets, July 1, 2009	<u>841,608</u>	<u>5,357</u>	<u>846,965</u>
NET ASSETS, JUNE 30, 2010	<u>\$1,009,058</u>	<u>\$ -</u>	<u>\$1,009,058</u>

See auditors report on pages 12-13.

**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, 2010

Payroll Fund:	Balance			Balance
	July 1, 2009	Additions	Deductions	June 30, 2010
Assets:				
Cash and cash equivalents	<u>\$427,615</u>	<u>\$13,227,774</u>	<u>\$13,544,054</u>	<u>\$111,335</u>
Liabilities:				
Payroll taxes and withholdings payable	<u>\$427,615</u>	<u>\$13,227,774</u>	<u>\$13,544,054</u>	<u>\$111,335</u>

See auditors report on pages 12-13.

CITY OF PADUCAH, KENTUCKY

STATISTICAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2010

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being changed over time.	118-123
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and employee taxes.	124-129
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	130-133
Economic and Demographic Information These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	134-136
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	137-138

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 ended June 30, 2003. Schedules presenting government-wide information include information beginning in that year.

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

	Fiscal Year							
	2010 (3)	2009	2008	2007	2006	2005 (2)	2004	2003
Governmental Activities:								
Invested in capital assets, net of related debt	\$ 31,136,514	\$ 31,215,252	\$ 31,766,783	\$ 32,557,572	\$ 30,664,671	\$ 29,492,197	\$ 27,826,117	\$ 27,955,839
Restricted for:								
Program purposes	1,100,696	2,183,559	1,782,251	1,904,321	1,018,231	727,699	714,538	713,766
Capital projects	5,077,026	4,363,913	5,028,420	4,618,923	2,689,804	940,323	4,031,802	3,583,589
Unrestricted	8,165,101	8,621,077	9,432,763	9,057,641	7,718,198	7,419,037	(406,042)	1,571,120
TOTAL GOVERNMENTAL ACTIVITIES								
NET ASSETS	<u>\$ 45,479,337</u>	<u>\$ 46,383,801</u>	<u>\$ 48,010,217</u>	<u>\$ 48,138,457</u>	<u>\$ 42,090,904</u>	<u>\$ 38,579,256</u>	<u>\$ 32,166,415</u>	<u>\$ 33,824,314</u>
Business-Type Activities:								
Invested in capital assets, net of related debt	\$ 1,652,961	\$ 1,721,419	\$ 1,863,975	\$ 1,491,523	\$ 1,277,720	\$ 1,463,118	\$ 1,463,668	\$ 1,425,753
Restricted for:								
Program purposes	620,800	369,368	579,460	-	-	-	-	-
Unrestricted	1,816,705	1,036,093	(19,965)	(147,286)	132,090	(27,648)	1,979,494	1,565,100
TOTAL BUSINESS-TYPE								
ACTIVITIES NET ASSETS	<u>\$ 4,090,466</u>	<u>\$ 3,126,880</u>	<u>\$ 2,423,470</u>	<u>\$ 1,344,237</u>	<u>\$ 1,409,810</u>	<u>\$ 1,435,470</u>	<u>\$ 3,443,162</u>	<u>\$ 2,990,853</u>
Primary Government:								
Invested in capital assets, net of related debt	\$ 32,789,475	\$ 32,936,671	\$ 33,630,758	\$ 34,049,095	\$ 31,942,391	\$ 30,955,315	\$ 29,289,785	\$ 29,381,592
Restricted for:								
Program purposes	1,721,496	2,552,927	2,361,711	1,904,321	1,018,231	727,699	714,538	713,766
Capital projects	5,077,026	4,363,913	5,028,420	4,618,923	2,689,804	940,323	4,031,802	3,583,589
Unrestricted	9,981,806	9,657,170	9,412,798	8,910,355	7,850,288	7,391,389	1,573,452	3,136,220
TOTAL PRIMARY GOVERNMENT								
NET ASSETS	<u>\$ 49,569,803</u>	<u>\$ 49,510,681</u>	<u>\$ 50,433,687</u>	<u>\$ 49,482,694</u>	<u>\$ 43,500,714</u>	<u>\$ 40,014,726</u>	<u>\$ 35,609,577</u>	<u>\$ 36,815,167</u>

- (1) The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003. Therefore, ten years of data is not available but will be accumulated over time.
- (2) Significant change in governmental and business-type net assets due to reclassification for prior year omitted receivables, capital assets and post-closure landfill expenses.
- (3) Significant change in governmental net assets due to restatement of prior year grant receivables.

TABLE 2
CITY OF PADUCAH, KENTUCKY
CHANGES IN NET ASSETS
Last Eight Fiscal Years (1)
(accrual basis of accounting)

Expenses:	Fiscal Year							
	2010 (4)	2009	2008 (3)	2007	2006	2005 (2)	2004	2003
<i>Governmental activities:</i>								
General government	\$ 9,763,178	\$ 12,148,118	\$ 10,709,641	\$ 9,462,543	\$ 9,057,295	\$ 8,431,994	\$ 7,969,027	\$ 7,396,882
Public safety	16,239,042	15,734,557	15,938,831	15,182,704	14,592,756	14,620,938	13,243,912	12,964,120
Public service	7,669,729	12,849,566	9,543,714	8,299,658	8,486,662	6,249,860	8,618,901	7,376,791
Parks and recreation	2,653,474	1,492,306	1,286,955	1,197,072	1,044,361	1,045,024	1,026,293	975,362
Planning and development	970,022	708,827	282,042	1,891,725	2,404,636	2,521,412	5,330,393	3,108,192
Interest on long-term debt	1,099,450	1,029,888	1,066,067	1,134,898	974,101	775,122	496,049	428,578
Total governmental activities expense	38,394,895	43,963,262	38,827,250	37,168,600	36,559,811	33,644,350	36,684,575	32,249,925
<i>Business-type activities:</i>								
Solid Waste	3,797,097	4,037,845	4,086,747	4,079,684	3,893,013	3,683,954	3,419,464	3,359,731
Section Eight Housing	2,061,370	2,154,360	1,949,899	-	-	-	-	-
Civic Center	69,537	75,692	84,908	54,562	45,894	39,008	33,181	46,509
TISA	206,798	162,849	156,388	267,192	269,781	170,264	184,166	123,719
Total business-type activities expense	6,134,802	6,430,746	6,277,942	4,401,438	4,208,688	3,893,226	3,636,811	3,529,959
TOTAL PRIMARY GOVERNMENT EXPENSES	\$ 44,529,697	\$ 50,394,008	\$ 45,105,192	\$ 41,570,038	\$ 40,768,499	\$ 37,537,576	\$ 40,321,386	\$ 35,779,884
Program Revenues:								
<i>Governmental activities:</i>								
Charges for services:								
General government	\$ 993,371	\$ 1,303,667	\$ 1,415,943	\$ 1,730,046	\$ 1,618,903	\$ 1,485,005	\$ 1,601,414	\$ 1,445,383
Public safety	484,754	602,262	268,839	1,024,610	767,086	794,814	1,134,386	94,386
Public service	1,197,194	1,220,999	1,111,188	1,150,507	942,355	895,155	986,618	683,119
Parks and recreation	152,890	180,420	124,606	122,929	103,932	117,317	132,388	131,355
Planning and development	-	1,600	30,627	10,810	20,602	13,501	12,893	15,867
Operating grants and contributions	1,813,019	2,119,845	1,340,261	2,797,216	2,988,612	2,452,694	3,290,134	4,176,548
Capital grants and contributions	1,390,848	4,889,520	1,297,900	3,681,490	3,302,568	1,100,064	3,221,637	2,213,757
Total governmental activities program revenues	6,032,076	10,318,313	5,589,364	10,517,608	9,744,058	6,858,550	10,379,470	8,760,415

TABLE 2
CITY OF PADUCAH, KENTUCKY
CHANGES IN NET ASSETS
Last Eight Fiscal Years (1)
(accrual basis of accounting)

	Fiscal Year							
	2010 (4)	2009	2008 (3)	2007	2006	2005 (2)	2004	2003
Program Revenues:								
<i>Business-type activities:</i>								
Solid Waste	\$ 4,436,540	\$ 4,547,959	\$ 4,165,094	\$ 3,928,140	\$ 3,696,609	\$ 3,583,417	\$ 3,790,132	\$ 3,298,964
Section Eight Housing	-	-	-	-	-	-	-	-
Civic Center	32,455	38,577	32,932	31,372	26,378	32,828	36,455	20,825
TISA	148,158	148,291	143,833	193,713	106,697	104,087	100,778	93,383
Operating grants and contributions	2,340,267	1,965,936	1,785,809	-	-	-	-	-
Capital grants and contributions	27,239	129,032	9,480	23,969	22,894	14,735	24,990	3,666
Total business-type activities program revenues	6,984,659	6,829,795	6,137,148	4,177,194	3,852,578	3,735,067	3,952,355	3,416,838
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	\$ 13,016,735	\$ 17,148,108	\$ 11,726,512	\$ 14,694,802	\$ 13,596,636	\$ 10,593,617	\$ 14,331,825	\$ 12,177,253
Net (Expense)/Revenue:								
<i>Governmental activities</i>	(32,362,819)	(33,644,949)	(33,237,886)	(26,650,992)	(26,815,753)	(26,785,800)	(26,305,105)	(23,489,510)
<i>Business-type activities</i>	849,857	399,049	(140,794)	(224,244)	(356,110)	(158,159)	315,544	(113,121)
TOTAL PRIMARY GOVERNMENT NET (EXPENSE)	\$ (31,512,962)	\$ (33,245,900)	\$ (33,378,680)	\$ (26,875,236)	\$ (27,171,863)	\$ (26,943,959)	\$ (25,989,561)	\$ (23,602,631)
General Revenues and Other Changes in Net Assets:								
<i>Governmental activities:</i>								
Taxes and licenses:								
Property taxes, levied for general purposes	4,207,736	3,986,760	4,221,957	4,122,538	4,107,934	3,919,113	4,012,168	3,893,211
Insurance premium tax	3,797,347	4,055,228	4,699,458	4,414,672	3,863,953	3,957,289	3,767,864	3,580,964
Gross receipts license tax	4,229,102	4,320,850	4,061,587	4,050,057	3,899,432	3,720,784	3,496,438	3,404,338
Employee license tax	16,384,509	16,584,636	16,520,523	16,273,966	14,794,217	11,192,445	10,616,223	10,301,231
Other taxes	2,844,154	2,776,407	2,259,956	1,964,101	2,105,014	2,116,403	1,764,140	1,893,064
Intergovernmental revenue	-	-	1,401,400	1,243,028	1,201,973	955,645	871,273	836,132
Unrestricted investment earnings	172,213	336,960	540,620	639,702	462,292	290,647	220,992	325,811
Gain on sale of capital assets	64,620	68,530	119,200	48,656	8,340	-	(1,972)	125,714
Transfers	(78,893)	(110,838)	(96,609)	(58,175)	(115,754)	(133,959)	(68,964)	18,666
Total governmental activities	31,620,788	32,018,533	33,728,092	32,698,545	30,327,401	26,018,367	24,678,162	24,379,131

TABLE 2
CITY OF PADUCAH, KENTUCKY
CHANGES IN NET ASSETS
Last Eight Fiscal Years (1)
(accrual basis of accounting)

General Revenues and Other Changes in Net Assets:	Fiscal Year							
	2010 (4)	2009	2008 (3)	2007	2006	2005 (2)	2004	2003
<i>Business-type activities:</i>								
Unrestricted investment earnings	\$ 33,724	\$ 52,961	\$ 73,985	\$ 83,854	\$ 85,786	\$ 51,508	\$ 32,826	\$ 39,530
Gain on sale of capital assets	1,112	98,369	127,131	16,641	55,337	27,500	34,975	24,238
Transfers	78,893	110,838	96,609	58,176	115,754	133,959	68,964	(18,666)
Total business-type activities	<u>113,729</u>	<u>262,168</u>	<u>297,725</u>	<u>158,671</u>	<u>256,877</u>	<u>212,967</u>	<u>136,765</u>	<u>45,102</u>
Change in Net Assets:								
<i>Governmental activities:</i>	(742,031)	(1,626,416)	490,206	6,047,553	3,511,648	(767,433)	(1,626,943)	889,621
<i>Business-type activities:</i>	<u>963,586</u>	<u>661,217</u>	<u>156,931</u>	<u>(65,573)</u>	<u>(99,233)</u>	<u>54,808</u>	<u>452,309</u>	<u>(68,019)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 221,555</u>	<u>\$ (965,199)</u>	<u>\$ 647,137</u>	<u>\$ 5,981,980</u>	<u>\$ 3,412,415</u>	<u>\$ (712,625)</u>	<u>\$ (1,174,634)</u>	<u>\$ 821,602</u>

- (1) The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003. Therefore, ten years of data is not available but will be accumulated over time.
- (2) Significant change in governmental and business-type net assets due to reclassification for prior year omitted receivables, capital assets and post-closure landfill expenses.
- (3) The City began reporting Section Eight Housing fund as a business-type activity previously reported as a governmental fund. Prior years have not been restated.
- (4) Significant change in governmental net assets due to restatement of prior year grant receivables.

TABLE 3
CITY OF PADUCAH, KENTUCKY
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2010 (4)	2009	2008 (3)	2007	2006	2005 (1)	2004	2003	2002	2001 (2)
General Fund:										
Reserved for:										
Encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>10,208,678</u>	<u>10,311,490</u>	<u>9,416,427</u>	<u>9,976,079</u>	<u>9,157,310</u>	<u>8,303,702</u>	<u>4,642,073</u>	<u>4,925,982</u>	<u>4,441,662</u>	<u>4,229,377</u>
TOTAL GENERAL FUND	<u>\$10,208,678</u>	<u>\$10,311,490</u>	<u>\$9,416,427</u>	<u>\$9,976,079</u>	<u>\$9,157,310</u>	<u>\$8,303,702</u>	<u>\$4,642,073</u>	<u>\$4,925,982</u>	<u>\$4,441,662</u>	<u>\$ 4,229,377</u>
All Other Governmental Funds:										
Reserved for:										
Program purposes	\$ -	\$ 479,362	\$ 497,243	\$1,009,522	\$ 783,596	\$ 498,423	\$ 483,423	\$ 695,213	\$ 567,096	\$ 604,021
Capital improvements	7,996,497	4,363,913	5,028,420	4,618,923	2,689,804	940,323	3,886,391	3,583,589	4,211,718	9,834,405
Encumbrances	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	1,310,287	1,061,941	631,677	502,189	758,017	1,039,854	770,453	1,080,043	714,972	1,247,619
Debt service funds	92,444	93,244	65,048	31,836	32,364	9,805	30,243	46,051	244,724	232,640
TOTAL ALL OTHER GOVERNMENTAL FUNDS	<u>\$ 9,399,228</u>	<u>\$ 5,998,460</u>	<u>\$6,222,388</u>	<u>\$6,162,470</u>	<u>\$4,263,781</u>	<u>\$2,488,405</u>	<u>\$5,170,510</u>	<u>\$5,404,896</u>	<u>\$5,738,510</u>	<u>\$11,918,685</u>

- (1) Significant increase in general fund balance due to reclassification for prior year omitted license and tax receivables in the amount of \$3,870,992.
- (2) Significant increase in capital improvements fund balance due to \$9,290,000 bond issue for convention and arts center construction.
- (3) Significant decrease in reserve for program purpose due to converting governmental fund to proprietary fund.
- (4) 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									
	2010	2009	2008	2007	2006	2005	2004	2003 (1)	2002	2001
Revenues:										
Taxes	\$ 6,326,740	\$ 5,867,782	\$ 6,139,164	\$ 6,044,069	\$ 6,204,686	\$ 6,016,570	\$ 5,871,229	\$ 5,773,871	\$ 5,377,865	\$ 4,881,408
Licenses	24,979,768	25,411,112	25,924,562	25,140,615	23,432,565	19,368,765	18,423,244	17,900,739	17,299,400	16,705,030
Charges for services	846,087	866,688	835,105	783,018	654,059	625,281	668,659	743,826	1,452,732	1,332,280
Intergovernmental	1,091,324	1,086,377	1,565,348	1,676,783	1,529,879	1,192,724	1,029,307	1,186,306	590,372	450,412
Grants	2,062,554	5,405,810	1,673,936	6,089,711	5,797,500	3,758,041	4,002,721	4,900,775	3,990,245	3,761,900
Interest	121,246	225,251	419,103	540,204	402,943	251,302	190,350	316,794	541,277	515,299
Miscellaneous	2,653,382	2,250,344	1,944,310	1,832,161	1,844,285	1,377,175	3,781,034	1,803,408	963,956	1,110,447
Total revenues	38,081,101	41,113,364	38,501,528	42,106,561	39,865,917	32,589,858	33,966,544	32,625,719	30,215,847	28,756,776
Expenditures:										
General government	5,277,916	4,726,435	5,051,374	4,763,839	4,286,431	4,171,662	3,891,251	3,943,031	3,446,408	3,386,330
Public safety	15,999,437	15,599,613	15,696,728	14,759,735	14,366,846	14,376,161	12,963,685	12,535,382	12,293,481	11,579,654
Public service	5,984,115	7,855,846	7,935,188	7,226,542	7,418,656	5,947,105	6,914,523	5,995,396	7,163,787	5,923,130
Parks and recreation	2,582,382	1,490,732	1,298,329	1,192,727	1,044,299	1,045,024	1,026,297	975,361	897,060	738,401
Planning and development	1,868,369	1,811,083	803,976	2,424,198	2,545,227	2,267,774	2,570,473	2,204,395	2,231,628	2,784,725
Other	847,188	514,488	520,611	526,238	481,690	462,099	2,343,844	645,653	323,844	99,657
Capital outlay	8,324,312	8,580,910	4,826,983	6,504,491	5,003,091	4,870,136	10,987,184	4,172,978	7,579,179	3,850,565
Debt service:										
Principal requirement	1,020,585	830,682	880,887	782,870	594,047	552,938	428,613	379,229	362,275	140,636
Interest and fiscal requirement	1,077,128	1,003,439	1,051,008	1,108,385	949,537	745,676	471,625	428,578	413,364	25,752
Total expenditures	42,981,432	42,413,228	38,065,084	39,289,025	36,689,824	34,438,575	41,597,495	31,280,003	34,711,026	28,528,850
Other Financing Sources (Uses):										
Bonds issued	6,645,000	1,718,605	-	-	6,100,000	-	5,000,000	-	-	9,104,211
Long-term debt draws	1,222,390	-	-	-	-	-	-	-	-	-
Long-term debt issued	258,391	69,032	-	246,667	-	275,000	3,500,000	-	-	-
Capital lease	405,796	405,796	371,979	-	-	-	-	-	-	-
Transfers in	9,722,852	5,928,413	6,241,886	5,209,977	6,034,070	3,394,420	3,939,188	2,074,459	1,788,462	3,632,867
Transfers out	(9,893,709)	(6,150,847)	(7,086,517)	(5,556,722)	(12,681,180)	(4,712,171)	(5,295,576)	(3,167,686)	(3,062,056)	(4,966,004)
Total other financing sources (uses)	8,360,720	1,970,999	(472,652)	(100,078)	(547,110)	(1,042,751)	7,143,612	(1,093,227)	(1,273,594)	7,771,074
NET CHANGE IN FUND BALANCES	\$ 3,460,389	\$ 671,135	\$ (36,208)	\$ 2,717,458	\$ 2,628,983	\$ (2,891,468)	\$ (487,339)	\$ 252,489	\$ (5,768,773)	\$ 7,999,000
Capital outlay (2)	\$ 8,763,073	\$ 2,850,717	\$ 2,857,189	\$ 4,638,045	\$ 3,779,542	\$ 3,981,143	\$ 9,144,907	\$ 1,907,998	\$ -	\$ -
Debt service as a percentage of noncapital expenditures	6.13%	4.64%	5.49%	5.46%	4.69%	4.26%	2.77%	2.75%	2.86%	0.67%

(1) The City implemented GASB 34, the new reporting standard, in fiscal year 2003.

(2) For reports after fiscal year 2002, capital outlay is reported on the *Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statements of Activities*.

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

Fiscal Year	Assessed Value					Estimated Actual Value	Total Direct Tax Rate	Percent Assessed To Estimated Value	Exemptions
	Real Estate		Personal Property	Franchise	Total				
	Commercial	Residential							
2001	\$ 558,387,762	\$ 435,879,813	\$ 479,928,323	\$ 69,737,433	\$ 1,543,933,331	\$ 1,603,816,189	0.329	96.3%	\$ 58,908,995
2002	575,900,884	448,383,787	466,849,195	71,286,784	1,562,420,650	1,623,844,461	0.328	96.2%	60,449,948
2003	592,033,879	461,336,810	453,327,389	79,952,984	1,586,651,062	1,647,809,422	0.327	96.3%	60,184,497
2004	602,788,179	484,958,897	438,024,336	73,121,063	1,598,892,475	1,661,522,546	0.326	96.2%	61,656,208
2005	622,478,658	500,350,485	425,304,684	74,460,202	1,622,594,029	1,684,469,469	0.325	96.3%	60,901,557
2006	636,606,837	525,613,365	452,475,748	74,683,129	1,689,379,079	1,750,930,676	0.325	96.5%	61,551,597
2007	692,018,288	561,151,216	482,481,332	51,455,112	1,787,105,948	1,847,595,428	0.307	96.7%	60,489,480
2008	748,189,877	603,688,455	481,049,523	74,068,797	1,906,996,652	1,970,156,891	0.287	96.8%	63,160,239
2009	776,876,510	645,672,462	526,966,182	56,333,800	2,005,848,954	2,069,450,607	0.288	96.9%	63,601,653
2010	797,902,456	659,381,375	495,273,730	57,459,000	2,010,016,561	2,076,961,686	0.286	96.8%	66,945,125

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			Overlapping Rates							
	General Fund		Total Direct Rate	McCracken Co. School Districts		City of Paducah School Districts		Paducah Junior College		McCracken County	
	Real Estate	Personal		Real Estate	Personal	Real Estate	Personal	Real Estate	Personal	Real Estate	Personal
2001	0.300	0.390	0.329	0.385	0.385	0.597	0.599	0.022	0.022	0.195	0.223
2002	0.300	0.390	0.328	0.385	0.385	0.600	0.597	0.022	0.022	0.196	0.237
2003	0.300	0.390	0.327	0.396	0.396	0.598	0.603	0.022	0.022	0.196	0.221
2004	0.300	0.390	0.326	0.394	0.394	0.617	0.605	0.021	0.021	0.190	0.199
2005	0.300	0.390	0.325	0.448	0.448	0.618	0.617	0.021	0.021	0.196	0.226
2006	0.300	0.390	0.325	0.433	0.433	0.631	0.619	0.020	0.021	0.197	0.236
2007	0.275	0.390	0.307	0.433	0.433	0.628	0.631	0.019	0.019	0.197	0.236
2008	0.250	0.390	0.287	0.488	0.488	0.672	0.635	0.018	0.018	0.189	0.219
2009	0.250	0.390	0.288	0.489	0.491	0.672	0.678	0.021	0.023	0.096	0.106
2010	0.250	0.390	0.286	0.504	0.504	0.678	0.678	0.022	0.022	0.095	0.095

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

**TABLE 7
CITY OF PADUCAH, KENTUCKY
PRINCIPAL TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

<u>Taxpayer</u>	<u>2010</u>		<u>2001</u>	
	<u>(1)</u> Assessed Valuation	<u>(1)</u> Percentage of Total Assessed Valuation	<u>(2)</u> Assessed Valuation	<u>(2)</u> Percentage of Total Assessed Valuation
Kentucky Oaks Mall	\$ 50,900,262	2.54%	\$ 45,570,900	3.37%
South Central Bell	16,221,600	0.81%		
Olivet Church 1031 LLC	10,245,400	0.51%		
Ducmall LLC	14,374,800	0.72%		
Paducah Medical Investors	13,440,090	0.67%		
Wal-Mart Real Estate Trust	10,646,400	0.53%		
Sams Real Estate Bus Trust	9,222,955	0.46%		
Computer Services, Inc.	9,083,185	0.45%	12,983,718	0.96%
Wal Mart Store	9,000,000	0.45%	35,688,462	2.64%
Amerisource	29,949,886	1.49%	21,093,262	1.56%
Lowes			13,845,576	1.02%
H.B. Fuller			14,219,648	1.05%
Firststar Bank			11,964,595	0.88%
Drury Inns, Inc.			13,629,918	1.01%
Duke & Long			11,980,316	0.89%
VMV			8,134,403	0.60%
Union Planters			5,960,502	0.44%
TOTALS	<u>\$173,084,578</u>	<u>8.63%</u>	<u>\$ 195,071,300</u>	<u>14.42%</u>

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

(2) Source - Property Valuation Administration; Assessed value as of January 1, 2000.

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

Fiscal Year Ended June 30,	(1) Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections to Date	
		(1) Amount of Collections	Percent of Levy Collected	Collections in Subsequent Years	Total Collections	Percent of Levy Collected
2001	\$ 3,485,185	\$ 3,297,284	94.6%	\$129,425	\$ 3,297,284	94.6%
2002	3,636,130	3,449,887	94.9%	152,893	3,602,780	99.1%
2003	3,668,044	3,414,329	93.1%	124,095	3,538,424	96.5%
2004	3,801,229	3,685,957	97.0%	83,740	3,769,697	99.2%
2005	3,834,909	3,762,592	98.1%	71,432	3,834,024	100.0%
2006	4,014,254	3,911,868	97.4%	92,426	4,004,294	99.8%
2007	4,000,988	3,855,679	96.4%	126,527	3,982,206	99.5%
2008	3,975,577	3,814,940	96.0%	124,199	3,939,139	99.1%
2009	4,202,774	4,017,032	95.6%	91,059	4,108,091	97.7%
2010	4,260,852	4,131,454	97.0%	-	4,131,454	97.0%

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

* Source - City of Paducah Finance Department.

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

Fiscal Year	(1) Taxes Collected	Direct Tax Rate
2001	\$ 9,603,106	1.50%
2002	9,873,201	1.50%
2003	10,301,231	1.50%
2004	10,616,222	1.50%
2005	11,183,157	1.50%
2006	14,947,835	2.00% (2)
2007	16,258,946	2.00%
2008	16,535,542	2.00%
2009	16,584,618	2.00%
2010	16,384,509	2.00%
	<u>\$132,288,367</u>	

- (1) Source - City of Paducah Finance Department - Actual collections during the fiscal year.
(2) Effective October 1, 2005, employee license tax rate increased from 1.5% to 2.0%.

**TABLE 10
CITY OF PADUCAH, KENTUCKY
PRINCIPAL EMPLOYEE LICENSE TAXPAYERS
CURRENT YEAR AND ONE YEAR AGO***

Taxpayers By Range	2010			
	Number of Filers	Percentage of Total	(1) Taxes Collected	Percentage of Total Employee License Tax
\$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%
TOTALS	1,948	100.00%	\$16,384,509	100.00%

Taxpayers By Range	2009			
	Number of Filers	Percentage of Total	(1) Taxes Collected	Percentage of Total Employee License Tax
\$0 - \$50,000	2,012	99.26%	\$11,630,775	70.13%
\$50,001 - \$100,000	11	0.54%	1,843,411	11.12%
\$100,001 - \$500,000	4	0.20%	3,110,432	18.75%
Greater than \$500,000	0	0.00%	-	0.00%
TOTALS	2,027	100.00%	\$16,584,618	100.00%

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

*Comparative taxpayers by range information is only available after fiscal year 2006.

**TABLE 11
CITY OF PADUCAH, KENTUCKY
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	Net General Obligation Bonds	Public Improvement Debt	Capital Lease	Net Public Improvement Debt	Net Refunding Revenue Bonds	Total Primary Government	(1) Ratio of Net Debt to Actual Value	(3) Net Debt as Percentage of Personal Income	(2) Net Debt Per Capita
2001	\$ 9,057,359	\$ -	\$ 381,330	\$ -	\$ -	\$ 9,438,689	0.59	1.95%	\$ 359
2002	8,830,276	-	234,054	-	-	9,064,330	0.56	1.87%	345
2003	8,803,949	-	79,825	-	-	8,883,774	0.54	1.83%	338
2004	13,589,757	3,428,855	-	-	-	17,018,612	1.02	3.51%	647
2005	13,210,195	3,503,274	-	-	-	16,713,469	0.99	3.45%	635
2006	18,877,636	3,319,227	-	-	-	22,196,863	1.27	4.58%	844
2007	18,278,164	3,320,522	-	-	-	21,598,686	1.17	4.46%	821
2008	17,614,952	2,946,303	-	-	-	20,561,255	1.04	4.24%	782
2009	19,706,394	5,187,262	-	-	-	24,893,656	1.20	5.14%	946
2010	25,568,996	5,808,267	-	-	-	31,377,263	1.51	6.48%	1,193

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 15 for population data.

(3) See Table 15 for personal income data

**TABLE 12
CITY OF PADUCAH, KENTUCKY
RATIO OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Fiscal Year	General Bonded Debt Outstanding						Total	(1) Ratio of Net Bonds to Actual Value	(2) Net Bonds Per Capita
	Convention and Art Center Bonds	Police and Fire Pension Fund Bonds	Infiniti Media Building Bonds	Floodwall Rehabilitation Bonds	Public Improvement Project Bonds	Less Resources Restricted for Debt Service			
2001	\$9,290,000	\$ -	\$ -	\$ -	\$ -	\$232,641	\$ 9,057,359	0.56	\$ 344
2002	9,075,000	-	-	-	-	244,724	8,830,276	0.54	336
2003	8,850,000	-	-	-	-	46,051	8,803,949	0.53	335
2004	8,620,000	-	5,000,000	-	-	30,246	13,589,754	0.82	517
2005	8,380,000	-	4,840,000	-	-	9,805	13,210,195	0.78	502
2006	8,130,000	6,100,000	4,680,000	-	-	32,364	18,877,636	1.08	718
2007	7,870,000	5,925,000	4,515,000	-	-	31,836	18,278,164	0.99	695
2008	7,600,000	5,740,000	4,340,000	-	-	65,048	17,614,952	0.89	670
2009	7,320,000	5,545,000	4,160,000	2,774,638	-	93,244	19,706,394	0.95	749
2010	7,030,000	5,340,000	3,975,000	2,671,440	6,645,000	92,444	25,568,996	1.23	972

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 15 for population data.

**TABLE 13
CITY OF PADUCAH, KENTUCKY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2010**

	<u>Net Debt Outstanding</u>	⁽¹⁾ <u>Percentage Applicable to the City</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
City of Paducah	<u>\$31,377,263</u>	100.00%	<u>\$31,377,263</u>
Paducah Independent School District	22,991,414 *	100.00%	22,991,414
McCracken County	12,565,000 *	46.00%	5,779,900
McCracken County Board of Education	<u>26,576,232 *</u>	<u>31.20%</u>	<u>8,291,784</u>
Overlapping debt	<u>62,132,646</u>		<u>37,063,098</u>
TOTAL DIRECT AND OVERLAPPING DEBT	<u><u>\$93,509,909</u></u>		<u><u>\$68,440,361</u></u>

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

* Information from finance office at each location.

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

Net assessed value		\$2,010,016,561
Add exemption		<u>66,945,125</u>
Total assessed value		<u>\$2,076,961,686</u>
Debt limit - 10% of total assessed (1)		\$207,696,168.6
Debt outstanding:		
General obligation bonds outstanding	\$ 25,661,440	
Note payable	5,808,267	
Less debt not subject to limit		<u>-</u>
Gross bonded debt	31,469,707	
Less amount available in debt service funds		<u>92,444</u>
Net bonded indebtedness subject to limit		<u>31,377,263</u>
LEGAL DEBT MARGIN		<u>\$ 176,318,906</u>

	Fiscal Year									
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Debt limit	<u>\$207,696,169</u>	<u>\$206,945,061</u>	<u>\$197,015,689</u>	<u>\$182,759,543</u>	<u>\$175,093,068</u>	<u>\$168,349,559</u>	<u>\$166,054,868</u>	<u>\$164,683,556</u>	<u>\$162,287,060</u>	<u>\$ 160,284,233</u>
Total net debt applicable to limit	<u>31,377,263</u>	<u>24,893,656</u>	<u>20,561,255</u>	<u>21,598,686</u>	<u>22,196,863</u>	<u>16,713,469</u>	<u>17,018,612</u>	<u>8,883,774</u>	<u>9,064,330</u>	<u>9,438,689</u>
LEGAL DEBT MARGIN	<u>\$176,318,906</u>	<u>\$182,051,405</u>	<u>\$176,454,434</u>	<u>\$161,160,857</u>	<u>\$152,896,205</u>	<u>\$151,636,090</u>	<u>\$149,036,256</u>	<u>\$155,799,782</u>	<u>\$153,222,730</u>	<u>\$ 150,845,544</u>
Total net debt applicable to the limited as a percentage of debt limit	15.11%	12.03%	10.44%	11.82%	12.68%	9.93%	10.25%	5.39%	5.59%	5.89%

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

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

Fiscal Year	(1) Population	(1) Personal Income	(1) Per Capita Income	(1) Median Age	(2) School Enrollment	(3) Unemployment Rate
2000-2001	26,307	\$ 484,496,019	\$ 18,417	39.9	3,037	5.0%
2001-2002	26,307	484,496,019	18,417	39.9	2,909	6.3%
2002-2003	26,307	484,496,019	18,417	39.9	2,887	7.2%
2003-2004	26,307	484,496,019	18,417	39.9	2,977	5.8%
2004-2005	26,307	484,496,019	18,417	39.9	2,819	6.4%
2005-2006	26,307	484,496,019	18,417	39.9	2,834	5.7%
2006-2007	26,307	484,496,019	18,417	39.9	2,804	5.6%
2007-2008	26,307	484,469,019	18,417	39.9	2,832	6.1%
2008-2009	26,307	484,469,019	18,417	39.9	2,774	9.3%
2009-2010	26,307	484,469,019	18,417	39.9	2,659	8.5%

Sources:

(1) Bureau of the Census Count - 2000.

(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 ONE YEAR AGO**

Employer	2010		2009	
	Employees (1)	Percentage of Total Employment (2)	Employees (1)	Percentage of Total Employment (2)
Western Baptist Hospital	1,965	6.74%	1,755	6.00%
Lourdes Hospital	1,415	4.85%	1,365	4.67%
Wal Mart	1,130	3.88%	1,160	3.97%
Paducah Public Schools	694	2.38%	600	7.01%
L YNX Services	214	0.73%	360	1.23%
State of Kentucky	338	1.16%	380	1.30%
City of Paducah	395	1.36%	350	1.20%
Paxton Media Group	290	0.99%	290	0.99%
NRE Acquisitions	131	0.45%	150	0.51%
West Kentucky Community and Technical College	500	1.72%	375	1.28%
TOTALS	7,072	24.26%	6,785	28.16%

(1) Source - City of Paducah Finance Department

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

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

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<i>Governmental Activities</i>										
General Government:										
General administration	12	12	12	12	12	11	11	11	12	13
Finance	14	17	14	14	14	13	13	13	13	13
Human resources	0	0	3	3	3	4	3	3	3	4
Inspection	10	13	13	13	12	12	12	12	13	14
Information systems	6	4	4	4	3	3	3	3	2	1
Risk management	1	1	1	1	1	0	0	0	0	0
Public Safety:										
Police	90	93	93	93	93	96	94	95	94	94
Fire	65	69	69	71	76	75	76	76	77	81
Public Service:										
Streets	23	29	29	30	31	28	28	28	28	29
Facilities	34	36	35	34	35	38	39	39	38	36
Engineering	5	8	9	9	9	9	8	8	8	8
Other	4	6	6	6	4	4	2	2	2	0
Parks and recreation	7	7	7	7	7	9	9	8	8	7
Planning and development	9	10	11	11	11	11	11	11	10	10
Other:										
Renaissance	3	5	0	0	0	0	0	0	0	0
Fleet maintenance	8	6	7	7	7	7	6	6	6	6
<i>Business-type Activities</i>										
Solid waste	27	27	27	27	29	29	29	29	29	30
TOTAL PRIMARY GOVERNMENT	318	343	340	342	347	349	344	344	343	346

* Employee budget census.

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
General Government:										
Building and electrical permits issued	1,263	1,179	1,203	1,411	1,362	1,376	*	*	*	*
Business licenses issued	3,397	3,691	3,507	3,500	3,700	*	*	*	*	*
Public Safety:										
Police:										
Adult arrests	3,859	4,454	4,170	5,012	3,827	*	*	*	*	*
Murder	1	5	-	-	-	*	*	*	*	*
Rape	12	20	15	18	15	*	*	*	*	*
Robberies	56	41	49	42	35	*	*	*	*	*
Burglary	245	169	203	208	211	*	*	*	*	*
Auto theft	62	57	60	117	104	*	*	*	*	*
Arson	7	7	8	16	7	*	*	*	*	*
Traffic accidents	1,774	1,368	1,519	1,949	1,815	*	*	*	*	*
Traffic violations	7,240	9,143	7,109	7,323	7,468	*	*	*	*	*
Fire:										
Emergency responses	2,603	3,305	2,603	2,456	2,546	3,219	3,638	3,569	2,845	1,665
Fires extinguished	133	136	102	163	181	176	189	198	194	177
Structure fires	49	57	49	40	53	49	64	70	72	66
Incidents with reported losses	89	85	70	80	91	97	106	111	129	102
Medical/rescue	1,690	1,616	1,506	1,369	1,589	1,997	2,266	2,290	1,551	370
Tours/in-services/car seats	676	907	699	485	485	485	485	485	468	558
Training man hours	8,493	7,716	4,344	1,183	1,418	1,188	965	1,058	804	1,619
Inspections	985	1,183	1,449	*	*	*	*	*	*	*
Refuse Collection:										
Residential:										
Refuse collected (tons per day)	38	32	25	28	34	*	*	*	*	*
Customers served	9,445	9,435	9,446	9,388	9,368	*	*	*	*	*
Commercial:										
Refuse collected (tons per day)	70	75	83	85	84	*	*	*	*	*
Customers served	810	810	821	832	801	*	*	*	*	*
Public Service:										
911 dispatches	79,768	81,525	83,871	76,815	83,348	85,273	91,408	92,698	88,512	89,645
Police	42,496	40,921	43,420	41,887	47,091	48,275	53,504	54,521	53,318	53,903
Fire	2,702	2,490	2,720	2,399	2,907	3,424	4,190	4,058	2,467	2,107
Other	34,570	38,114	37,731	32,529	33,350	33,574	33,714	34,119	32,727	33,635

* Information not available.

** Information from city departments.

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

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Public Safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Stations	5	5	5	5	5	5	5	5	5	5
Refuse Collection:										
Collection trucks:										
Residential	9	7	10	9	8	8	#	#	#	#
Commercial	5	4	5	5	4	4	#	#	#	#
Other Public Works:										
Streets (miles paved)	218	216	216	216	214	214	213	209	209	209
Sidewalks (miles)	47	45	45	45	45	45	45	45	45	45
Traffic signals	13	12	11	11	11	11	10	0	0	0
Parks and Recreation:										
Parks	27	27	27	27	18	18	18	18	18	18
Acreage	1290	960	960	960	325	325	325	325	325	325
Community centers	1	1	1	1	1	1	1	1	1	1
Swimming pools	1	1	1	1	1	1	1	3	3	3
Public tennis courts	6	6	6	6	6	6	6	6	6	6
Public golf courses	2	2	2	2	2	2	2	2	2	2

Information not available.

* Information from city departments.

CITY OF PADUCAH, KENTUCKY

SINGLE AUDIT SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2010

CITY OF PADUCAH, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

<u>Federal Grantor/Pass-Through Grantor/ Program Title:</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Expenditures</u>
Department of Housing and Urban Development:			
Direct Programs:			
Section 8 Housing Choice Vouchers	14.871	N/A	\$2,308,775
Passed-through Kentucky Governors Office for Local Development Community Development Block Grant	14.228	KY20070109-0026	28,933
Passed-through Kentucky Housing Corporation: Home Investment Partnerships Program	14.239	N/A	<u>180,416</u>
Total Department of Housing and Urban Development			<u>2,518,124</u>
Department of Justice:			
Direct Programs:			
Bulletproof Vest Partnership Program	16.607	N/A	6,263
Equitable Sharing Program	16.000	N/A	31,586
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-1323	42,543
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.804	2009-SB-B9-1734	65,793
ARRA - Community Oriented Policing Services	16.710	2009-RK-WX-0377	121,172
Passed-through Kentucky Department of Revenue: Project Safe Neighborhoods	16.609	CT-073-100	1,497
Passed-through Kentucky Department of State Police: Enforcing Underage Drinking Laws Program	16.727	2008-AH-FX-0044	<u>7,218</u>
Total Department of Justice			<u>276,072</u>
Department of Agriculture:			
Direct Programs:			
Emergency Watershed Protection Program	10.923	68-5C16-9-126	13,416
Passed-through Kentucky Department of Education: Summer Food Service Program for Children	10.559	N/A	<u>8,372</u>
Total Department of Agriculture			<u>21,788</u>

(Continued)

CITY OF PADUCAH, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

<u>Federal Grantor/Pass-Through Grantor/ Program Title:</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Expenditures</u>
Department of Homeland Security:			
Direct Programs:			
Port Security Grant Program	97.056	2008GBT80131	4,155
Port Security Grant Program	97.056	2009PUT90154	18,847
Assistance to Fire Fighters Grant Program	97.044	EMW-2009-FO-11526	38,174
Passed-through Kentucky Office of Homeland Security:			
Homeland Security Grant Program	97.067	PO2 094 0800020884 2	121,243
Homeland Security Grant Program	97.067	PO2 094 1000002706 1	42,221
Homeland Security Grant Program	97.067	PO2 094 1000002679 1	18,000
Total Department of Homeland Security			<u>242,640</u>
Department of Transportation:			
Passed-through Kentucky Department of State Police:			
State and Community Highway Safety	20.600	AL-09-33	\$ 27,675
State and Community Highway Safety	20.600	AL-10-23	14,465
Passed-through Kentucky Governor's Office of Local Development:			
Recreational Trails Program	20.219	PO2 628 0600003374	2,305
Passed-through to River Heritage Museum			
Highway Planning and Construction	20.205	C05024679	<u>30,178</u>
Total Department of Transportation			<u>74,623</u>
Department of Interior			
Passed-through National Park Service:			
Preserve America Grant Program	15.921	21-08-AP-4115	<u>35,607</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$3,168,854</u></u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF PADUCAH, KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Paducah and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Subrecipients:

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Paducah Board of Education	10.559	\$ 8,372
River Heritage Museum	20.205	<u>30,178</u>
		<u>\$38,550</u>

THIS PAGE INTENTIONALLY LEFT BLANK

WILLIAMS, WILLIAMS & LENTZ, LLP
CERTIFIED PUBLIC ACCOUNTANTS
601 JEFFERSON
PADUCAH, KENTUCKY 42001

J. RICHARD WALKER
ROBERT R. ROBERTSON
C. SUZETTE CRONCH
MICHAEL F. KARNES
MARK A. THOMAS
ROGER G. HARRIS
J. DAVID BAILEY, III

G. LEON WILLIAMS, 1926-2004
H. WILLIAM LENTZ, 1925-2007
JERRY G. SEVERINS

MAILING ADDRESS
POST OFFICE BOX 2500
PADUCAH, KY 42002-2500

TELEPHONE
270-443-3643

FAX
270-444-0652

WEBSITE
www.kcpa.com

**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 William F. Paxton, Mayor
Members of the Board of Commissioners
City of Paducah
Paducah, Kentucky

We have audited 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, 2010, which collectively comprise the City of Paducah, Kentucky's basic financial statements and have issued our report thereon dated December 16, 2010. Our report includes a reference to other auditors. 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.

Other auditors audited the financial statements of the Transit Authority of the City of Paducah, a component unit, as described in our report on the City of Paducah, Kentucky's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Paducah, Kentucky's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Paducah, Kentucky's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Paducah, Kentucky's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs (Part B item number one) that we consider to be significant deficiencies in internal control over financial reporting. *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.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, City Commission, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Williams, Williams & Lentz, LLP

December 16, 2010

WILLIAMS, WILLIAMS & LENTZ, LLP
CERTIFIED PUBLIC ACCOUNTANTS
601 JEFFERSON
PADUCAH, KENTUCKY 42001

J. RICHARD WALKER
ROBERT R. ROBERTSON
C. SUZETTE CRONCH
ANNETTE T. RYAN
MICHAEL F. KARNES
MARK A. THOMAS
ROGER G. HARRIS
J. DAVID BAILEY, III

G. LEON WILLIAMS, 1926-2004
H. WILLIAM LENTZ, 1925-2007
JERRY G. SEVERNS

MAILING ADDRESS
POST OFFICE BOX 2500
PADUCAH, KY 42002-2500

TELEPHONE
270-443-3643

FAX
270-444-0652

WEBSITE
www.wwl.com

**Report on Compliance with Requirements Applicable
to Each Major Program and On Internal Control Over
Compliance in Accordance with OMB Circular A-133**

Honorable William F. Paxton, Mayor
Members of the Board of Commissioners
City of Paducah
Paducah, Kentucky

Compliance

We have audited the compliance of the City of Paducah, Kentucky, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Paducah, Kentucky's management. Our responsibility is to express an opinion on the City of Paducah, Kentucky's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination of the City of Paducah, Kentucky's compliance with those requirements.

In our opinion, the City of Paducah, Kentucky complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the City of Paducah, Kentucky, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Paducah, Kentucky's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Commission, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Williams, Williams & Luty, LLP

December 16, 2010

CITY OF PADUCAH, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

A. Summary of Audit Results:

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the City of Paducah, Kentucky.
2. One instance of a significant control deficiency was disclosed during the audit of the basic financial statements of the City of Paducah, Kentucky.
3. No instances of noncompliance material to the basic financial statements of the City of Paducah, Kentucky were disclosed during the audit.
4. No instances of significant deficiencies were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the City of Paducah, Kentucky expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards program to be reported.
7. The programs tested as major programs included:

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

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Paducah, Kentucky was determined to be a low-risk auditee.

B. Findings - Basic Financial Statements Audit:

1. Segregation of Duties - The payroll clerk is responsible for the processing of payroll and the direct deposit transmission to employees. At a minimum, someone independent of the payroll function should review the direct deposit transmission to validate the employees being paid and to check the accuracy of the wages transmitted.

Management's Response: When management was notified of this finding during audit fieldwork, additional controls were immediately enacted. A staff member independent of the payroll function reviews the payroll file before transmission, examining the payees as well as verifying the transmittal amount. Upon transmittal, this staff member also confirms that the correct amount was transmitted to the bank.

C. Findings and Questioned Costs - Major Federal Award Programs:

None