



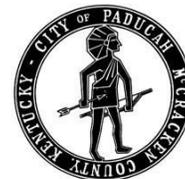
CITY OF PADUCAH, KY

POPULAR ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED

JUNE 30, 2023





Introduction

A MESSAGE FROM FINANCE

To the Citizens of Paducah:

We are pleased to present the Popular Annual Financial Report (PAFR) for the City of Paducah. This report is designed to provide a fundamental understanding of our city government, local economic conditions, and where our financial position stands. This report is presented in accordance with guidelines from the Government Finance Officers Association (GFOA) and was prepared using information for the fiscal year ended on June 30, 2023. According to the GFOA:

“The GFOA established the Popular Annual Financial Reporting Awards Program (PAFR Program) in 1991 to encourage and assist state and local governments to extract information from their annual comprehensive financial report to produce high quality popular annual financial reports specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance and then to recognize individual governments that are successful in achieving that goal.”

The PAFR contains highlights from the City’s 2023 Annual Comprehensive Financial Report (ACFR), which is a more detailed audited document. The PAFR and ACFR are prepared in accordance with Generally Accepted Accounting Principles (GAAP). Copies of both reports are available by visiting the City’s website at paducahky.gov.

Sincerely,

<i>Jonathan Perkins, CPA</i>	<i>Audra Kyle, CPA</i>
Finance Director	Controller
City of Paducah	City of Paducah

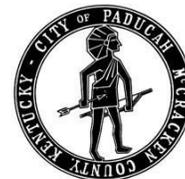
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“Financial transparency is the bedrock of public trust, that public dollars entrusted to the City of Paducah are being used to benefit the community as a whole. By embracing financial transparency, the City of Paducah is showing its commitment to our citizens that we value their trust in us to be good financial stewards of the public’s dollars.”

- Daron Jordan, City Manager





About the City

The City provides a full range of municipal services, including police and fire protection, refuse services, permitting and inspection services, construction and maintenance of streets and other infrastructure, recreational activities and cultural events, and general administrative services.

Location: Along the Ohio River below the mouth of the Tennessee River, Paducah is situated halfway between St. Louis, MO, and Nashville, TN, along Interstate-24.

Population: 27,137 (2020-U.S. Census Bureau)

Demographic: Median age 43.7; Median household income \$42,024; Median housing value \$125,800; Average household size 2.19 (<https://www.census.gov/quickfacts>)

Unemployment Rate: 4.3% for McCracken County. Rate for the State of Kentucky is 3.8%. (kystats.ky.gov)

Top Five Employers: Bon Secours Mercy Health, Inc., Baptist Healthcare Systems, Wal-Mart Associates, Inc., Paducah Board of Education, Baptist Health Medical Group

HISTORY

Paducah, originally known as Pekin, was settled around 1815. Settlers were attracted to the community due to its location at the confluence of the Ohio and Tennessee Rivers. Paducah was established in 1827 by explorer General William Clark, who platted out the town and named it in honor of the largest nation of Native Americans that ever roamed North America, the Padouca Indians.

Paducah thrived due to its port facilities along the waterways. It became the site of dry dock facilities for steamboats and towboats, and in turn, headquarters for various bargeline companies. Rail and locomotive components were also made in Paducah, ultimately contributing to a river and rail industrial economy.

Paducah now has an estimated population of 27,137. It is the only city in McCracken County and the largest city 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.

The City has received several awards over the past year, including:



GFOA Certificate of Excellence in Financial Reporting



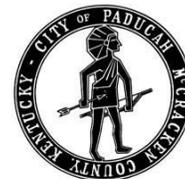
Marinas.com Boaters' Choice Award



Arbor Day Foundation Tree City USA



KLC City Government of the Year

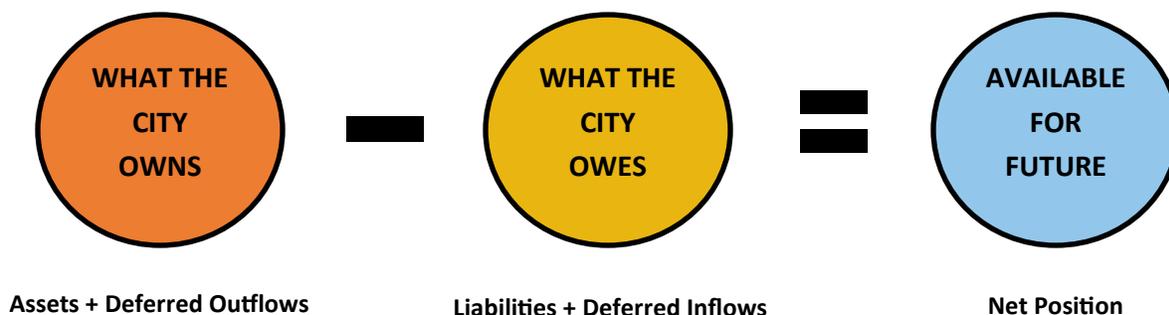


Government-wide Financials

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. *Component unit financial information is not disclosed in this report.*

Statement of Net Position

The Statement of Net Position represents the City’s assets and liabilities, deferred outflows and deferred inflows, and the resulting net position. Net position is the difference between what the City owns and what the City owes. The City’s Statement of Net Position for fiscal years ending June 30, 2021-2023 are shown below.



Governmental Activities Statement of Net Position History

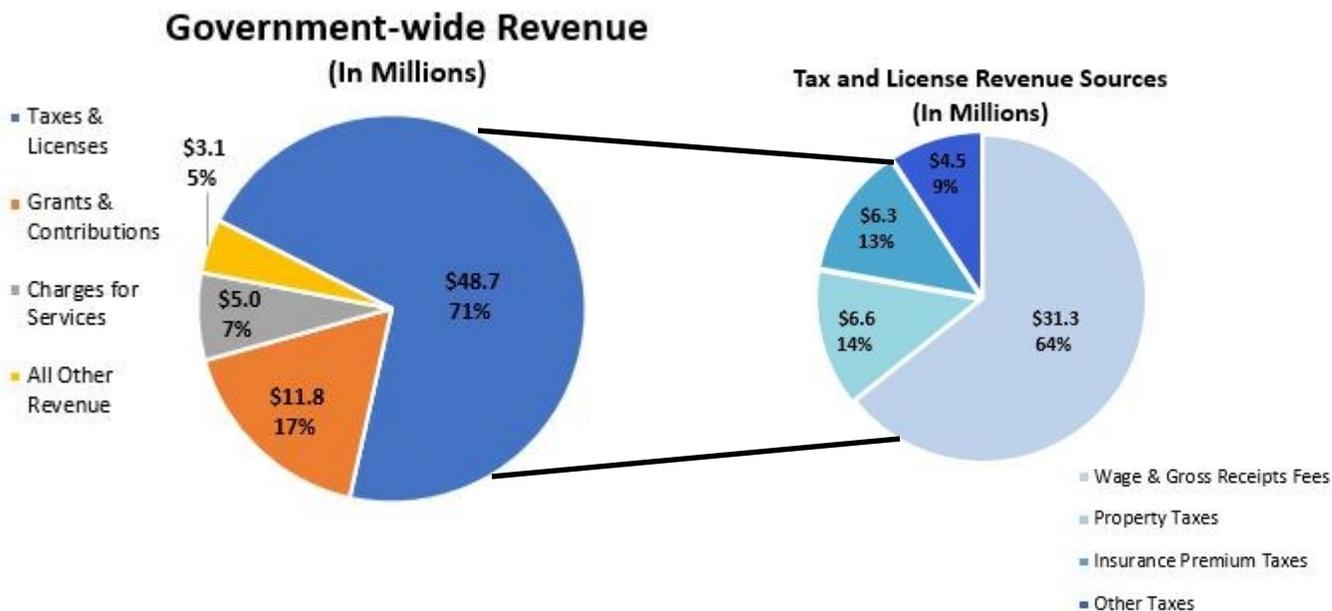
	2023	2022	2021
Assets	\$172,577,069	\$161,540,508	\$144,163,276
Deferred Outflows	\$17,920,396	\$18,713,567	\$18,328,954
Liabilities	\$138,922,650	\$130,956,053	\$138,674,561
Deferred Inflows	\$19,454,783	\$30,217,864	\$10,502,689
Total Net Position	\$32,120,032	\$19,080,158	\$13,314,980

The City’s net position is significantly affected by the inclusion of noncurrent liabilities associated with its participation in the County Employee Retirement System (CERS). These pension and post-employment benefit obligations resulted in liabilities and deferred inflows totaling \$96.3 million in FY2023. Despite these liability adjustments, the City’s governmental net position at June 30, 2023, increased over \$13 million from prior year. This is primarily the result of unanticipated revenues received during the year that will be carried over for spending in future years. This includes \$3.7 million in major categories of taxes/licenses and \$1.5 million in interest income received on the City’s operating account. The City also had \$2.5 million in opioid settlement funds (\$500 thousand received and \$2 million receivable) at fiscal year end that will remain in restricted net position until their program use in future years. In addition, the City had multiple capital projects that were grant funded, which caused an increase in net position, including \$3.9 million in American Rescue Plan Act (ARPA) funds that were largely utilized for storm water improvements.



Government-wide Financials

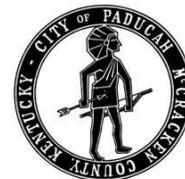
The Statement of Activities summarizes the City’s operations as a whole. As with most municipalities, the City’s governmental activities are heavily subsidized by taxes, with little or no program revenue for each function. The chart below demonstrates the significance of tax revenue to the City’s operations.



	2023	2022	Increase/ (Decrease)
Wages & Gross Receipts Fees	\$31,280,180	\$29,142,746	\$2,137,434
Grants & Contributions	\$11,801,835	\$6,696,554	\$5,105,281
Property Taxes	\$6,575,885	\$6,128,302	\$447,583
Insurance Premium Taxes	\$6,331,216	\$5,834,013	\$497,203
Other Taxes	\$4,547,198	\$4,433,257	\$113,941
Charges for Services	\$4,961,689	\$3,366,962	\$1,594,727
All Other Revenue	\$3,127,133	\$566,065	\$2,561,068

The City’s major revenues increased over prior year. Wage and gross receipts fees increased \$2.1 million, or 7%. Insurance premium taxes increased \$497 thousand, or 8%. No changes in these revenues appear to be the result of a significant taxpayer or event, but rather the result of multiple entities having increases from the prior year. It is likely that inflation has played a role in the increases, as they are based on percentages of gross receipts, insurance premiums, and wages.

Capital grants & contributions remain a major revenue category for FY2023 as the City continues to recognize revenue from the utilization of ARPA funds. Opioid settlement funds received and accrued in the amount of \$2.5 million are also included in this category of revenue.

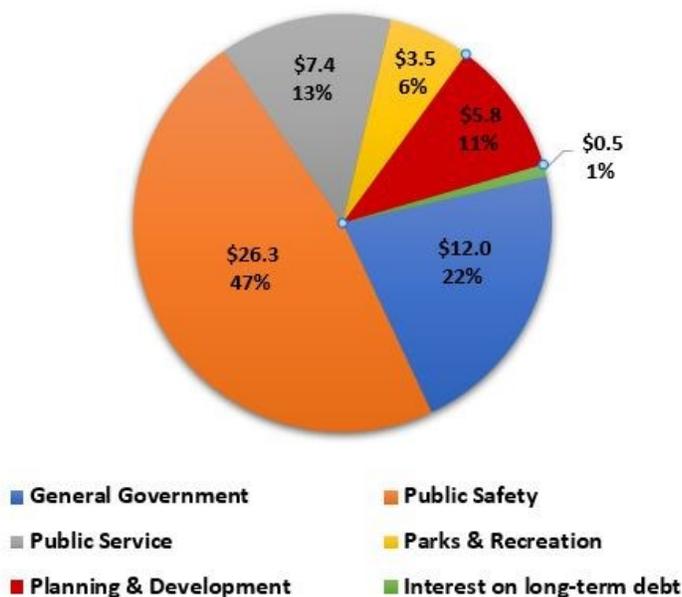


Government-wide Financials

Governmental expenses are categorized by the functions, or various services provided to its businesses, citizens, and visitors.

Government-wide Expenditures

(In Millions)



Governmental Function Summary

General government includes expenditures for administrative departments of the City such as Mayor and Commissioners, Human Resources, Finance, and Information Technology.

Public Safety expenditures are related to providing Police protection and Fire protection and prevention.

Public Service includes maintenance of the City's streets and facilities, engineering support services and administration of capital improvements, and floodwall protection.

Parks & Recreation includes administration of recreation programs & the City pool and maintenance of City grounds, including the Oak Grove Cemetery.

Planning & Development expenditures are related to land use and development, long-range planning, housing, community development, and economic development.

	2023	2022	Increase/ (Decrease)
General Government	\$11,972,825	\$11,686,115	\$286,710
Public Safety	\$26,348,079	\$25,631,674	\$716,405
Public Service	\$7,431,587	\$7,057,855	\$373,732
Parks & Recreation	\$3,503,495	\$3,423,465	\$80,030
Planning & Development	\$5,845,326	\$2,348,101	\$3,497,225
Interest Expense	\$483,950	\$513,885	(\$29,935)

FY2023 expenses increased from the prior year by approximately \$4.9 million.

- Planning & development expenses increased by \$3.5 million due to 1) a \$2.2 million contribution to the construction of a new terminal at the Barkley Regional Airport and 2) in excess of \$1 million in expenses related to dredging an area of the Ohio River to protect the City's transient dock.
- Mild increases in most service areas were expected due to increases in payroll and related benefits.



Governmental Fund Highlights

The governmental fund statements provide information on near-term inflows, outflows, and balances of spendable resources. Revenue is recorded when “measurable and available”, and expenditures are recorded when the services or goods are received and the liabilities are incurred.

Equity of the fund financial statements is called “fund balance” and is a measure of available spendable financial resources at the end of the year. The five different categories of fund balance are described and analyzed below.

Fund Balance Definitions:

Nonspendable fund balance includes amounts that are not in a spendable form or are required to be maintained intact indefinitely. Example: real property held in inventory for urban development.

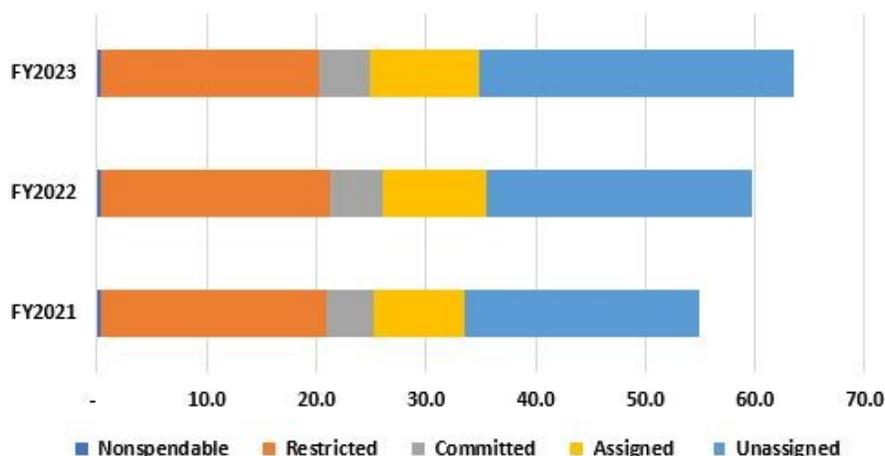
Restricted fund balance has external limitations on use that may be imposed by creditors, grantors, contributors, or laws and regulations. Example: municipal aid funds restricted for paving by the State of Kentucky.

Committed fund balance has self-imposed limitations enacted by the highest level of decision making that requires formal action to remove the limitations. Example: Investment Fund fund balance committed for capital and community & economic development

Assigned fund balance has limitations resulting from intended use; formal action is not required.

Unassigned fund balance is the total fund balance in the General Fund in excess of the other fund balance categories.

Fund Balance History Governmental Funds



- The chart above shows that governmental fund balance has increased over the past three years, from \$55.0 million at FYE 2021 to \$63.6 million at FYE 2023.
- The unassigned category within total fund balance has increased over the last three years to \$28.7 million at FYE 2023.
 - ◊ Unassigned fund balance makes up approximately 45% of total fund balance and is all contained in the General Fund.
 - ◊ These funds are available for spending at the City’s discretion, but only up to the amount represented by cash. At year-end \$25 million was available as General Fund cash. City policy requires that an amount not less than 10% of the General Fund’s budgeted expenditures remain undesignated in the fund balance. For FY2023, that amount is \$4.8 million, leaving \$20.6 million as unreserved.
 - ◊ As a measure of General Fund liquidity, readers may compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance in the General Fund represents 59% of expenditures and transfers out for FY2023 (\$48.7 million).



Governmental Fund Highlights

General Fund

The General Fund is the chief operating fund of the City. The activities paid through this fund constitute the City’s core administrative and operational tasks. Because its accounting method (modified accrual) focuses on near-term inflows and outflows, the General Fund’s fund statements provide a look at the City’s day-to-day operations. General fund expenses by category are listed below.

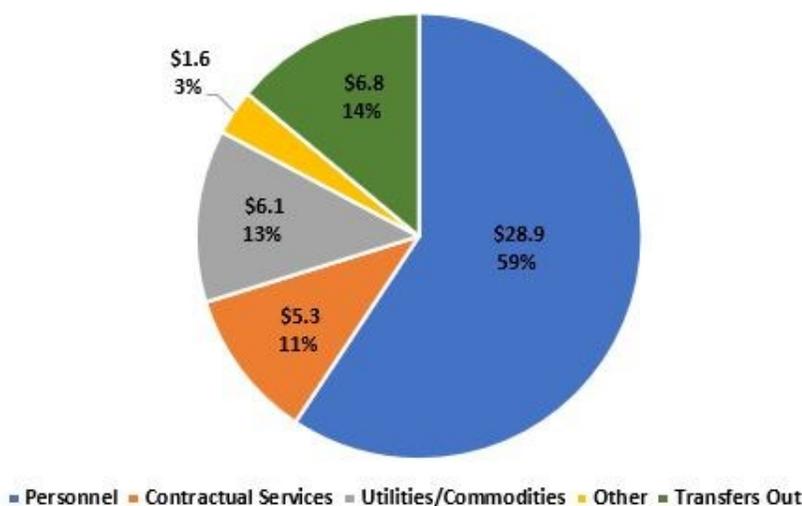
	2023	2022	Increase/ (Decrease)
Personnel	\$28,935,383	\$27,264,962	\$1,670,421
Contractual Services	\$5,238,574	\$2,467,194	\$2,771,380
Utilities/Commodities	\$6,101,971	\$5,641,206	\$460,765
Other	\$1,376,644	\$1,121,985	\$254,659
Transfers Out	\$7,052,673	\$3,373,216	\$3,679,457

Transfers out can fluctuate from year to year due to specific appropriations to the Capital Projects Fund. For example, in FY2023 \$3.9 million in ARPA funds were transferred out of the General Fund for storm water improvements and other designated capital projects. Other transfers out are more routine in nature, such as the annual appropriation to cover the shortfall in the E911 operations fund or scheduled transfers to the debt service fund for debt service payments.

FY2023 did contain a one-time adjustment to contractual services for \$2.4 million for the implementation of a new governmental accounting standard concerning the recognition of certain subscription-based information technology arrangements.

Most all activities of the City are service-based. Therefore a large majority of the City’s budget is for personnel and related benefits. As in the private sector, those costs continue to increase annually. The chart below displays the significance of these costs to the General Fund.

General Fund Expenses by Category
(In Millions)

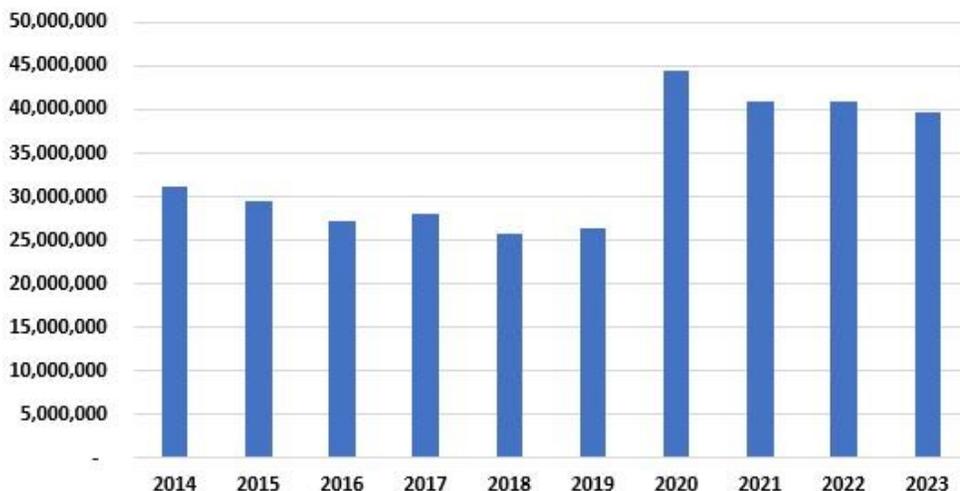




Debt Analysis/Capital Assets

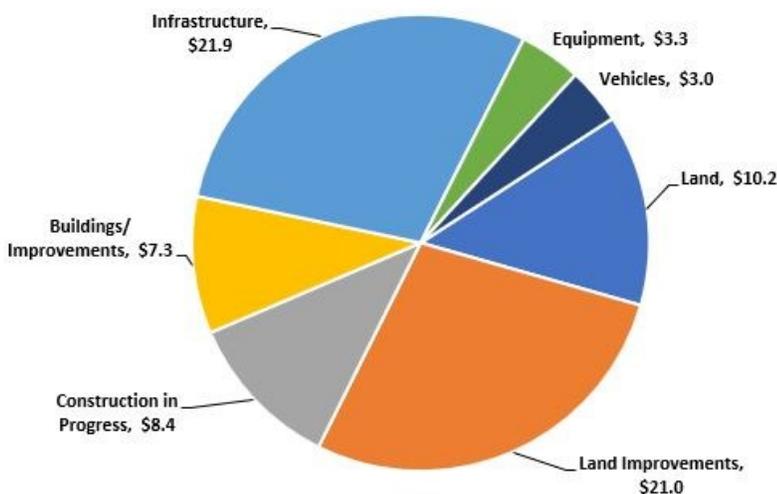
The total governmental long-term debt outstanding at June 30, 2023, was \$39.7 million. Below is a 10-year graphical illustration of the City's total governmental long-term debt, net of discounts and premiums. In FY2020, the City issued general obligation bonds of \$20.5 million to finance the construction of a municipal sports and recreation facility.

Long Term Debt History



The City's net position invested in capital assets for governmental activities as of June 30, 2023, is \$64.7 million (net of accumulated depreciation and related debt.) This investment in capital assets includes land, buildings & improvements, vehicles & equipment, park facilities, roads & bridges, and construction in progress (CIP).

Governmental Capital Assets - Net of Depreciation (In Millions)



During fiscal year 2023, project and equipment additions totaled over \$10.1 million. Multiple projects totaling \$8.4 million remained in construction in progress at year-end.

Major additions for the year include:

- Floodwall Pump #2 Rehab
- Buckner Lane Bridge
- South 24th/25th Street Improvements (CIP)
- Floodwall Flap Gates (CIP)
- City Block Public Space/Parking Lot (CIP)
- Riverfront Infrastructure Improvements (CIP)



Benchmarks

How do we compare? Below, Paducah is compared to Hopkinsville, Kentucky, and Owensboro, Kentucky. Per Capita is defined as the total dollar value divided by the population of each city. For example, Debt per Capita is the total bonded indebtedness divided by the population. This calculation allows the debt of each city to be easily compared based on population.

GENERAL COMPARISONS			
	Paducah ¹	Hopkinsville, KY ²	Owensboro, KY ³
Population	27,137	31,100	60,037
Total taxable assessed real estate value	\$2,118,035,275	\$2,171,039,418	\$3,947,165,021
Real estate tax rate ⁴	.265	.225	.264
Land area (square miles)	20.78	31.96	21.26
Unemployment rate ⁵	4.3%	4.3%	4.5%
General Fund revenues	\$46,653,345	\$42,716,499	\$69,685,660
Total governmental funds—revenue per capita	\$2,440	\$1,854	\$1,533
Total governmental funds—expenditure per capita	\$2,468	\$1,731	\$1,423

DEBT COMPARISONS			
	Paducah ¹	Hopkinsville, KY ²	Owensboro, KY ³
Total outstanding debt—primary government	\$39,674,552	\$46,915,740	\$152,269,606
Debt per capita	\$1,462	\$1,509	\$2,536
Total outstanding debt as a percentage of assessed taxable real estate	1.9%	2.2%	3.86%

¹FY2023 Annual Comprehensive Financial Report (ACFR).

²FY2023 ACFR (year ended June 30, 2023)

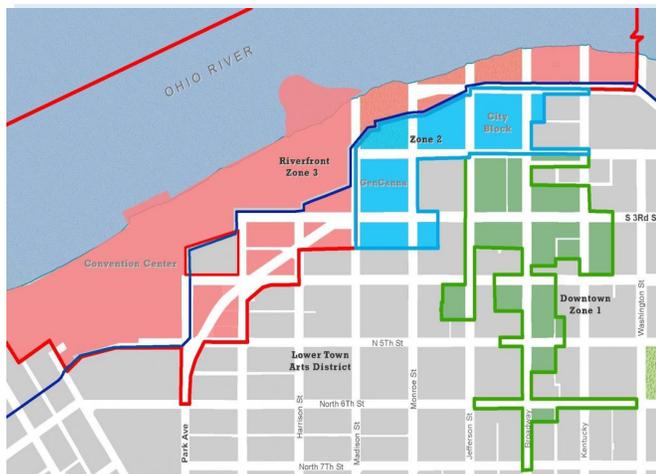
³FY2023 ACFR (year ended June 30, 2023)

⁴Real Estate Tax Rates are per \$100 of assessed value.

⁵Source: US Dept of Labor, Local Area Unemployment Statistics for Cities & Towns above 25,000 Population (rates for June 2023)



Items of Interest



Tax Increment Financing District (TIF)

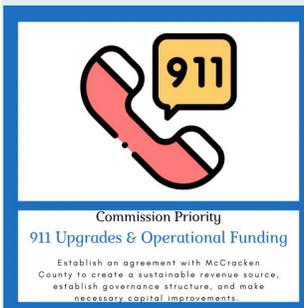
The City has received approval from the Kentucky Economic Development Financing Authority (KEDFA) for a TIF District. The District includes approximately 315 acres of Paducah downtown riverfront which will be used to promote public and private development. Once activated, it's anticipated that tax revenue in excess of a prescribed baseline will be reinvested in the area with funds from state sales tax, property tax, individual income tax, and corporate income tax in addition to local property and payroll taxes.

Outdoor Sports Facilities

The City is partnering with McCracken County and the McCracken Sports Tourism Commission in the design and construction of outdoor recreation facilities. The design, bidding, and construction phases of this \$42.5 million project will take approximately 24 months, with the facilities projected to open in 2025.



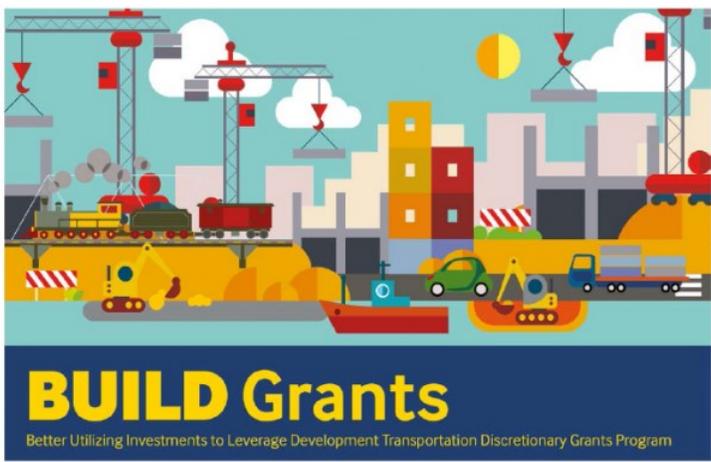
911 Radio Equipment Upgrade



In December 2023, the Paducah Board of Commissioners approved a \$10 million agreement for replacement of the 911 radio system. This includes equipment for five radio towers, consoles for the 911 Communications Center with backup consoles at the McCracken County Emergency Operations Center, and portable radio units for first responders. The system infrastructure upgrades included in this agreement will be split equally between the City and McCracken County. The preliminary schedule estimates completion in March 2025.

BUILD Grant

The City has been awarded a \$10.4 million BUILD grant which will be used to create new opportunities for tourism, recreation and commerce along the Ohio riverfront. The BUILD grant's transformative projects for Paducah's downtown and riverfront include: a dock structure and excursion landing plaza, improved bike and pedestrian linkages, and improvements near the transient boat dock to include green space and seating.



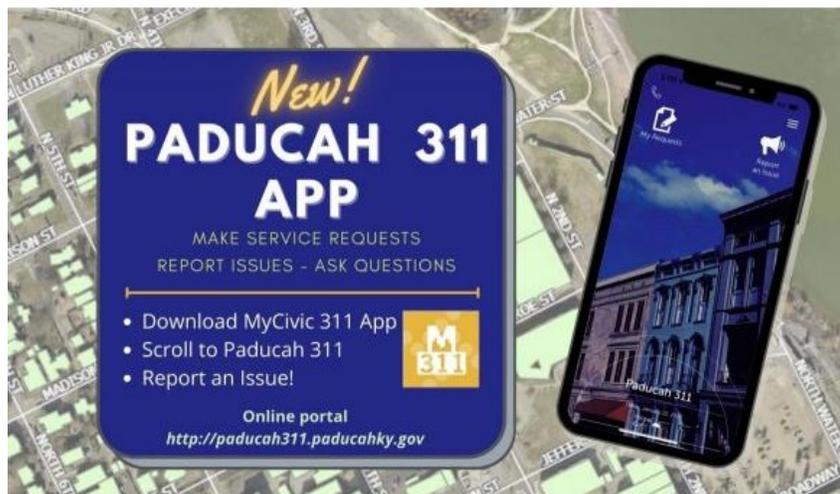


City Contact Info

City Hall
 300 South 5th Street
 P.O. Box 2267
 Paducah, KY 42002-2267

Hours: 8 a.m.- 4:30 p.m.

270-444-8800 (General Information & Customer Experience Department)



Business License/Payroll Tax
 270 444-8513

Code Enforcement
 270-444-8522

Communications Manager
 270-444-8669

Garbage Collection/Recycling
 270-444-8511

Parks & Recreation
 270-444-8508

Fire Department
 270-444-8521

Police Department
 270-444-8550

Human Resources
 270-444-8540

Planning
 270-444-8690

Enews List

Do you want to stay engaged and informed about City of Paducah events, projects, and news releases?

Sign up for updates!

Visit: www.paducahky.gov/enews-list

City Commission Meetings

The Paducah Board of Commissioners meets the second and fourth Tuesdays of each month (unless otherwise noted) at 5 p.m. in the Commission Chambers of City Hall. The general public is invited to attend. The meetings are aired live on Government 11 (for Comcast subscribers) and tape replayed.

Additional information such as Commission minutes, packets, and highlights maybe obtained at:

www.paducahky.gov/city-commission-meeting-information