

**CITY OF HOPKINSVILLE, KENTUCKY  
BASIC FINANCIAL STATEMENTS**



**For the Year Ended  
June 30, 2016**

**CITY OF HOPKINSVILLE  
HOPKINSVILLE, KENTUCKY**

**TABLE OF CONTENTS**

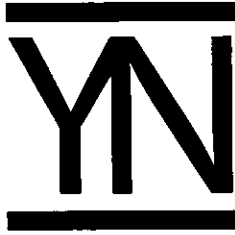
	<b><u>PAGE</u></b>
Table of Contents	i-iii
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-15
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet – Governmental Funds	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Net Position – Proprietary Funds	22
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	23
Statement of Cash Flows – Proprietary Funds	24
Statement of Net Position – Fiduciary Funds	25
Statement of Changes in Net Position – Fiduciary Funds	26
Statement of Net Position – Component Units	27
Statement of Activities – Component Units	28
Notes to the Basic Financial Statements	29-89

## TABLE OF CONTENTS, continued

Required Supplementary Information:	
Schedules of City of Hopkinsville's Proportionate Share of the Net Pension Liability	90
Schedules of Component Unit's Proportionate Share of the Net Pension Liability	91
Schedules of Required Supplementary Information – County Employees Retirement System (CERS)	92
Schedules of Required Supplementary Information – County Employees Retirement System (CERS)	93
Policemen's and Firefighter's Pension Fund – Schedules of Changes in the Net Pension Liability and Related Ratios	94
Policemen's and Firefighter's Pension Fund – Schedules of Contributions	95
Policemen's and Firefighter's Pension Fund – Schedules of Investment Return	96
Budgetary Comparison Schedule – General Fund	97
Notes to Required Supplementary Information (RSI) on Budgetary Accounting and Control	98
Note to Budgetary Comparison Schedule – General Fund	99
Combining Nonmajor Fund Financial Statements:	
Combining Balance Sheet – Nonmajor Governmental Funds	100
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	101
Combining Balance Sheet – Nonmajor Special Revenue Funds	102
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	103
Budgetary Comparison Schedule – Municipal Road Aid Special Revenue Fund	104
Combining Balance Sheet – Nonmajor Capital Projects Funds	105
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Projects Funds	106

## TABLE OF CONTENTS, continued

Single Audit Section:	
Schedule of Expenditures of Federal Awards	107
Notes to Schedule of Expenditures of Federal Awards	108
Independent Auditors' 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>	109-110
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	111-112
Schedule of Findings and Questioned Costs	113
Schedule of Prior Year Findings and Questioned Costs	114



**YORK, NEEL & ASSOCIATES, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

## **INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor  
and City Council  
City of Hopkinsville, Kentucky

### **Report on the Financial Statements**

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 Hopkinsville, Kentucky (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Honorable Mayor  
and City Council  
City of Hopkinsville, Kentucky  
Page 2

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedules, and budgetary comparison information on pages 4-15, pages 90-96, and 97-99, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hopkinsville, Kentucky's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

To the Honorable Mayor  
and City Council  
City of Hopkinsville, Kentucky  
Page 3

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2017, on our consideration of the City of Hopkinsville, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hopkinsville, Kentucky's internal control over financial reporting and compliance.

*York, Neel + Associates, LLP*

Hopkinsville, Kentucky  
January 25, 2017

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Hopkinsville, Kentucky ('City') offers Management's Discussion and Analysis to provide a narrative overview and analysis of City financial activities for fiscal year ended June 30, 2016. To fully understand the entire scope of the City's financial activities, this information should be read in conjunction with the financial statements (pages 16-28) provided in this document.

### I. Financial Highlights

- The City's assets exceeded liabilities at the close of the fiscal year by \$6.9 million (net position). This amount includes \$1.7 million that are restricted to specific projects by laws, regulations, or contractual agreements. A total of (\$19.7) million of resources are unrestricted and are available to fund the City's outstanding obligations and future programs.
- The City's total net position increased \$774 thousand this year. Net position of governmental activities increased \$806 thousand, and net position of business-type activities decreased by \$32 thousand.
- As of June 30, 2016, the City's governmental funds reported combined ending fund balances of \$14.6 million, a decrease of \$642 thousand from the prior year. Approximately \$9.6 million, 65.63% of this total amount, is unassigned and available for spending.
- The City's governmental activities total debt decreased overall by \$2.5 million. Debt increased by \$500 thousand due to the City's new capital lease and increased \$1 million due to a new capital lease on behalf of a component unit. Debt decreased by \$1 million due to the repayment of debt by the City and decreased by \$3 million due to the component units' repayment of debt.

### II. Overview of Financial Statements

This report was published under the standards for governmental financial reporting prescribed by the Governmental Accounting Standards Board in Statement No. 34 (GASB 34). This reporting format consists of a series of financial statements that provide an overview of all services provided by or supported by the City (the government-wide statements) and provides more detailed information about major programs of the City (fund statements).

The GASB 34 reporting model is designed to provide improved information to the reader. The statements present a financial picture of the City as a whole through the use of a consolidated statement of all funds, eliminating interfund transfers. In addition, the values of fixed assets of governmental-type operations are presented. Under prior reporting standards, the infrastructure assets for governmental-type funds were not reported or depreciated.

#### A. Government-Wide Financial Statements

Government-wide financial statements are designed to provide readers with a broad overview of City finances in a manner similar to private-sector business.

The Statement of Net Position presents information on all City assets and liabilities, with the difference between assets and liabilities reported as net position. Monitoring increases and/or decreases in net position over time helps the City to recognize whether its financial position is deteriorating, stagnating, or improving.

The Statement of Activities shows how City net position changed during the past fiscal year. All net position changes are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues and expenses are reported in the Statement of Activities for some items that will only result in cash flows in the future (e.g., uncollected taxes and earned but unused vacation leave).

These two government-wide financial statements separate City functions primarily supported by taxes and intergovernmental revenues (governmental activities) from other City functions that are intended to recover all or a significant portion of expenses through user fees and charges (business-type activities). City governmental activities include general government, public safety, public works, community and economic development, and parks and recreation. Business-type activities of the City include the family aquatic center.

Government-wide financial statements include not only the City (the primary government), but also three legally separate component units for which the City is financially accountable, Hopkinsville Water Environment Authority, Hopkinsville Solid Waste Enterprise, and Hopkinsville Surface and Stormwater Utility. 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 16-17 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 Hopkinsville, 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 near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at fiscal year end. This information can help the City when it evaluates 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 Fund which is considered to be a major fund. Data from the other twelve (12) governmental 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 statements elsewhere in this report.

We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation of the financial statements.

The basic governmental fund financial statements can be found at pages 18-21 of this report.

2) Proprietary Funds. The City maintains two different types of proprietary funds:

**a. Enterprise funds.** Enterprise funds 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 one enterprise fund to account for the Tie Breaker Family Aquatic Center, as well as the discretely presented component units that provide water and sewerage services, solid waste services, and stormwater utility.

**b. Internal Service funds.** Internal Service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its health insurance operations.

Proprietary funds provide the same kind of information as government-wide financial statements, but in greater detail. Individual data for the proprietary fund financial statements is presented in the form of combining statements at pages 22-24 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. Data for the City's fiduciary fund (Policemen's and Firefighter's Pension Fund) is presented in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. The fiduciary fund financial statements are presented at pages 25-26 of this report.

## **C. Notes to the Basic Financial Statements**

These notes provide additional information crucial to fully understanding data provided in the government-wide and fund financial statements. Notes to the basic financial statements can be found at pages 29-89 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 as required. The General Fund is the budgeted major fund for which budgetary comparison information is reported. Required and other supplementary information follow the notes to the basic financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and fund statements and schedules can be found on pages 100-106 of this report.

### **III. Government-Wide Financial Analysis**

As previously indicated, net position may serve over time as a useful indicator of the City's financial position. The City as a whole had assets greater than liabilities by \$6.9 million, an increase of \$774 thousand over last year. Of the \$6.9 million, \$24.9 million was net investment in capital assets, \$1.7 million was restricted, and (\$19.7) million was unrestricted. Net position of governmental activity funds total \$3.8 million, with \$22.0 million as net investment in capital assets, \$1.6 million was restricted, and (\$19.8) million as unrestricted. The net position of the City's business-type activities total \$3.1 million. Of the net position total, \$2.9 million was net investment in capital assets with an unrestricted fund balance of \$153 thousand. The unrestricted net position of governmental funds includes fund balances of the General Fund and various special revenue funds. Unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors in the future.

The largest portion of the City's net position reflects its investment in capital assets (i.e., land, buildings, machinery, and equipment) 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 investment in capital assets 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.

At the end of the fiscal year, the City is able to report positive balances in the net investment in capital assets portion and in the restricted portion of net position both for the government as a whole as well as its separate governmental and business-type activities. Governmental activities report a negative balance in the unrestricted portion of net position; business-type activities report a positive balance in the unrestricted portion of net position. However, the government as a whole reflects a positive balance in total net position.

### City of Hopkinsville Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 46,232,087	\$ 49,097,953	\$ 164,618	\$ 77,795	\$ 46,396,705	\$ 49,175,748
Capital assets	<u>40,852,204</u>	<u>37,565,425</u>	<u>2,968,033</u>	<u>3,086,285</u>	<u>43,820,237</u>	<u>40,651,710</u>
Total assets	<u>\$ 87,084,291</u>	<u>\$ 86,663,378</u>	<u>\$ 3,132,651</u>	<u>\$ 3,164,080</u>	<u>\$ 90,216,942</u>	<u>\$ 89,827,458</u>
Deferred outflows of resources	<u>\$ 6,436,892</u>	<u>\$ 3,561,779</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,436,892</u>	<u>\$ 3,561,779</u>
Long-term liabilities outstanding	\$ 86,393,326	\$ 82,960,000	\$ -	\$ -	\$ 86,393,326	\$ 82,960,000
Other liabilities	<u>1,735,469</u>	<u>1,778,400</u>	<u>11,564</u>	<u>11,483</u>	<u>1,747,033</u>	<u>1,789,883</u>
Total liabilities	<u>\$ 88,128,795</u>	<u>\$ 84,738,400</u>	<u>\$ 11,564</u>	<u>\$ 11,483</u>	<u>\$ 88,140,359</u>	<u>\$ 84,749,883</u>
Deferred inflows of resources	<u>\$ 1,580,833</u>	<u>\$ 2,481,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,580,833</u>	<u>\$ 2,481,000</u>
Net position:						
Net investment in capital assets	\$ 21,965,466	\$ 22,421,528	\$ 2,968,033	\$ 3,086,285	\$ 24,933,499	\$ 25,507,813
Restricted	1,692,096	2,874,606	-	-	1,692,096	2,874,606
Unrestricted (deficit)	<u>(19,846,007)</u>	<u>(22,290,377)</u>	<u>153,054</u>	<u>66,312</u>	<u>(19,692,953)</u>	<u>(22,224,065)</u>
Total net position	<u>\$ 3,811,555</u>	<u>\$ 3,005,757</u>	<u>\$ 3,121,087</u>	<u>\$ 3,152,597</u>	<u>\$ 6,932,642</u>	<u>\$ 6,158,354</u>

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

The following table provides a summary of the City's operations for the year ended June 30, 2016. Governmental activities increased the City's net position by \$806 thousand, while business-type activities decreased the City's net position by (\$31) thousand.

#### City of Hopkinsville – Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services and sales	\$ 2,094,699	\$ 2,086,258	\$ 319,205	\$ 273,318	\$ 2,413,904	\$ 2,359,576
Operating grants/contributions/interest	4,679,910	4,714,700	-	-	4,679,910	4,714,700
Capital grants/contributions	1,943,657	3,401,212	-	-	1,943,657	3,401,212
General revenues:						
Property taxes	4,964,443	4,907,273	-	-	4,964,443	4,907,273
Occupational taxes	15,874,685	15,552,181	-	-	15,874,685	15,552,181
Insurance premium tax	3,959,355	3,811,137	-	-	3,959,355	3,811,137
Franchise tax	301,089	267,793	-	-	301,089	267,793
Transient room tax	328,263	365,674	-	-	328,263	365,674
Payment in lieu of taxes	400,483	418,283	-	-	400,483	418,283
Investment income	129,645	13,948	469	147	130,114	14,095
Gain on sale of capital assets	26,773	-	-	-	26,773	-
Other	4,548	35,083	-	-	4,548	35,083
Total revenues	<u>\$ 34,707,550</u>	<u>\$ 35,573,542</u>	<u>\$ 319,674</u>	<u>\$ 273,465</u>	<u>\$ 35,027,224</u>	<u>\$ 35,847,007</u>

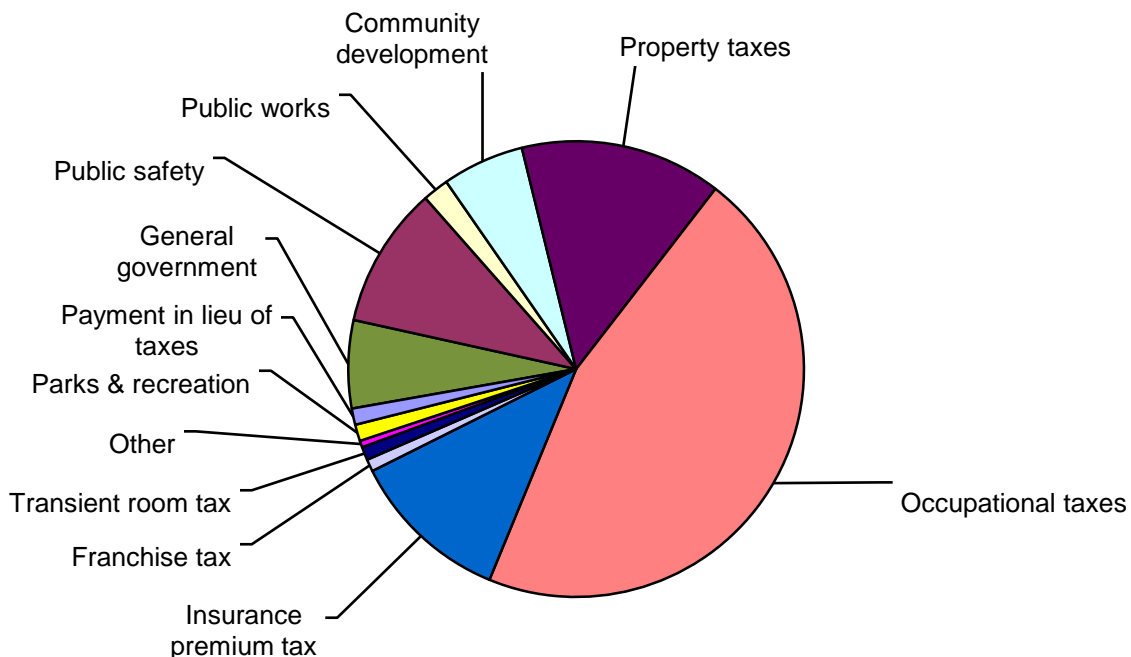
## City of Hopkinsville – Changes in Net Position, continued

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Expenses:</b>						
General government	\$ 4,226,208	\$ 4,230,165	\$ -	\$ -	\$ 4,226,208	\$ 4,230,165
Public safety	18,382,779	18,940,604	-	-	18,382,779	18,940,604
Public works	4,123,497	3,579,965	-	-	4,123,497	3,579,965
Community development	5,362,614	8,241,340	-	-	5,362,614	8,241,340
Parks and recreation	1,076,162	931,703	-	-	1,076,162	931,703
Interest on long-term debt	605,492	299,837	-	-	605,492	299,837
Tie Breaker Family Aquatic	-	-	476,184	476,077	476,184	476,077
<b>Total expenses</b>	<b><u>\$ 33,776,752</u></b>	<b><u>\$ 36,223,614</u></b>	<b><u>\$ 476,184</u></b>	<b><u>\$ 476,077</u></b>	<b><u>\$ 34,252,936</u></b>	<b><u>\$ 36,699,691</u></b>
Change in net position before Transfers	\$ 930,798	\$ (650,072)	\$ (156,510)	\$ (202,612)	\$ 774,288	\$ (852,684)
Transfers	(125,000)	(125,000)	125,000	125,000	-	-
Increase (decrease) in net position	805,798	(775,072)	(31,510)	(77,612)	774,288	(852,684)
Net position, beginning, as restated	3,005,757	3,780,829	3,152,597	3,230,209	6,158,354	7,011,038
<b>Net position, ending</b>	<b><u>\$ 3,811,555</u></b>	<b><u>\$ 3,005,757</u></b>	<b><u>\$ 3,121,087</u></b>	<b><u>\$ 3,152,597</u></b>	<b><u>\$ 6,932,642</u></b>	<b><u>\$ 6,158,354</u></b>

### B. Governmental Activities

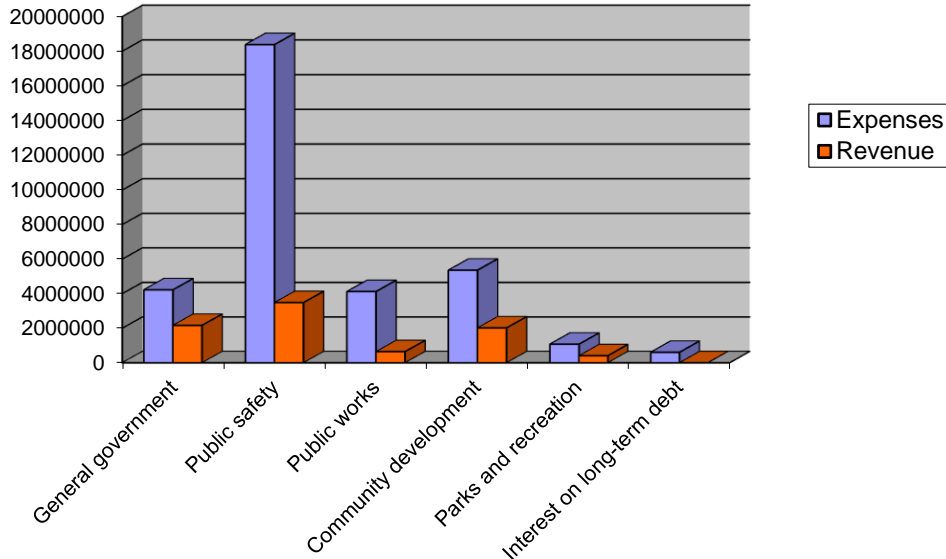
Total revenues for the City's governmental activities total \$34.7 million for the year ended June 30, 2016, compared to \$35.6 million last year. Occupational taxes total \$15.9 million or 45.74% of revenue. The second largest category of government revenues, property taxes, accounts for \$5.0 million, or 14.30% of total revenues. The third largest category of government revenues, operating grants/contributions/interest, accounts for \$4.7 million, or 13.48% of revenue. Insurance premium tax totals \$4.0 million, or 11.41% of total revenue. Miscellaneous sources account for \$5 thousand, or 0.01%.

### Revenue by Source – Governmental Activities



Current year total expenses of the City's governmental activities total \$33.8 million, compared to \$36.2 million last year. The decrease is explained by the decrease in pension expense related to the net pension liability and the related deferred inflows and deferred outflows. Public Safety expenses total \$18.4 million and account for 54.42% of total expenses. The second largest category of expenses, Community Development, totals \$5.4 million and accounts for 15.88% of expenses. General government is the next largest category and totals \$4.2 million, or 12.51% of expenses. Public Works totals \$4.1 million, or 12.21% of expenses.

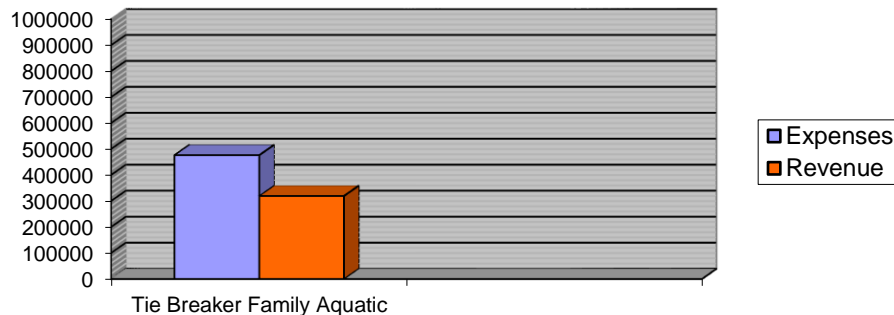
**Expenses and Program Revenues – Governmental Activities**



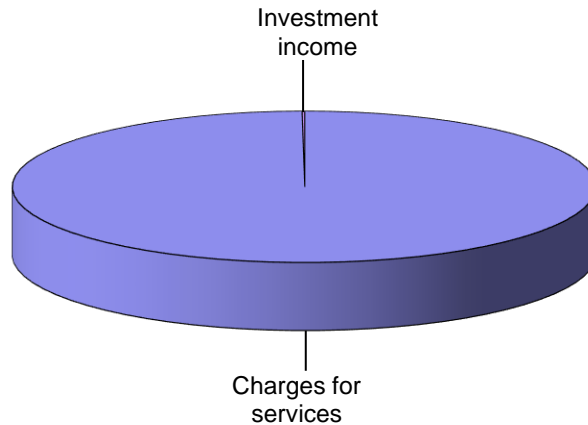
**C. Business-Type Activities**

Revenues for business-type activities total \$320 thousand this fiscal year compared to \$273 thousand last year. Of this total, \$319 thousand or 99.85% was from charges for services and sales. Expenses for business-type activities total \$476 thousand. The only program in the business-type activities was the operations of the Tie Breaker Family Aquatic Park, which accounts for 100% of business-type expenses.

**Expenses and Revenues – Business-Type Activities**



### Revenue by Source – Business-Type Activities

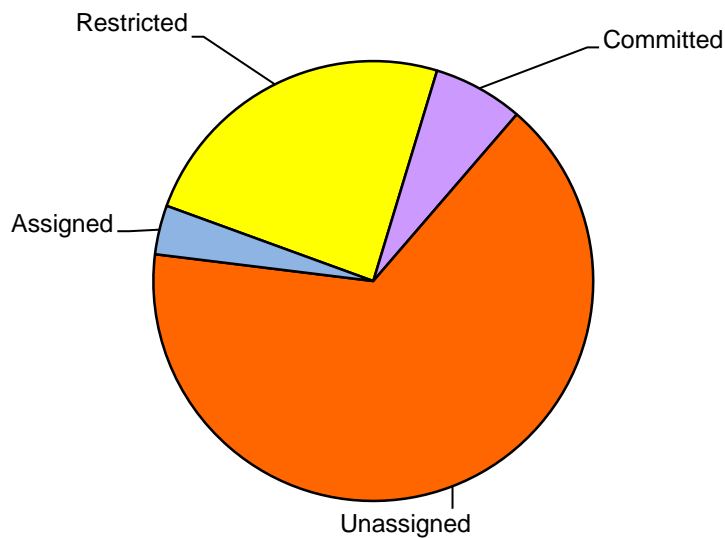


### D. Governmental Funds

At the end of the current fiscal year, the City governmental funds reported combined ending fund balances of \$14.6 million, a decrease of \$640 thousand from the prior year. Approximately 65.63% of the total amount of governmental fund balance, \$9.6 million, is unassigned fund balance, which is available for spending at the government's discretion. Approximately 24.13%, \$3.5 million, is restricted fund balance. Approximately 3.61%, \$528 thousand, has been encumbered or is assigned. The remainder of fund balance, \$972 thousand, is committed to indicate it is not available for new spending because it has already been committed.

The total ending fund balance of governmental funds for the current year shows a decrease of \$640 thousand from the prior year. This decrease is primarily the result of events and programs described within the analysis of the City's governmental activities.

### Ending Fund Balances – Governmental Activities





The General Fund is the chief operating fund of the City. At the end of the 2015-2016 fiscal year, the total fund balance in the General Fund was \$10.5 million, which represents an increase of \$486 thousand from the prior year. Of the total fund balance in the General Fund, unassigned fund balance was \$9.6 million. As a measure of general fund liquidity, readers may compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents 33.23% of total general fund expenditures of \$28.9 million, and total fund balance represents 36.44% of total general fund expenditures.

Taxes in General Fund increased \$173 thousand, which represents a 3.38% increase over prior year, due to the increase in the collection of property taxes and payment in lieu of taxes being paid on a timely basis. Licenses and permits increased \$894 thousand, which represents a 4.12% increase over prior year which indicates an improvement in the economy. The unemployment rate for Hopkinsville increased from 6.4% to 6.7% from June 30, 2015 to June 30, 2016.

General government expenditures decreased \$252 thousand; public safety expenditures decreased \$373 thousand; and public works increased \$83 thousand. Community development expenditures decreased \$6.0 million, which is due to fewer grant projects during the year.

#### **E. Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Total net position in the proprietary funds equals \$3.12 million as of June 30, 2016, compared to \$3.15 million last year.

The Tie Breaker Family Aquatic Park has total net position of \$3.12 million, representing a decrease of \$31 thousand from prior year. Of the total net position, \$3.0 million was net investment in capital assets and \$153 thousand was unrestricted. This decrease is primarily the result of events and programs described within the analysis of the City's business-type activities.

#### IV. General Fund Budgetary Highlights

Over the course of the current fiscal year, the City Council approved revisions of the General Fund's budget in order to make adjustments to and add projects that were not anticipated when the budget was first adopted. The total expenditures budget increased \$457 thousand or 1.60% during the year. The changes in appropriations can be briefly summarized as follows:

- \$ - no change in general administrative
- \$ 15,994 decrease in tax department
- \$ - no change in information technology
- \$ - no change in legislative
- \$ 37,150 decrease in police
- \$ - no change in emergency communications
- \$ 181,400 increase in fire
- \$ - no change in other public safety
- \$ - no change in public works administrative
- \$ 49,865 decrease in street
- \$ - no change in service center
- \$ - no change in other public works
- \$ 138,175 increase in community development
- \$ - no change in parks and recreation
- \$ - no change in debt service principal
- \$ - no change in interest and finance charges
- \$ 240,834 increase in capital outlays

The net increase to appropriations of \$457 thousand was to be budgeted from the available fund balance and additional projected revenue. During the year, however, expenditures were less than budgetary estimates, thus lessening the need to draw upon existing fund balance.

Differences between the final appropriations budget and the actual appropriations resulted in a \$1,053,399 decrease in actual appropriations in comparison to the budgeted appropriations. The most significant differences were due to lower wages and prisoner pickup in the police department than budgeted, as well as lower than budgeted workers' compensation and pension expense in various departments.

#### V. Capital Asset and Debt Administration

##### A. Capital Assets

The City's total investment in capital assets is \$43.8 million (net of accumulated depreciation) as of June 30, 2016, which represents an increase of \$3.2 million over prior year. This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways, bridges, and construction in progress. For governmental activities, investment in capital assets totaled \$40.8 million, an increase of \$3.3 million. For business-type activities, investment in capital assets totaled \$3.0 million, a decrease of \$118 thousand.

**V. Capital Asset and Debt Administration**

**A. Capital Assets**

**City of Hopkinsville – Capital Assets  
(net of depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,933,350	\$ 1,881,400	\$ -	\$ -	\$ 1,933,350	\$ 1,881,400
Construction in progress	4,679,697	7,326,333	-	-	4,679,697	7,326,333
Land improvements	6,579,299	4,022,688	-	-	6,579,299	4,022,688
Buildings and improvements	15,750,300	13,059,903	2,911,351	3,007,528	18,661,651	16,067,431
Machinery and equipment	4,298,641	3,878,654	56,682	78,757	4,355,323	3,957,411
Infrastructure	<u>7,610,917</u>	<u>7,396,447</u>	<u>-</u>	<u>-</u>	<u>7,610,917</u>	<u>7,396,447</u>
Total	<u>\$40,852,204</u>	<u>\$37,565,425</u>	<u>\$2,968,033</u>	<u>\$ 3,086,285</u>	<u>\$43,820,237</u>	<u>\$40,651,710</u>

Additional information on City capital assets can be found in Note 4 in the footnotes at pages 48-51.

**B. Long-Term Debt**

At June 30, 2016, the City had \$48.9 million in outstanding notes and bonds compared to \$51.4 million at June 30, 2015, a decrease of \$2.5 million. The City entered into a new capital lease for \$514 thousand. The City, on behalf of one component unit, also entered into multiple capital leases for various solid waste trucks of \$1.0 million. The City did not issue any bonds during the year ended June 30, 2016. The following table illustrates the changes in outstanding notes, bonds and capital leases:

	Governmental Activities	
	2016	2015
General obligation bonds & leases	\$ 46,081,705	\$ 48,581,623
Capital leases	1,446,925	1,263,000
Note payable	<u>1,318,768</u>	<u>1,508,987</u>
Total	<u>\$48,847,398</u>	<u>\$51,353,610</u>

The City's legal debt limit under §158 of the Kentucky Constitution is 10% of total assessed value of taxable property in Hopkinsville; therefore, the debt limit is \$186,727,770. The City's latest bond rating is AA-.

**C. Types of Municipal Debt**

Additional information on the City's long-term debt can be found in Note 10 in the footnotes at pages 68-79.

## **VI. Economic Factors and Next Year's Budgets and Rates**

### **A. Unemployment Rate**

The unemployment rate for the City of Hopkinsville (Christian County) as of June 2016 was 6.7%. This rate compares unfavorably to state and federal unemployment rates, 5.0% and 4.9%, respectively.

### **B. Inflationary Trends**

Inflationary trends in the City compare favorably to state and national trends.

The current and future needs of the City were considered when the 2015-2016 budget for the City of Hopkinsville was prepared. The beginning general fund balance for fiscal year 2015-2016 was \$10,059,705, and has estimated an ending fund balance of \$10,545,216. At the present time, the City is in good financial condition.

## **VII. Requests for Information**

This financial report is designed to provide a general financial overview for those interested in the City of Hopkinsville government finances. Questions or requests for additional financial information may be addressed to Robert Martin, Chief Financial Officer, City of Hopkinsville, 715 South Virginia Street, Hopkinsville, Kentucky 42240. Complete financial statements for the Hopkinsville Water Environment Authority component unit may be obtained at the entity's administrative office located at 401 East 9<sup>th</sup> Street, Hopkinsville, Kentucky 42240. Complete financial statements for the Hopkinsville Surface and Stormwater Utility component unit may be obtained at the entity's administrative office located at 715 South Virginia Street, Hopkinsville, Kentucky 42240. Complete financial statements for the Hopkinsville Solid Waste Enterprise component unit may be obtained at the entity's administrative office located at 5665 Mt. Zoar Road, Hopkinsville, Kentucky 42240.

## **BASIC FINANCIAL STATEMENTS**

**City of Hopkinsville, Kentucky**  
**Statement of Net Position**  
**June 30, 2016**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Pooled cash and cash equivalents	\$ 11,443,902	\$ -	\$ 11,443,902	\$ -
Non-pooled cash and cash equivalents	713,899	164,618	878,517	8,444,834
Investments	35,181	-	35,181	-
Accounts receivable	-	-	-	2,371,308
Taxes receivable	2,684,559	-	2,684,559	-
Intergovernmental receivables	-	-	-	-
Other receivables	702,950	-	702,950	1,885,783
Other current assets	-	-	-	23,986
Internal balances	-	-	-	-
Due from component unit	17,612	-	17,612	-
Inventory	-	-	-	296,869
Prepaid insurance	-	-	-	33,796
Accrued interest on note receivable	-	-	-	444
Restricted assets:				
Due from Component Units				
Due within one year	2,442,926	-	2,442,926	-
Due beyond one year	26,817,635	-	26,817,635	-
Temporarily restricted:				
Cash and cash equivalents	675,184	-	675,184	5,591,946
Investments	256,788	-	256,788	2,515,184
Permanently restricted assets:				
Cash and cash equivalents	62,140	-	62,140	-
Investments	379,311	-	379,311	-
Capital Assets				
Land and construction in progress	6,613,047	-	6,613,047	11,919,848
Capital assets, net of accumulated depreciation	34,239,157	2,968,033	37,207,190	109,270,499
Total capital assets	<u>40,852,204</u>	<u>2,968,033</u>	<u>43,820,237</u>	<u>121,190,347</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension	6,384,876	-	6,384,876	1,756,732
Deferred refunding costs	52,016	-	52,016	620,850
Total deferred outflows of resources	<u>6,436,892</u>	<u>-</u>	<u>6,436,892</u>	<u>2,377,582</u>
 Total assets and deferred outflows of resources	 <u>\$ 93,521,183</u>	 <u>\$ 3,132,651</u>	 <u>\$ 96,653,834</u>	 <u>\$ 144,732,079</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 561,902	\$ 11,564	\$ 573,466	\$ 803,390
Accrued salaries	880,717	-	880,717	-
Accounts payable - restricted	-	-	-	280
Claims payable	55,931	-	55,931	-
Accrued interest	235,919	-	235,919	343,109
Transient bond deposits	1,000	-	1,000	-
Construction retainage payable	-	-	-	230,492
Construction contracts payable	-	-	-	124,771
Customer deposits	-	-	-	94,818
Due to primary government:				
Due within one year	-	-	-	2,442,926
Due beyond one year	-	-	-	26,817,635
Noncurrent liabilities:				
Due within one year	3,821,268	-	3,821,268	2,583,180
Due beyond one year	79,934,165	-	79,934,165	56,502,685
Compensated absences:				
Due within one year	105,516	-	105,516	457,446
Due beyond one year	2,532,377	-	2,532,377	444,012
Total liabilities	<u>88,128,795</u>	<u>11,564</u>	<u>88,140,359</u>	<u>90,844,744</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - USACE	-	-	-	1,615,319
Pension	1,580,833	-	1,580,833	401,305
Total deferred inflows of resources	<u>1,580,833</u>	<u>-</u>	<u>1,580,833</u>	<u>2,016,624</u>
<b>NET POSITION</b>				
Net investment in capital assets	21,965,466	2,968,033	24,933,499	47,345,622
Restricted for:				
Capital projects	884,100	-	884,100	-
Debt reserves	-	-	-	2,221,152
Perpetual care:				
Expendable	366,545	-	366,545	-
Nonexpendable	441,451	-	441,451	-
Unrestricted (deficit)	<u>(19,846,007)</u>	<u>153,054</u>	<u>(19,692,953)</u>	<u>2,303,937</u>
Total net position	<u>3,811,555</u>	<u>3,121,087</u>	<u>6,932,642</u>	<u>51,870,711</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 93,521,183</u>	 <u>\$ 3,132,651</u>	 <u>\$ 96,653,834</u>	 <u>\$ 144,732,079</u>

The notes to the basic financial statements are an integral part of this statement.

**City of Hopkinsville, Kentucky**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
<b>PRIMARY GOVERNMENT</b>								
Governmental activities:								
General government	\$ (4,226,208)	\$ 1,857,573	\$ 308,331	\$ -	\$ (2,060,304)	\$ -	\$ (2,060,304)	\$ -
Public safety	(18,382,779)	72,151	3,402,718	10,442	(14,897,468)	-	(14,897,468)	-
Public works	(4,123,497)	-	642,412	-	(3,481,085)	-	(3,481,085)	-
Community development	(5,362,614)	-	98,020	1,920,203	(3,344,391)	-	(3,344,391)	-
Parks and recreation	(1,076,162)	164,975	228,429	13,012	(669,746)	-	(669,746)	-
Interest on long-term debt	(605,492)	-	-	-	(605,492)	-	(605,492)	-
Total governmental activities	<u>(33,776,752)</u>	<u>2,094,699</u>	<u>4,679,910</u>	<u>1,943,657</u>	<u>(25,058,486)</u>	<u>-</u>	<u>(25,058,486)</u>	<u>-</u>
Business-type activities:								
Tie Breaker Family Aquatic	(476,184)	319,205	-	-	-	(156,979)	(156,979)	-
Total business-type activities	<u>(476,184)</u>	<u>319,205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(156,979)</u>	<u>(156,979)</u>	<u>-</u>
Total - primary government	<u>\$ (34,252,936)</u>	<u>\$ 2,413,904</u>	<u>\$ 4,679,910</u>	<u>\$ 1,943,657</u>	<u>(25,058,486)</u>	<u>(156,979)</u>	<u>(25,215,465)</u>	<u>-</u>
<b>COMPONENT UNITS</b>								
Hopkinsville Water Environment Authority	\$ (14,860,185)	\$ 14,951,318	\$ -	\$ 336,650	-	-	-	427,783
Hopkinsville Solid Waste Enterprise	(7,216,692)	6,943,978	-	-	-	-	-	(272,714)
Hopkinsville Surface and Stormwater Utility	(1,118,367)	1,180,211	397,187	903,777	-	-	-	1,362,808
Total - component units	<u>\$ (23,195,244)</u>	<u>\$ 23,075,507</u>	<u>\$ 397,187</u>	<u>\$ 1,240,427</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,517,877</u>
<b>GENERAL REVENUES</b>								
Property taxes					4,964,443	-	4,964,443	-
Occupational taxes					15,874,685	-	15,874,685	-
Insurance premium tax					3,959,355	-	3,959,355	-
Franchise tax					301,089	-	301,089	-
Transient room tax					328,263	-	328,263	-
Payment in lieu of taxes					400,483	-	400,483	-
Investment income					129,645	469	130,114	93,370
Gain (loss) on sale of capital assets					26,773	-	26,773	(29,301)
Other					4,548	-	4,548	228,564
Total general revenues					<u>25,989,284</u>	<u>469</u>	<u>25,989,753</u>	<u>292,633</u>
Transfers					(125,000)	125,000	-	-
Total general revenues & transfers					<u>25,864,284</u>	<u>125,469</u>	<u>25,989,753</u>	<u>292,633</u>
Change in net position before special items					805,798	(31,510)	774,288	1,810,510
Net position, beginning of year, as restated					<u>3,005,757</u>	<u>3,152,597</u>	<u>6,158,354</u>	<u>50,060,201</u>
Net position, end of year					<u>\$ 3,811,555</u>	<u>\$ 3,121,087</u>	<u>\$ 6,932,642</u>	<u>\$ 51,870,711</u>

The notes to the basic financial statements are an integral part of this statement.

**City of Hopkinsville, Kentucky**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	<u>Major Fund</u>	Other	Total
	General	Governmental	Governmental
	<u>                    </u>	<u>Funds</u>	<u>Funds</u>
<b>ASSETS</b>			
Pooled cash and cash equivalents	\$ 9,285,884	\$ 2,158,018	\$ 11,443,902
Non-pooled cash and cash equivalents	84,764	903,248	988,012
Investments	35,181	636,099	671,280
Taxes receivable	2,269,783	-	2,269,783
Intergovernmental receivables	-	-	-
Loans receivable	-	264,335	264,335
Due from component unit	17,612	-	17,612
Other receivables	<u>-</u>	<u>438,615</u>	<u>438,615</u>
 Total assets	 <u>\$ 11,693,224</u>	 <u>\$ 4,400,315</u>	 <u>\$ 16,093,539</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 266,291	\$ 295,611	\$ 561,902
Accrued salaries	880,717	-	880,717
Transient bond deposits	<u>1,000</u>	<u>-</u>	<u>1,000</u>
 Total liabilities	 <u>1,148,008</u>	 <u>295,611</u>	 <u>1,443,619</u>
 <b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	-	3,535,045	3,535,045
Committed	651,927	319,636	971,563
Assigned	278,312	250,023	528,335
Unassigned	<u>9,614,977</u>	<u>-</u>	<u>9,614,977</u>
 Total fund balances	 <u>10,545,216</u>	 <u>4,104,704</u>	 <u>14,649,920</u>
 Total liabilities and fund balances	 <u>\$ 11,693,224</u>	 <u>\$ 4,400,315</u>	 <u>\$ 16,093,539</u>

The notes to the basic financial statements are an integral part of this statement.



**City of Hopkinsville, Kentucky**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2016**

Total fund balance - total governmental funds	\$ 14,649,920
Amounts reported for governmental activities in the statement of net position are different because:	
Taxes receivable based on availability criteria; \$103,205 property taxes, \$262,411 insurance premium taxes, and \$49,160 franchise taxes.	414,776
Deferred outflows of resources - bond refinancing charges, amortizable over life of debt	52,016
Deferred outflows and inflows related to the net pension liability are not due and payable in the current period and are not reported in individual funds. See notes to financial statements for detail.	4,804,043
Capital assets of \$71,546,283, net of accumulated depreciation of (\$30,694,079), are not financial resources and, therefore, are not reported in the funds. See notes to financial statements for detail.	40,852,204
Internal service funds are used by management to charge the costs of health insurance to individual funds. Assets and liabilities of the internal service funds of \$407,280 are included in governmental activities in the statement of net position.	407,280
Long-term liabilities are not due and payable in the current period and are not reported in the funds. See notes to financial statements for detail.	(86,393,326)
Receivables from component units for long-term debt where the City is contingently liable and are not reported in the funds.	29,260,561
Accrued interest	<u>(235,919)</u>
Net position of governmental activities	<u><u>\$ 3,811,555</u></u>

The notes to the basic financial statements are an integral part of this statement.

**City of Hopkinsville, Kentucky**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	<u>Major Fund</u>	Other	Total
	General	Governmental Funds	Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 5,297,982	\$ -	\$ 5,297,982
Licenses and permits	22,517,428	-	22,517,428
Fines and forfeits	72,151	-	72,151
Intergovernmental	2,781,603	3,061,700	5,843,303
Investment income	83,540	45,588	129,128
Donations	-	60,615	60,615
Charges for services	-	-	-
Other	<u>793,668</u>	<u>139,288</u>	<u>932,956</u>
Total revenues	<u>31,546,372</u>	<u>3,307,191</u>	<u>34,853,563</u>
<b>EXPENDITURES</b>			
Current:			
General government	3,541,925	17,539	3,559,464
Public safety	15,629,467	572,428	16,201,895
Public works	2,638,887	210,570	2,849,457
Community development	4,823,310	247,588	5,070,898
Parks and recreation	793,133	-	793,133
Debt service:			
Principal	673,059	190,219	863,278
Interest	544,702	39,543	584,245
Expenditures	-	-	-
Capital outlays	<u>292,784</u>	<u>5,155,182</u>	<u>5,447,966</u>
Total expenditures	<u>28,937,267</u>	<u>6,433,069</u>	<u>35,370,336</u>
Excess of revenues over (under) expenditures	<u>2,609,105</u>	<u>(3,125,878)</u>	<u>(516,773)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	-	2,027,254	2,027,254
Transfers to other funds	(2,123,594)	(28,660)	(2,152,254)
Proceeds of refunding debt	-	-	-
Premium on bond issue	-	-	-
Refunding debt redeemed	-	-	-
Issuance of long-term debt	-	-	-
Sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,123,594)</u>	<u>1,998,594</u>	<u>(125,000)</u>
Net change in fund balances	485,511	(1,127,284)	(641,773)
Fund balances, beginning of year	<u>10,059,705</u>	<u>5,231,988</u>	<u>15,291,693</u>
Fund balances, end of year	<u>\$ 10,545,216</u>	<u>\$ 4,104,704</u>	<u>\$ 14,649,920</u>

The notes to the basic financial statements are an integral part of this statement.

**City of Hopkinsville, 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, 2016**

Net change in fund balances - total governmental funds	\$ (641,773)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$5,447,967 exceeded depreciation of (\$2,747,506) in the current period.	
	2,700,461
Capitalized interest is an expenditure in the governmental fund, but is added to the capital project in the statement of net position.	76,600
Interest earned on capital project bond proceeds is revenue in the governmental funds, but is a reduction of cost of the capital project for the statement of net position.	-
Issuance of debt is revenue in the governmental funds, but the debt increases long-term liabilities in the statement of net position.	-
Certain imposed nonexchange revenues were not recognized in the governmental funds because they were not available at June 30, 2016. The change in this account balance is a reconciling item for this statement.	(141,853)
Internal service funds are used by management to charge the costs of health insurance to individual funds. Net revenue (expense) of internal service funds of \$222,356 is reported with governmental activities.	222,356
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	863,278
Changes in net pension liability obligations and related deferred outflows and inflows of resources are an obligation not payable from current year resources and not reported as an expenditure of the current year. In the statement of activities, these costs represent expenses of the current year.	(2,047,160)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The total proceeds were \$31,450 with an overall gain of \$26,773.	(4,677)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. These include the increase in compensated absences of (\$123,588), increase in accrued interest of (\$109,857), amortization of deferred charges of (\$2,799), and amortization of debt premium of \$14,810.	<u>(221,434)</u>
Change in net position of governmental activities	<u>\$ 805,798</u>

The notes to the basic financial statements are an integral part of this statement.

**City of Hopkinsville, Kentucky**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	<u>Business-type Activities</u> <u>Enterprise Funds</u>	
	<u>Major Fund</u>	Governmental
	Tie Breaker	Activities-
	<u>Family Aquatic</u>	<u>Internal Service</u>
		<u>Funds</u>
<b>ASSETS</b>		
Current assets:		
Pooled cash and cash equivalents	\$ -	\$ -
Non-pooled cash and cash equivalents	164,618	463,211
Accounts receivable	<u>-</u>	<u>-</u>
Total current assets	<u>164,618</u>	<u>463,211</u>
Noncurrent assets:		
Capital assets:		
Land and construction in progress	-	-
Capital assets, net of accumulated depreciation	<u>2,968,033</u>	<u>-</u>
Total noncurrent assets	<u>2,968,033</u>	<u>-</u>
Total assets	<u>\$ 3,132,651</u>	<u>\$ 463,211</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 11,564	\$ -
Accrued salaries	-	-
Incurred, not yet reported	-	55,931
Accrued landfill closing costs	-	-
Compensated absences	<u>-</u>	<u>-</u>
Total current liabilities	<u>11,564</u>	<u>55,931</u>
Noncurrent liabilities:		
Accrued landfill closing costs	-	-
Compensated absences	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>11,564</u>	<u>55,931</u>
<b>NET POSITION</b>		
Net investment in capital assets	2,968,033	-
Unrestricted	<u>153,054</u>	<u>407,280</u>
Total net position	<u>3,121,087</u>	<u>407,280</u>
Total liabilities and net position	<u>\$ 3,132,651</u>	<u>\$ 463,211</u>

The notes to the basic financial statements are an integral part of this statement.

**City of Hopkinsville, Kentucky**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Business-type Activities <u>Enterprise Funds</u>	
	<u>Major Fund</u>	Governmental Activities-
	Tie Breaker <u>Family Aquatic</u>	Internal Service <u>Funds</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 319,205	\$ -
Employee contributions	-	468,285
Employer contributions	-	1,892,527
Insurance reimbursement	-	-
Other income	-	-
	<u>319,205</u>	<u>2,360,812</u>
Total operating revenues		
<b>OPERATING EXPENSES</b>		
Salaries, wages and benefits	-	-
Lease expense	-	-
Management contract	203,361	-
Maintenance	13,357	-
Marketing	33,931	-
Operations	9,143	-
Utilities	71,139	-
Administrative	-	181,276
Supplies	15,093	-
Depreciation	130,160	-
Claims expense	-	1,957,696
	<u>476,184</u>	<u>2,138,972</u>
Total operating expenses		
Operating income (loss)	<u>(156,979)</u>	<u>221,840</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	469	516
Transfer of net assets to general fund	-	-
Gain on sale of equipment	-	-
	<u>469</u>	<u>516</u>
Total nonoperating revenues (expenses)		
Income (loss) before transfers	<u>(156,510)</u>	<u>222,356</u>
Transfers in	125,000	-
Transfers out	-	-
Capital contributions	-	-
Transfer of net liabilities to component unit	-	-
	<u>125,000</u>	<u>-</u>
Total transfers and capital contributions		
Change in net position	(31,510)	222,356
Net position, beginning of year	<u>3,152,597</u>	<u>184,924</u>
Net position, end of year	<u>\$ 3,121,087</u>	<u>\$ 407,280</u>

The notes to the basic financial statements are an integral part of this statement.

**City of Hopkinsville, Kentucky**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Business-type Activities Enterprise Funds	
	Major Fund	Governmental Activities- Internal Service Funds
	Tie Breaker Family Aquatic	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 319,205	\$ 2,360,812
Other cash receipts	-	-
Cash payments to employees for services	-	-
Cash payments to suppliers	(345,943)	(181,276)
Cash payments for claims	-	(1,982,832)
	<u>                  </u>	<u>                  </u>
Net cash provided by (used in) operating activities	(26,738)	196,704
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers in	125,000	-
Transfers out	-	-
	<u>                  </u>	<u>                  </u>
Net cash provided by (used in) noncapital financing activities	125,000	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from sale of capital assets	-	-
Payments for capital acquisitions	(11,908)	-
	<u>                  </u>	<u>                  </u>
Net cash provided by (used in) capital and related financing activities	(11,908)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	469	516
	<u>                  </u>	<u>                  </u>
Net cash provided by (used in) investing activities	469	516
Net increase (decrease) in cash and cash equivalents	86,823	197,220
Cash and cash equivalents, beginning of year	77,795	265,991
	<u>                  </u>	<u>                  </u>
Cash and cash equivalents, end of year	\$ 164,618	\$ 463,211
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (156,979)	\$ 221,840
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	130,160	-
(Increase) decrease in assets:		
Accounts receivable	-	-
Increase (decrease) in liabilities:		
Accounts payable	81	-
Accrued liabilities	-	(25,136)
	<u>                  </u>	<u>                  </u>
Net cash provided by (used in) operating activities	\$ (26,738)	\$ 196,704
<b>NONCASH CAPITAL ACTIVITIES</b>		
Transfer asset and liabilities to general fund	\$ -	\$ -

The notes to the basic financial statements are an integral part of this statement.

**City of Hopkinsville, Kentucky  
Policemen's and Firefighter's Pension Fund  
Statement of Net Position  
Fiduciary Funds  
June 30, 2016**

**ASSETS**

Cash and cash equivalents	\$ 120,722
Interest and dividends receivable	-
Investments, at fair value	<u>790,580</u>
Total assets	<u>\$ 911,302</u>

**LIABILITIES**

Other accounts payable	<u>\$ -</u>
Total liabilities	<u>-</u>

**NET POSITION**

Net position restricted for pensions	<u>\$ 911,302</u>
--------------------------------------	-------------------

The notes to the basic financial statements are an integral part of this statement.

**City of Hopkinsville, Kentucky  
Policemen's and Firefighter's Pension Fund  
Statement of Changes in Net Position  
Fiduciary Funds  
For the Year Ended June 30, 2016**

**ADDITIONS**

Contributions:

Employer	\$ 399,744
----------	------------

Investment earnings:

Net increase (decrease) in fair value of investments	11,775
---	--------

Interest	13,230
----------	--------

Other	-
-------	---

Net investment earnings	<u>25,005</u>
-------------------------	---------------

Total additions	424,749
-----------------	---------

**DEDUCTIONS**

Benefits paid	330,686
---------------	---------

Administrative expenses	<u>13,155</u>
-------------------------	---------------

Total deductions	<u>343,841</u>
------------------	----------------

Net increase (decrease) in net position	80,908
---	--------

Net position, beginning of year	<u>830,394</u>
---------------------------------	----------------

Net position, end of year	<u>\$ 911,302</u>
---------------------------	-------------------

The notes to the basic financial statements are an integral part of this statement.



**City of Hopkinsville, Kentucky**  
**Statement of Net Position**  
**Component Units**  
**June 30, 2016**

	Major			Total
	Hopkinsville Water Environment Authority	Hopkinsville Solid Waste Enterprise	Hopkinsville Surface and Stormwater Utility	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,849,867	\$ 1,856,231	\$ 1,738,736	\$ 8,444,834
Receivables	1,063,567	561,211	746,530	2,371,308
Inventory	296,869	-	-	296,869
Prepaid insurance	33,796	-	-	33,796
Accrued interest on note receivable	444	-	-	444
Restricted assets:				
Cash and cash equivalents	5,127,645	464,301	-	5,591,946
Investments	232,531	2,282,653	-	2,515,184
Notes receivable	270,464	-	-	270,464
Other receivables	1,615,319	-	-	1,615,319
Other current assets	-	23,986	-	23,986
Capital assets, net of depreciation:				
Land and construction in progress	9,003,791	615,582	2,300,475	11,919,848
Depreciable capital assets	99,204,105	4,999,280	5,067,114	109,270,499
Net capital assets	<u>108,207,896</u>	<u>5,614,862</u>	<u>7,367,589</u>	<u>121,190,347</u>
Total assets	<u>121,698,398</u>	<u>10,803,244</u>	<u>9,852,855</u>	<u>142,354,497</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension	1,086,334	670,398	-	1,756,732
Deferred refunding costs	<u>620,850</u>	<u>-</u>	<u>-</u>	<u>620,850</u>
Total deferred outflows of resources	<u>1,707,184</u>	<u>670,398</u>	<u>-</u>	<u>2,377,582</u>
Total assets and deferred outflows of resources	<u>\$ 123,405,582</u>	<u>\$ 11,473,642</u>	<u>\$ 9,852,855</u>	<u>\$ 144,732,079</u>
<b>LIABILITIES</b>				
Current portion of long-term debt	\$ 2,583,180	\$ -	\$ -	\$ 2,583,180
Payable to City of Hopkinsville, current portion	1,475,000	802,926	165,000	2,442,926
Customer deposits	94,818	-	-	94,818
Accrued interest	292,442	-	50,667	343,109
Accounts payable	356,097	172,502	274,791	803,390
Accounts payable - restricted	280	-	-	280
Accrued salaries and compensated absences	334,572	122,874	-	457,446
Construction retainage payable	230,492	-	-	230,492
Construction contracts payable	124,771	-	-	124,771
Long-term liabilities:				
Compensated absences	195,401	248,611	-	444,012
Revenue bonds payable, net of current portion	2,845,500	-	-	2,845,500
Revenue leases - Planters	1,596,128	-	-	1,596,128
KIA - loans payable, net of current portion	39,338,434	-	-	39,338,434
Payable to City of Hopkinsville, net of current portion	21,295,521	1,357,915	4,164,199	26,817,635
Net pension liability	5,081,523	3,138,976	-	8,220,499
Accrued landfill closure costs	<u>-</u>	<u>4,502,124</u>	<u>-</u>	<u>4,502,124</u>
Total liabilities	<u>75,844,159</u>	<u>10,345,928</u>	<u>4,654,657</u>	<u>90,844,744</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - USACE	1,615,319	-	-	1,615,319
Pension	<u>248,352</u>	<u>152,953</u>	<u>-</u>	<u>401,305</u>
Total deferred inflows of resources	<u>1,863,671</u>	<u>152,953</u>	<u>-</u>	<u>2,016,624</u>
<b>NET POSITION</b>				
Net investment in capital assets	40,853,211	3,454,021	3,038,390	47,345,622
Restricted:				
Capital projects	-	-	-	-
Debt reserves	2,221,152	-	-	2,221,152
Unrestricted (deficit)	<u>2,623,389</u>	<u>(2,479,260)</u>	<u>2,159,808</u>	<u>2,303,937</u>
Total net position	<u>45,697,752</u>	<u>974,761</u>	<u>5,198,198</u>	<u>51,870,711</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 123,405,582</u>	<u>\$ 11,473,642</u>	<u>\$ 9,852,855</u>	<u>\$ 144,732,079</u>

The notes to the basic financial statements are an integral part of this statement.



**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies**

The financial statements of the City of Hopkinsville, Kentucky (the City) have been prepared in accordance with United States generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

With respect to proprietary activities, including component units, the City has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statement and Interpretations), constitutes GAAP for governmental units. The more significant of the City's accounting policies are described below.

**A. Reporting Entity**

The City of Hopkinsville is a municipal corporation governed by an elected mayor and a twelve-member council. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. The City of Hopkinsville has three discretely presented component units.

**Discretely Presented Component Units**

The Sewerage and Water Works Commission, doing business as Hopkinsville Water Environment Authority (HWEA), is responsible for sewerage and water services for residents of the City of Hopkinsville, Kentucky, the City of Pembroke, Kentucky, and the City of Crofton, Kentucky. The City's governing body appoints HWEA's governing board. The City's governing body also approves the rates for user charges and bond issuance authorizations. The legal liability for the general obligation portion of HWEA's debt remains with the government. HWEA is presented as a proprietary fund type. Complete financial statements for this individual component unit may be obtained at the entity's administrative office located at 401 East 9<sup>th</sup> Street, Hopkinsville, Kentucky 42240.

Hopkinsville Solid Waste Enterprise (Solid Waste) is responsible for the management and operation of the solid waste operations in the City. The City's governing body appoints Solid Waste's governing board. The City's governing body also approves the rates for user charges and bond issuance authorizations. The legal liability for the general obligation portion of Solid Waste's debt remains with the government. Solid Waste is presented as a proprietary fund type. Complete financial statements for this individual component unit may be obtained at the entity's administrative office located at 5665 Mt. Zoar Road, Hopkinsville, Kentucky 42240.

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies, continued**

**A. Reporting Entity, continued**

**Discretely Presented Component Units, continued**

Hopkinsville Surface and Stormwater Utility (Stormwater) is responsible for minimizing flooding in the City and for establishing minimum requirements and procedures to control the adverse impacts associated with increased surface and stormwater runoff for City residents. The City's governing body appoints Stormwater's governing board. The City's governing body also approves the rates for user charges and bond issuance authorizations. The legal liability for the general obligation portion of Stormwater's debt remains with the government. Stormwater is presented as a proprietary fund type. Complete financial statements for this individual component unit may be obtained at the entity's administrative office located at 715 South Virginia Street, Hopkinsville, Kentucky 42240.

**Joint Ventures**

The City has joined with the local government, Christian County, Kentucky (the County), to form organizations for performance of certain activities. These joint ventures are legally separate organizations that the City has an ongoing financial interest or financial responsibility. The joint ventures are not accumulating significant financial resources or experiencing fiscal stress that would cause an additional financial benefit to or burden on the City of Hopkinsville in the future. Financial statements may be obtained from the City's Financial Director. The following lists these joint ventures with the amount of City funding for the year ended June 30, 2016:

<u>Agency</u>	<u>City Funding</u>
Hopkinsville-Christian County Ambulance Service District	\$ -
Hopkinsville-Christian County Drug & Violent Crimes Strike Force	-
Hopkinsville-Christian County Emergency Communications Center	757,831
Hopkinsville-Christian County Public Library	311,000

**Jointly Governed Organizations**

The City has joined with the County to form organizations for performance of certain activities. These organizations include representative(s) from the City and County, but the City has no financial interest or financial responsibility for them. The following lists these joint ventures with the amount of City funding for the year ended June 30, 2016:

<u>Agency</u>	<u>City Funding</u>
Hopkinsville-Christian County Airport Board	\$ 38,000
Hopkinsville-Christian County Convention & Visitor's Bureau	48,000
Hopkinsville-Christian County Economic Development Council	180,000
Hopkinsville-Christian County Community Development Services	502,732
Museums of Historic Hopkinsville-Christian County	46,750

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies, continued**

**A. Reporting Entity, continued**

**Related Organizations**

The City is involved in other related organizations where the City appoints the voting majority of the organization's board, but the City does not have financial accountability for them. These organizations are:

Christian County-Hopkinsville Development Corporation  
Hopkinsville-Christian County Conference Center Corporation  
Hopkinsville Electric System

**B. Basis of Presentation**

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from general revenues of the City.

The business-type activities of the City report both operating and nonoperating revenues and expenses. Essentially, all revenues and expenses are operating other than interest, purchase and disposal of capital assets, and transfers of funds to and from other governmental units.

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies, continued**

**B. Basis of Presentation, continued**

**Fund Financial Statements**

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**C. Fund Accounting**

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

**Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The differences between governmental fund assets and liabilities are reported as fund balance. The following are the City's major governmental funds:

*General Fund* – The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law, ordinance or contractual agreement to some other fund are accounted for in this fund. From this fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid through other funds.

*Special Revenue Funds* – Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes, and are as follows:

*Municipal Road Aid Fund* – established to account for state grants restricted for road improvements.

*Community Development Block Grant Fund* – established to account for grants to the City of Hopkinsville, Kentucky, under the provisions of Title I of the Housing and Community Development Act of 1974. Resources may only be used for activities that are directed toward satisfying the primary objective of developing viable urban communities and expanding economic opportunities, principally for persons of low and moderate income.

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies, continued**

**C. Fund Accounting, continued**

**Governmental Funds, continued**

*Police Incentive Fund* – established to account for state money restricted for police officers who meet certain certified training and receive pay incentive.

*Fire Incentive Fund* – established to account for state money restricted for fire department employees who meet certain certified training and receive pay incentive.

*UDAG Fund* – established to account for federal money restricted for loans within the community for development of businesses.

*Drug Enforcement Fund* – established to account for 15% of confiscated funds received through drug deals and other criminal acts and other donations. The money received through this fund is then used for police equipment and supplies.

*Expendable Trust Fund* – established to account for various cemetery funds with a portion of the revenue remaining in this expendable trust fund and the remaining portion being designated to the permanent non-expendable trust fund.

*Grants Fund* – established to account for various local, state, or federal grants unrelated to general fund operations or other specifically designated funds.

*Debt Service Fund* – The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources.

*Capital Projects Funds* – Capital Projects Funds are established to account for acquisition of capital assets or construction of major capital projects purchased with funds from long-term borrowings, and is as follows:

*Capital Fund* – established to account for the acquisition of capital assets or construction of major capital projects purchased with funds transferred from the General Fund.

*Section 108 CDBG Loan Fund* – established to account for the renovation of the various parks within the City.

*City Hall/Police Department Construction Fund* – established to account for the construction of the City administration building and the renovation of the current City administration building to become the police department.

*Permanent Fund* – These funds were created by virtue of bequests from certain individuals, with specific requirements regarding the principal and income.

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies, continued**

**C. Fund Accounting, continued**

**Proprietary Funds**

Proprietary fund reporting focuses on changes in net position, financial position, and cash flows. The City reports the following proprietary funds, which are classified as either enterprise or internal service.

*Enterprise Funds* – Enterprise funds 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 (including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The City reports the following as an enterprise fund:

*Tie Breaker Family Aquatic Fund* – established for the purpose of managing and accounting for the water park operations in the City. The Tie Breaker Family Aquatic Fund is a major fund of the City.

*Internal Service Funds* – Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the City on a user charge basis. The City reports the following as an internal service fund:

*Health Insurance Fund* – established to serve all other funds as a self-insurance employees' medical/health care plan.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City for individuals, private organizations or other governments, and are therefore not available to support the City's own programs. The City has one fiduciary fund, the Policemen's and Firefighter's Pension Fund (PFPF) (a contributory defined benefit plan), created by ordinance under Kentucky Revised Statutes (KRS) Sections 98.851 to 98.885. It covers former employees of the City of Hopkinsville police and fire departments who did not elect coverage through the state's County Employees Retirement System.



**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies, continued**

**D. Measurement Focus**

**Government-Wide Financial Statements**

The government-wide financial statements are prepared using the economic resources measurement focus generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of City component units also report using this same focus although internal activity is not eliminated in these statements. All assets and all liabilities associated with the operation of the City are included on the statement of net position.

**Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (i.e., revenues and other financial sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

This approach differs from the manner in which governmental-wide statements are presented; therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

The pension trust funds and the investment trust fund are reported using the economic resources measurement focus.

**E. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies, continued**

**E. Basis of Accounting, continued**

For all proprietary fund types, it is required that the statement of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are revenues generated or expenses incurred from providing goods and services. Nonoperating revenues are those not derived from the basic operations of a business. Nonoperating expenses are expenses incurred in the performance of activities not directly related to supplying the basic service of the entity.

**Revenues – Exchange and Non-Exchange Transactions**

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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 thirty days of year end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, franchise taxes, occupational licenses, 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 following is a list of primary revenue sources which have been treated as susceptible to accrual under the modified accrual basis, and which have not:

<u>Susceptible</u>	<u>Not Susceptible</u>
Taxes Intergovernmental	Licenses and permits

**Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies, continued**

**E. Basis of Accounting, continued**

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**F. Deposits and Investments**

Cash balances of the City's funds are pooled and invested. Interest earned from investments purchased with pooled cash is allocated to the various funds based on the fund's average cash balance. Funds with negative cash balances are not charged interest.

Investments are reported at fair value in all funds. Fair values are obtained from market quotations on the last business day of the year.

Kentucky Revised Statute 66.480 permits the City to invest in U.S. Treasury obligations, U.S. Agency obligations, certain federal instruments, repurchase agreements, commercial bank certificates of deposit, savings and loan deposits, and the Commonwealth of Kentucky investment pool.

As security for deposits of the City, banks doing business with the City are required to pledge securities in an amount to exceed uninsured funds on deposit by the City. In addition, the City is insured under FDIC up to \$250,000 at each bank.

For presentation on the financial statements, investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**G. Receivables**

Receivables are amounts due representing revenues earned or accrued in the current period.

**H. Inventory**

Inventory is valued at cost, which approximates market value, using the weighted-average method.

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies, continued**

**I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond year end are recorded as prepaid expenses.

**J. Restricted Assets**

Restricted assets for the City consist of debt proceeds which were loaned to the City for various construction projects, cash and investments in an expendable trust, and cash and investments in a non-expendable trust.

Certain proceeds of revenue and general obligation bonds of HWEA, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. The "Bond and Interest Redemption" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "Depreciation" and "Equipment Maintenance and Replacement" accounts are used to report resources set aside for unusual or extraordinary maintenance, repairs, renewals and/or replacements or extensions, additions and/or improvements. The "Construction" account is used to report bond proceeds restricted for use in the cost of future expansion and rehabilitation. The "Unemployment" account is used to accumulate funds to provide for possible claims.

Restricted assets for Solid Waste consist of cash and investments placed in accounts in order to comply with state laws for funding landfill closure and postclosure costs and other projects.

**K. Capital Assets**

General capital assets are long-lived assets of the City as a whole. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of pavements, storm sewers, water lines, and sanitary sewers. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is capitalized for business-type activities; however, interest is not capitalized in connection with the construction of capital assets used in governmental activities. Upon implementation of GASB 34, the infrastructure previously acquired was included in the cost and accumulated depreciation was calculated based on useful lives remaining.

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies, continued**

**K. Capital Assets, continued**

All reported capital assets are depreciated except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land	N/A
Buildings and Improvements	40 Years
Equipment	5-7 Years
Vehicles	5-7 Years
Infrastructure	20-99 Years

**L. Interest Capitalization**

Interest costs are capitalized as part of the historical cost of acquiring certain assets. To qualify for interest capitalization, assets must require a period of time before they are ready for their intended purpose.

**M. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due To/Due From Other Funds". These amounts are eliminated in the governmental activities column of the statement of net position.

**N. Compensated Absences**

The City accrues vacation and sick leave benefits as earned by its employees if the leave is attributable to past service and it is probable that the City will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. The City accrued these benefits for those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future. These benefits are measured using the pay rates in effect at June 30, 2016.

The entire compensated absence liability is reported on the government-wide financial statement.

For governmental funds, the liability is not reported unless the compensated absences have matured (i.e. unused reimbursable leave still outstanding following an employee's resignation or retirement). The proprietary funds report the liability as it is incurred.

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies, continued**

**O. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred are paid in a timely manner and in full from current financial resources are reported as obligations of the fund. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as a liability on the fund financial statements when due.

**P. Long-Term Debt**

The City follows GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, where bond issuance costs are expensed as incurred. Bond discounts and premiums are netted against the corresponding liability on the statement of net position. Discounts and premiums are amortized over the term of the bonds using the straight-line method, which approximates the effective interest rate.

There were no new bonds issued in the year ended June 30, 2016.

**Q. Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future period.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

**CITY OF HOPKINSVILLE, KENTUCKY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies, continued**

**R. Fund Balance**

The City follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the City itself, by ordinance approved by City Council. To be reported as committed, amounts cannot be used for any other purpose unless the City takes action to remove or change the constraint.
- Assigned fund balance – amounts the City constrained by the City's intent to be used for specific purposes (such as encumbrances), but are neither restricted nor committed. Intent is expressed by the City Council or by any other official or body to which the City Council has delegated the authority to assign amounts to be used for a specific purpose.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or municipal order. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purposes (such as the purchase of capital assets, construction, debt service, or for other purposes).

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

In the General Fund, the City strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 25% of the actual GAAP (Generally Accepted Accounting Principles) basis expenditures and other financing sources and uses.

**CITY OF HOPKINSVILLE, KENTUCKY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies, continued**

**S. Net Position**

Net position represents the difference between assets and liabilities. Net position is classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- *Net investment in capital assets* – This component of net position 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 plus deferred outflows of resources less deferred inflows of resources related to those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* – This component of net position consists of amounts with restrictions placed on net position through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* – This component of net position consists of amounts that do not meet the definition of “restricted” or “net investment in capital assets”.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City would typically use restricted resources first, but reserves the right to selectively use unrestricted resources first to defer the use of these resources.

Solid Waste had a deficit unrestricted net position of \$2,479,260. The deficit is caused primarily due to the accrual of landfill closure costs and net pension liability that are expected to be funded in future years. Solid Waste expects results from future operations to fund such costs.

**T. Pensions**

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



**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies, continued**

**U. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

**V. Use of Estimates**

In preparing the financial statements, management is required to make estimates and assumptions that will affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

**W. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Municipal Road Aid Special Revenue Fund because effective budgetary control is alternately achieved through project budgets, bond indenture provisions and City ordinances, respectively.

Budgets for the General Fund and Municipal Road Aid Special Revenue Fund are adopted on the modified accrual basis. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the use of resources are reflected in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Municipal Road Aid Special Revenue Fund for which annual budgets have been adopted.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g. purchase orders, contracts) outstanding at year end are included in restricted, committed, or assigned fund balance, as appropriate, and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies, continued**

**X. Restatements**

Restatement of net position as of June 30, 2015 for the primary government, which resulted from implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, are as follows:

**Governmental Activities:**

Net position, June 30, 2015, as previously reported	\$ 5,733,636
Correction of an error:	
Net pension liability increase (PFPF)	<u>(2,727,881)</u>
 Net position, July 1, 2015, as restated	 <u><u>\$ 3,005,755</u></u>

**2. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and all highly liquid investments (including restricted assets) with a maturity of three months or less from the date of acquisition.

**A. Deposits**

**Custodial Credit Risk**

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 policy requires banks doing business with the City to pledge securities in an amount to exceed uninsured funds on deposit by the City.

As of June 30, 2016, the City did not have any deposited funds exposed to custodial credit risk.

As of June 30, 2016, HWEA did not have any deposited funds exposed to custodial credit risk.

As of June 30, 2016, Solid Waste did not have any deposited funds exposed to custodial credit risk.

As of June 30, 2016, Stormwater did not have any deposited funds exposed to custodial credit risk.

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**2. Deposits and Investments, continued**

**B. Investments**

The investments for City of Hopkinsville consisted of the following:

<u>Investments as of June 30, 2016</u>	<u>Average Credit Quality/Rating</u>	<u>Fair Value (Primary Gov't)</u>	<u>Fair Value (PFPF Pension Trust Fund)</u>	<u>Average Maturity</u>
Planters Bank CD	N/A	\$ 35,181	\$ -	3.20 Years
Bank of Baroda CD	N/A	-	174,995	0.35 Years
CIT Bank CD	N/A	-	50,034	1.25 Years
Discover Bank CD	N/A	-	152,148	3.04 Years
Goldman Sachs Bank CD	N/A	-	102,886	5.34 Years
Sallie Mae CD	N/A	-	50,899	2.34 Years
FL Hurricane Catastrophe Fund	N/A	-	52,279	4.00 Years
Nassau Co NY Inter Fin Rev Bond	N/A	-	52,188	5.38 Years
Kansas City MO Spl Obl Rev Bond	N/A	-	50,922	11.25 Years
Nevada Sys Higher Edu Bond	N/A	-	52,116	8.00 Years
University Hawaii Rev Bond	N/A	-	52,113	11.25 Years
Federated US Gov't Sec Fund: 2-5 Years	AAA	126,099	-	3.80 Years
Federated Total Return Gov't Bond Fund	AAA	222,582	-	7.50 Years
Ishares Barclays US Treas Infl Prot Sec Fd	AAA	95,786	-	8.62 Years
Ishares Barclays 10-20 Yr Treasury Bond Fd	AAA	96,756	-	13.53 Years
Ishares Barclays 3-7 Yr Treasury Bond Fund	AAA	<u>94,876</u>	<u>-</u>	4.80 Years
Total Credit Risk Debt Securities		<u>\$ 671,280</u>	<u>\$ 790,580</u>	

The investments for HWEA consisted of the following:

<u>Investments as of June 30, 2016</u>	<u>Average Credit Quality/Rating</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Average Maturity</u>
Planters Bank CD	N/A	\$ 206,479	\$ 206,479	N/A
Planters Bank CD	N/A	<u>26,052</u>	<u>26,052</u>	N/A
Total Credit Risk Debt Securities		<u>\$ 232,531</u>	<u>\$ 232,531</u>	

The investments for Solid Waste consisted of the following:

<u>Investments as of June 30, 2015</u>	<u>Average Credit Quality/Rating</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Average Maturity</u>
Heritage Bank CD	N/A	\$ 2,040,844	\$ 2,040,844	12 mo.
Heritage Bank CD	N/A	<u>241,809</u>	<u>241,809</u>	12 mo.
Total Credit Risk Debt Securities		<u>\$ 2,282,653</u>	<u>\$ 2,282,653</u>	

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**2. Deposits and Investments, continued**

**B. Investments, continued**

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust department or agent, but not in the government's name. As of June 30, 2016, none of the City's investments were subject to custodial credit risk.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has no investment policy that limits its investment choices other than the limitations of Kentucky Revised Statute 66.480 that permits the City to invest in U.S. Treasury obligations, U.S. Agency obligations, certain federal instruments, repurchase agreements, commercial bank certificates of deposit, savings and loan deposits, and the Commonwealth of Kentucky investment pool.

**Concentration of Credit Risk**

The City places no limit on the amount that may be invested in any one issuer. The City's only investments are in mutual funds and certificates of deposit. Investments in mutual funds and certificates of deposit are specifically excluded from this type of risk.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The City does not have investments in foreign currency and is, therefore, not exposed to such risk.

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**2. Deposits and Investments, continued**

**C. Restricted Assets**

The balances of the City's restricted asset accounts are as follows:

<u>Due from Component Units:</u>	
Hopkinsville Water Environment Authority	\$ 22,770,521
Hopkinsville Solid Waste Enterprise	2,160,841
Hopkinsville Surface & Stormwater Utility	<u>4,329,199</u>
Restricted assets - due from component units	<u>\$ 29,260,561</u>
<u>Temporarily restricted:</u>	
Debt proceeds in checking	\$ 565,427
Money market funds, expendable trust	109,757
Investments, expendable trust	<u>256,788</u>
Restricted assets - temporarily	<u>\$ 931,972</u>
<u>Permanently restricted:</u>	
Money market funds, non-expendable trust	\$ 62,140
Investments, non-expendable trust	<u>379,311</u>
Restricted assets - permanently	<u>\$ 441,451</u>

The balances of HWEA's expendable restricted asset accounts are as follows:

Bond and interest redemption	\$ 206,479
Construction	3,144,985
Equipment maintenance and replacement	1,982,660
Unemployment	<u>26,052</u>
Total restricted assets	<u>\$ 5,360,176</u>

The equipment maintenance and replacement fund includes \$1,982,660 set aside to meet reserve requirements associated with loans with the Kentucky Infrastructure Authority. The construction fund includes \$3,112,972 of unspent bond proceeds from the 2013B and 2014B general obligation bonds that were issued by the City on behalf of HWEA.

The balances of Solid Waste's restricted asset accounts are as follows:

Landfill closure costs	\$ 2,282,653
Capital reserve	<u>464,301</u>
Total restricted assets	<u>\$ 2,746,954</u>

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**3. Property Taxes**

Property taxes attach as an enforceable lien on property and are levied as of July 1 each year. These taxes are not accrued at June 30 of each year since they are not measurable at that time. The tax rate and assessed valuation are not known until September of the year. Collection and due dates occur October through December.

The City is permitted by Section 157 of the Constitution of Kentucky to levy taxes up to \$1.50 per \$100 of assessed valuation for general governmental services other than school purposes. The tax rate to finance general governmental services other than school purposes for the year ended June 30, 2016, was \$.231 real and \$.251 personal per \$100, which means that the City has a tax margin of approximately \$1.269 for real and \$1.249 for personal per \$100. The City is subject to an absolute maximum tax rate in that House Bill 44 prohibits levying a tax rate that will produce more revenue, exclusive of revenue from net assessment growth, than would be produced by application of the tax rate that was levied in the preceding year to the preceding year's assessment. The effect of this legislation has been to limit increases in property tax revenues to minimal levels.

**4. Capital Assets**

A summary of City governmental activities property, plant and equipment activity for the year ended June 30, 2016, is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<b><u>Governmental Activities</u></b>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,881,400	\$ 51,950	\$ -	\$ 1,933,350
Construction in Progress	7,326,333	2,945,075	5,591,711	4,679,697
Total Capital Assets Not Being Depreciated	<u>9,207,733</u>	<u>2,997,025</u>	<u>5,591,711</u>	<u>6,613,047</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	17,362,264	3,202,503	-	20,564,767
Equipment	7,420,864	1,100,514	120,018	8,401,360
Infrastructure	19,601,574	1,027,834	-	20,629,408
Land Improvements	6,591,267	2,936,456	-	9,527,723
Vehicles	5,709,911	366,343	266,276	5,809,978
Total Capital Assets Being Depreciated	<u>56,685,880</u>	<u>8,633,650</u>	<u>386,294</u>	<u>64,933,236</u>
Less Accumulated Depreciation:				
Buildings and Improvements	4,302,361	512,106	-	4,814,467
Equipment	5,418,503	402,964	115,340	5,706,127
Infrastructure	12,205,127	813,364	-	13,018,491
Land Improvements	2,568,579	379,845	-	2,948,424
Vehicles	3,833,618	639,227	266,275	4,206,570
Total Accumulated Depreciation	<u>28,328,188</u>	<u>2,747,506</u>	<u>381,615</u>	<u>30,694,079</u>
Total	<u>\$ 37,565,425</u>	<u>\$ 8,883,169</u>	<u>\$ 5,596,390</u>	<u>\$ 40,852,204</u>

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**4. Capital Assets, continued**

Deletions represent a disposition of surplus assets sold or no longer in use or the reclassification of completed construction in progress to an addition in capital assets being depreciated.

Depreciation expense charged to governmental activities for the year ended June 30, 2016, was as follows:

General Government	\$ 416,019
Public Safety	789,079
Public Works	1,035,888
Community Development	291,716
Parks and Recreation	<u>214,804</u>
 Total Depreciation Expense	 <u><u>\$2,747,506</u></u>

A summary of City business-type activities property, plant and equipment activity for the year ended June 30, 2016, is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<b>Business-type Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Capital Assets Being Depreciated:				
Buildings and Improvements	3,792,630	-	-	3,792,630
Equipment	344,965	11,908	7,684	349,189
Total Capital Assets Being Depreciated	<u>4,137,595</u>	<u>11,908</u>	<u>7,684</u>	<u>4,141,819</u>
Less Accumulated Depreciation:				
Buildings and Improvements	785,102	96,177	-	881,279
Equipment	266,208	33,983	7,684	292,507
Vehicles	-	-	-	-
Total Accumulated Depreciation	<u>1,051,310</u>	<u>130,160</u>	<u>7,684</u>	<u>1,173,786</u>
 Total	 <u>\$ 3,086,285</u>	 <u>\$ (118,252)</u>	 <u>\$ -</u>	 <u>\$ 2,968,033</u>

Depreciation expense (including amortization of capitalized assets) charged to business-type activities for the year ended June 30, 2016, was \$130,160.

**CITY OF HOPKINSVILLE, KENTUCKY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**4. Capital Assets, continued**

A summary of HWEA's business-type activities property, plant and equipment activity for the year ended June 30, 2016, is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<b><u>Business-type Activities</u></b>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,571,840	\$ -	\$ -	\$ 1,571,840
Construction in Progress	7,234,789	5,755,718	5,558,556	7,431,951
Total Capital Assets Not Being Depreciated	<u>8,806,629</u>	<u>5,755,718</u>	<u>5,558,556</u>	<u>9,003,791</u>
Capital Assets Being Depreciated:				
Structures and Improvements	156,138,357	5,407,159	1,168,011	160,377,505
Equipment	9,745,174	320,999	265,177	9,800,996
Vehicles	1,097,943	271,057	57,645	1,311,355
Total Capital Assets Being Depreciated	<u>166,981,474</u>	<u>5,999,215</u>	<u>1,490,833</u>	<u>171,489,856</u>
Less Accumulated Depreciation:				
Structures and Improvements	60,585,651	3,768,400	972,887	63,381,164
Equipment	8,270,470	467,531	249,645	8,488,356
Vehicles	356,728	117,148	57,645	416,231
Total Accumulated Depreciation	<u>69,212,849</u>	<u>4,353,079</u>	<u>1,280,177</u>	<u>72,285,751</u>
Total	<u>\$ 106,575,254</u>	<u>\$ 7,401,854</u>	<u>\$ 5,769,212</u>	<u>\$ 108,207,896</u>

Depreciation expense (including amortization of capitalized assets) for HWEA for the year ended June 30, 2016, was \$4,353,079.

A summary of Solid Waste business-type activities property, plant and equipment activity for the year ended June 30, 2016, is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<b><u>Business-type Activities</u></b>				
Capital Assets Not Being Depreciated:				
Land	\$ 615,582	\$ -	\$ -	\$ 615,582
Construction in Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	<u>615,582</u>	<u>-</u>	<u>-</u>	<u>615,582</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	695,467	38,862	-	734,329
Equipment	8,751,045	1,330,599	2,087,402	7,994,242
Land Improvements	1,947,530	-	-	1,947,530
Total Capital Assets Being Depreciated	<u>11,394,042</u>	<u>1,369,461</u>	<u>2,087,402</u>	<u>10,676,101</u>
Less Accumulated Depreciation:				
Buildings and Improvements	69,463	16,400	-	85,863
Equipment	5,089,867	846,306	1,067,669	4,868,504
Land Improvements	595,929	126,525	-	722,454
Total Accumulated Depreciation	<u>5,755,259</u>	<u>989,231</u>	<u>1,067,669</u>	<u>5,676,821</u>
Total	<u>\$ 6,254,365</u>	<u>\$ 380,230</u>	<u>\$ 1,019,733</u>	<u>\$ 5,614,862</u>



**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**4. Capital Assets, continued**

Depreciation expense (including amortization of capitalized assets) for Solid Waste for the year ended June 30, 2016, was \$989,231.

A summary of Stormwater business-type activities property, plant and equipment activity for the year ended June 30, 2016, is as follows:

<b><u>Business-type Activities</u></b>	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital Assets Not Being Depreciated:				
Land	\$ 750,497	\$ 46,501	\$ -	\$ 796,998
Construction in Progress	347,240	1,262,133	105,896	1,503,477
Total Capital Assets Not Being Depreciated	<u>1,097,737</u>	<u>1,308,634</u>	<u>105,896</u>	<u>2,300,475</u>
Capital Assets Being Depreciated:				
Infrastructure	4,759,844	1,178,471	-	5,938,315
Less Accumulated Depreciation:				
Infrastructure	657,888	213,313	-	871,201
Total	<u>\$ 5,199,693</u>	<u>\$ 2,273,792</u>	<u>\$ 105,896</u>	<u>\$ 7,367,589</u>

Depreciation expense (including amortization of capitalized assets) for Stormwater for the year ended June 30, 2016, was \$213,313.

**5. Post-Retirement Benefits**

Earned but unused vacation hours are converted to terminal pay at retirement. Prior to April 1, 2002, accumulated sick leave could be taken as terminal pay at the rate of four sick days per one day's wages. Effective April 1, 2002, the City Council authorized adoption of the Order of Participation with the Kentucky Retirement System, which established the Standard Unused Sick Leave Program. This Program provides for members with a participation date prior to September 1, 2008, to receive service credit for all unused accumulated sick leave at the time of retirement. Members with a participation date on September 1, 2008 through December 31, 2013 may receive a maximum of twelve months of service credit for unused sick time. Members with a participation date after December 31, 2013 cannot receive service credit for unused sick time. The amount of service credit is based on a mathematical calculation with a factor that considers the retiree's wage, age, and years of service. Currently, the rate is approximately 38% of the total unused sick time times the member's pay rate.

**6. Pension Plans**

The City participates in the County Employees Retirement System (CERS), the statewide local government retirement system, which covers substantially all of the government's general employees and current public safety employees by their election. The City maintains a single-employer, defined benefit pension plan (Policemen's and Firefighter's Pension Fund) which covers certain retired public safety employees.

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**6. Pension Plans, continued**

**A. County Employees Retirement System**

Plan Description:

The City contributes to CERS, a multi-employer, cost sharing, defined benefit pension plan administered by the Board of Trustees of the Kentucky Retirement Systems, which issues a publicly available financial report that includes financial statements and supplementary information for CERS. That report can be obtained at <https://kyret.ky.gov>. HWEA and Solid Waste also contribute to CERS.

Benefits Provided:

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 (COLA) are provided at the discretion of the Kentucky (State) legislature. State statute assigns the authority to establish and amend benefit provisions to the Kentucky Retirement Systems Board of Trustees.

Contributions:

CERS plan members classified as nonhazardous hired prior to September 1, 2008, contribute 5% of their annual creditable compensation, and those hired on or after September 1, 2008, contribute 6% of the annual creditable compensation. For nonhazardous employees, the City contributed 17.06% of annual covered payroll for fiscal year 2016. Employees classified as hazardous hired prior to September 1, 2008, contribute 8% of their annual creditable compensation, and those hired on or after September 1, 2008, contribute 9%. For hazardous employees, the City contributed 32.95% of annual covered payroll for fiscal year 2016. The contribution requirements of plan members and the City are established and may be amended by the Kentucky Retirement Systems Board of Trustees. The City's contributions to CERS were \$602,161 for nonhazardous employees and \$2,790,174 for hazardous employees for the year ended June 30, 2016. HWEA's contributions to CERS were \$525,846 for nonhazardous employees for the year ended June 30, 2016. Solid Waste's contributions to CERS were \$320,925 for nonhazardous employees for the year ended June 30, 2016. HWEA and Solid Waste do not have any employees classified as hazardous.

Net Pension Liabilities:

At June 30, 2016, the City reported a total liability of \$31,587,748 for its proportionate share of the net pension liability (NPL). Of this total liability, \$6,277,960 pertained to nonhazardous employees, and \$25,309,788 pertained to hazardous employees. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the City's proportion was 0.146015% for nonhazardous pensions and 1.648732% for hazardous pensions.

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**6. Pension Plans, continued**

**A. County Employees Retirement System, continued**

The City's net pension liability is shown on the statement of net position as a noncurrent liability. See Note 10.

At June 30, 2016, HWEA reported a liability of \$5,081,523 for its proportionate share of the net pension liability, all of which pertained to nonhazardous pensions. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. HWEA's proportion of the net pension liability was based on a projection of HWEA's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, HWEA's proportion was 0.118190% for nonhazardous pensions. HWEA's net pension liability is shown on the statement of net position – component units as a noncurrent liability.

At June 30, 2016, Solid Waste reported a liability of \$3,138,976, for its proportionate share of the net pension liability, all of which pertained to nonhazardous pensions. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. Solid Waste's proportion of the net pension liability was based on a projection of the Solid Waste's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Solid Waste's proportion was 0.073008% for nonhazardous pensions. Solid Waste's net pension liability is shown on the statement of net position – component units as a noncurrent liability.

The following is a summary of net pension liability shown on the statement of net position as of June 30, 2016, included in noncurrent liabilities, due after one year:

	<u>Net Pension Liability</u>
<b>City of Hopkinsville:</b>	
CERS:	
Nonhazardous	\$ 6,277,960
Hazardous	<u>25,309,788</u>
Total City of Hopkinsville	<u>\$31,587,748</u>
 <b>Component Units:</b>	
HWEA	<u>\$ 5,081,523</u>
Solid Waste	<u>\$ 3,138,976</u>

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**6. Pension Plans, continued**

**A. County Employees Retirement System, continued**

Actuarial Assumptions and Other Inputs:

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	3.25%
Salary increases:	4.00%, average, including inflation
Investment rate of return:	7.50%, net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008, to June 30, 2013.

Changes in Assumptions:

Since the prior measurement date of June 30, 2014, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated. The changes in assumptions include the following:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**6. Pension Plans, continued**

**A. County Employees Retirement System, continued**

Discount Rate:

- a. Discount rate: The discount rate used to measure the total pension liability was 7.50%.
- b. Projected cash flows: The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 28 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.
- c. Long-term rate of return: The long-term expected return on plan assets is reviewed as part of the regular experience studies every five years for Kentucky Retirement Systems. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.
- d. Municipal bond rate: The discount rate determination does not use a municipal bond rate.
- e. Periods of projected benefit payments: Projected future benefit payments for all plan members were projected through 2117.
- f. Assumed asset allocation: The target asset allocation and best estimates of arithmetic real rates for each major asset class are summarized in the following table:

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**6. Pension Plans, continued**

**A. County Employees Retirement System, continued**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Combined Equity	44%	5.40%
Combined Fixed Income	19%	1.50%
Real Return (Diversified Inflation Strategies)	10%	3.50%
Real Estate	5%	4.50%
Absolute Return (Diversified Hedge Funds)	10%	4.25%
Private Equity	10%	8.50%
Cash Equivalent	<u>2%</u>	-0.25%
Total	<u>100%</u>	

- g. Sensitivity analysis: The following presents the City's net pension liability for its pension plan, calculated using the current discount rate, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
<b><u>City of Hopkinsville:</u></b>			
<u>CERS Nonhazardous:</u> Discount rate	6.50%	7.50%	8.50%
Proportionate Share NPL	<u>\$8,014,596</u>	<u>\$6,277,960</u>	<u>\$4,790,685</u>
<u>CERS Hazardous:</u> Discount rate	6.50%	7.50%	8.50%
Proportionate Share NPL	<u>\$32,397,393</u>	<u>\$25,309,788</u>	<u>\$19,437,579</u>
<b><u>Component Units:</u></b>			
HWEA: <u>CERS Nonhazardous:</u> Discount rate	6.50%	7.50%	8.50%
Proportionate Share NPL	<u>\$6,487,195</u>	<u>\$5,081,523</u>	<u>\$3,877,689</u>
Solid Waste: <u>CERS Nonhazardous:</u> Discount rate	6.50%	7.50%	8.50%
Proportionate Share NPL	<u>\$4,007,293</u>	<u>\$3,138,976</u>	<u>\$2,395,340</u>

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**6. Pension Plans, continued**

**A. County Employees Retirement System, continued**

Pension Plan Fiduciary Net Position:

Detailed information about the CERS pension plan fiduciary net position is available in the separately issued Kentucky Retirement Systems' financial report.

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

For the year ended June 30, 2016, the City recognized pension expense for CERS of \$3,230,615, which consists of \$773,642 for nonhazardous pensions and \$2,456,973 for hazardous pensions. For the year ended June 30, 2016, HWEA recognized \$608,785 for CERS nonhazardous pension expense, and Solid Waste recognized \$391,168 for CERS nonhazardous pension expense.

At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to the CERS pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>City of Hopkinsville:</u>		
Net difference between expected and actual experience:		
Nonhazardous	\$ 41,738	\$ -
Hazardous	<u>439,771</u>	<u>-</u>
	<u>481,509</u>	<u>-</u>
Net difference between projected and actual earnings on pension plan investments		
Nonhazardous	45,022	311,572
Hazardous	<u>127,155</u>	<u>1,177,322</u>
	<u>172,177</u>	<u>1,488,894</u>
Change in assumptions:		
Nonhazardous	506,450	-
Hazardous	<u>1,749,742</u>	<u>-</u>
	<u>2,256,192</u>	<u>-</u>
Change in proportionate share:		
Nonhazardous	58,242	-
Hazardous	<u>-</u>	<u>91,939</u>
	<u>58,242</u>	<u>91,939</u>

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**6. Pension Plans, continued**

**A. County Employees Retirement System, continued**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
City contributions subsequent to the measurement date of June 30, 2015:		
Nonhazardous	\$ 602,161	\$ -
Hazardous	<u>2,790,174</u>	<u>-</u>
	<u>3,392,335</u>	<u>-</u>
Total	<u>\$ 6,360,455</u>	<u>\$1,580,833</u>

The \$3,392,335 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date of June 30, 2015, will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to CERS pensions will be recognized in pension expense as follows:

Year ending June 30:	
2017	\$ 222,993
2018	222,993
2019	222,993
2020	718,308
2021	-
	<u>\$ 1,387,287</u>

In the tables shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.



**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**6. Pension Plans, continued**

**A. County Employees Retirement System, continued**

At June 30, 2016, HWEA reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>HWEA:</u>		
Net difference between expected and actual experience	\$ 33,783	\$ -
Net difference between projected and actual earnings on pension plan investments	36,442	248,352
Change in assumptions	409,933	-
Change in proportionate share	80,330	-
HWEA contributions subsequent to the measurement date of June 30, 2015	<u>525,846</u>	<u>-</u>
Total	<u>\$ 1,086,334</u>	<u>\$ 248,352</u>

The \$525,846 reported as deferred outflows of resources related to pensions resulting from HWEA contributions subsequent to the measurement date of June 30, 2015, will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2017	\$ 57,338
2018	57,338
2019	57,338
2020	140,122
2021	-
	<u>\$ 312,136</u>

In the tables shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**6. Pension Plans, continued**

**A. County Employees Retirement System, continued**

At June 30, 2016, Solid Waste reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Solid Waste:</u>		
Net difference between expected and actual experience	\$ 20,869	\$ -
Net difference between projected and actual earnings on pension plan investments	22,511	152,953
Change in assumptions	253,226	-
Change in proportionate share	52,867	-
Solid Waste contributions subsequent to the measurement date of June 30, 2015	<u>320,925</u>	<u>-</u>
Total	<u>\$ 670,398</u>	<u>\$ 152,953</u>

The \$320,925 reported as deferred outflows of resources related to pensions resulting from Solid Waste's contributions subsequent to the measurement date of June 30, 2015, will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2017	\$ 36,346
2018	36,346
2019	36,345
2020	87,483
2021	-
	<u>\$ 196,520</u>

In the tables shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**6. Pension Plans, continued**

**B. Policemen's and Firefighter's Pension Fund**

Plan Description:

The City's Policemen's and Firefighter's Pension Fund is a single-employer, defined benefit pension plan administered by a Board of Trustees consisting of the Mayor, the City's Chief Financial Officer, and two beneficiaries. PFPF was established to provide benefits for widows and retiring personnel of the police and fire department who elect to continue to participate in the plan. During the year ended June 30, 1989, active public safety employees were provided the option to convert to coverage under the County Employees Retirement System (CERS). Approximately 98 employees elected to convert from the PFPF coverage. The City no longer has active employees contributing to the plan, and no new employees are permitted into the plan. PFPF does not provide separately issued financial statements; however, financial information is provided at the end of this note.

Plan Membership:

As of June 30, 2016, PFPF had twenty-two members, all of whom are inactive participants (retirees and beneficiaries) receiving benefits.

Benefits Provided:

At his own election, any member who has completed twenty years of service may petition the Board of Trustees for retirement. The monthly benefit is based on a percentage of salary determined in accordance with the following schedule:

<u>Full Years of Service</u>	<u>Percentage of Salary</u>
20 but less than 21	50%
21 but less than 22	52
22 but less than 23	54
23 but less than 24	56
24 but less than 25	58
25 but less than 26	60
26 but less than 27	63
27 but less than 28	66
28 but less than 29	69
29 but less than 30	72
30 or more	75

A member who terminates his service either by resignation or dismissal before he is eligible for normal retirement shall receive a refund of his contributions to PFPF without interest.

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**6. Pension Plans, continued**

**B. Policemen's and Firefighter's Pension Fund, continued**

There are two types of disability retirement that are allowed:

- 1) Temporary total disability (requires no service with respect to eligibility for benefits).
- 2) Total and permanent disability (no service eligibility requirement).

A member retiring due to temporary total disability shall receive a monthly pension equal to no more than 50% of his salary. The pension will be paid during his disability until he has recovered and returned to active duty. A member retiring due to total and permanent disability shall receive a monthly pension equal to 50% of his salary.

There are four types of dependent and estate benefits allowed:

- 1) Occupational – death in line of duty or of any disease contracted by reason of occupation of an active member (requires no service with respect to eligibility for benefits).
- 2) Nonoccupational – death other than in line of duty or of any disease contracted by reason of occupation of an active member (requires the completion of one year of service with respect to eligibility for benefits).
- 3) Death of a retired or disabled member (requires the completion of one year of service with respect to eligibility for benefits).
- 4) Death of a member under conditions of 1), 2), or 3) who is not survived by an eligible spouse or unmarried dependent children.

In the cases of 1), 2), or 3) above, the pension is payable to an eligible surviving spouse until the death or remarriage of such spouse and then to any unmarried, dependent children. For conditions 1), 2), or 3) above, the widow/widower is to receive a monthly benefit of 50% of monthly salary and each dependent child is to receive \$24 per month until age 18. For condition 4) above, a pension will be paid to dependent parents in an amount equal to 25% of his/her salary.

When an active or retired member dies, the Board of Trustees may pay from the PFPF to the surviving widow or family a funeral expense not to exceed \$100.

Contributions:

Active members are required to contribute a specified percentage of the aggregate amount of all pay received. The specified percentage is the same OASDHI percentage which is paid by employees covered by the Social Security program. As there are no longer any active members, members made no contributions for the year ended June 30, 2016.

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**6. Pension Plans, continued**

**B. Policemen’s and Firefighter’s Pension Fund, continued**

The City only contributes amounts required to fund current service costs and interest on unfunded past service costs as determined by actuarial valuations in compliance with Kentucky Revised Statutes. The City is not required to make an annual contribution. For the year ended June 30, 2016, the City made a contribution of \$399,744. The General Fund of the City covers administrative costs such as professional fees and beneficiary services. Other miscellaneous investment fees and miscellaneous costs are paid from available net assets in the PFPF.

Generally, any retiree or beneficiary shall receive a cost-of-living adjustment (COLA) after the member has been retired for three full years. The COLA shall be based on the “All Items Index” of the U.S. Department of Labor Consumer Price Indexes, and shall be compounded. However, a COLA shall only be granted to the extent it can be provided on an “actuarially sound basis”.

Net Pension Liability:

The City’s net pension liability (asset) was measured as of January 1, 2016, and the total net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs:

The total pension liability as of the January 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Method	Entry Age Normal Funding
Asset Valuation Method	Market Value
COLAs	2.25% per annum
Mortality Rates	RP-2014 Generational Mortality Tables (Blue Collar) adjusted to 2006 with projected mortality improvements after year 2006 under Projection Scale MP-2016 (male and female scales)
Withdrawal Rates	None
Disablement Rates	None
Retirement Rates	None. All participants are retired.
Salary Scale	N/A

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**6. Pension Plans, continued**

**B. Policemen’s and Firefighter’s Pension Fund, continued**

Actuarial Assumptions and Other Inputs, continued:

Discount Rate                                      For GASB Statement No. 68 purposes – 4.00% per annum, which represents the long-term rate of return assumption.

The solvency test as described under GASB Statement No. 68 was not performed for the following reasons:

- 1) The City has demonstrated that their funding policy is to contribute the amount of annual benefit payments, and all participants are currently receiving benefits.
- 2) It is the actuary’s understanding that the funding policy will continue to be to contribute an amount at least equal to the expected annual benefit payments.
- 3) All participants are retirees; and since the funding policy is to contribute the expected annual benefits payments, the PFPF will remain solvent assuming the City continues to contribute according to the funding policy.
- 4) The long-term rate of return is approximately the same as the 20-year municipal bond rate.

Changes in Assumptions and Methods from Prior Actuarial Valuation:

Mortality rates were previously based on RP-2014 Generational Mortality Tables (Blue Collar) adjusted to 2006 with projected mortality improvements after year 2006 under Projection Scale MP-2014 (male and female scales). Mortality rates are currently based on RP-2014 Generational Mortality Tables (Blue Collar) adjusted to 2006 with projected mortality improvements after year 2006 under Projection Scale MP-2016 (male and female scales). The reason for the change was to better recognize current and future mortality improvements.

Sensitivity Analysis:

The following presents the net pension liability (asset) of the City calculated using the discount rate of 4.00%, as well as the net pension liability (asset) if calculated using a discount rate that is 1 percentage point lower (3.00%) or 1 percentage point higher (5.00%) than the current rate:

	1% Decrease <u>(3.00%)</u>	Current Rate <u>(4.00%)</u>	1% Increase <u>(5.00%)</u>
Net pension liability	<u>\$3,768,913</u>	<u>\$3,320,287</u>	<u>\$2,939,235</u>

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**6. Pension Plans, continued**

**B. Policemen's and Firefighter's Pension Fund, continued**

The components of the net pension liability of the Policemen's and Firefighter's Pension Fund at June 30, 2016, were as follows:

Total Pension Liability	\$ 4,379,275*
Plan Fiduciary Net Position	<u>(1,058,988)</u>
City's Net Pension Liability	<u>\$ 3,320,287</u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	24.18%
---	--------

\*Assumes 2.25% per annum COLAs.

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension:**

For the year ended June 30, 2016, the City recognized pension expense (income) of (\$783,713) for the Policemen's and Firefighter's Pension Fund. At June 30, 2016, the City recognized deferred outflows of resources and deferred inflows of resources related to PFPF pensions from the following sources (note, any contributions made to the plan between July 1, 2015 and June 30, 2016, should be included as a deferred outflow):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability gains and losses	\$ -	\$ -
Change of assumptions	-	-
Net difference between projected and actual earnings on investments	<u>24,421</u>	<u>-</u>
Total	<u>\$24,421</u>	<u>\$ -</u>

Actual investment earnings above (or below) projected earnings are amortized over 5 years. Changes due to assumptions and experience losses (gains) are amortized over the average remaining service period of actives and inactive.

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

Year Ending June 30:	
2017	\$ 6,823
2018	6,823
2019	6,822
2020	3,953
2021	-
	<u>\$ 24,421</u>

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**6. Pension Plans, continued**

**B. Policemen's and Firefighter's Pension Fund, continued**

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension, continued:

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

**7. Interfund Receivables and Payables**

There were no interfund receivables or payables among the governmental funds at June 30, 2016.

**8. Construction Commitments**

At June 30, 2016, the City had the following material construction projects underway:

<u>Project</u>	<u>Cost-to-Date</u>	<u>Estimated Cost to Complete</u>
Municipal Center/HPD Renovation	\$ 12,265,136	\$ 234,864
Renovations of Parks	1,181,211	208,789
Skate Park Construction	424,798	25,202
Boys & Girls Club Teen Center	<u>51,544</u>	<u>359,262</u>
Total	<u>\$ 13,922,689</u>	<u>\$ 828,117</u>

At June 30, 2016, HWEA had the following material construction projects underway:

<u>Project</u>	<u>Cost-to-Date</u>	<u>Estimated Cost to Complete</u>
Water Tank Rehab Project	\$ 63,798	\$ 1,873,006
US41A Improvements & Interconnect	1,671,004	20,000
Water Main Extension - Westside	232,686	1,680,976
FTC 20" Water Main Extension	457,422	3,675,207
Natural Gas Project - Phase 1	1,417,055	221,651
FTC 8" Natural Gas - Phase 2	1,009,460	10,656,847
Oak Grove Hwy 115/911 Project	-	5,371
Lovers Lane Water Main Relocation	-	14,638
Pennyrile Pkwy Extension - Clinic Drive	-	39,700
Phase 7 Priority 2 Rehab	4,309,426	11,500
Phase 7 Priority 3	<u>3,504</u>	<u>7,238,050</u>
Total	<u>\$ 9,164,355</u>	<u>\$ 25,436,946</u>



**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**8. Construction Commitments, continued**

At June 30, 2016, Stormwater had the following material construction projects underway:

<u>Project</u>	<u>Cost-to-Date</u>	<u>Estimated Cost to Complete</u>
Westwood/Boxwood Construction	\$ 111,000	\$ 19,000
7 <sup>th</sup> Street at Greenville Rd Construction	30,000	7,000
Sanderson at UHA Construction	18,000	4,000
9 <sup>th</sup> Street at Railroad Construction	30,000	6,000
S Main/Cox Mill/Railroad Construction	<u>29,000</u>	<u>6,000</u>
Total	<u>\$ 218,000</u>	<u>\$ 42,000</u>

**9. Deferred Outflows and Inflows of Resources**

The City reports a decrease in net assets that relate to future periods as deferred outflows of resources in a separate section of its statement of net position. The City has two types of deferred outflows of resources reported in the statement of net position: (1) a deferred amount arising from the refunding of bonds in a previous year and (2) the pension plan. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The deferred refunding amount is being amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows associated with the pension plan will be recognized as pension expense in future years.

The City reports an increase in net assets that relate to future periods as deferred inflows of resources in a separate section of its statement of net position. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The only deferred inflows of resources reported in the statement of net position are the deferred inflows of resources associated with the pension plan. This deferred inflow will be recognized as pension expense in future years.

The deferred outflows of resources for HWEA include deferred charges on various debt refundings and deferred outflows relating to HWEA's contributions to the pension plan. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. Those amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows relating to the pension plan will be recognized as a reduction of the net pension liability in a subsequent year.

The deferred inflows of resources for HWEA include deferred inflows associated with its pension plan that will be recognized in pension expense in future years and deferred revenue associated with the arrangement HWEA has with the U.S. Army Corps of Engineers (USACE) relating to financing the water and gas projects in Fort Campbell.

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**9. Deferred Outflows and Inflows of Resources, continued**

The deferred outflows of resources for Solid Waste include deferred amounts arising from the pension plan. The deferred outflows of resources associated with the pension plan will be recognized in pension expense in future years.

The deferred inflows of resources for Solid Waste include deferred amounts arising from the pension plan. The deferred inflows of resources with the pension plan will be recognized in pension expense in future years.

**10. Long-Term Obligations**

Long-term obligations are reported net of premiums and discounts. Premiums and discounts are amortized over the life of the debt to maturity.

During the year ended June 30, 2016, the following changes occurred in long-term liabilities:

	Principal Outstanding <u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	Principal Outstanding <u>June 30, 2016</u>	Due Within <u>One Year</u>
<b>Governmental Activities:</b>					
Compensated Absences	\$ 2,514,306	\$ 295,690	\$ 172,103	\$ 2,637,893	\$ 105,516*
Net Pension Liability (PFPF)	4,490,798	-	1,170,511	3,320,287	-
Net Pension Liability (CERS)	24,592,000	6,995,748	-	31,587,748	-
Capital Leases-City	-	514,396	-	514,396	97,491
Capital Leases- on behalf of component units	1,263,000	1,024,138	1,354,609	932,529	545,843
General Obligation Leases- on behalf of component units	1,462,918	-	252,085	1,210,833	257,083
General Obligation Bonds-City	18,349,059	-	673,059	17,676,000	1,087,083
General Obligation Bonds- on behalf of component units	26,900,000	-	1,395,000	25,505,000	1,640,000
Notes Payable-City	1,508,987	-	190,219	1,318,768	193,768
Plus: Unamortized Premium-City	123,910	-	16,266	107,644	-
Plus: Unamortized Premium- on behalf of component units	1,786,449	-	167,103	1,619,346	-
Less: Unamortized Discount-City	(31,427)	-	(1,456)	(29,971)	-
Less: Unamortized Discount- on behalf of component units	(9,286)	-	(2,139)	(7,147)	-
Total Governmental Activities	<u>\$ 82,950,714</u>	<u>\$ 8,829,972</u>	<u>\$ 5,387,360</u>	<u>\$ 86,393,326</u>	<u>\$ 3,926,784</u>

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**10. Long-Term Obligations, continued**

	Principal Outstanding July 1, 2015	<u>Additions</u>	<u>Reductions</u>	Principal Outstanding June 30, 2016	Due Within One Year
<b><u>Business-type Activities-HWEA:</u></b>					
Compensated Absences	\$ 415,451	\$ 153,651	\$ 208,276	\$ 360,826	\$ 165,425*
Revenue Bonds	3,610,500	-	377,500	3,233,000	387,500
Notes Payable	40,807,753	2,868,464	2,142,103	41,534,114	2,195,680
Revenue Leases	440,937	1,155,191	-	1,596,128	-
Payable to City of Hopkinsville:					
General Obligation Bonds	22,420,000	-	1,235,000	21,185,000	1,475,000
Net Pension Liability	3,708,000	1,373,523	-	5,081,523	-
Plus: Unamortized Premium	1,755,539	-	162,871	1,592,668	-
Less: Unamortized Discount	<u>(9,286)</u>	<u>-</u>	<u>(2,139)</u>	<u>(7,147)</u>	<u>-</u>
 Total Business-type Activities- HWEA	 <u>\$ 73,148,894</u>	 <u>\$ 5,550,829</u>	 <u>\$ 4,123,611</u>	 <u>\$ 74,576,112</u>	 <u>\$ 4,223,605</u>
<b><u>Business-type Activities-Solid Waste:</u></b>					
Compensated Absences	\$ 282,941	\$ 9,542	\$ -	\$ 292,483	\$ 43,872*
Payable to City of Hopkinsville:					
Capital Vehicle Leases	1,263,000	1,024,138	1,354,609	932,529	545,843
General Obligation Leases	1,462,918	-	252,085	1,210,833	257,083
Plus: Unamortized Premium	21,292	-	3,813	17,479	-
Net Pension Liability	2,286,000	852,976	-	3,138,976	-
Accrued Landfill Closing Costs	<u>4,183,614</u>	<u>318,510</u>	<u>-</u>	<u>4,502,124</u>	<u>-</u>
 Total Business-type Activities- Solid Waste	 <u>\$ 9,499,765</u>	 <u>\$ 2,205,166</u>	 <u>\$ 1,610,507</u>	 <u>\$ 10,094,424</u>	 <u>\$ 846,798</u>
<b><u>Business-type Activities-Stormwater:</u></b>					
Payable to City of Hopkinsville:					
General obligation bonds	\$ 4,480,000	\$ -	\$ 160,000	\$ 4,320,000	\$ 165,000
Plus: Unamortized Premium	<u>9,618</u>	<u>-</u>	<u>419</u>	<u>9,199</u>	<u>-</u>
 Total Business-type Activities- Stormwater	 <u>\$ 4,489,618</u>	 <u>\$ -</u>	 <u>\$ 160,419</u>	 <u>\$ 4,329,199</u>	 <u>\$ 165,000</u>
 Total Business-type Activities- Component Units	 <u>\$ 87,138,277</u>	 <u>\$ 7,755,995</u>	 <u>\$ 5,894,537</u>	 <u>\$ 88,999,735</u>	 <u>\$ 5,235,403</u>

\*The amount projected as due within one year for compensated absences is an estimate; the variables that determine these amounts cannot be absolutely determined, and are out of the control of the City's management.

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**10. Long-Term Obligations, continued**

For governmental activities, compensated absences, claims and judgments payable, net pension liability (PFPF), and net pension liability (CERS) are liquidated by the general fund.

**Capital Leases**

See Note 12 regarding capital leases.

**General Obligation Leases**

The Kentucky Bond Corporation (KBC) issued a general obligation lease agreement with the City on behalf of Solid Waste for \$1,835,000 in April 2011 for the purpose of funding the construction of a vertical expansion of the landfill and leachate treatment station located at the landfill. This lease agreement has a variable interest rate, 4.1% as of June 30, 2016, plus administrative fees, and matures in January 2021.

Branch Banking and Trust Company issued a general obligation lease agreement with the City on behalf of Solid Waste for \$400,000 in December 2013 for the acquisition, construction, installation, and equipping of a solid waste enterprise administration building. This lease agreement has a variable interest rate, 1.98% as of June 30, 2016, and matures in December 2019.

General obligation lease agreements are direct obligations and pledge the full faith and credit of the City.

Annual debt service requirements to maturity for general obligation lease agreements are as follows as of June 30, 2016:

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities Component Units	
	Principal	Interest	Principal	Interest
2017	\$ 257,083	\$ 42,080	\$ 257,083	\$ 42,080
2018	264,167	34,550	264,167	34,550
2019	277,083	25,886	277,083	25,886
2020	284,167	15,699	284,167	15,699
2021	<u>128,333</u>	<u>5,717</u>	<u>128,333</u>	<u>5,717</u>
Total	<u>\$ 1,210,833**</u>	<u>\$ 123,932**</u>	<u>\$ 1,210,833</u>	<u>\$ 123,932</u>

\*\* Governmental activities debt service requirements include component units debt service requirements since those bonds were issued by the City on behalf of the component units.

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**10. Long-Term Obligations, continued**

**Notes Payable**

The City has a loan for a firetruck with Oshkosh Capital. The City has an installment note with the Bank of New York Mellon for the renovation of the City's eight parks.

HWEA has used KIA loans for the expansion and upgrade of the Wastewater Treatment System (Fund A), a new Water Treatment Facility (Fund B), and infrastructure to comply with the Safe Drinking Water Act (Fund F).

The outstanding debt related to notes payable at June 30, 2016, was:

<u>Governmental Activities:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance June 30, 2016</u>
Oshkosh Capital - \$610,706	2017	3%	\$ 118,768
Section 108 Guaranteed Loan - \$1,500,000	2031	2.50%	<u>1,200,000</u>
	Total		<u>\$ 1,318,768</u>
<u>Business-type Activities-HWEA:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance June 30, 2016</u>
KIA Fund A Wastewater - \$9,190,530	2016	1.2%	\$ -
KIA Fund A Wastewater - \$240,264	2017	1.2%	13,427
KIA Fund A Phase II - \$3,167,272	2018	1.8%	373,037
KIA Fund C Wastewater	2018	4.00 to 4.25%	125,000
KIA Fund A - \$614,521	2020	0.4%	117,239
KIA Fund A Phase III - \$834,891	2021	3.8%	245,936
KIA Fund B Water Plant - \$5,000,000	2026	1.9%	1,989,820
KIA Fund A Phase IV - \$4,583,635	2026	1.0%	2,352,153
KIA Fund A Phase V - \$2,469,924	2027	1.0%	1,423,011
KIA Fund F Drinking Water - \$1,513,593	2028	1.0%	944,122
KIA Fund F Water - \$3,887,432	2028	3.0%	2,686,140
KIA Fund F Water - \$8,800,000	2032	1.0%	7,383,936
KIA Fund A Sewer - \$483,710	2033	2.0%	422,839
KIA Fund A Sewer - \$7,488,282	2034	2.0%	6,866,546
KIA Fund A – loan not closed yet			<u>16,590,908</u>
	Total		<u>\$ 41,534,114</u>

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**10. Long-Term Obligations, continued**

**Notes Payable, continued**

Annual debt service requirements to maturity for notes payable are as follows as of June 30, 2016:

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities Component Units	
	Principal	Interest	Principal	Interest
2017	\$ 193,768	\$ 35,188	\$ 2,195,680	\$ 541,035
2018	75,000	30,495	2,223,112	501,567
2019	75,000	29,254	2,003,103	463,084
2020	75,000	27,821	2,020,067	429,236
2021	75,000	26,134	2,007,630	394,802
2022-2026	375,000	100,433	10,266,126	1,466,021
2027-2031	375,000	43,538	7,170,658	690,229
2032-2036	<u>75,000</u>	<u>1,298</u>	<u>13,647,738</u>	<u>169,499</u>
Total	<u>\$ 1,318,768</u>	<u>\$ 294,161</u>	<u>\$ 41,534,114</u>	<u>\$ 4,655,473</u>

As of June 30, 2016, HWEA has pledged future revenues of the water and sewer system to repay \$41,534,114 in total KIA loans established from 1996 through 2016; but they are subordinated to the existing revenue bonds. Principal and interest on these loans are payable through 2034, solely from the water and sewer system net revenues. Annual principal and interest on these loans are expected to require approximately 18% of such net revenues (based on principal and interest payments for the year ending June 30, 2017, as a percentage of net water and sewer system revenues for the year ended June 30, 2016, which totaled \$14,951,318). As of June 30, 2016, pledged future revenues totaled \$46,189,587, which was the amount of the remaining principal and interest payments on these KIA loans.

**General Obligation Bonds**

During the year ended June 30, 2004, the City issued general obligation bonds (Series 2003B) for the purpose of refunding a floating indebtedness obligation incurred by the City for an unfunded pension liability. This obligation matures in 2017 with interest rates ranging from 4.000% to 5.300%. Interest is due in semi-annual installments.

During the year ended June 30, 2006, the City issued general obligation bonds (Series 2004A) for the purpose of replacing the HVAC unit and roof. This obligation matured in 2016 with interest rates ranging from 3.000% to 3.750%. Principal and interest were due in monthly installments. This bond was paid off during the year ended June 30, 2016.

During the year ended June 30, 2011, the City issued general obligation bonds (Series 2010A) for the purpose of refinancing a KLC Pooled Lease Financing note for the construction of Tie Breaker Park and fire station. This obligation matures in 2019 with an interest rate of 2.500%. Principal and interest are due in monthly installments.

**CITY OF HOPKINSVILLE, KENTUCKY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**10. Long-Term Obligations, continued**

**General Obligation Bonds, continued**

During the year ended June 30, 2012, the City issued general obligation bonds (Series 2011A) for the purpose of refinancing two bond issues: (1) this portion was used for the acquisition and construction of Tie Breaker Family Aquatic Center, the Public Works Complex, and renovations at Gander Park and (2) this portion was for improvements to the Old First City Bank Building. For portion (1) of the bond issue, this obligation matures in 2026 with interest rates ranging from 2.000% to 3.125%. For portion (2) of the bond issue, this obligation matures in 2035 with interest rates ranging from 2.000% to 3.750%. Interest is due in semi-annual installments for both portions of this bond issue.

During the year ended June 30, 2012, the City issued general obligation bonds (Series 2011B) for the construction of a City administration building and the renovation of the current City administration building to become the police department. This obligation matures in 2037 with interest rates ranging from 2.000% to 3.750%. Interest is due in semi-annual installments.

During the year ended June 30, 2014, the City issued general obligation bonds (Series 2013C) for the construction of a City administration building and the renovation of the current City administration building to become the police department. This obligation matures in 2038 with interest rates ranging from 2.000% to 3.750%. Interest is due in semi-annual installments.

During the year ended June 30, 2015, the City issued general obligation bonds (Series 2014A) for \$2,545,000 for the financing of the City's portion of a conference center TIF, the U.S. Smokeless Tobacco project, and a visitor's center. This obligation matures in 2034 with interest rates ranging from 2.000% to 3.250%. Interest is due in semi-annual installments.

The following are general obligation bonds issued by the City on behalf of component units:

During the year ended June 30, 2014, the City, on behalf of HWEA, issued general obligation bonds (Series 2013B) for \$3,520,000 for the purpose of constructing a 2MG water tank and water mains along Eagle Way Bypass and US-41A and to pay other allowable expenditures including issuance costs. This obligation matures in 2034 with interest rates ranging from 2.000% to 4.500%. Interest is due in semi-annual installments. This obligation is secured by the full taxing authority of the City.

During the year ended June 30, 2014, the City, on behalf of Stormwater, issued general obligation refunding bonds (Series 2013A) for \$4,635,000 for the purpose of refinancing the 2009 KLC Bond for the acquisition, construction and installation of surface and stormwater projects within the City. This bond has a fixed interest rate of 2.00% and matures in March 2038. This obligation is secured by the full taxing authority of the City.

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**10. Long-Term Obligations, continued**

**General Obligation Bonds, continued**

During the year ended June 30, 2015, the City, on behalf of HWEA, issued tax-exempt general obligation bonds (Series 2014B) for \$1,700,000 for the purpose of helping finance the acquisition, construction, installation, and equipping of the Phase I Natural Gas Line and to pay other allowable expenditures including issuance costs. This obligation matures in 2038 with interest rates ranging from 1.500% to 6.625%. Interest is due in semi-annual installments. This obligation is secured by the full taxing authority of the City.

During the year ended June 30, 2015, the City, on behalf of HWEA, issued tax-exempt general obligation bonds (Series 2014C) for \$1,620,000 to currently refund and redeem the outstanding Kentucky Rural Water Finance Corporation revenue bonds dated March 3, 2004 and April 27, 2004 (Series 2001H and 2004B maturing in 2025 and 2029, respectively), the proceeds of which financed the acquisition, construction, installation, and equipping of extensions, additions, and improvements to the Oak Grove system. (These revenue bonds were assumed by HWEA upon HWEA's acquisition of the Oak Grove sewer system during the year ended June 30, 2008.) The Series 2014C General Obligation Bonds were also issued to pay other allowable expenditures including issuance costs. This current refunding took place to achieve debt service savings. This obligation matures in 2029 with interest rates ranging from 1.100% to 3.250%. Interest is due in semi-annual installments. This obligation is secured by the full taxing authority of the City.

During the year ended June 30, 2015, the City, on behalf of HWEA, issued tax-exempt general obligation bonds (Series 2015A) for \$15,710,000 to advance refund the outstanding Series 2005A Revenue Bonds, the proceeds of which financed the acquisition, construction, equipping, and installation of a 36-inch raw water line from Lake Barkley to the Moss Raw Water Treatment Plant and appurtenances, including a raw water intake. The Series 2015A General Obligation Bonds were also issued to pay other allowable expenditures including issuance costs. This advance refunding took place to achieve debt service savings. This obligation matures in 2026 with an interest rate of 4.000%. Interest is due in semi-annual installments. This obligation is secured by the full taxing authority of the City.

<u>Governmental Activities:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance June 30, 2016</u>
Kentucky League of Cities Funding GO, 2003 Series B - \$1,034,000	2017	4%-5.3%	\$ 196,000
Kentucky League of Cities Funding GO, 2004 Series A - \$1,250,000	2016	3%-3.75%	-
Kentucky Bond Corporation GO, 2010 First Series A - \$1,055,000	2019	2.50%	320,000
Kentucky Bond Corporation GO, 2011 Series A - \$4,965,000	2026/2035	2%-3.75%	3,675,000
Kentucky Bond Corporation GO, 2011 Series B - \$7,220,000	2037	2%-3.75%	7,020,000



**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**10. Long-Term Obligations, continued**

**General Obligation Bonds, continued**

<u>Governmental Activities:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance June 30, 2016</u>
US Bank National Association GO, 2013 Series C - \$3,965,000	2038	2%-3.75%	3,965,000
US Bank National Association GO, 2014 Series A - \$2,545,000	2034	2%-3.25%	<u>\$ 2,500,000</u>
Bonds issued directly to the City			17,676,000
 <u>Issued on behalf of component units:</u>			
US Bank National Association GO, 2013 Series B - \$3,520,000	2034	2%-4.50%	3,255,000
US Bank National Association GO, 2014 Series B - \$1,700,000	2038	1.50%-6.625%	1,700,000
US Bank National Association GO, 2014 Series C - \$1,620,000	2029	1.10%-3.25%	1,500,000
US Bank National Association GO, 2015 Series A - \$15,710,000	2026	4%	14,730,000
US Bank National Association GO, 2013 Series A - \$4,635,000	2038	2%	<u>4,320,000</u>
Bonds issued on behalf of component units			<u>25,505,000</u>
Total bonds issued in the City's name			43,181,000
Plus: Unamortized bond premium			1,726,990
Less: Unamortized bond discount			<u>(37,118)</u>
Total			<u>\$ 44,870,872</u>
 <u>Business-type Activities-HWEA:</u>			
Due to City of Hopkinsville, US Bank	2034	2%-4.50%	\$ 3,255,000
Due to City of Hopkinsville, US Bank	2038	1.5%-6.625%	1,700,000
Due to City of Hopkinsville, US Bank	2029	1.1%-3.25%	1,500,000
Due to City of Hopkinsville, US Bank	2026	4%	<u>14,730,000</u>
			21,185,000
Plus: Unamortized bond premium			1,592,668
Less: Unamortized bond discount			<u>(7,147)</u>
Total			<u>\$ 22,770,521</u>

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**10. Long-Term Obligations, continued**

**General Obligation Bonds, continued**

<u>Business-type Activities-Stormwater:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance June 30, 2016</u>
Due to City of Hopkinsville, US Bank	2038	2%	\$ 4,320,000
Plus: Unamortized bond premium			<u>9,199</u>
	<b>Total</b>		<b><u>\$ 4,329,199</u></b>

Annual debt service requirements to maturity for general obligation bonds are as follows as of June 30, 2016:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities Component Units</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 2,727,083	\$ 1,523,800	\$ 1,640,000	\$ 923,010
2018	2,801,000	1,450,306	1,690,000	865,140
2019	2,797,917	1,371,134	1,820,000	803,913
2020	2,840,000	1,290,433	1,880,000	739,693
2021	2,565,000	1,209,808	1,950,000	671,187
2022-2026	13,785,000	4,702,893	10,440,000	1,969,800
2027-2031	6,620,000	2,611,546	2,740,000	957,398
2032-2036	6,705,000	1,359,105	2,210,000	439,242
2037-2038	<u>2,340,000</u>	<u>211,926</u>	<u>1,135,000</u>	<u>93,746</u>
Total	<u>\$ 43,181,000**</u>	<u>\$15,730,951**</u>	<u>\$ 25,505,000</u>	<u>\$ 7,463,129</u>

\*\* Governmental activities debt service requirements include component units debt service requirements since those bonds were issued by the City on behalf of the component units.

**Revenue Bonds**

During the year ended June 30, 2008, HWEA acquired the sewerage system of the City of Oak Grove; and as part of that acquisition, HWEA agreed to assume the debt relating to the City of Oak Grove sewerage system. One such obligation was a revenue bond issued in 1998, the proceeds of which were used for the expansion and upgrade of existing systems. This obligation matures in 2021. Interest rates range from 3.750% to 4.900%. Interest is due in semi-annual installments. Two other obligations assumed by HWEA as a result of this acquisition were two Kentucky Rural Finance revenue bonds issued in 2004 (both of which were refunded during the year ended June 30, 2015, with the 2014C general obligation bond issued by the City on behalf of HWEA).

During the year ended June 30, 2005, the City, on behalf of HWEA, issued Series 2005A Revenue Bonds, the proceeds of which were used to fund the Lake Barkley Raw Water Project. This obligation was originally set to mature in 2026 with interest rates ranging from 3.375% to 4.000%. The interest was due in semi-annual installments. During the year ended June 30, 2015, these revenue bonds were advance refunded with the proceeds of the Series 2015A General Obligation Bonds issued by the City on behalf of HWEA.

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**10. Long-Term Obligations, continued**

**Revenue Bonds, continued**

Also during the year ended June 30, 2005, the City, on behalf of HWEA, issued Series 2005B Revenue Bonds, the proceeds of which were used to refund older bonds. This obligation matures in 2017. Interest rates range from 3.000% to 3.750%. Interest is due in semi-annual installments.

During the year ended June 30, 2010, the City, on behalf of HWEA, issued Series 2010B Revenue Bonds to fund the expansion of the Moss Water Treatment Plant. This obligation matures in 2030. Interest rates range from 3.200% to 4.400%. Interest is due in semi-annual installments.

Revenue bonds are direct obligations and pledge the income derived from the acquired assets and other sources to pay debt service. Revenue bonds currently outstanding are as follows:

<u>Business-type Activities-HWEA:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance June 30, 2016</u>
Water Sewer Facilities-1998-\$1,650,000	10/01/2021	3.75% to 4.90%	\$ 425,000
Water Sewer Facilities-2005B-\$1,545,000	10/01/2017	3.00% to 3.75%	160,000
Water Sewer Facilities-2010B-\$3,588,000	04/01/2030	3.20% to 4.40%	<u>2,648,000</u>
	<b>Total</b>		<b><u>\$ 3,233,000</u></b>

Annual debt service requirements projected to maturity for revenue bonds are as follows as of June 30, 2016:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities Component Units</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ -	\$ -	\$ 387,500	\$ 132,988
2018	-	-	237,500	121,276
2019	-	-	249,000	111,683
2020	-	-	261,500	101,341
2021	-	-	272,500	90,039
2022-2026	-	-	995,000	309,026
2027-2030	<u>-</u>	<u>-</u>	<u>830,000</u>	<u>84,459</u>
<b>Total</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,233,000</u></b>	<b><u>\$ 950,812</u></b>

As of June 30, 2016, HWEA has pledged future revenues of the water and sewer system to repay \$3,233,000 in total revenue bonds. Principal and interest on these bonds are payable through 2030, solely from the water and sewer system net revenues. Annual principal and interest on these bonds are expected to require approximately 3% of such net revenues (based on principal and interest payments for the year ending June 30, 2017, as a percentage

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**10. Long-Term Obligations, continued**

**Revenue Bonds, continued**

of net water and sewer system revenues for the year ended June 30, 2016, which totaled \$14,951,318). As of June 30, 2016, pledged future revenues totaled \$4,183,812 which is the amount of the remaining principal and interest payments on these bonds.

**Revenue Leases**

**Water Main**

During the year ended June 30, 2016, HWEA entered into an agreement with the United States Army Corps of Engineers (USACE) for the design and construction of approximately 4.4 miles of 16" ductile iron water main in order to serve the Fort Campbell Army Post with a redundant connection for domestic water supply. In order to help finance the construction project, the City, on behalf of HWEA, entered into a lease agreement with a local bank in which draws can be made from the lease as construction progresses, the aggregate of which cannot exceed \$4,838,823. The interest rate on this lease agreement is 4.00%.

During the period of construction, interest will accrue daily on the total advances made, but will not be payable until the first day of the month that is at least thirty days after the end of the construction period. At that same time, a lump sum payment of \$2.5 million will be made, which will include accrued but unpaid interest. The remainder of the unpaid principal balance plus interest will be payable in 120 equal monthly installments based on a payment schedule that will be established at the end of the construction period. Repayment of the amounts associated with this lease will come from payments received from USACE. This lease matures July 1, 2027.

**Natural Gas Pipeline**

During the year ended June 30, 2016, HWEA entered into another agreement with USACE for the design and construction of approximately 7.9 miles of 8" natural gas pipeline in order to serve the Fort Campbell Army Post with a redundant connection of natural gas supply. In order to help finance this construction project, the City, on behalf of HWEA, entered into a lease agreement with a local bank in which draws can be made from the lease as construction progresses, the aggregate of which cannot exceed \$10,951,730. The interest rate on this lease agreement is 4.50%.

During the period of construction, interest will accrue daily on the total advances made, but will not be payable until the first day of the month that is at least thirty days after the end of the construction period. At that same time, a lump sum payment of \$2.4 million will be made, which will include accrued but unpaid interest. The remainder of the unpaid principal balance plus interest will be payable in 120 equal monthly installments based on a payment schedule that will be established at the end of the construction period. Repayment of amounts associated with this lease will come from payments received from USACE. This lease matures July 1, 2027.

**CITY OF HOPKINSVILLE, KENTUCKY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**10. Long-Term Obligations, continued**

**Defeasance of Debt and Current and Advance Refunding**

As noted above, the City and HWEA have issued refunding bonds to defease certain outstanding bonds for the purpose of consolidation and to achieve debt service savings. The proceeds from these refunding bonds have been placed in an irrevocable trust to provide for all future debt payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the City's or HWEA's financial statements. Although defeased, the refunded debt from these earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues. At June 30, 2016, the amount of bonds outstanding considered defeased is undeterminable.

Current and advance refundings have resulted in defeasance losses that are being amortized over the life of the refunding bonds. The unamortized losses at June 30, 2016 are shown on the statement of net position as deferred refunding costs under Deferred Outflows of Resources. Amortization has been included in interest expense and was \$2,799 for the City and \$74,060 for HWEA for the year ended June 30, 2016.

**11. Interest Capitalization**

Total interest cost incurred for the City for the year ended June 30, 2016 was \$584,245. Interest capitalized was \$76,600, and interest cost expensed was \$507,645 for the year ended June 30, 2016.

Total interest cost incurred for HWEA for the year ended June 30, 2016 was \$1,793,204. Interest cost capitalized was \$404,066, and interest cost expensed was \$1,389,138 for the year ended June 30, 2016.

Solid Waste and Stormwater did not have any interest cost capitalized for the year ended June 30, 2016.

**12. Capital Leases**

In July 2015, the City leased a fire truck from Oshkosh Capital. The truck is leased at \$111,328 per year for a term of five years at an interest rate of 2.69%. The first annual payment is due in July 2016. The lease expires in July 2022.

The following is an analysis of the leased assets included in the City's property and equipment:

Equipment under capital leases	\$ 514,396
Less accumulated depreciation	<u>(102,879)</u>
Total	<u>\$ 411,517</u>

Amortization of leased equipment under capital assets is included in depreciation expense.

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**12. Capital Leases, continued**

The City's future minimum lease obligations as of June 30, 2016, were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total Lease Payments</u>	<u>Less Imputed Interest</u>	<u>Present Value of Minimum Lease Payments</u>
2017	\$ 111,328	\$ 13,837	\$ 97,491
2018	111,328	11,215	100,113
2019	111,328	8,522	102,806
2020	111,328	5,756	105,572
2021	<u>111,328</u>	<u>2,914</u>	<u>108,414</u>
Total	<u>\$ 556,640</u>	<u>\$ 42,244</u>	<u>\$ 514,396</u>

In August 2012, the City, on behalf of Solid Waste, entered into a capital lease agreement for two residential trucks. The vehicles are leased at \$79,766 per year for a term of six years at an interest rate of 3.30%. This first annual payment was due in September 2013. The lease expires in September 2018. There is a purchase option on each rental payment due date for the amount due on such date plus the purchase option price set forth in the lease agreement.

In September 2014, the City, on behalf of Solid Waste, entered into a capital lease agreement for two roll-off trucks. The vehicles are leased for interest only payments each month at an interest rate of 4.54%. A lump sum principal payment is due at the expiration date in April 2016. There is an option to purchase at any point during the agreement for the purchase price and accrued interest. This lease was paid off and the related property sold in September 2015.

In May 2015, the City, on behalf of Solid Waste, entered into a capital lease agreement for four trucks. The vehicles are leased for interest only payments each month at an interest rate of 4.54%. A lump sum principal payment is due at the expiration date in November 2016. There is an option to purchase at any point during the agreement for the purchase price and accrued interest. This lease was paid off and the related property sold in April 2016 and June 2016.

In July 2015, the City, on behalf of Solid Waste, entered into a capital lease agreement for two trucks. The vehicles are leased for interest only payments each month at an interest rate of 4.54%. A lump sum principal payment is due at the expiration date in January 2017. There is an option to purchase at any point during the agreement for the purchase price and accrued interest. This lease was paid off and the related property sold in June 2016.

In October 2015, the City, on behalf of Solid Waste, entered into a capital lease agreement for three trucks. The vehicles are leased for interest only payments each month at an interest rate of 4.54%. A lump sum principal payment is due at the expiration date in April 2017. There is an option to purchase at any point during the agreement for the purchase price and accrued interest.

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**12. Capital Leases, continued**

In April 2016, the City, on behalf of Solid Waste, entered into a capital lease agreement for two trucks. The vehicles are leased for interest only payments each month at an interest rate of 4.54%. A lump sum principal payment is due at the expiration date in October 2017. There is an option to purchase at any point during the agreement for the purchase price and accrued interest.

The following is an analysis of the leased assets included in Solid Waste's property and equipment:

Equipment under capital leases	\$1,215,314
Less accumulated depreciation	<u>(467,489)</u>
Total	<u>\$ 747,825</u>

Amortization of leased equipment under capital assets is included in depreciation expense.

Solid Waste's future minimum lease obligations as of June 30, 2016, were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total Lease Payments</u>	<u>Less Imputed Interest</u>	<u>Present Value of Minimum Lease Payments</u>
2017	\$ 581,953	\$ 36,110	\$ 545,843
2018	318,150	8,644	309,506
2019	<u>79,766</u>	<u>2,586</u>	<u>77,180</u>
Total	<u>\$ 979,869</u>	<u>\$ 47,340</u>	<u>\$ 932,529</u>

Stormwater leases the watershed lakes known as Lake Tandy, Lake Morris, and Lake Boxley located in Christian County, Kentucky from the Hopkinsville Water Environment Authority (HWEA). This lease is for Stormwater to use the watershed lakes for flood control and water storage activities. The term of this lease is for a period of twenty years beginning January 1, 2008, and ending December 31, 2027. The lessee or lessor may terminate the lease at any time during the lease period with a one year written notice as to its intent to terminate the lease. The lease shall be automatically extended by a twenty year period if no notice is given within the one year time period provided. Stormwater will pay the sum of \$1 per year to HWEA and further maintain property in the manner stated in the lease. Stormwater will provide insurance for coverage of activities on the premises. Also, Stormwater must honor existing lease agreements running with the premises.

Stormwater leases the watershed lake known as Lake Blythe located in Christian County, Kentucky from the City of Hopkinsville. The lease is for Stormwater to use the watershed lake for flood control and water storage activities. The term of this lease is for a period of twenty years beginning August 6, 2009, and ending August 5, 2029. The lessee or lessor may terminate the lease at any time during the lease period with a one year written notice as to its intent to terminate the lease. The lease shall be automatically extended by a twenty

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**12. Capital Leases, continued**

year period if no notice is given within the one year time period provided. Stormwater will pay the sum of \$1 per year to the City and further maintain property in the manner stated in the lease. Stormwater will provide insurance for coverage of activities on the premises. Also, Stormwater must honor existing lease agreements running with the premises.

**13. Interfund Transfers**

Transfers are used to (1) move revenues from the fund required by statute or budget to collect them to the fund required by statute or budget to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers for the year ended June 30, 2016, consisted of the following:

	Transfer From:					Total
	General Fund	Tie Breaker Family Fund	Grants Fund	City Hall/PD Construction Fund	Nonmajor Governmental Type	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tie Breaker Family Fund	125,000	-	-	-	-	125,000
Grants Fund	-	-	-	-	-	-
City Hall/PD Construction	-	-	-	-	-	-
Nonmajor Governmental Type	<u>1,998,594</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,660</u>	<u>2,027,254</u>
Total	<u>\$ 2,123,594</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,660</u>	<u>\$ 2,152,254</u>



**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**14. Fund Balance Classification**

The composition of the fund balance classifications at June 30, 2016 are as follows:

	<u>Major Fund</u>	Other	Total
	<u>General Fund</u>	<u>Governmental</u>	<u>Governmental</u>
		Funds	Funds
Fund balances:			
Nonspendable	\$ -	\$ -	\$ -
Restricted:			
Streets and sidewalks	-	15,685	15,685
Police incentives	-	18,134	18,134
Fire incentives	-	27,666	27,666
Urban development action grant	-	809,297	809,297
Cemetery perpetual trusts	-	807,996	807,996
Capital projects	-	1,856,267	1,856,267
	<u>-</u>	<u>3,535,045</u>	<u>3,535,045</u>
Committed:			
Inner city development	401,927	-	401,927
Law enforcement	-	319,636	319,636
Capital projects	250,000	-	250,000
	<u>651,927</u>	<u>319,636</u>	<u>971,563</u>
Assigned:			
Major equipment purchases	82,492	-	82,492
Capital projects	168,320	-	168,320
Community services	27,500	-	27,500
Streets and sidewalks	-	250,023	250,023
	<u>278,312</u>	<u>250,023</u>	<u>528,335</u>
Unassigned	<u>9,614,977</u>	<u>-</u>	<u>9,614,977</u>
Total fund balances	<u>\$ 10,545,216</u>	<u>\$ 4,104,704</u>	<u>\$14,649,920</u>

**CITY OF HOPKINSVILLE, KENTUCKY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**15. Claims and Judgments**

Various legal actions and proceedings and claims are pending or may be instituted or asserted against the City in the future, including those arising out of automobile accidents; employment-related matters; law enforcement and other.

Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not predictable with assurance. No accruals have been established for the matters discussed in the foregoing paragraph because the amount of possible loss or range of loss cannot be reasonably estimated.

**16. Community Development Loan Funds**

The community development loan funds within the special revenue funds result from federal grants to the Community Development Fund, which can only be used to provide funding for community improvement loan programs. These monies are refundable (repayable) to the granting federal agency to the extent that they are not used or the program is terminated.

**17. Contingencies**

Under the terms of other federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement of the grant monies to the granting agencies. City management believes that disallowances, if any, will be immaterial.

**18. Risk Management**

The City and its component units are 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 and its component units carry commercial insurance for these types of risk of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. Claim liabilities are based on estimates of the ultimate cost of reported claims and an estimate for claims incurred but not reported based on historical experience.

The City is a defendant in various matters of litigation of which management and legal counsel do not anticipate any material effect on the financial statements.

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**18. Risk Management, continued**

The Health Insurance Fund was established to account for the City's employee health care coverage program that is self-insured by the City. Revenues are recognized from payroll deductions for employee dependent coverage and from City contributions for employee coverage. At June 30, 2016, the claims liability was \$55,931 (a current liability to be paid with current assets). Changes in the claims liability during the last two years are as follows:

	<u>Balance at Beginning of Fiscal Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at End of Fiscal Year</u>
2014-2015	\$ 131,958	\$2,083,782	\$2,134,673	\$ 81,067
2015-2016	\$ 81,067	\$1,932,560	\$1,957,696	\$ 55,931

HWEA is also self-insured for employee health care coverage. HWEA's health insurance premiums are composed of a fixed and a variable portion. The variable portion is based on actual claims experienced during the year and fluctuates each month based on claims. Premiums accrued for health insurance are based on the year-to-date claims experience of HWEA. At June 30, 2016, the claims liability was \$93,042. Changes in the claims liability during the last two fiscal years are as follows:

	<u>Balance at Beginning of Fiscal Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at End of Fiscal Year</u>
2014-2015	\$56,910	\$1,056,203	\$1,016,224	\$96,889
2015-2016	\$96,889	\$ 766,229	\$ 770,076	\$93,042

**19. Closure and Postclosure Care Costs**

State and federal laws and regulations require the City's Solid Waste to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for up to thirty years after closure. The City closed its regular landfill on July 1, 1995. The City and, subsequently, Solid Waste have operated a separate landfill section as a construction demolition debris (CDD) landfill since June 30, 1995. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, Solid Waste reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of the statement of net position date.

Solid Waste's estimated landfill closure and postclosure care liability at June 30, 2016 was \$4,502,124. This represents the cumulative amount reported to date based on the use of the capacity of the landfill for areas 6, 7 and 9. As of June 30, 2016, areas 6 and 7 are closed and area 9 is the vertical expansion, which had capacity used of approximately 9% at June 30, 2016. These amounts are based on what it would cost to perform all closure and postclosure care in 2016 as estimated by the consulting engineer. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**CITY OF HOPKINSVILLE, KENTUCKY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**19. Closure and Postclosure Care Costs, continued**

As of June 30, 2016, the total amount of closure and postclosure costs are estimated to be \$7,722,614, leaving \$3,220,490 remaining to be recognized. The remaining life of the landfill is estimated to be 42 years.

The City of Hopkinsville and Solid Waste are required by state and federal laws and regulations to provide assurances that financial resources will be available to provide for landfill closure and postclosure care. Solid Waste is in compliance with these requirements, as determined by the Kentucky Natural Resources and Environmental Protection Cabinet, by entering into a performance agreement that calls for scheduled future annual funding contributions to the closure account. At June 30, 2016, \$2,282,653 is held for such purposes and reported in restricted investments on the statement of net position. The Solid Waste expects future inflation costs will be paid from these funds combined with the scheduled future funding and related investment income. However, if earnings are inadequate or additional postclosure care requirements are determined due to changes in technology, laws, regulations, or other, additional funding would be required.

**20. Deferred Revenues**

During the year ended June 30, 2015, HWEA entered into agreements with USACE to design and construct a natural gas pipeline and a water line to serve the Fort Campbell Army Post with a redundant connection for natural gas and domestic water. These construction projects are currently financed with loans from a local bank; but once the construction of these projects is complete, HWEA will be reimbursed for the full amount of the projects over a ten-year period by USACE. As a result of this arrangement, HWEA has recorded a receivable (with deferred revenue offsetting the receivable) for the amount of funds currently drawn on these loans. As USACE reimburses HWEA, the note receivable will be written down; and the deferred revenue balance will be amortized to revenue over the ten-year payment period. The balance of this receivable was \$1,615,319 at June 30, 2016.

**21. Related Party Transactions**

The following are related party transactions by the City with its three discretely presented component units: Hopkinsville Water Environment Authority (HWEA), Hopkinsville Solid Waste Enterprise (Solid Waste), and Hopkinsville Surface and Stormwater Utility (Stormwater), which are not disclosed elsewhere in the notes to the statements.

HWEA provides billing and cash collection services and leachate purification services for Solid Waste. HWEA had billed customers on behalf of Solid Waste \$238,723 as of June 30, 2016; and this is included in accounts receivable in the accompanying statements of net position. For the year ended June 30, 2016 and 2015, the total expense for billing and collection services was \$86,527. For the year ended June 30, 2016, the total expense for leachate purification services was \$119. At June 30, 2016, accounts payable for these services was \$13,853.

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**21. Related Party Transactions, continued**

The City assesses a percentage of Solid Waste revenue as payment in lieu of taxes. For the year ended June 30, 2016, the total expense for payment in lieu of taxes was \$205,638. At June 30, 2016, accounts payable for these payments was \$17,612.

Stormwater has contracted services with the City for bookkeeping services to be done by the City's Finance Department for \$850 each month. For the year ended June 30, 2016, the total expense for these services was \$10,200.

Stormwater has contracted services with Community and Development Services for administration services and code enforcement for \$15,000 per month. Total expense for these services was \$180,000 for the year ended June 30, 2016.

Stormwater has contracted services with HWEA for utility billing and cash collection services. For the year ended June 30, 2016, the total expense for these services was \$73,069. At June 30, 2016, accounts payable for these services was \$6,009.

For the year ended June 30, 2016, the City paid approximately \$1,027,765 and \$1,643,067 for salaries and benefits on behalf of two joint ventures, Hopkinsville-Christian County Emergency Communications Center and Hopkinsville-Christian County Ambulance Service District, respectively. These amounts were reimbursed by the joint ventures.

**22. Subsequent Events**

During the year ended June 30, 2015, the City entered into a grant agreement in the amount of \$2.9 million with Thompson Thrift for a retail development to be located at the intersection of Lover's Lane and Highway 41A. Subsequent to the year ended June 30, 2016, the City bonded the entire \$2.9 million grant.

Subsequent to the year ended June 30, 2016, the City, on behalf of Solid Waste, entered into a capital lease agreement for six 2017 Mack trucks for a total of \$1,252,954, a capital lease for three 2017 Mack trucks for a total of \$458,415, and a capital lease for three 2017 Mack trucks for a total of \$428,508.

Subsequent to the year ended June 30, 2016, HWEA entered into a contract with Moore Construction Company, Inc. of Clarksville, Tennessee for approximately 5.6 miles of twenty-inch ductile iron water main along US Highway 41A. This project will serve the Fort Campbell Army Post with a redundant connection for domestic water supply and has an estimated contract cost of \$4,473,826. Financing for the project is to be provided by a local bank.

**CITY OF HOPKINSVILLE, KENTUCKY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**23. Implementation of GASB Pronouncements**

**A. Accounting Pronouncements Adopted during the Fiscal Year ended June 30, 2016**

The financial statements of the City are prepared in conformity with the accounting principles generally accepted in the United States of America as applied to government units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. During the year ended June 30, 2016, the City adopted the following GASB pronouncements:

- Statement No. 72: *Fair Value Measurement and Application*
- Statement No. 73: *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- Statement No. 76: *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- Statement No. 79: *Certain External Investment Pools and Pool Participants*

The impact of GASB Statement No. 72, which gives a clearer definition of fair value, has been implemented in this report. GASB Statement No. 76 is intended to give a framework that simplifies the hierarchy of GAAP for state and local governments. GASB Statement Nos. 73 and 79 did not have an impact on financial reporting at this time.

**B. Future Implementation of GASB Pronouncements**

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

- Statement No. 74: *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (FY2017)*
- Statement No. 75: *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (FY2018)*
- Statement No. 77: *Tax Abatement Disclosures (FY2017)*
- Statement No. 78: *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans (FY2017)*
- Statement No. 80: *Blending Requirements for Certain Component Units (FY2017)*
- Statement No. 81: *Irrevocable Split-Interest Agreements (FY2017)*

**CITY OF HOPKINSVILLE, KENTUCKY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**23. Implementation of GASB Pronouncements, continued**

**B. Future Implementation of GASB Pronouncements, continued**

- Statement No. 82: *Pension Issues* (FY2018)
- Statement No. 83: *Certain Asset Retirement Obligations* (FY2019)

**24. The Single Audit Act**

The U.S. Office of Management and Budget's Uniform Administrative Requirements (2 CFR 200.501), Cost Principles, and Audit Requirements for Federal Awards, which replaced Circular No. A-133 for *Audits of States, Local Governments and Non-Profit Organizations*, requires non-federal entities that expend \$750,000 or more a year in federal awards to have an audit performed in accordance with the provisions of the guidance. A separate supplemental report will be issued on active grant programs of the City of Hopkinsville in accordance with applicable provisions of the Single Audit Act of 1984, P.L. 98-502 and the Single Audit Act Amendments of 1996, P.L. 104-156.

**REQUIRED SUPPLEMENTARY INFORMATION**



**City of Hopkinsville, Kentucky**  
**Schedule of Required Supplementary Information**  
**County Employees Retirement System (CERS)**  
**Schedules of City of Hopkinsville's Proportionate Share of the Net Pension Liability**  
**For the Year Ended June 30,**

	<u>2016</u>	<u>2015</u>
<b><u>Nonhazardous:</u></b>		
City's proportion of the net pension liability (asset)	0.146015%	0.143192%
City's proportionate share of the net pension liability (asset)	\$ 6,277,960	\$ 4,646,000
City's covered payroll	\$ 3,664,551	\$ 3,410,997
City's proportionate share of the net pension liability as a percentage of its covered payroll	171.32%	136.21%
Total pension plan's fiduciary net position	\$ 6,440,799,856	\$ 6,528,146,353
Total pension plan's pension liability	\$ 10,740,325,421	\$ 9,772,522,616
Total pension plan fiduciary net position as a percentage of the total pension liability	59.97%	66.80%
<b><u>Hazardous:</u></b>		
City's proportion of the net pension liability (asset)	1.648732%	1.659682%
City's proportionate share of the net pension liability (asset)	\$ 25,309,788	\$ 19,946,000
City's covered payroll	\$ 8,647,767	\$ 8,431,262
City's proportionate share of the net pension liability as a percentage of its covered payroll	292.67%	236.57%
Total pension plan's fiduciary net position	\$ 2,078,201,667	\$ 2,087,002,261
Total pension plan's pension liability	\$ 3,613,307,547	\$ 3,288,825,753
Total pension plan fiduciary net position as a percentage of the total pension liability	57.52%	63.46%

**Note:** This schedule is intended to present a 10-year trend per GASB 68. Additional years will be reported as incurred.

**Note:** Please read Note 6 in the notes to the basic financial statements regarding detailed information on the City's pension plans. The County Employees Retirement System measurement date is twelve months prior to the City's financial statements; the 2016 measurement date is June 30, 2015, and the 2015 measurement date is June 30, 2014.

**City of Hopkinsville, Kentucky**  
**Schedule of Required Supplementary Information**  
**County Employees Retirement System (CERS)**  
**Schedules of Component Unit's Proportionate Share of the Net Pension Liability**  
**For the Year Ended June 30,**

	<u>2016</u>	<u>2015</u>
<b>HWEA:</b>		
<b><u>Nonhazardous:</u></b>		
HWEA's proportion of the net pension liability (asset)	0.118190%	0.114295%
HWEA's proportionate share of the net pension liability (asset)	\$ 5,081,523	\$ 3,708,000
HWEA's covered payroll	\$ 3,131,198	\$ 2,766,612
HWEA's proportionate share of the net pension liability as a percentage of its covered payroll	162.29%	134.03%
Total pension plan's fiduciary net position	\$ 6,440,799,856	\$ 6,528,146,353
Total pension plan's pension liability	\$ 10,740,325,421	\$ 9,772,522,616
Total pension plan fiduciary net position as a percentage of the total pension liability	59.97%	66.80%
<b>Solid Waste:</b>		
<b><u>Nonhazardous:</u></b>		
Solid Waste's proportion of the net pension liability (asset)	0.073008%	0.070445%
Solid Waste's proportionate share of the net pension liability (asset)	\$ 3,138,976	\$ 2,286,000
Solid Waste's covered payroll	\$ 1,822,532	\$ 1,688,607
Solid Waste's proportionate share of the net pension liability as a percentage of its covered payroll	172.23%	135.38%
Total pension plan's fiduciary net position	\$ 6,440,799,856	\$ 6,528,146,353
Total pension plan's pension liability	\$ 10,740,325,421	\$ 9,772,522,616
Total pension plan fiduciary net position as a percentage of the total pension liability	59.97%	66.80%

**Note:** This schedule is intended to present a 10-year trend per GASB 68. Additional years will be reported as incurred.

**Note:** Please read Note 6 in the notes to the basic financial statements regarding detailed information on HWEA's and Solid Waste's pension plans. The County Employees Retirement System measurement date is twelve months prior to the City's financial statements; the 2016 measurement date is June 30, 2015, and the 2015 measurement date is June 30, 2014.

**City of Hopkinsville, Kentucky**  
**Schedules of Required Supplementary Information**  
**County Employees Retirement System (CERS)**  
**For the Years Ended June 30,**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><u>Nonhazardous:</u></b>			
Contractually required contributions	\$ 602,161	\$ 602,723	\$ 620,548
Contributions in relation to the contractually required contributions	<u>602,161</u>	<u>602,723</u>	<u>620,548</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,664,551	\$ 3,410,997	\$ 3,282,128
Contributions as a percentage of covered payroll	16.43%	17.67%	18.91%
 <b><u>Hazardous:</u></b>			
Contractually required contributions	\$ 2,790,174	\$ 2,892,766	\$ 3,000,986
Contributions in relation to the contractually required contributions	<u>2,790,174</u>	<u>2,892,766</u>	<u>3,000,986</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 8,647,767	\$ 8,431,262	\$ 8,400,784
Contributions as a percentage of covered payroll	32.26%	34.31%	35.72%

**Note:** This schedule is intended to present a 10-year trend per GASB 68. Additional years will be reported as incurred.

**Note:** Please read Note 6 in the notes to the basic financial statements regarding detailed information on the City's pension plans.

**City of Hopkinsville, Kentucky**  
**Schedules of Required Supplementary Information**  
**County Employees Retirement System (CERS)**  
**For the Years Ended June 30,**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Component units:</b>			
<b>HWEA:</b>			
<b><u>Nonhazardous:</u></b>			
Contractually required contributions	\$ 525,846	\$ 487,244	\$ 495,315
Contributions in relation to the contractually required contributions	<u>525,846</u>	<u>487,244</u>	<u>495,315</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,131,198	\$ 2,766,612	\$ 2,621,446
Contributions as a percentage of covered payroll	16.79%	17.61%	18.89%
<b>Solid Waste</b>			
<b><u>Nonhazardous:</u></b>			
Contractually required contributions	\$ 320,925	\$ 310,637	\$ 305,286
Contributions in relation to the contractually required contributions	<u>320,925</u>	<u>310,637</u>	<u>305,286</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,822,532	\$ 1,688,607	\$ 1,610,274
Contributions as a percentage of covered payroll	17.61%	18.40%	18.96%

**Note:** This schedule is intended to present a 10-year trend per GASB 68. Additional years will be reported as incurred.

**Note:** Please read Note 6 in the notes to the basic financial statements regarding detailed information on HWEA's and Solid Waste's pension plans.

**City of Hopkinsville, Kentucky**  
**Policemen's and Firefighter's Pension Fund**  
**Schedules of Changes in the Net Pension Liability and Related Ratios**  
**For the Years Ended June 30,**

	<u>2016</u>	<u>2015</u>
<b>Total Pension Liability</b>		
Service cost	\$ -	\$ -
Interest cost	212,523	267,915
Changes of benefit terms	-	-
Differences between expected and actual experience	(748,273)	(71,532)
Changes of assumptions	(235,376)	1,026,854
Benefit payments	(354,942)	(399,589)
Other	-	-
Net change in total pension liability	<u>(1,126,068)</u>	<u>823,648</u>
Total pension liability-beginning	<u>5,505,343</u>	<u>4,681,695</u>
Total pension liability-ending	<u><u>\$ 4,379,275</u></u>	<u><u>\$ 5,505,343</u></u>
<b>Plan Fiduciary Net Position</b>		
Contributions-employer	\$ 399,744	\$ 400,000
Contributions-employee	-	-
Net investment income	13,081	31,039
Benefit payments	(354,942)	(399,589)
Administration expenses	(13,440)	(6,405)
Other	-	-
Net change in plan fiduciary net position	<u>44,443</u>	<u>25,045</u>
Plan fiduciary net position-beginning	<u>1,014,545</u>	<u>989,500</u>
Plan fiduciary net position-ending	<u><u>\$ 1,058,988</u></u>	<u><u>\$ 1,014,545</u></u>
<b>Net Pension Liability</b>	<u><u>\$ 3,320,287</u></u>	<u><u>\$ 4,490,798</u></u>
Plan fiduciary net position as a percentage of the total pension liability	24.18%	18.43%
Covered-employee payroll	-	-
City's net pension liability as a percentage of covered-employee payroll	N/A	N/A

**Note:** Information was not available for ten years of reporting, but will be accumulated over time as it becomes available.

**Note:** Please read Note 6 in the notes to the basic financial statements regarding detailed information on the City's pension plans.

**City of Hopkinsville, Kentucky  
Policemen's and Firefighter's Pension Fund  
Schedules of Contributions  
For the Years Ended June 30,**

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 989,356	\$ 851,707
Contributions in relation to the actuarially determined contribution	<u>399,744</u>	<u>400,000</u>
Contribution deficiency (excess)	<u>\$ 589,612</u>	<u>\$ 451,707</u>
Covered-employee payroll	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	N/A	N/A

**Note:** Information was not available for ten years of reporting, but will be accumulated over time as it becomes available.

**Note:** Please read Note 6 in the notes to the basic financial statements regarding detailed information on the City's pension plans.

**City of Hopkinsville, Kentucky  
Policemen's and Firefighter's Pension Fund  
Schedules of Investment Return  
For the Years Ended June 30,**

	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	1.59%	3.92%

**Note:** Information was not available for ten years of reporting, but will be accumulated over time as it becomes available.

**Note:** Please read Note 6 in the notes to the basic financial statements regarding detailed information on the City's pension plans.

**City of Hopkinsville, Kentucky**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual (See <b>Note A</b> )	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 5,127,500	\$ 5,127,500	\$ 5,091,170	\$ (36,330)
Licenses and permits	22,151,500	22,351,500	22,210,818	(140,682)
Fines and forfeits	60,000	60,000	72,151	12,151
Intergovernmental	2,895,793	3,084,193	2,997,659	(86,534)
Charges for services	258,600	258,600	246,777	(11,823)
Interest	45,000	45,000	82,960	37,960
Other revenues	492,371	492,371	500,803	8,432
Total Revenues	<u>31,030,764</u>	<u>31,419,164</u>	<u>31,202,338</u>	<u>(216,826)</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Administrative	1,650,079	1,650,079	1,658,162	(8,083)
Tax department	686,615	670,621	654,840	15,781
Information technology	827,068	827,068	728,605	98,463
Legislative	338,308	338,308	331,974	6,334
Public safety:				
Police	7,224,660	7,187,510	6,841,066	346,444
Emergency communications	1,122,291	1,122,291	1,023,888	98,403
Fire	7,239,568	7,420,968	7,281,086	139,882
Other	1,266,505	1,266,505	1,157,575	108,930
Public works:				
Administrative	271,134	271,134	235,507	35,627
Street	1,827,875	1,778,010	1,643,390	134,620
Service center	364,031	364,031	353,459	10,572
Other	395,000	395,000	401,123	(6,123)
Community development	3,461,119	3,599,294	3,507,976	91,318
Parks and recreation	877,261	877,261	790,520	86,741
Debt service:				
Principal	673,059	673,059	673,059	-
Interest and finance charges	439,192	439,192	544,702	(105,510)
Capital outlays	-	240,834	240,834	-
Total Expenditures	<u>28,663,765</u>	<u>29,121,165</u>	<u>28,067,766</u>	<u>1,053,399</u>
Excess of revenues over (under) expenditures	2,366,999	2,297,999	3,134,572	836,573
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	-	-	-
Transfers in	421,363	421,363	421,363	-
Transfers out	<u>(2,788,362)</u>	<u>(3,298,279)</u>	<u>(3,353,544)</u>	<u>(55,265)</u>
Total Other Financing Sources (Uses)	<u>(2,366,999)</u>	<u>(2,876,916)</u>	<u>(2,932,181)</u>	<u>(55,265)</u>
Net change in fund balance	-	(578,917)	202,391	781,308
Fund balance, beginning of year	<u>10,059,705</u>	<u>10,059,705</u>	<u>10,059,705</u>	<u>-</u>
Fund balance, end of year	<u>\$ 10,059,705</u>	<u>\$ 9,480,788</u>	<u>\$ 10,262,096</u>	<u>\$ 781,308</u>



**CITY OF HOPKINSVILLE, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**ON BUDGETARY ACCOUNTING AND CONTROL**  
**For the Year Ended June 30, 2016**

**Stewardship, Compliance and Accountability**

Budgets and Budgetary Accounting:

Encumbrance accounting, under which purchase orders 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. Encumbrances outstanding at year end do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

The City reports financial position, results of operations and changes in fund balance on the modified-accrual basis of generally accepted accounting principles (GAAP). The budget for the General Fund is legally adopted based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Budgetary Comparison Schedule presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

A reconciliation of resultant basis, timing, perspective, and entity differences in the excess of expenditures and other financing uses over revenues and other financing sources for the year ended June 30, 2016, of the General Fund is presented below.

Excess (deficit) of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$ 202,391
---	------------

Adjustments:

To adjust expenditures for salary accruals	(117,791)
To adjust expenditures for payable accruals	67,334
To adjust revenues for tax and license accruals	<u>308,415</u>

Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u>\$ 460,349</u>
--	-------------------

**Note:** See Note A on the following page as an aid in the reconciliation of the Budgetary Comparison Schedule to the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.

**City of Hopkinsville, Kentucky**  
**Note to Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2016**

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

	General Fund <u>(Budgetary)</u>	Budgetary to GAAP Adjustments *	Special Revenue Funds	<u>Total</u>
<b>REVENUES</b>				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 31,202,338	\$ 31,202,338	\$ 35,619	\$ 31,237,957
Adjustments:				
The City budgets for receivables on the cash basis, rather than on the modified accrual basis	-	308,415	-	308,415
Budgetary Special Revenue Funds are consolidated into the General Fund, required for GAAP reporting	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the budgetary comparison schedule	<u>31,202,338</u> +	<u>31,510,753</u>	<u>35,619</u>	<u>31,546,372</u> ^
<b>EXPENDITURES</b>				
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	(28,067,766)	(28,067,766)	-	(28,067,766)
Adjustments:				
The City budgets for payables on the cash basis, rather than on the modified accrual basis	-	67,334	-	67,334
The City budgets for payroll on the cash basis, rather than on the modified accrual basis	-	(117,791)	-	(117,791)
Budgetary Special Revenue Funds are consolidated into the General Fund, required for GAAP reporting	<u>-</u>	<u>-</u>	<u>(819,044)</u>	<u>(819,044)</u>
Total expenditures as reported on the budgetary comparison schedule	<u>(28,067,766)</u> +	<u>(28,118,223)</u>	<u>(819,044)</u>	<u>(28,937,267)</u> ^
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	421,363	421,363	-	421,363
Transfers out	(3,353,544)	(3,353,544)	808,587	(2,544,957)
Issuance of long-term debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,932,181)</u> +	<u>(2,932,181)</u>	<u>808,587</u>	<u>(2,123,594)</u> ^
Excess of revenues and other financing sources over/ (under) expenditures and other financing uses	<u>\$ 202,391</u> +	<u>\$ 460,349</u> **	<u>\$ 25,162</u>	<u>\$ 485,511</u> ^
Reclassifications:				
Budgetary Special Revenue Funds are consolidated into the General Fund, required for GAAP reporting	<u>\$ (808,587)</u>	<u>\$ -</u>	<u>\$ 808,587</u>	<u>\$ -</u>

\* Includes general fund on budgetary basis and adjustments to convert to GAAP basis

+ As reported on the budgetary comparison schedule

^ As reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds

\*\* As reported on the notes to required supplementary information (RSI) on budgetary accounting and control

**City of Hopkinsville, Kentucky  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2016**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Pooled cash and cash equivalents	\$ 1,010,182	\$ 1,147,836	\$ -	\$ 2,158,018
Non-pooled cash and cash equivalents	275,681	565,427	62,140	903,248
Investments	256,788	-	379,311	636,099
Loans receivable	264,335	-	-	264,335
Due from component unit	-	-	-	-
Other receivables	<u>438,615</u>	<u>-</u>	<u>-</u>	<u>438,615</u>
Total assets	<u>\$ 2,245,601</u>	<u>\$ 1,713,263</u>	<u>\$ 441,451</u>	<u>\$ 4,400,315</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 267,468	\$ 28,143	\$ -	\$ 295,611
Interfund payables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>267,468</u>	<u>28,143</u>	<u>-</u>	<u>295,611</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	1,408,474	1,685,120	441,451	3,535,045
Committed	319,636	-	-	319,636
Assigned	250,023	-	-	250,023
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,978,133</u>	<u>1,685,120</u>	<u>441,451</u>	<u>4,104,704</u>
Total liabilities and fund balances	<u>\$ 2,245,601</u>	<u>\$ 1,713,263</u>	<u>\$ 441,451</u>	<u>\$ 4,400,315</u>

**City of Hopkinsville, Kentucky**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2016**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Intergovernmental	\$ 3,061,700	\$ -	\$ -	\$ 3,061,700
Investment income	26,001	8,949	10,638	45,588
Insurance proceeds	-	14,585	-	14,585
Donations	-	60,615	-	60,615
Other	<u>111,583</u>	<u>108</u>	<u>13,012</u>	<u>124,703</u>
Total revenues	<u>3,199,284</u>	<u>84,257</u>	<u>23,650</u>	<u>3,307,191</u>
<b>EXPENDITURES</b>				
Current:				
General government	12,027	5,512	-	17,539
Public safety	527,333	45,095	-	572,428
Public works	208,589	1,981	-	210,570
Community development	239,635	7,953	-	247,588
Debt Service:				
Principal	75,000	115,219	-	190,219
Interest	32,336	7,207	-	39,543
Expenditures	-	-	-	-
Capital outlay	<u>2,056,720</u>	<u>3,098,462</u>	<u>-</u>	<u>5,155,182</u>
Total expenditures	<u>3,151,640</u>	<u>3,281,429</u>	<u>-</u>	<u>6,433,069</u>
Excess of revenues over (under) expenditures	<u>47,644</u>	<u>(3,197,172)</u>	<u>23,650</u>	<u>(3,125,878)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	108,032	1,919,222	-	2,027,254
Transfers out	(28,660)	-	-	(28,660)
Issuance of debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>79,372</u>	<u>1,919,222</u>	<u>-</u>	<u>1,998,594</u>
Net change in fund balances	127,016	(1,277,950)	23,650	(1,127,284)
Fund balances, beginning of year	<u>1,851,117</u>	<u>2,963,070</u>	<u>417,801</u>	<u>5,231,988</u>
Fund balances, end of year	<u>\$ 1,978,133</u>	<u>\$ 1,685,120</u>	<u>\$ 441,451</u>	<u>\$ 4,104,704</u>

**City of Hopkinsville, Kentucky  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2016**

	Municipal Road Aid	Community Development Block Grant	Police Incentive	Fire Incentive	Urban Development Action Grant	Drug Enforcement	Expendable Trust Funds	Grants	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>									
Pooled cash and cash equivalents	\$ 265,708	\$ -	\$ 18,134	\$ 27,666	\$ 544,962	\$ 153,712	\$ -	\$ -	\$ 1,010,182
Non-pooled cash and cash equivalents	-	-	-	-	-	165,924	109,757	-	275,681
Investments	-	-	-	-	-	-	256,788	-	256,788
Loans receivable	-	-	-	-	264,335	-	-	-	264,335
Due from component unit	-	-	-	-	-	-	-	-	-
Other receivables	-	50,763	-	-	-	-	-	387,852	438,615
<b>Total assets</b>	<b><u>\$ 265,708</u></b>	<b><u>\$ 50,763</u></b>	<b><u>\$ 18,134</u></b>	<b><u>\$ 27,666</u></b>	<b><u>\$ 809,297</u></b>	<b><u>\$ 319,636</u></b>	<b><u>\$ 366,545</u></b>	<b><u>\$ 387,852</u></b>	<b><u>\$ 2,245,601</u></b>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>LIABILITIES</b>									
Accounts payable	\$ -	\$ 50,763	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 216,705	\$ 267,468
Interfund payables	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>50,763</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>216,705</u></b>	<b><u>267,468</u></b>
<b>FUND BALANCES</b>									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	15,685	-	18,134	27,666	809,297	-	366,545	171,147	1,408,474
Committed	-	-	-	-	-	319,636	-	-	319,636
Assigned	250,023	-	-	-	-	-	-	-	250,023
Unassigned	-	-	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b><u>265,708</u></b>	<b><u>-</u></b>	<b><u>18,134</u></b>	<b><u>27,666</u></b>	<b><u>809,297</u></b>	<b><u>319,636</u></b>	<b><u>366,545</u></b>	<b><u>171,147</u></b>	<b><u>1,978,133</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 265,708</u></b>	<b><u>\$ 50,763</u></b>	<b><u>\$ 18,134</u></b>	<b><u>\$ 27,666</u></b>	<b><u>\$ 809,297</u></b>	<b><u>\$ 319,636</u></b>	<b><u>\$ 366,545</u></b>	<b><u>\$ 387,852</u></b>	<b><u>\$ 2,245,601</u></b>

**City of Hopkinsville, Kentucky**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended June 30, 2016**

	Municipal Road Aid	Community Development Block Grant	Police Incentive	Fire Incentive	Urban Development Action Grant	Drug Enforcement	Expendable Trust Funds	Grants	Total Nonmajor Special Revenue Funds
<b>REVENUES</b>									
Intergovernmental	\$ 633,512	\$ 296,586	\$ 220,916	\$ 268,407	\$ -	\$ -	\$ -	\$ 1,642,279	\$ 3,061,700
Investment income	1,888	-	-	-	2,119	1,229	20,765	-	26,001
Other revenue	-	-	-	-	-	111,333	250	-	111,583
<b>Total revenues</b>	<u>635,400</u>	<u>296,586</u>	<u>220,916</u>	<u>268,407</u>	<u>2,119</u>	<u>112,562</u>	<u>21,015</u>	<u>1,642,279</u>	<u>3,199,284</u>
<b>EXPENDITURES</b>									
General government	-	-	-	-	-	-	12,027	-	12,027
Public safety	-	-	221,504	262,182	-	19,795	-	23,852	527,333
Public works	208,453	-	-	-	-	-	136	-	208,589
Community development	-	189,250	-	-	10,000	-	-	40,385	239,635
Debt Service:									
Principal	-	75,000	-	-	-	-	-	-	75,000
Interest	-	32,336	-	-	-	-	-	-	32,336
Capital Outlay	436,273	-	-	-	-	-	119,761	1,500,686	2,056,720
<b>Total expenditures</b>	<u>644,726</u>	<u>296,586</u>	<u>221,504</u>	<u>262,182</u>	<u>10,000</u>	<u>19,795</u>	<u>131,924</u>	<u>1,564,923</u>	<u>3,151,640</u>
Excess of revenues over (under) expenditures	<u>(9,326)</u>	<u>-</u>	<u>(588)</u>	<u>6,225</u>	<u>(7,881)</u>	<u>92,767</u>	<u>(110,909)</u>	<u>77,356</u>	<u>47,644</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	106,695	-	-	-	-	-	1,337	-	108,032
Transfer out	-	-	-	-	-	(27,323)	(1,337)	-	(28,660)
Issuance of debt	-	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>106,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,323)</u>	<u>-</u>	<u>-</u>	<u>79,372</u>
Net change in fund balances	97,369	-	(588)	6,225	(7,881)	65,444	(110,909)	77,356	127,016
Fund balances, beginning of year	168,339	-	18,722	21,441	817,178	254,192	477,454	93,791	1,851,117
Fund balances, end of year	<u>\$ 265,708</u>	<u>\$ -</u>	<u>\$ 18,134</u>	<u>\$ 27,666</u>	<u>\$ 809,297</u>	<u>\$ 319,636</u>	<u>\$ 366,545</u>	<u>\$ 171,147</u>	<u>\$ 1,978,133</u>

**City of Hopkinsville, Kentucky  
Budgetary Comparison Schedule  
Municipal Road Aid Special Revenue Fund  
For the Year Ended June 30, 2016**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Intergovernmental	\$ 599,500	\$ 634,500	\$ 633,512	\$ (988)
Other	-	-	-	-
Interest	500	500	1,888	1,388
Total Revenues	600,000	635,000	635,400	400
<b>EXPENDITURES</b>				
Public works	706,695	305,422	210,042	95,380
Capital outlay	-	436,273	436,273	-
Total expenditures	706,695	741,695	646,315	95,380
Excess of revenues over/(under) expenditures	(106,695)	(106,695)	(10,915)	95,780
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	106,695	106,695	106,695	-
Transfers out	-	-	-	-
Total other financing sources (uses)	106,695	106,695	106,695	-
Net change in fund balance	-	-	95,780	95,780
Fund balance, beginning of year	168,339	168,339	168,339	-
Fund balance, end of year	\$ 168,339	\$ 168,339	\$ 264,119	\$ 95,780
Excess of revenues and other financing sources (uses) over expenditures and other financing uses (budgetary basis)			\$ 95,780	
Adjustments:				
To adjust expenditures for payable accruals			1,589	
Excess of revenues and other financing sources (uses) over expenditures and other financing uses (GAAP basis)			\$ 97,369	

**City of Hopkinsville, Kentucky  
Combining Balance Sheet  
Nonmajor Capital Projects Funds  
June 30, 2016**

	Capital Fund	Section 108 CDBG Loan Fund	City Hall/PD Construction Fund	Total Nonmajor Capital Projects Funds
<b>ASSETS</b>				
Pooled cash and cash equivalents	\$ 1,147,836	\$ -	\$ -	\$ 1,147,836
Non-pooled cash and cash equivalents	-	329,170	236,257	565,427
Loans receivable	-	-	-	-
Total assets	<u>\$ 1,147,836</u>	<u>\$ 329,170</u>	<u>\$ 236,257</u>	<u>\$ 1,713,263</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 28,143	\$ 28,143
Total liabilities	<u>-</u>	<u>-</u>	<u>28,143</u>	<u>28,143</u>
 <b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	1,147,836	329,170	208,114	1,685,120
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>1,147,836</u>	<u>329,170</u>	<u>208,114</u>	<u>1,685,120</u>
Total liabilities and fund balances	<u>\$ 1,147,836</u>	<u>\$ 329,170</u>	<u>\$ 236,257</u>	<u>\$ 1,713,263</u>



**City of Hopkinsville, Kentucky**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Capital Projects Funds**  
**For the Year Ended June 30, 2016**

	Capital Fund	Section 108 CDBG Loan Fund	City Hall/PD Construction Fund	Total Nonmajor Capital Projects Funds
<b>REVENUES</b>				
Investment income	\$ -	\$ 2,471	\$ 6,478	\$ 8,949
Insurance proceeds	14,585	-	-	14,585
Donations	60,615	-	-	60,615
Other revenue	-	-	108	108
	<u>75,200</u>	<u>2,471</u>	<u>6,586</u>	<u>84,257</u>
Total revenues				
<b>EXPENDITURES</b>				
Current:				
General government	5,512	-	-	5,512
Public safety	41,638	-	3,457	45,095
Public works	1,981	-	-	1,981
Community development	6,246	1,707	-	7,953
Debt service:				
Principal	115,219	-	-	115,219
Interest	7,207	-	-	7,207
Expenditures	-	-	-	-
Capital outlay	<u>1,057,175</u>	<u>-</u>	<u>2,041,287</u>	<u>3,098,462</u>
Total expenditures	<u>1,234,978</u>	<u>1,707</u>	<u>2,044,744</u>	<u>3,281,429</u>
Excess of revenues over (under) expenditures	<u>(1,159,778)</u>	<u>764</u>	<u>(2,038,158)</u>	<u>(3,197,172)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,269,222	-	650,000	1,919,222
Transfers out	-	-	-	-
Issuance of debt	-	-	-	-
Total other financing sources (uses)	<u>1,269,222</u>	<u>-</u>	<u>650,000</u>	<u>1,919,222</u>
Net change in fund balances	109,444	764	(1,388,158)	(1,277,950)
Fund balances, beginning of year	<u>1,038,392</u>	<u>328,406</u>	<u>1,596,272</u>	<u>2,963,070</u>
Fund balances, end of year	<u>\$ 1,147,836</u>	<u>\$ 329,170</u>	<u>\$ 208,114</u>	<u>\$ 1,685,120</u>

**SINGLE AUDIT SECTION**

**CITY OF HOPKINSVILLE, KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2016

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grant Identifying Number</u>	<u>Pass-Through to Subrecipients</u>	<u>Federal Expenditures</u>
<b>Highway Planning and Construction Cluster</b>				
<b>Department of Transportation</b>				
Highway Planning and Construction (Passed through Kentucky Transportation Cabinet)	20.205	PO2-628-1500000932	\$ -	\$ 815,052 *
Recreational Trails Program (Passed through Kentucky Department for Local Government)	20.219		-	79,125 *
Total Department of Transportation			-	894,177
Total Highway Planning and Construction Cluster			\$ -	\$ 894,177
<b>Highway Safety Cluster</b>				
<b>Department of Transportation</b>				
State and Community Highway Safety (Passed through Kentucky Transportation Cabinet)	20.600		\$ -	\$ 4,864
Occupant Protection Incentive Grants (Passed through Kentucky Transportation Cabinet)	20.602	PO2-625-1500000368-1	-	12,829
Total Department of Transportation			-	17,693
Total Highway Safety Cluster			\$ -	\$ 17,693
<b>Department of the Interior</b>				
Historic Preservation Fund Grants-In-Aid (Passed through Kentucky Heritage Council)	15.904	KY-15-108	\$ -	\$ 6,000
Total Department of the Interior			\$ -	\$ 6,000
<b>United States Department of Justice</b>				
Bulletproof Vest Partnership Program	16.607		\$ -	\$ 10,387
Total United States Department of Justice			\$ -	\$ 10,387
<b>Department of Housing and Urban Development</b>				
Community Development Block Grants / Entitlement Grants	14.218	B14-MC-210002 B15-MC-210002	\$ - 40,114	\$ 112,803 183,783
			40,114	296,586
Community Development Block Grants - Section 108 Loan Guarantees	14.248	B-10-MC-21-0002	-	1,707
Economic Development Initiative - Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	B-10-SP-KY-0104	-	511,464
Total Department of Housing and Urban Development			\$ 40,114	\$ 809,757
Total Expenditures of Federal Awards			\$ 40,114	\$ 1,738,014

\*Denotes major program

**CITY OF HOPKINSVILLE, KENTUCKY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For The Year Ended June 30, 2016**

**NOTE A - BASIS OF PRESENTATION**

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

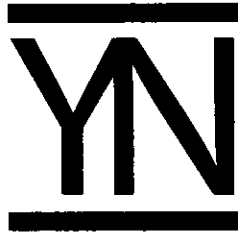
**NOTE B - SUBRECIPIENTS**

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Community Development Block Grant	14.218	<u>\$ 40,114</u>

**NOTE C – INDIRECT COST RATE**

The City of Hopkinsville has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.



**YORK, NEEL & ASSOCIATES, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' 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**

To the Honorable Mayor  
and City Council  
City of Hopkinsville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hopkinsville, Kentucky, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Hopkinsville, Kentucky's basic financial statements, and have issued our report thereon dated January 25, 2017.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

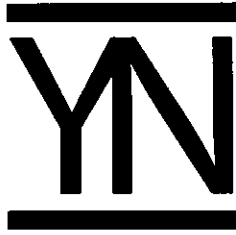
As part of obtaining reasonable assurance about whether the City of Hopkinsville, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

### **Purpose of this Report**

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

*York, Hill + Associates, LLP*

Hopkinsville, Kentucky  
January 25, 2017



**YORK, NEEL & ASSOCIATES, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Mayor  
and City Council  
City of Hopkinsville, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited the City of Hopkinsville, Kentucky's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Hopkinsville, Kentucky's major federal programs for the year ended June 30, 2016. City of Hopkinsville, Kentucky's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

City of Hopkinsville, Kentucky's basic financial statements include the operations of Hopkinsville Surface and Stormwater Utility (a discretely presented component unit), which expended \$1,176,308 in federal awards which is not included in the City of Hopkinsville, Kentucky's Schedule of Expenditures of Federal Awards for the year ended June 30, 2016. Our audit, described below, did not include the operations of Hopkinsville Surface and Stormwater Utility because Hopkinsville Surface and Stormwater Utility had a separately issued report in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Hopkinsville, Kentucky's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Hopkinsville, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Hopkinsville, Kentucky's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the City of Hopkinsville, Kentucky complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

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

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

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

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

*York, Neel + Associates, LLP*

Hopkinsville, Kentucky  
January 25, 2017



**CITY OF HOPKINSVILLE, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2016**

**Section I – Summary of Auditors’ Results**

*Financial Statements*

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   None reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? \_\_\_\_\_ Yes   X   No

Identification of major programs:

Name of Federal Program or Cluster:

Highway Planning and Construction Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No

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

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

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

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

**CITY OF HOPKINSVILLE, KENTUCKY**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2016**

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

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

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

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