

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



**For the Year Ended  
June 30, 2015**

**CITY OF HOPKINSVILLE  
HOPKINSVILLE, KENTUCKY**

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## **INDEPENDENT AUDITOR'S 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We 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  
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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, 2015, 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.

### ***Change in Accounting Principle***

As described in Note 25 to the financial statements, during the fiscal year ended June 30, 2015, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB No. 68*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension schedules on pages 4-15 and pages 91-97, 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 budgetary comparison information and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial

To the Honorable Mayor  
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statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The budgetary comparison information, 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 budgetary comparison information, 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 26, 2016, 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 + Co. - Hopkinsville, LLP*

Hopkinsville, Kentucky  
January 26, 2016

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

The City of Hopkinsville ('City') offers Management's Discussion and Analysis to provide a narrative overview and analysis of City financial activities for fiscal year ended June 30, 2015. 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 \$8.9 million (net position). This amount includes \$2.87 million that are restricted to specific projects by laws, regulations, or contractual agreements. A total of \$(19.5) 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 \$1.88 million this year. Net position of governmental activities increased \$1.95 million and net position of business-type activities decreased by \$78 thousand.
- As of June 30, 2015, the City's governmental funds reported combined ending fund balances of \$15.29 million, a decrease of \$2.33 million from the prior year. Approximately \$8.7 million, 56.57% of this total amount, is unassigned and available for spending.
- The City's governmental activities total debt increased overall by \$21.876 million. The debt increased by \$2.545 million due to the City's issuance of debt and decreased by \$860 thousand due to the repayment of debt. Debt increased by \$21.67 million due to the issuance of new debt on behalf of the two component units and decreased \$1.48 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 are 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, Miscellaneous Grants Fund, and City Hall/Police Department Construction Fund, which are considered to be major funds. Data from the other nine (9) 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 29-90 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 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 101-107 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 \$8.9 million, an increase of \$1.88 million over last year. Of the \$8.9 million, \$25.5 million or 287.04% was net investment in capital assets, and \$(19.496) million or (2.2)% was unrestricted. Net position of governmental activity funds total \$5.7 million, with \$22.4 million or 391.0% net investment in capital assets and \$(19.6) million or (341.2)% unrestricted. 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. The government as a whole reflects a positive balance.

### City of Hopkinsville Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 49,097,951	\$ 32,027,139	\$ 77,795	\$ 95,035	\$ 49,175,746	\$ 32,122,174
Capital assets	37,565,425	32,099,317	3,086,285	3,215,646	40,651,710	35,314,963
Deferred outflows of resources	3,550,304	57,614	-	-	3,550,304	57,614
Total assets	<u>\$ 90,213,680</u>	<u>\$ 64,184,070</u>	<u>\$ 3,164,080</u>	<u>\$ 3,310,681</u>	<u>\$ 93,377,760</u>	<u>\$ 67,494,751</u>
Long-term liabilities outstanding	\$ 80,220,644	\$ 32,532,728	\$ -	\$ -	\$ 80,220,644	\$ 32,532,728
Other liabilities	1,778,400	3,960,078	11,483	80,472	1,789,883	4,040,550
Deferred inflows of resources	2,481,000	-	-	-	2,481,000	-
Total liabilities	<u>\$ 84,480,044</u>	<u>\$ 36,492,806</u>	<u>\$ 11,483</u>	<u>\$ 80,472</u>	<u>\$ 84,491,527</u>	<u>\$ 36,573,278</u>
Net position:						
Net investment in						
Capital assets	\$ 22,421,528	\$ 22,565,797	\$ 3,086,285	\$ 3,215,646	\$ 25,507,813	\$ 25,781,443
Restricted	2,874,606	5,536,189	-	-	2,874,606	5,536,189
Unrestricted (deficit)	(19,562,498)	(410,722)	66,312	14,563	(19,496,186)	(396,159)
Total net position	<u>\$ 5,733,636</u>	<u>\$ 27,691,264</u>	<u>\$ 3,152,597</u>	<u>\$ 3,230,209</u>	<u>\$ 8,886,233</u>	<u>\$ 30,921,473</u>

The net position of the City's business-type activities total \$3.153 million. Of the net position total, \$3.086 million (97.9%) was net investment in capital assets with an unrestricted fund balance of \$66 thousand (2.1%).

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

The following table provides a summary of the City's operations for the year ended June 30, 2015. Governmental activities increased the City's net position by \$1.95 million, accounting for 52% of the change in the net position. Business-type activities decreased the City's net position by (\$77.6 thousand), which was (102%) of the total decrease.

### City of Hopkinsville – Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services and sales	\$ 2,086,258	\$ 2,072,960	\$ 273,318	\$ 230,421	\$ 2,359,576	\$ 2,303,381
Operating grants/contributions/interest	4,912,587	5,268,211	-	-	4,912,587	5,268,211
Capital grants/contributions	3,401,212	942,871	-	-	3,401,212	942,871
General revenues:						
Property taxes	5,127,669	4,898,273	-	-	5,127,669	4,898,273
Occupational taxes	15,552,181	14,277,464	-	-	15,552,181	14,277,464
Insurance premium tax	3,811,137	3,690,880	-	-	3,811,137	3,690,880
Franchise tax	267,793	335,450	-	-	267,793	335,450
Transient room tax	365,674	373,457	-	-	365,674	373,457
Investment income	13,948	37,183	147	181	14,095	37,364
Gain on sale of capital assets	-	-	-	-	-	-
Other	35,083	44,330	-	-	35,083	44,330
Total revenues	<u>\$ 35,573,542</u>	<u>\$ 31,941,079</u>	<u>\$ 273,465</u>	<u>\$ 230,602</u>	<u>\$ 35,847,007</u>	<u>\$ 32,171,681</u>

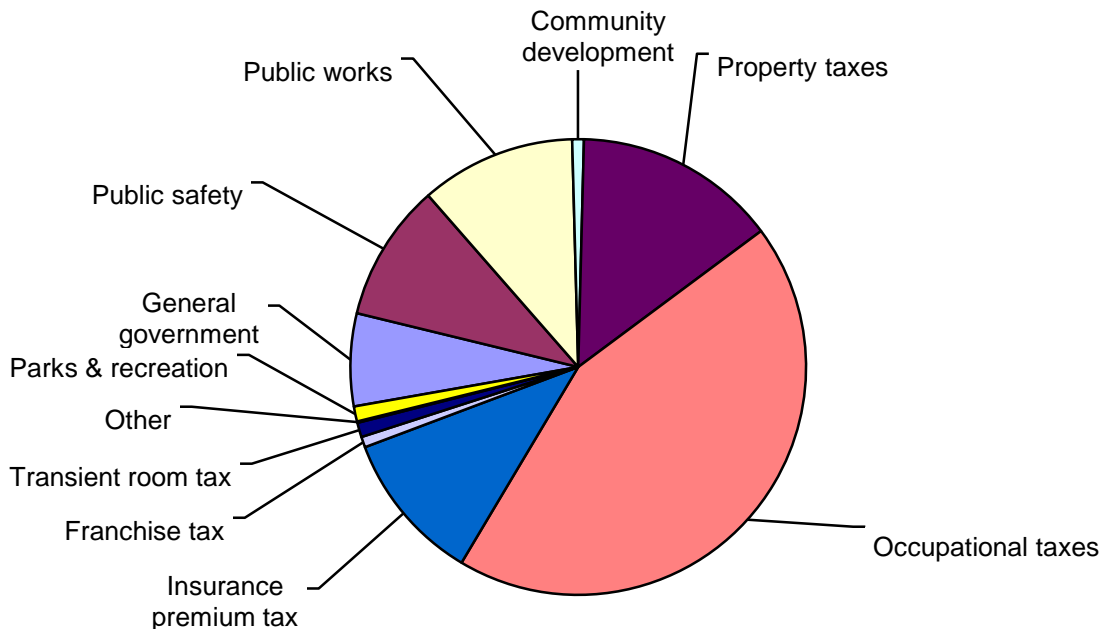
## City of Hopkinsville – Changes in Net Position, continued

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Expenses:						
General government	\$ 4,230,165	\$ 3,872,583	\$ -	\$ -	\$ 4,230,165	\$ 3,872,583
Public safety	16,212,725	18,055,200	-	-	16,212,725	18,055,200
Public works	3,579,965	4,239,474	-	-	3,579,965	4,239,474
Community development	8,241,340	4,696,599	-	-	8,241,340	4,696,599
Parks and recreation	931,703	609,433	-	-	931,703	609,433
Interest on long-term debt	299,837	335,925	-	-	299,837	335,925
Tie Breaker Family Aquatic	-	-	476,077	550,112	476,077	550,112
Total expenses	<u>\$ 33,495,735</u>	<u>\$ 31,809,214</u>	<u>\$ 476,077</u>	<u>\$ 550,112</u>	<u>\$ 33,971,812</u>	<u>\$ 32,359,326</u>
Change in net position before Transfers	\$ 2,077,807	\$ 131,865	\$ (202,612)	\$ (319,510)	\$ 1,875,195	\$ (187,645)
Transfers	(125,000)	(125,000)	125,000	125,000	-	-
Increase (decrease) in net position	1,952,807	6,865	(77,612)	(194,510)	1,875,195	(187,645)
Net position, beginning, as restated	3,780,829	27,684,399	3,230,209	3,424,719	7,011,038	31,109,118
Net position, ending	<u>\$ 5,733,636</u>	<u>\$ 27,691,264</u>	<u>\$ 3,152,597</u>	<u>\$ 3,230,209</u>	<u>\$ 8,886,233</u>	<u>\$ 30,921,473</u>

### B. Governmental Activities

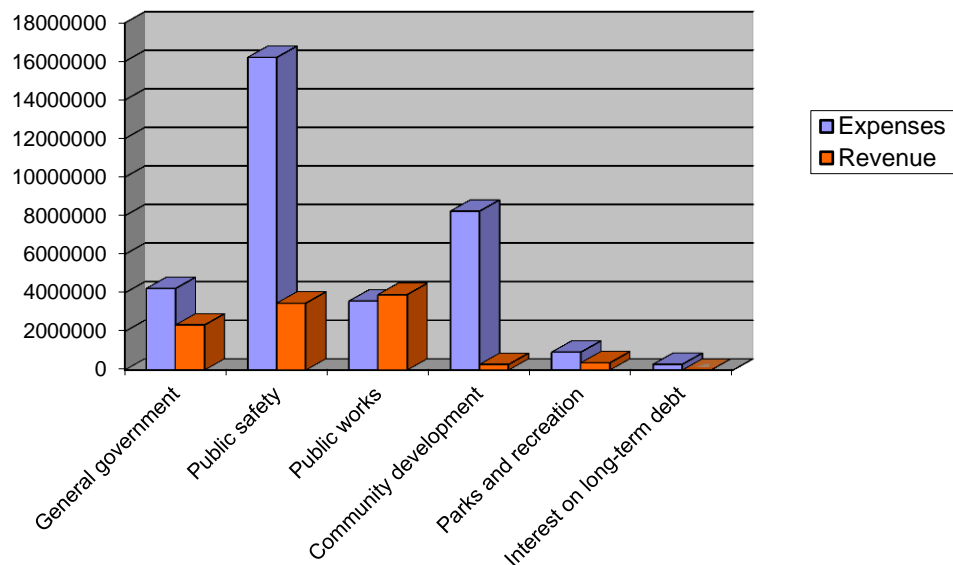
Total revenues for the City's governmental activities total \$35.6 million for the year ended June 30, 2015, compared to \$31.9 million last year. Occupational taxes total \$15.6 million or 43.7% of revenue. The second largest category of government revenues, property taxes, accounts for \$5.1 million, or 14.4% of total revenues. The third largest category of government revenues, operating grants/contributions/interest, accounts for \$4.9 million, or 13.8% of revenue. Insurance premium tax totals \$3.8 million, or 10.7% of total revenue. Miscellaneous sources account for \$35 thousand, or 0.01%.

### Revenue by Source – Governmental Activities



Current year total expenses of the City's governmental activities total \$33.5 million, compared to \$31.8 million last year. The increase is explained by wages increasing due to additional employees, a 1.5% cost of living adjustment given to all employees, and hiring seasonal employees for city maintenance. Public Safety expenses total \$16.2 million and account for 48.4% of total expenses. The second largest category of expenses, Community Development, totals \$8.2 million and accounts for 24.6% of expenses. General government is the next largest category and totals \$4.2 million, or 12.6% of expenses. Public Works totals \$3.6 million, or 10.7% of expenses.

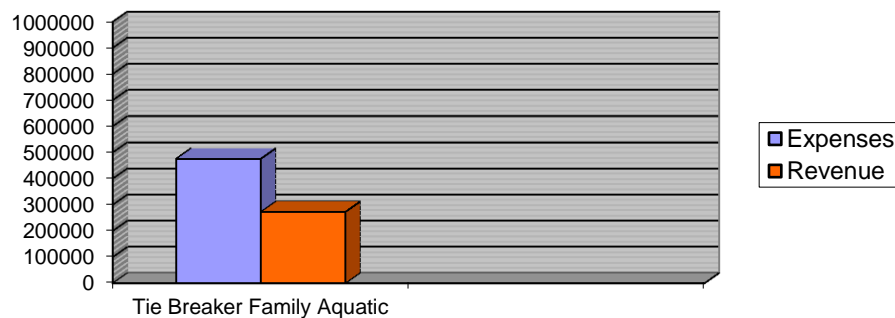
### Expenses and Program Revenues – Governmental Activities



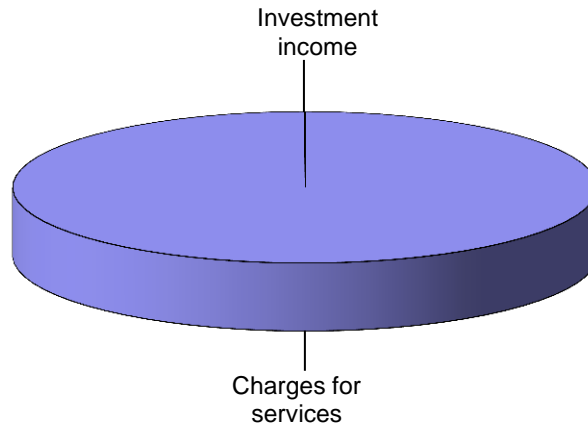
### C. Business-Type Activities

Revenues for business-type activities total \$273 thousand this fiscal year compared to \$231 thousand last year. Of this, \$273 thousand or 99.9% 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

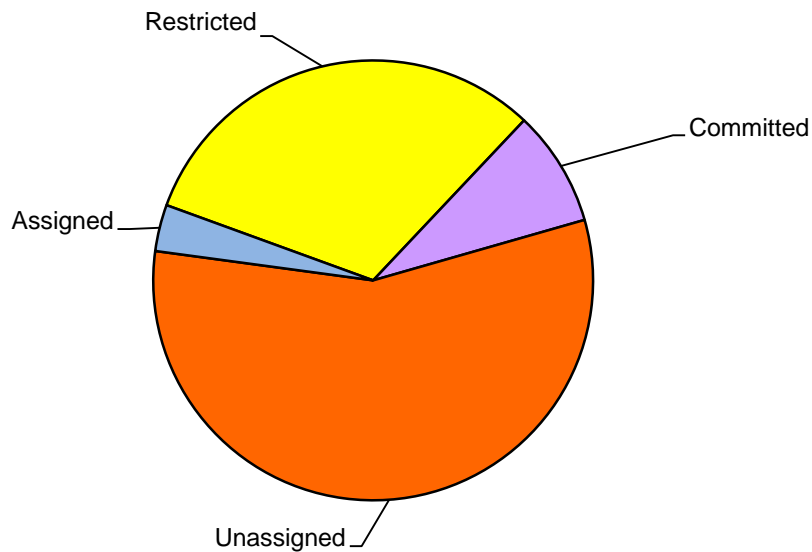


### D. Governmental Funds

At the end of the fiscal year, the City governmental funds reported combined ending fund balances of \$15.29 million, a decrease of \$2.33 million from the prior year. Approximately 56.6% of this total amount, \$8.65 million, is unassigned fund balance, which is available for spending at the government's discretion. Approximately 32.5%, \$4.97 million, is restricted fund balance. Approximately 2.4%, \$368 thousand, has been encumbered or is assigned. The remainder of fund balance, \$1.30 million, 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 shows a decrease of \$2.33 million 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 2014-15 fiscal year, the total fund balance in the General Fund was \$10.1 million, which represents a decrease of \$139 thousand from the prior year. Of this total, unassigned fund balance was \$8.7 million and reflected by 28.3% of General Fund revenues. 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 27.8% of total general fund expenditures of \$31.1 million, and total fund balance represents 32.3% of total general fund expenditures.

Taxes in General Fund increased \$227 thousand, which represents a 4.64% 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 \$963 thousand, which represents a 4.66% increase over prior year which indicates an improvement in the economy. The unemployment rate for Hopkinsville decreased from 10.0% to 6.4% from June 30, 2014 to June 30, 2015.

General government expenditures increased \$642 thousand, which represents an increase of 21.46% over prior year. The City has offered additional payroll rebates for new industry or industry growth. The City funded an additional \$150 thousand for the health trust fund and paid out \$179 thousand in sick leave payouts for employees retiring. Public works increased \$21.43 million or >100% over prior year. The debt the City issued on behalf of two of the component units is reflected in this increase. Community development expenditures increased \$3.57 million, which represents an 86.76% increase over prior year due to financing the infrastructure of the conference center TIF; financing the visitor's center; financing the U.S. Smokeless Tobacco Project; and starting the transportation system within the City.

Grants Fund revenue increased \$2.429 million, which represents >100% increase over prior year. This increase is reflected in grant money received from the Department of Housing and Urban Development to install a natural gas line.

The City Hall/Police Department Construction Fund capital outlay decreased \$(1.71) million, which represents a (44.82)% decreased from prior year. The decrease reflects the timing of the municipal center building being completed in August 2014.

## **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 to \$3.15 million as of June 30, 2015, compared to \$3.23 million last year.

The Water Park has total net position of \$3.15 million, representing a decrease of \$78 thousand from prior year. Of the total net assets, \$3.09 million was net investment in capital assets and \$66 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 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 \$629,799 or 2.25% during the year. The changes in appropriations can be briefly summarized as follows:

• \$	164,691	decrease in general administrative
• \$	23,100	increase in tax department
• \$	36,840	increase in information technology
• \$	1,780	increase in legislative
• \$	99,226	increase in police
•	-	increase in emergency communications
• \$	231,990	increase in fire
• \$	-	no change in other public safety
• \$	12,484	increase in public works administrative
• \$	43,054	increase in street
• \$	3,235	increase in service center
• \$	49,237	decrease in other public works
• \$	107,120	increase in community development
• \$	21,250	increase in parks and recreation
• \$	-	no change in debt service principal
• \$	-	no change in interest and finance charges
• \$	263,648	increase in capital outlays

The net increase to appropriations of \$629,799 was to be budgeted from the available fund balance. 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 \$887,834 decrease in actual appropriations in comparison to the budgeted appropriations. The most significant differences were due to an increase in the overtime as budgeted, hire lags in various departments, lower retirement rates, and lower workers compensation in the fire department than budgeted.

#### **V. Capital Asset and Debt Administration**

##### **A. Capital Assets**

The City's total investment in capital assets is \$40.65 million (net of accumulated depreciation) as of June 30, 2015, which represents an increase of \$5.34 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, investments totaled \$37.6 million, an increase of \$5.5 million. For business-type activities, investments totaled \$3.1 million, a decrease of \$129 thousand.

## V. Capital Asset and Debt Administration

### A. Capital Assets

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 1,881,400	\$ 1,881,400	\$ -	\$ -	\$ 1,881,400	\$ 1,881,400
Construction in progress	3,796,292	9,625,173	-	-	3,796,292	9,625,173
Land improvements	4,022,688	3,932,792	-	-	4,022,688	3,932,792
Buildings	13,059,903	4,831,991	3,007,528	3,103,705	16,067,431	7,935,696
Machinery and equipment	3,878,654	3,813,620	78,757	111,941	3,957,411	3,925,561
Infrastructure	<u>10,926,488</u>	<u>8,014,341</u>	<u>-</u>	<u>-</u>	<u>10,926,488</u>	<u>8,014,341</u>
Total	<u>\$37,565,425</u>	<u>\$32,099,317</u>	<u>\$3,086,285</u>	<u>\$ 3,215,646</u>	<u>\$40,651,710</u>	<u>\$35,314,963</u>

Additional information on City capital assets can be found in Note 4 in the footnotes at pages 50-53.

### B. Long-Term Debt

At June 30, 2015, the City had \$51.36 million in outstanding notes and bonds compared to \$29.49 million at June 30, 2014, an increase of \$21.87 million. The City issued new debt of \$2,545,000 during the year ended June 30, 2015. General obligation bonds were issued for financing the infrastructure in the conference center, U.S. Smokeless Tobacco project, and the visitor's center. The City, on behalf of one component unit, had total new debt of \$19,030,000 issued during the year ended June 30, 2015. The new debt is to be used to help fund the acquisition, construction, installation, and equipping of the Phase 1 Natural Gas Line and to refund and redeem certain revenue bonds that were used to finance the acquisition, construction, installation, and equipping of extensions, additions, and improvements to the Oak Grove system. Two separate capital leases for the total amount of \$968,970 were issued for two roll-off trucks and four trucks. The following table illustrates the changes in outstanding notes, bonds and capital leases:

	Governmental Activities	
	2015	2014
General Obligation bonds	\$ 48,590,909	\$ 26,498,140
Capital leases	1,263,000	1,293,457
Note payable	<u>1,508,987</u>	<u>1,695,763</u>
Total	<u>\$51,362,896</u>	<u>\$29,487,360</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 \$186,887,890. 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 at pages 69-80.

## **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 2015 was 6.4%. This rate compares unfavorably to state and federal unemployment rates, 5.1% and 5.3%, 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 2014-2015 budget for the City of Hopkinsville was prepared. The beginning general fund balance for fiscal year 2014-2015 was \$10,198,224, and has estimated an ending fund balance of \$10,057,339. 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, KY 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, KY 42240. Complete financial statements for the Hopkinsville Surface and Stormwater Utility component unit may be obtained at the entity's administrative office located at 710 South Main Street, Hopkinsville, KY 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, KY 42240.

**City of Hopkinsville, Kentucky**  
**Statement of Net Position**  
**June 30, 2015**

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
<b>ASSETS</b>				
Pooled cash and cash equivalents	\$ 10,713,156	\$ -	\$ 10,713,156	\$ -
Non-pooled cash and cash equivalents	442,267	77,795	520,062	9,073,026
Investments	35,181	-	35,181	-
Accounts receivable	-	-	-	1,897,124
Taxes receivable	2,489,068	-	2,489,068	-
Intergovernmental receivables	349,993	-	349,993	-
Other receivables	318,429	-	318,429	759,302
Other current assets	-	-	-	28,040
Internal balances	-	-	-	-
Due from component unit	16,979	-	16,979	-
Inventory	-	-	-	312,826
Prepaid insurance	-	-	-	26,450
Accrued interest on note receivable	-	-	-	485
Restricted assets:				
Due from Component Units				
Due within one year	2,026,306	-	2,026,306	-
Due beyond one year	29,386,061	-	29,386,061	-
Temporarily restricted:				
Cash and cash equivalents	2,593,689	-	2,593,689	7,623,355
Investments	309,021	-	309,021	2,496,312
Permanently restricted assets:				
Cash and cash equivalents	19,425	-	19,425	-
Investments	398,376	-	398,376	-
Capital Assets				
Land and construction in progress	5,677,692	-	5,677,692	10,519,948
Capital assets, net of accumulated depreciation	31,887,733	3,086,285	34,974,018	107,509,364
Total capital assets	37,565,425	3,086,285	40,651,710	118,029,312
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension	3,495,489	-	3,495,489	797,881
Deferred refunding costs	54,815	-	54,815	694,910
Total deferred outflows of resources	3,550,304	-	3,550,304	1,492,791
 Total assets and deferred outflows of resources	 \$ 90,213,680	 \$ 3,164,080	 \$ 93,377,760	 \$ 141,739,023
<b>LIABILITIES</b>				
Accrued salaries	\$ 762,926	\$ -	\$ 762,926	\$ -
Accounts payable	806,845	11,483	818,328	1,048,492
Accounts payable - restricted	-	-	-	77,613
Claims payable	81,067	-	81,067	-
Accrued interest	126,062	-	126,062	340,253
Transient bond deposits	1,500	-	1,500	-
Construction retainage payable	-	-	-	289,158
Construction contracts payable	-	-	-	1,349,400
Customer deposits	-	-	-	89,178
Due to primary government:				
Due within one year	-	-	-	2,026,306
Due beyond one year	-	-	-	29,386,061
Noncurrent liabilities:				
Due within one year	2,889,584	-	2,889,584	2,519,604
Due beyond one year	74,816,754	-	74,816,754	52,507,914
Compensated absences:				
Due within one year	117,937	-	117,937	498,552
Due beyond one year	2,396,369	-	2,396,369	436,354
Total liabilities	81,999,044	11,483	82,010,527	90,568,885
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - USACE	-	-	-	440,937
Pension	2,481,000	-	2,481,000	669,000
Total deferred inflows of resources	2,481,000	-	2,481,000	1,109,937
<b>NET POSITION</b>				
Net investment in capital assets	22,421,528	3,086,285	25,507,813	46,774,560
Restricted for:				
Capital projects	1,971,197	-	1,971,197	68,306
Debt reserves	-	-	-	1,386,982
Perpetual care:				
Expendable	480,994	-	480,994	-
Nonexpendable	422,415	-	422,415	-
Unrestricted (deficit)	(19,562,498)	66,312	(19,496,186)	1,830,353
Total net position	5,733,636	3,152,597	8,886,233	50,060,201
 Total liabilities, deferred inflows of resources, and net position	 \$ 90,213,680	 \$ 3,164,080	 \$ 93,377,760	 \$ 141,739,023

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, 2015**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		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	\$ (4,230,165)	\$ 1,823,804	\$ 512,253	\$ 2,446	\$ (1,891,662)	\$ -	\$ (1,891,662)	\$ -
Public safety	(16,212,725)	67,323	3,376,634	28,676	(12,740,092)	-	(12,740,092)	-
Public works	(3,579,965)	-	768,679	3,147,092	335,806	-	335,806	-
Community development	(8,241,340)	-	75,371	218,687	(7,947,282)	-	(7,947,282)	-
Parks and recreation	(931,703)	195,131	179,650	4,311	(552,611)	-	(552,611)	-
Interest on long-term debt	(299,837)	-	-	-	(299,837)	-	(299,837)	-
Total governmental activities	(33,495,735)	2,086,258	4,912,587	3,401,212	(23,095,678)	-	(23,095,678)	-
Business-type activities:								
Tie Breaker Family Aquatic	(476,077)	273,318	-	-	-	(202,759)	(202,759)	-
Total business-type activities	(476,077)	273,318	-	-	-	(202,759)	(202,759)	-
Total - primary government	\$ (33,971,812)	\$ 2,359,576	\$ 4,912,587	\$ 3,401,212	(23,095,678)	(202,759)	(23,298,437)	-
<b>COMPONENT UNITS</b>								
Hopkinsville Water Environment Authority	\$ (13,599,107)	\$ 14,659,265	\$ -	\$ 89,057	-	-	-	1,149,215
Hopkinsville Solid Waste Enterprise	(5,920,174)	6,600,719	-	-	-	-	-	680,545
Hopkinsville Surface and Stormwater Utility	(1,352,932)	1,143,427	210,535	250,487	-	-	-	251,517
Total - component units	\$ (20,872,213)	\$ 22,403,411	\$ 210,535	\$ 339,544	-	-	-	2,081,277
<b>GENERAL REVENUES</b>								
Property taxes					5,127,669	-	5,127,669	-
Occupational taxes					15,552,181	-	15,552,181	-
Insurance premium tax					3,811,137	-	3,811,137	-
Franchise tax					267,793	-	267,793	-
Transient room tax					365,674	-	365,674	-
Investment income					13,948	147	14,095	94,621
Gain (loss) on sale of capital assets					-	-	-	113,358
Other					35,083	-	35,083	217,851
Total general revenues					25,173,485	147	25,173,632	425,830
Transfers					(125,000)	125,000	-	-
Total general revenues & transfers					25,048,485	125,147	25,173,632	425,830
Change in net position before special items					1,952,807	(77,612)	1,875,195	2,507,107
Special items					-	-	-	1,370,658
Change in net position including special items					1,952,807	(77,612)	1,875,195	3,877,765
Net position, beginning of year, as restated					3,780,829	3,230,209	7,011,038	46,182,436
Net position, end of year					\$ 5,733,636	\$ 3,152,597	\$ 8,886,233	\$ 50,060,201

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

**City of Hopkinsville, Kentucky**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	Major Fund			Other	Total
	General	Grants	City Hall/PD Construction	Governmental Funds	Governmental Funds
<b>ASSETS</b>					
Pooled cash and cash equivalents	\$ 8,975,465	\$ -	\$ 2,093,370	\$ 2,200,425	\$ 13,269,260
Non-pooled cash and cash equivalents	100,349	-	-	519,744	620,093
Investments	-	-	-	707,397	707,397
Taxes receivable	1,932,439	-	-	-	1,932,439
Interest receivable	-	-	-	-	-
Interfund receivable	-	-	-	-	-
Intergovernmental receivables	46,540	-	-	-	46,540
Loans receivable	-	-	-	128,742	128,742
Due from component unit	-	-	-	-	-
Other receivables	-	509,736	-	384	510,120
Total assets	<u>\$ 11,054,793</u>	<u>\$ 509,736</u>	<u>\$ 2,093,370</u>	<u>\$ 3,556,692</u>	<u>\$ 17,214,591</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 230,662	\$ 415,945	\$ 497,098	\$ 14,767	\$ 1,158,472
Accrued salaries	762,926	-	-	-	762,926
Interfund payables	-	-	-	-	-
Bond issue cost payable	-	-	-	-	-
Transient bond deposits	1,500	-	-	-	1,500
Total liabilities	<u>995,088</u>	<u>415,945</u>	<u>497,098</u>	<u>14,767</u>	<u>1,922,898</u>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted	-	84,886	1,596,272	3,132,843	4,814,001
Committed	1,050,253	-	-	254,192	1,304,445
Assigned	359,231	8,905	-	154,890	523,026
Unassigned	8,650,221	-	-	-	8,650,221
Total fund balances	<u>10,059,705</u>	<u>93,791</u>	<u>1,596,272</u>	<u>3,541,925</u>	<u>15,291,693</u>
Total liabilities and fund balances	<u>\$ 11,054,793</u>	<u>\$ 509,736</u>	<u>\$ 2,093,370</u>	<u>\$ 3,556,692</u>	<u>\$ 17,214,591</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, 2015**

Total fund balance - total governmental funds	\$ 15,291,693
Amounts reported for governmental activities in the statement of net position are different because:	
Taxes receivable based on availability criteria; \$36,261 property taxes, \$486,892 insurance premium taxes, and \$33,476 franchise taxes.	556,629
Deferred outflows of resources - bond refinancing charges, amortizable over life of debt	54,815
Net pension liability and related deferred outflows and inflows of resources	332,925
Capital assets of \$65,893,613, net of accumulated depreciation of (\$28,328,188), are not financial resources and, therefore, are not reported in the funds. See note 4 for additional detail.	37,565,425
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 \$184,924 are included in governmental activities in the statement of net position	184,924
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.	(55,628,645)
Receivables from component units for long-term debt where the City is contingently liable and are not reported in the funds.	31,412,367
Accrued interest	<u>(126,062)</u>
Net position of governmental activities	29,644,071
Restatement of fund balance due to GASB 68	<u>(23,910,435)</u>
Net position of governmental activities, restated	<u>\$ 5,733,636</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 Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

	Major Fund			Other	Total
	General	Grants	City Hall/PD Construction	Governmental Funds	Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 5,125,358	\$ -	\$ -	\$ -	\$ 5,125,358
Licenses and permits	21,623,538	-	-	-	21,623,538
Fines and forfeits	67,323	-	-	-	67,323
Intergovernmental	1,723,533	3,178,727	-	1,507,225	6,409,485
Investment income	36,428	-	6,232	12,159	54,819
Donations	-	-	-	100	100
Charges for services	-	-	-	-	-
Other	2,008,041	-	2,446	95,226	2,105,713
Total revenues	30,584,221	3,178,727	8,678	1,614,710	35,386,336
<b>EXPENDITURES</b>					
Current:					
General government	3,630,710	-	99,180	81,697	3,811,587
Public safety	15,274,690	18,051	-	536,590	15,829,331
Public works	2,585,081	-	-	181,110	2,766,191
Community development	7,677,725	3,223,189	-	207,607	11,108,521
Parks and recreation	786,928	-	-	-	786,928
Debt service:					
Principal	628,156	-	-	236,776	864,932
Interest	175,553	-	-	428,383	603,936
Expenditures	77,400	-	-	-	77,400
Capital outlays	263,648	-	2,102,467	1,926,171	4,292,286
Total expenditures	31,099,891	3,241,240	2,201,647	3,598,334	40,141,112
Excess of revenues over (under) expenditures	(515,670)	(62,513)	(2,192,969)	(1,983,624)	(4,754,776)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds	-	-	-	2,044,464	2,044,464
Transfers to other funds	(2,167,849)	-	-	(1,615)	(2,169,464)
Proceeds of refunding debt	-	-	-	-	-
Premium on bond issue	-	-	-	-	-
Refunding debt redeemed	-	-	-	-	-
Issuance of long-term debt	2,545,000	-	-	-	2,545,000
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	377,151	-	-	2,042,849	2,420,000
Net change in fund balances	(138,519)	(62,513)	(2,192,969)	59,225	(2,334,776)
Fund balances, beginning of year	10,198,224	156,304	3,789,241	3,482,700	17,626,469
Fund balances, end of year	\$ 10,059,705	\$ 93,791	\$ 1,596,272	\$ 3,541,925	\$ 15,291,693

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, 2015**

Net change in fund balances - total governmental funds	\$ (2,334,776)
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 \$4,965,219 exceeded depreciation of (\$2,460,130) in the current period.	2,505,089
Governmental funds report construction in progress as expenditures. However, in the statement of activities, the cost of those assets is allocated to capital assets.	2,980,067
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.	(7,043)
Issuance of debt is revenue in the governmental funds, but the debt increases long-term liabilities in the statement of net position.	(2,545,000)
Debt premiums are expenditures in the governmental fund, but are deferred charges in the statement of net position.	(1,485)
Certain imposed nonexchange revenues were not recognized in the governmental funds because they were not available at June 30, 2015. The change in this account balance is a reconciling item for this statement.	191,327
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 \$108,903 is reported with governmental activities.	(160,622)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	864,933
Net pension liability and related deferred outflows and inflows of resources are an obligation of the City of Hopkinsville 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.	332,924
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 \$12,697 with an overall gain of \$1,071 less \$957 for commission expense for 2015.	(10,669)
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 (\$84,239), decrease in accrued interest of \$3,136, decrease in pension obligation of \$208,513, amortization of deferred charges of (\$2,799), and amortization of debt premium of \$13,451.	138,062
Change in net position of governmental activities	\$ 1,952,807
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, 2015**

	Business-type Activities Enterprise Funds	
	Major Fund	Governmental Activities- Internal Service Funds
	Tie Breaker Family Aquatic	
<b>ASSETS</b>		
Current assets:		
Pooled cash and cash equivalents	\$ -	\$ -
Non-pooled cash and cash equivalents	77,795	265,991
Accounts receivable	<u>-</u>	<u>-</u>
Total current assets	<u>77,795</u>	<u>265,991</u>
Noncurrent assets:		
Capital assets:		
Land and construction in progress	-	-
Capital assets, net of accumulated depreciation	<u>3,086,285</u>	<u>-</u>
Total noncurrent assets	<u>3,086,285</u>	<u>-</u>
Total assets	<u>\$ 3,164,080</u>	<u>\$ 265,991</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 11,483	\$ -
Accrued salaries	-	-
Incurred, not yet reported	-	81,067
Accrued landfill closing costs	-	-
Compensated absences	<u>-</u>	<u>-</u>
Total current liabilities	<u>11,483</u>	<u>81,067</u>
Noncurrent liabilities:		
Accrued landfill closing costs	-	-
Compensated absences	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>11,483</u>	<u>81,067</u>
<b>NET POSITION</b>		
Net investment in capital assets	3,086,285	-
Unrestricted	<u>66,312</u>	<u>184,924</u>
Total net position	<u>3,152,597</u>	<u>184,924</u>
Total liabilities and net position	<u>\$ 3,164,080</u>	<u>\$ 265,991</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, 2015**

	Business-type Activities Enterprise Funds	
	Major Fund	Governmental Activities- Internal Service Funds
	Tie Breaker Family Aquatic	
<b>OPERATING REVENUES</b>		
Charges for services	\$ 273,318	\$ -
Employee contributions	-	450,347
Employer contributions	-	1,706,219
Insurance reimbursement	-	-
Other income	-	-
Total operating revenues	<u>273,318</u>	<u>2,156,566</u>
<b>OPERATING EXPENSES</b>		
Salaries, wages and benefits	-	-
Lease expense	-	-
Management contract	173,843	-
Maintenance	21,192	-
Marketing	61,331	-
Operations	12,832	-
Utilities	71,227	-
Administrative	-	182,754
Supplies	6,291	-
Depreciation	129,361	-
Claims expense	-	2,134,673
Total operating expenses	<u>476,077</u>	<u>2,317,427</u>
Operating income (loss)	<u>(202,759)</u>	<u>(160,861)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	147	239
Transfer of net assets to general fund	-	-
Gain on sale of equipment	-	-
Total nonoperating revenues (expenses)	<u>147</u>	<u>239</u>
Income (loss) before transfers	<u>(202,612)</u>	<u>(160,622)</u>
Transfers in	125,000	-
Transfers out	-	-
Capital contributions	-	-
Transfer of net liabilities to component unit	-	-
Total transfers and capital contributions	<u>125,000</u>	<u>-</u>
Change in net position	(77,612)	(160,622)
Net position, beginning of year	<u>3,230,209</u>	<u>345,546</u>
Net position, end of year	<u>\$ 3,152,597</u>	<u>\$ 184,924</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, 2015**

	Business-type Activities Enterprise Funds	Governmental Activities- Internal Service Funds
	Tie Breaker Family Aquatic	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 273,318	\$ 2,156,566
Other cash receipts	-	-
Cash payments to employees for services	-	-
Cash payments to suppliers	(415,705)	(182,754)
Cash payments for claims	-	(2,185,564)
	<u>                    </u>	<u>                    </u>
Net cash provided by (used in) operating activities	(142,387)	(211,752)
<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	-	-
	<u>                    </u>	<u>                    </u>
Net cash provided by (used in) capital and related financing activities	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	147	239
	<u>                    </u>	<u>                    </u>
Net cash provided by (used in) investing activities	147	239
Net increase (decrease) in cash and cash equivalents	(17,240)	(211,513)
Cash and cash equivalents, beginning of year	95,035	477,504
	<u>                    </u>	<u>                    </u>
Cash and cash equivalents, end of year	\$ 77,795	\$ 265,991
	<u>                    </u>	<u>                    </u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (202,759)	\$ (160,861)
Adjustments:		
Depreciation	129,361	-
(Increase) decrease in assets:		
Accounts receivable	-	-
Increase (decrease) in liabilities:		
Accounts payable	(68,989)	-
Accrued liabilities	-	(50,891)
	<u>                    </u>	<u>                    </u>
Net cash provided by (used in) operating activities	\$ (142,387)	\$ (211,752)
<b>NONCASH CAPITAL ACTIVITIES</b>		
Transfer asset and liabilities to general fund	\$ -	\$ -
	<u>                    </u>	<u>                    </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 Net Position  
Fiduciary Funds  
June 30, 2015**

	<u>2015</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,566
Interest and dividends receivable	-
Investments, at fair value:	
Money market	228,981
Corporate bond funds	<u>599,847</u>
Total assets	<u>\$ 830,394</u>
<b>LIABILITIES</b>	
Other accounts payable	<u>\$ -</u>
Total liabilities	<u>-</u>
<b>NET POSITION</b>	
Net position held in trust for pension benefits	<u>\$ 830,394</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, 2015**

	<u>2015</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 400,000
Investment earnings:	
Net increase (decrease) in fair value of investments	3,086
Interest	12,606
Other	-
Net investment earnings	<u>15,692</u>
Total additions	415,692
<b>DEDUCTIONS</b>	
Benefits paid	<u>392,703</u>
Net Increase (Decrease) in Net Position	22,989
Net position at beginning of year	<u>807,405</u>
Net position at end of year	<u>\$ 830,394</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, 2015**

	Major		Hopkinsville Surface and Stormwater Utility	Total
	Hopkinsville Water Environment Authority	Hopkinsville Solid Waste Enterprise		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,291,108	\$ 1,715,304	\$ 2,066,614	\$ 9,073,026
Receivables	973,376	511,991	411,757	1,897,124
Inventory	312,826	-	-	312,826
Prepaid insurance	26,450	-	-	26,450
Accrued interest on note receivable	485	-	-	485
Restricted assets:				
Cash and cash equivalents	6,852,673	11,358	759,324	7,623,355
Investments	231,370	2,264,942	-	2,496,312
Notes receivable	316,458	-	-	316,458
Other receivables	442,844	-	-	442,844
Other current assets	-	28,040	-	28,040
Capital assets, net of depreciation:				
Land and construction in progress	8,806,629	615,582	1,097,737	10,519,948
Depreciable capital assets	97,768,625	5,638,783	4,101,956	107,509,364
Net capital assets	<u>106,575,254</u>	<u>6,254,365</u>	<u>5,199,693</u>	<u>118,029,312</u>
Total assets	<u>121,022,844</u>	<u>10,786,000</u>	<u>8,437,388</u>	<u>140,246,232</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension	487,244	310,637	-	797,881
Deferred refunding costs	<u>694,910</u>	<u>-</u>	<u>-</u>	<u>694,910</u>
Total deferred outflows of resources	<u>1,182,154</u>	<u>310,637</u>	<u>-</u>	<u>1,492,791</u>
Total assets and deferred outflows of resources	<u>\$ 122,204,998</u>	<u>\$ 11,096,637</u>	<u>\$ 8,437,388</u>	<u>\$ 141,739,023</u>
<b>LIABILITIES</b>				
Current portion of long-term debt	\$ 2,519,604	\$ -	\$ -	\$ 2,519,604
Payable to City of Hopkinsville, current portion	1,235,000	631,306	160,000	2,026,306
Customer deposits	89,178	-	-	89,178
Accrued interest	288,020	-	52,233	340,253
Accounts payable	720,186	253,387	74,919	1,048,492
Accounts payable - restricted	77,613	-	-	77,613
Accrued salaries and compensated absences	322,489	176,063	-	498,552
Construction retainage payable	289,158	-	-	289,158
Construction contracts payable	1,349,400	-	-	1,349,400
Long-term liabilities:				
Compensated absences	195,854	240,500	-	436,354
Revenue bonds payable, net of current portion	3,223,714	-	-	3,223,714
Revenue leases - Planters	440,937	-	-	440,937
KIA - loans payable, net of current portion	38,665,649	-	-	38,665,649
Payable to City of Hopkinsville, net of current portion	22,940,539	2,115,904	4,329,618	29,386,061
Net pension liability	3,708,000	2,286,000	-	5,994,000
Accrued landfill closure costs	<u>-</u>	<u>4,183,614</u>	<u>-</u>	<u>4,183,614</u>
Total liabilities	<u>76,065,341</u>	<u>9,886,774</u>	<u>4,616,770</u>	<u>90,568,885</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - USACE	440,937	-	-	440,937
Pension	<u>414,000</u>	<u>255,000</u>	<u>-</u>	<u>669,000</u>
Total deferred inflows of resources	<u>854,937</u>	<u>255,000</u>	<u>-</u>	<u>1,109,937</u>
<b>NET POSITION</b>				
Net investment in capital assets	41,798,006	3,507,155	1,469,399	46,774,560
Restricted:				
Capital projects	68,306	-	-	68,306
Debt reserves	1,386,982	-	-	1,386,982
Unrestricted (deficit)	<u>2,031,426</u>	<u>(2,552,292)</u>	<u>2,351,219</u>	<u>1,830,353</u>
Total net position	<u>45,284,720</u>	<u>954,863</u>	<u>3,820,618</u>	<u>50,060,201</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 122,204,998</u>	<u>\$ 11,096,637</u>	<u>\$ 8,437,388</u>	<u>\$ 141,739,023</u>

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

**City of Hopkinsville, Kentucky**  
**Statement of Activities**  
**Component Units**  
**For the Year Ended June 30, 2015**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Hopkinsville Water Environment Authority	Hopkinsville Solid Waste Enterprise	Hopkinsville Surface and Stormwater Utility	Totals
<b>EXPENSES</b>	<b>Expenses</b>							
Hopkinsville Water Environment Authority	\$ (13,599,107)	\$ 14,659,265	\$ -	\$ 89,057	\$ 1,149,215	\$ -	\$ -	\$ 1,149,215
Hopkinsville Solid Waste Enterprise	(5,920,174)	6,600,719	-	-	-	680,545	-	680,545
Hopkinsville Surface and Stormwater Utility	(1,352,932)	1,143,427	210,535	250,487	-	-	251,517	251,517
Total expenses	<u>\$ (20,872,213)</u>	<u>\$ 22,403,411</u>	<u>\$ 210,535</u>	<u>\$ 339,544</u>	<u>1,149,215</u>	<u>680,545</u>	<u>251,517</u>	<u>2,081,277</u>
<b>GENERAL REVENUES:</b>								
					58,489	15,603	20,529	94,621
					14,871	98,487	-	113,358
					<u>143,983</u>	<u>73,868</u>	<u>-</u>	<u>217,851</u>
					<u>217,343</u>	<u>187,958</u>	<u>20,529</u>	<u>425,830</u>
					1,366,558	868,503	272,046	2,507,107
					<u>-</u>	<u>1,370,658</u>	<u>-</u>	<u>1,370,658</u>
					1,366,558	2,239,161	272,046	3,877,765
					<u>43,918,162</u>	<u>(1,284,298)</u>	<u>3,548,572</u>	<u>46,182,436</u>
					<u>\$ 45,284,720</u>	<u>\$ 954,863</u>	<u>\$ 3,820,618</u>	<u>\$ 50,060,201</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 Waterworks Commission, doing business as Hopkinsville Water Environment Authority (HWEA), is responsible for sewerage and water service for residents of the City of Hopkinsville, KY, the City of Pembroke, KY, and the City of Crofton, KY. 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.

Hopkinsville Water Environment Authority  
401 East 9<sup>th</sup> Street  
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**

The Solid Waste Enterprise (Solid Waste), doing business as Hopkinsville Solid Waste Enterprise, is responsible for the management and operation of the solid waste operations in the City. The City's governing body appoints the 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 the Solid Waste's debt remains with the government. The 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.

Hopkinsville Solid Waste Enterprise  
5665 Mt. Zoar Road  
Hopkinsville, Kentucky 42240

The Surface and Stormwater Utility (Stormwater), doing business as Hopkinsville Surface and Stormwater Utility, 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.

Hopkinsville Surface and Stormwater Utility  
710 South Main Street  
Hopkinsville, Kentucky 42240

**Joint Ventures**

The City has joined with other local governments (primarily Christian County) to form organizations for performance of certain activities. Due to dependence on continued funding from the City, these organizations have been classified as joint ventures for financial reporting. Financial statements may be obtained from the City's Financial Director. A list of these joint ventures with the amount of City funding as of June 30 follows:

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

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

**A. Reporting Entity, continued**

**Joint Ventures, continued**

<u>City-County Agency</u>	<u>City Funding</u>
Airport Board	\$ 38,000
Community and Development Services	482,732
Library Board	262,000
Emergency Communications Center	716,280

The joint ventures above 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.

**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.

Continued

**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.

*Grants Fund* – The Grants Fund is a major fund of the City. This fund was established to account for various local, state, or federal grants unrelated to general fund operations or other specifically designated funds.

*City Hall/Police Department Construction Fund* – The City Hall/Police Department Construction Fund is a major fund of the City. This fund was 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.

Continued

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

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

**C. Fund Accounting, continued**

**Governmental Funds, continued**

*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.

*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 nonexpendable trust fund.

*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 Fund* – 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:

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

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

**C. Fund Accounting, continued**

**Governmental Funds, continued**

*Capital Fund* – established to account for the acquisition of capital assets or construction of major capital projects purchased with funds from long-term borrowings.

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

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

**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 enterprise funds:

*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.

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

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

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

**C. Fund Accounting, continued**

**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 Police and Firemen Pension Fund (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.

**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.

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

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

**D. Measurement Focus, continued**

**Fund Financial Statements, continued**

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 flows 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.

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.



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

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

**E. Basis of Accounting, continued**

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

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	Licenses and permits
Intergovernmental	

**Deferred Revenue**

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

**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.

Continued

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

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

**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 banks' 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.

**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 cash and investments Hopkinsville Solid Waste Enterprise placed in accounts in order to comply with state laws for funding landfill closure and postclosure costs and other projects.

Continued

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

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

**J. Restricted Assets, continued**

Restricted assets for the City consist of the outstanding balance of general obligation bonds of the City which were loaned to Hopkinsville Stormwater Utility for use in the acquisition, construction, and installation of surface and stormwater projects within the jurisdiction of the City.

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 & 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.

Reservations of equity show amounts that are not appropriate for expenditures or are legally restricted for specific uses. HWEA first applies restricted resources for expenditures for which both restricted and unrestricted net position are available.

The component of restricted assets for Solid Waste consists of constraints placed on net assets through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Restricted assets for Solid Waste currently 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.

The component of restricted assets for Stormwater consists of certain bond proceeds from a general obligation bond placed into trust for use in the acquisition, construction, and installation of surface and stormwater projects within the jurisdiction of the City.

**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

Continued

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

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

**K. Capital Assets, continued**

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. 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.

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, 2015.

Continued

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

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

**N. Compensated Absences, continued**

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.

**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.

The City issued new bonds during the year to finance (1) the acquisition, construction, installation, and equipping of public infrastructure in the Conference Center Tax Increment Finance Local Development (the "TIF Project"); (2) the acquisition, construction, installation, and equipping of a visitor's center (the "Visitor's Center project"); and (3) the financing obligations under a grant agreement with the Hopkinsville Industrial Foundation, Inc. (a Kentucky nonprofit corporation), Christian County (Kentucky), and U.S. Smokeless Tobacco Manufacturing Company LLC for the purpose of financing the acquisition, construction, and installation of the U.S. Smokeless Tobacco Manufacturing Company LLC economic development project (the "Economic Development Project"). The City issued three new bonds on behalf of component unit, HWEA, during the year to finance a portion of the natural gas project, to refund the 2001H and 2004B KY Rural Water Finance bonds associated with the Oak Grove sewer system, and to advance refund the 2005A bonds associated with the Lake Barkley Raw Water Project. Both of the refundings occurred to achieve debt savings.

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

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

**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.

**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

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

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

**R. Fund Balance, continued**

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.

**S. Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

An unrestricted net position deficit of \$2,552,292 exists for Solid Waste. The deficit is caused primarily due to the accrual of landfill closure costs and net pension liabilities that are expected to be funded in future years. The 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.

Continued

**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.

**X. Implementation of New Accounting Principles**

**Government Accounting Standards Board Statement No. 68**

The City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which was issued in June 2012. The provisions of this pronouncement are effective for periods beginning after



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

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

**X. Implementation of New Accounting Principles, continued**

**Government Accounting Standards Board Statement No. 68, continued**

June 15, 2014. This pronouncement is intended to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pension that provided by other entities.

**Government Accounting Standards Board Statement No. 69**

The City adopted the provisions of GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, which was issued in January 2013. The provisions of this pronouncement are effective for periods beginning after December 15, 2013. This pronouncement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this pronouncement, the term government combination includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations

**Government Accounting Standards Board Statement No. 71**

The City adopted the provisions of GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*, which was issued in November 2013. The provisions of this pronouncement are effective for periods beginning after June 15, 2014. This pronouncement is intended to improve accounting and financial reporting by state and local governments for pensions. It addresses an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, concerning transition provisions related to certain pension contributions made to defined benefit plans prior to implementation of that pronouncement by employers and nonemployer contribution entities.

See Note 25, Change in Accounting Principle, for further disclosure.

**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.

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

**2. Deposits and Investments, continued**

**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, 2015, the City did not have any deposited funds exposed to custodial credit risk.

As of June 30, 2015, HWEA had \$1,956,863 of deposited funds exposed to custodial credit risk. This exposure was corrected by July 31, 2015, when various accounts were transferred to another bank.

As of June 30, 2015, Solid Waste did not have any deposited funds exposed to custodial credit risk.

As of June 30, 2015, 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, 2015</u>	<u>Average Credit Quality/Rating</u>	<u>Fair Value (Primary Gov't)</u>	<u>Fair Value (Pension Trust Fund)</u>	<u>Average Maturity</u>
Planters Bank CD	N/A	\$ 35,181	\$ -	4.20 Years
Planters Bank Trust Money Market	N/A	-	228,981	N/A
American Century GNMA	N/A	-	-	N/A
Federal Home Loan Banks	N/A	-	49,996	3.00 Years
Federal Home Mortgage Assoc	N/A	-	49,305	5.65 Years
AMEX Centurion Salt Lake City UT CD	N/A	-	50,353	3.24 Years
CIT Bank CD	N/A	-	50,031	2.24 Years
Discover Bank CD	N/A	-	149,367	2.24 Years
Goldman Sachs Bank CD	N/A	-	49,267	6.62 Years
Sallie Mae CD	N/A	-	50,423	3.33 Years
Denver CO Public Schools Rev Bond	N/A	-	50,138	4.46 Years
FL Hurricane Catastrophe Fund	N/A	-	50,826	5.01 Years
Nassau Co NY Inter Fin Rev Bond	N/A	-	50,141	6.38 Years
Sterling Capital Intermediate US Gov't Fund	AAA	58,411	-	4.40 Years
Sterling Capital Short Term Bond Instl Fund	A	4,651	-	1.86 Years
Sterling Capital Total Return Bond Instl Fund	AAA	196,338	-	7.78 Years
Sterling Capital Corporate Fund	BBB	25,687	-	6.33 Years
Hotchkis & Wiley High Yield	B	25,526	-	N/A
PIMCO Real Return Fund	N/A	25,864	-	8.42 Years
Neuberger Berman Strategic Income Fund	AAA	38,057	-	10.19 Years
Doubleline Total Return Bond Fund	AAA	102,893	-	5.14 Years
Metropolitan West Total Return Bond	AAA	77,379	-	7.84 Years
PIMCO Long Term US G'ment Fund	N/A	<u>51,387</u>	<u>-</u>	24.37 Years
Total Credit Risk Debt Securities		<u>641,374</u>	<u>828,828</u>	
US Government Agencies (FNMA)		<u>101,204</u>	<u>-</u>	
Total Debt Securities		<u>\$ 742,578</u>	<u>\$ 828,828</u>	

Continued

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

**2. Deposits and Investments, continued**

**B. Investments, continued**

The investments for HWEA 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>
Planters Bank CD	N/A	\$ 205,462	\$ 205,462	N/A
Planters Bank CD	N/A	<u>25,908</u>	<u>25,908</u>	N/A
Total Credit Risk Debt Securities		<u>\$ 231,370</u>	<u>\$ 231,370</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	\$ 2,264,942	\$ 2,264,942	11.5 mo

**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, 2015, 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 banks' certificates, 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. Investments in mutual funds are specifically excluded from this type of risk.

Continued

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

**2. Deposits and Investments, continued**

**B. Investments, continued**

**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.

**C. Restricted Assets**

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

Bond and interest redemption	\$ 1,425,355
Construction	5,632,780
Unemployment	<u>25,908</u>
Total restricted assets	<u>\$ 7,084,043</u>

The bond and interest redemption fund includes \$1,386,982 set aside to meet reserve requirements associated with loans with the Kentucky Infrastructure Authority. The construction fund includes \$5,191,843 of unspent bond proceeds from the 2013B and 2014B general obligation bonds that were issued by the City on behalf of HWEA.

The balance of Solid Waste's restricted asset account is:

Landfill closure costs	\$ 2,264,942
Capital reserve	<u>11,358</u>
Total restricted assets	<u>\$ 2,276,300</u>

The balance of Stormwater's restricted asset account is

General obligation bond proceeds	<u>\$ 759,324</u>
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Continued

**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, 2015, 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**

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<b><u>Governmental Activities</u></b>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,881,400	\$ -	\$ -	\$ 1,881,400
Construction in Progress	9,625,173	2,799,702	8,628,583	3,796,292
Total Capital Assets Not Being Depreciated	<u>11,506,573</u>	<u>2,799,702</u>	<u>8,628,583</u>	<u>5,677,692</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	8,666,475	8,693,091	2,698	17,356,868
Equipment	6,878,974	458,595	83,295	7,254,274
Infrastructure	19,480,920	3,650,695	-	23,131,615
Land Improvements	6,237,142	354,125	-	6,591,267
Vehicles	5,313,259	437,296	40,644	5,709,911
Total Capital Assets Being Depreciated	<u>46,576,770</u>	<u>13,593,802</u>	<u>126,637</u>	<u>60,043,935</u>
Less Accumulated Depreciation:				
Buildings and Improvements	3,834,484	469,226	1,349	4,302,361
Equipment	5,002,373	498,742	82,612	5,418,503
Infrastructure	11,466,579	738,548	-	12,205,127
Land Improvements	2,304,350	264,229	-	2,568,579
Vehicles	3,376,240	489,385	32,007	3,833,618
Total Accumulated Depreciation	<u>25,984,026</u>	<u>2,460,130</u>	<u>115,968</u>	<u>28,328,188</u>
Total	<u>\$ 32,099,317</u>	<u>\$ 13,933,374</u>	<u>\$ 8,639,252</u>	<u>\$ 37,393,439</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.

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 382,281
Public Safety	670,337
Public Works	997,019
Community Development	257,674
Parks and Recreation	<u>152,819</u>
 Total Depreciation Expense	 <u><u>\$2,460,130</u></u>

A summary of City enterprise funds property, plant and equipment activity for the year ended June 30, 2015, is as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<b><u>Enterprise Fund Activities</u></b>				
Capital Assets Not Being Depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Capital Assets Being Depreciated:				
Buildings and improvements	3,792,630	-	-	3,792,630
Equipment	344,965	-	-	344,965
Vehicles	-	-	-	-
Total Capital Assets Being Depreciated	<u>4,137,595</u>	<u>-</u>	<u>-</u>	<u>4,137,595</u>
Less Accumulated Depreciation:				
Buildings and improvements	688,925	96,177	-	785,102
Equipment	233,024	33,184	-	266,208
Vehicles	-	-	-	-
Total Accumulated Depreciation	<u>921,949</u>	<u>129,361</u>	<u>-</u>	<u>1,051,310</u>
Total	<u>\$ 3,215,646</u>	<u>\$ (129,361)</u>	<u>\$ -</u>	<u>\$ 3,086,285</u>

Depreciation expense (including amortization of capitalized assets) of the enterprise funds for the year ended June 30, 2015, was \$129,361.

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

**4. Capital Assets, continued**

A summary of HWEA's enterprise fund property, plant and equipment activity for the year ended June 30, 2015, is as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<b><u>Enterprise Fund Activities</u></b>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,571,840	\$ -	\$ -	\$ 1,571,840
Construction in Progress	5,782,357	6,006,671	4,554,239	7,234,789
Total Capital Assets Not Being Depreciated	<u>7,354,197</u>	<u>6,006,671</u>	<u>4,554,239</u>	<u>8,806,629</u>
Capital Assets Being Depreciated:				
Structures and Improvements	150,940,878	5,203,902	6,424	156,138,356
Equipment	9,489,668	243,417	26,354	9,706,731
Vehicles	847,497	336,240	47,350	1,136,387
Total Capital Assets Being Depreciated	<u>161,278,043</u>	<u>5,783,559</u>	<u>80,128</u>	<u>166,981,474</u>
Less Accumulated Depreciation:				
Structures and Improvements	57,196,630	3,390,305	1,285	60,585,650
Equipment	7,825,051	438,733	25,732	8,238,052
Vehicles	346,552	85,665	43,070	389,147
Total Accumulated Depreciation	<u>65,368,233</u>	<u>3,914,703</u>	<u>70,087</u>	<u>69,212,849</u>
Total	<u>\$ 103,264,007</u>	<u>\$ 7,875,527</u>	<u>\$ 4,564,280</u>	<u>\$ 106,575,254</u>

Depreciation expense (including amortization of capitalized assets) for HWEA for the year ended June 30, 2015, was \$3,914,703.

A summary of Solid Waste enterprise fund property, plant and equipment activity for the year ended June 30, 2015, is as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<b><u>Enterprise Fund Activities</u></b>				
Capital Assets Not Being Depreciated:				
Land	\$ 615,582	\$ -	\$ -	\$ 615,582
Construction in Progress	795,111	-	795,111	-
Total Capital Assets Not Being Depreciated	<u>1,410,693</u>	<u>-</u>	<u>795,111</u>	<u>615,582</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	184,605	510,862	-	695,467
Equipment	7,359,883	2,454,666	1,063,504	8,751,045
Land Improvements	1,947,530	-	-	1,947,530
Total Capital Assets Being Depreciated	<u>9,492,018</u>	<u>2,965,528</u>	<u>1,063,504</u>	<u>11,394,042</u>
Less Accumulated Depreciation:				
Buildings and Improvements	57,383	12,080	-	69,463
Equipment	4,709,955	687,869	307,957	5,089,867
Land Improvements	565,418	30,511	-	595,929
Total Accumulated Depreciation	<u>5,332,756</u>	<u>730,460</u>	<u>307,957</u>	<u>5,755,259</u>
Total	<u>\$ 5,569,955</u>	<u>\$ 2,235,068</u>	<u>\$ 1,550,658</u>	<u>\$ 6,254,365</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, 2015, was \$730,460.

A summary of Stormwater enterprise fund property, plant and equipment activity for the year ended June 30, 2015, is as follows:

<b><u>Enterprise Fund Activities</u></b>	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital Assets Not Being Depreciated:				
Land	\$ 493,906	\$ 256,591	\$ -	\$ 750,497
Construction in Progress	170,397	176,843	-	347,240
Total Capital Assets Not Being Depreciated	<u>664,303</u>	<u>433,434</u>	<u>-</u>	<u>1,097,737</u>
Capital Assets Being Depreciated:				
Infrastructure	4,736,514	23,330	-	4,759,844
Less Accumulated Depreciation:				
Infrastructure	<u>467,961</u>	<u>189,927</u>	<u>-</u>	<u>657,888</u>
Total	<u>\$ 4,932,856</u>	<u>\$ 266,837</u>	<u>\$ -</u>	<u>\$ 5,199,693</u>

Depreciation expense (including amortization of capitalized assets) for Stormwater for the year ended June 30, 2015 was \$189,927.

**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 (Police and Firemen Pension Fund) which covers certain retired public safety employees.

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

**6. Pension Plans, continued**

**County Employees' Retirement System (CERS)**

**Plan Description**

The City contributes to the County Employees' Retirement System (CERS), a cost-sharing multiple-employer defined benefit plan administered by the Board of Trustees of Kentucky Retirement Systems (KRS), which issues a publicly available financial report that includes financial statements and supplementary information for CERS. That report may 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. Those hired on or after September 1, 2008, contribute 6% of the annual creditable compensation. The City contributed 17.67% of annual covered payroll for fiscal year 2015. Employees classified as hazardous hired prior to September 1, 2008, contribute 8% of their annual creditable compensation. Those hired on or after September 1, 2008, contribute 9% of their annual creditable compensation. The City contributed 34.31% of the annual covered payroll for fiscal year 2015. 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 \$602,723 for nonhazardous employees and \$2,892,766 for hazardous employees for total contributions of \$3,495,489 for the fiscal year ended June 30, 2015. HWEA's contributions to CERS were \$487,244 for nonhazardous employees for the fiscal year ended June 30, 2015. Solid Waste's contributions to CERS were \$310,637 for nonhazardous employees for the fiscal year ended June 30, 2015. HWEA and Solid Waste do not have any employees classified as hazardous.

**Net Pension Liabilities**

At June 30, 2015, the City reported a liability of \$24,592,000 for its proportionate share of the net pension liability, with \$4,646,000 for nonhazardous pensions and \$19,946,000 for hazardous pensions. The net pension liability was measured as of June 30, 2014, 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

Continued

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

**6. Pension Plans, continued**

**County Employees' Retirement System (CERS), continued**

**Net Pension Liabilities, continued**

relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the City's portion was 0.143192% for nonhazardous pensions and 1.659682% for hazardous pensions.

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

At June 30, 2015, HWEA reported a liability of \$3,708,000 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, 2014, and the total pension liability used to calculate 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, 2014, HWEA's portion was 0.114295% 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, 2015, Solid Waste reported a liability of \$2,286,000 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, 2014, and the total pension liability used to calculate the net pension liability was based on a projection of 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, 2014, Solid Waste's portion was 0.070445% 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, 2015, included in noncurrent liabilities, due after one year.

	<u>Net Pension Liability</u>
<b>City of Hopkinsville:</b>	
CERS:	
Nonhazardous	\$ 4,646,000
Hazardous	19,946,000
Total City of Hopkinsville	<u>\$24,592,000</u>
 <b>Component Units:</b>	
HWEA	<u>\$ 3,708,000</u>
 Solid Waste	<u>\$ 2,286,000</u>

Continued

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

**6. Pension Plans, continued**

**County Employees' Retirement System (CERS), continued**

**Actuarial Assumptions and Other Inputs**

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurements:

Inflation:	3.50%
Salary Increases:	4.50%, average including inflation
Investment rate of return:	7.75%, net of pension plan investment, including inflation

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006, and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2008.

**Discount Rate**

The discount rate used to measure the total potential pension liability was 7.75%.

**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 29 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.

**Long-Term Rate of Return**

The long-term expected rate of 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 2005 through 2008, is outlined in a report dated August 25, 2009. 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

Continued

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

**6. Pension Plans, continued**

**County Employees' Retirement System (CERS), continued**

**Actuarial Assumptions and Other Inputs, continued**

**Long-Term Rate of Return, continued**

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 ten-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 in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**Municipal Bond Rate**

The discount rate determination does not use a municipal bond rate.

**Period of Projected Benefit Payment**

Projected future benefit payments for all plan members were projected through 2116.

**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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30%	8.45%
International Equity	22%	8.85%
Emerging Market Equity	5%	10.50%
Private Equity	7%	1.25%
Real Estate	5%	7.00%
Core US Fixed Income	10%	5.25%
High Yield US Fixed Income	5%	7.25%
Non-US Fixed Income	5%	5.50%
Commodities	5%	7.75%
TIPS	5%	5.00%
Cash	<u>1%</u>	3.25%
Total	<u>100%</u>	

Continued

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

**6. Pension Plans, continued**

**County Employees' Retirement System (CERS), continued**

**Actuarial Assumptions and Other Inputs, continued**

**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 City's net pension liability (NPL) 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>City of Hopkinsville:</b>			
CERS Nonhazardous: Discount Rate	6.75%	7.75%	8.75%
Proportionate Share NPL	<u>\$6,113,000</u>	<u>\$4,646,000</u>	<u>\$3,349,000</u>
CERS Hazardous Discount Rate	6.75%	7.75%	8.75%
Proportionate Share NPL	<u>\$26,093,000</u>	<u>\$19,946,000</u>	<u>\$14,727,000</u>

**Component Units:**

<b>HWEA:</b>			
CERS Nonhazardous: Discount Rate	6.75%	7.75%	8.75%
Proportionate Share NPL	<u>\$4,880,000</u>	<u>\$3,708,000</u>	<u>\$2,673,000</u>
<b>Solid Waste:</b>			
CERS Nonhazardous: Discount Rate	6.75%	7.75%	8.75%
Proportionate Share NPL	<u>\$3,008,000</u>	<u>\$2,286,000</u>	<u>\$1,648,000</u>

**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.

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

**6. Pension Plans, continued**

**County Employees' Retirement System (CERS), continued**

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

For the year ended June 30, 2015, the City recognized total pension expense for CERS of \$1,918,000, which consists of \$372,000 Nonhazardous and \$1,546,000 Hazardous. HWEA recognized \$297,000 for CERS Nonhazardous pension expense. Solid Waste recognized \$183,000 for CERS Nonhazardous pension expense.

At June 30, 2015, the City 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>
City:		
Net difference between projected and actual earnings on pension plan investments		
Nonhazardous	\$ -	\$ 519,000
Hazardous	-	<u>1,962,000</u>
	<u>-</u>	<u>2,481,000</u>
City contributions subsequent to the measurement date of June 30, 2014		
Nonhazardous	602,723	-
Hazardous	<u>2,892,766</u>	<u>-</u>
	<u>3,495,489</u>	<u>-</u>
Total	<u>\$ 3,495,489</u>	<u>\$2,481,000</u>

The \$3,495,489 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date of June 30, 2014, will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2016	\$ (620,250)
2017	(620,250)
2018	(620,250)
2019	<u>(620,250)</u>
	<u>\$ (2,481,000)</u>

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

Continued

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

**6. Pension Plans, continued**

**County Employees' Retirement System (CERS), continued**

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

For the year ended June 30, 2015, HWEA recognized pension expense of \$297,000.

At June 30, 2015, HWEA reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
HWEA:		
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 414,000
HWEA contributions subsequent to the measurement date of June 30, 2014	<u>487,244</u>	<u>-</u>
Total	<u>\$ 487,244</u>	<u>\$ 414,000</u>

The \$487,244 reported as deferred outflows of resources related to pensions resulting from HWEA contributions subsequent to the measurement date of June 30, 2014, will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2016	\$ (103,500)
2017	(103,500)
2018	(103,500)
2019	<u>(103,500)</u>
	<u>\$ (414,000)</u>

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

For the year ended June 30, 2015, Solid Waste recognized pension expense of \$183,000.



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

**6. Pension Plans, continued**

**County Employees' Retirement System (CERS), continued**

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

At June 30, 2015, 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>
Solid Waste:		
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 255,000
Solid Waste contributions subsequent to the measurement date of June 30, 2014	<u>310,637</u>	<u>-</u>
Total	<u>\$ 310,637</u>	<u>\$ 255,000</u>

The \$310,637 reported as deferred outflows of resources related to pensions resulting from Solid Waste contributions subsequent to the measurement date of June 30, 2014, will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2016	\$ (63,750)
2017	(63,750)
2018	(63,750)
2019	<u>(63,750)</u>
	<u>\$ (255,000)</u>

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

**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. The fund provides benefits for widows and retiring personnel of the police and fire department who elect to continue to participate in the plan. A Board of Trustees consisting of the Mayor, CFO, and two beneficiaries administer the fund. During

Continued

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

**6. Pension Plans, continued**

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

**Plan Description, continued**

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 Policemen's and Firefighter's Pension Fund coverage. The City no longer has active employees contributing to the plan, and no new employees are permitted to the plan. There is not a separate, audited GAAP basis report available for this plan. As of June 30, 2015, all plan participants had retired. Membership at June 30, 2015 is as follows:

Retirees and beneficiaries currently receiving benefits	27
Vested terminated employees	0
Active employees:	
Fully vested-participating	0
Nonvested	0

**Summary of Significant Accounting Policies**

The Policemen's and Firefighter's Pension Fund (the Fund) does not issue stand-alone financial reports. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Fund are recognized when due. The employer's funding policy has been to contribute the expected amount of annual benefit payments. Benefits and refunds are recognized when due and payable in accordance with the terms as stated in Kentucky Revised Statutes. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The City follows GASB pronouncements as codified under GASB 62.

Investments are reported at market value. Short-term investments are reported at cost, which approximates market value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated market value.

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.92%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

The investments of this Fund are administered and managed by trust officers at the custodial bank, with administration costs paid from the Fund. The plan is accounted for as a fiduciary fund in the City's financial statements.

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

**6. Pension Plans, continued**

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

**Summary of Significant Accounting Policies, continued**

Due to the consistency of the Fund's activity each year, an actuarial valuation is not performed biennially as required by GASB, but is prepared every three years per state law requirements. Accordingly, the most recent report is dated August 26, 2015 with an actuarial valuation date of January 1, 2015. This report stipulates that the actuarial valuation summarized has been performed utilizing generally accepted accounting principles. Actuarial computations under GASB Statements No. 27 and No. 68 were used for the purpose of fulfilling governmental accounting requirements with regard to pension plans.

**Benefits Provided**

At his own election, any member who has completed twenty years of service with the Department 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

The Plan provides four types of dependent and estate benefits allowed: (1) occupational, (2) nonoccupational, (3) death of a retired or disabled member, and (4) death of a member under the previous three types who is not survived by an eligible spouse or unmarried dependent children. Occupational death is death in the 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). Nonoccupational death is death other than in line-of-duty or of any disease contracted by the reason of occupation of an active member (requires the completion of one year of service with respect to the eligibility of benefits). Death of a retired or disabled member requires the completion of one year of service with respect to eligibility of benefits. In the case of (1), (2), and (3), the pension is payable to an eligible surviving spouse until the death or remarriage of such spouse and then to any remaining unmarried dependent children. In the case of (1), (2), and (3), the widow is to receive

Continued

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

**6. Pension Plans, continued**

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

**Summary of Significant Accounting Policies, continued**

**Benefits Provided, continued**

monthly benefit of 50% of monthly salary and each dependent child is to receive \$24 per month until age 18. In the case of (4), a pension will be paid to dependent parents in an amount equal to 25% of his salary.

The Plan provides for two types of disability retirement allowed: (1) temporary total disability (requires no service with respect to eligibility for benefits) and (2) total and permanent disability (no service requirement eligibility).

Upon termination of service by a member either by resignation or dismissal before he is eligible for normal retirement, the member will receive a refund of his contributions to the Fund without interest.

**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. The City is required to contribute the remaining amounts necessary to fund the plan, using the entry age-normal funding actuarial method as specified by ordinance. 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. A COLA shall only be granted to the extent it can be provided on an "actuarially sound basis". For the year ended June 30, 2015, the cost-of-living adjustment was 2.25% per annum.

**Pension Liability, Pension Expense, and Deferred Inflows of Resources Related to Pension**

The components of the net pension liability of the Policemen's and Firefighter's Pension Fund at June 30, 2015, were as follows:

Total pension liability	\$ 5,505,343*
Plan fiduciary net position	<u>(1,014,545)</u>
City's net pension liability	<u>\$ 4,490,798</u>
Plan fiduciary net position as a percentage of the total pension liability	18.43%

\*Assumes a 2.25% per annum COLA's.

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

**6. Pension Plans, continued**

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

**Pension Liability, Pension Expense, and Deferred Outflows of Resources Related to Pension, continued**

For the year ended June 30, 2015, the City recognized pension expense of \$1,187,128 for the Policemen's and Firefighter's Pension Fund. At June 30, 2015, the City reported deferred outflows of resources to pensions from the following source:

	<u>Deferred Outflows of Resources</u>
Net differences between projected and actual earnings on investments	<u>\$ 11,475</u>
Total	<u><u>\$ 11,475</u></u>

The deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2016	\$ 2,869
2017	2,869
2018	2,869
2019	<u>2,868</u>
	<u><u>\$ 11,475</u></u>

**Actuarial Assumptions**

The annual required contribution for the current year was determined as part of the January 1, 2015 actuarial valuation developed by Bryant, Pendleton, Swats, & McAllister, LLC. The valuation used an entry age normal funding method. The actuarial assumptions included (a) 4.0% investment rate of return; (b) 2.25% cost-of-living adjustment; and (c) no inflation rate adjustment. Unfunded actuarial accrued liabilities are being amortized over a period of five years with actual investment earnings. Mortality was determined using RP-2014 Mortality Tables for Males and Females (Blue Collar) with improvements under MP-2014. The General Fund of the City of Hopkinsville, Kentucky provides administrative costs such as professional fees and beneficiary services. Other miscellaneous investment fees and miscellaneous costs are paid from available net assets in the Fund.

The long-term expected rate of return on pension plan assets was reviewed as part of the January 1, 2015 valuation. Given the fact that the current level of plan assets is less than 1% of projected plan liabilities, the amount of any investment return is essentially irrelevant regardless of the actual underlying rate of return on invested assets. The plan is for all practical purposes in a "pay as you go" funding mode.

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

**6. Pension Plans, continued**

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

**Discount Rate**

The discount rate used to measure the total pension liability was reduced from 6.00% to 4.00% since the last triennial actuarial report. The projection of cash flows used to determine the discount rate assumed that the plan sponsor will continue to contribute the amount of annual benefit payments and all plan members are currently receiving benefits (no contributions will be added by the participants). Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The solvency test as described under GASB No. 67 and GASB No. 68 was not performed since (1) the plan sponsor has demonstrated that their funding policy is to contribute the amount of annual benefit payments and all participants are currently receiving benefits; (2) 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 benefit payments, the plan will remain solvent assuming the plan sponsor continues to contribute according to the funding policy; and (4) the long-term rate of return is approximately the same as the 20-year municipal bond rate.

**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c)
Balances at 6/30/2014	\$ 4,681,695	\$ 989,500	\$ 3,692,195
Changes for the year:			
Interest expense	267,915	-	267,915
Experience losses (gains)	(71,532)	-	(71,532)
Changes of assumptions	1,026,854	-	1,026,854
Contributions – employer	-	400,000	(400,000)
Net investment income	-	31,039	(31,039)
Benefits paid	(399,589)	(399,589)	-
Plan administrative expenses	-	(6,405)	6,405
Net changes	<u>\$ 823,648</u>	<u>\$ 25,045</u>	<u>\$ 798,603</u>
Balances at 6/30/2015	<u>\$ 5,505,343</u>	<u>\$ 1,014,545</u>	<u>\$ 4,490,798</u>

The changes in assumptions result from lowering the expected rate of return and discount rate from 6.00% to 4.00%, lowering the cost-of-living adjustment from 2.75% to 2.25%, and using the updated RP-2014 Mortality Tables for Males and Females (Blue Collar) with improvements under MP-2014.

Continued

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

**6. Pension Plans, continued**

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

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the City, calculated using discount rate of 4.0%, as well as what the City's net position liability would be if it were 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 (3.00%)	Current Rate (4.00%)	1% Increase (5.00%)
Net pension liability	\$5,081,371	\$4,490,798	\$3,992,357

**7. Interfund Receivables and Payables**

There were no interfund receivables or payables between the governmental funds at June 30, 2015.

**8. Construction Commitment**

At June 30, 2015, the City had five material contracts pending. The first material contract pending was the construction of a city administration building and renovation of the current business administration building to become the police department. The second material contract pending was the renovation of the parks within the City. The third material contract pending was the rails to trails project. The fourth material contract pending was the construction of a skate park. The fifth material contract pending was the renovation of the Boys and Girls Club Teen Center. The total expenditures for the city administration building and renovation of the current administration building at the end of the year were \$9.75 million with approximately \$1.25 million remaining for the project. The total expenditures for the renovation of the parks within the City at the end of the year were \$1.18 thousand with approximately \$320 thousand remaining for the project. The total expenditures for the rails to trails project at the end of the year were approximately \$1.736 million with approximately \$9 thousand remaining for the project. The total expenditures for the skate park project at the end of the year were \$12 thousand with approximately \$428 thousand remaining for the project. The total expenditures for the Boys and Girls Club Teen Center at the end of the year were \$24 thousand with approximately \$226 thousand remaining.

At June 30, 2015, HWEA had several material construction projects underway: water tank rehab project, US-41A improvements and interconnect, water tank project, multiple water main extensions, office renovation, natural gas project, Oak Grove Highway 115/911 project, Oak Grove Village Mall project, rehab Oak Grove pump station and sewer extensions, and phase 7 priority two rehab. The total expenditures for these projects at the end of the year were approximately \$7.235 million with approximately \$5.644 million remaining for the projects.

Continued

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

**8. Construction Commitment, continued**

At June 30, 2015, Stormwater had multiple material projects pending. For the Westwood/Boxwood construction project, total expenditures for the project were approximately \$94 thousand with approximately \$36 thousand remaining for the project. For the Linda Drive/Peppermint Drive construction project, total expenditures for the project were approximately \$34 thousand with approximately \$7 thousand remaining for the project. For the 7<sup>th</sup> Street at Greenville Road construction project, total expenditures for the project were approximately \$3 thousand with approximately \$34 thousand remaining for the project. For the Sanderson at UHA construction project, total expenditures for the project were approximately \$1 thousand with approximately \$21 thousand remaining for the project. For the 9<sup>th</sup> Street at Railroad construction project, there were no expenditures for the project with approximately \$36 thousand remaining for the project. For the South Main St and Cox Mill Road construction project, there were no expenditures for the project with approximately \$36 thousand remaining for the project.

**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 amounts arising from the refunding of bonds and the pension plan. The deferred refunding amount is being amortized over the shorter of the life of the refunded or refunding debt. 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 HWEA include deferred revenue from the U.S. Army Corps of Engineers (USACE) and a deferred amount arising from the pension plan. The deferred revenue from the USACE will be amortized to revenue over the ten-year payment period of the note receivable/deferred revenue. The pension plan deferred inflow will be recognized as pension expense in future years.



**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, 2015, the following changes occurred in long-term liabilities:

	Principal Outstanding July 1, 2014	Additions	Reductions	Principal Outstanding June 30, 2015	Due Within One Year
<b><u>Governmental Activities:</u></b>					
Compensated Absences	\$ 2,430,067	\$ 126,356	\$ 42,117	\$ 2,514,306	\$ 117,937*
Net Pension Obligation (PFPF)	1,959,956	-	208,513	1,751,443	-
Net Pension Liability (CERS)	27,532,000	-	2,940,000	24,592,000	-
Capital Leases	1,293,457	968,970	999,427	1,263,000	379,223
General Obligation Leases	1,710,000	-	247,082	1,462,918	252,083
General Obligation Bonds	24,557,216	21,575,000	883,157	45,249,059	2,068,059
Notes Payable	1,695,763	-	186,776	1,508,987	190,219
Plus: Unamortized Premium	263,807	1,671,641	25,089	1,910,359	-
Less: Unamortized Discount	<u>(32,883)</u>	<u>-</u>	<u>(1,456)</u>	<u>(31,427)</u>	<u>-</u>
Total Governmental Activities	<u>\$ 61,409,383</u>	<u>\$ 24,341,967</u>	<u>\$ 5,530,705</u>	<u>\$ 80,220,645</u>	<u>\$ 3,007,521</u>

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

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

	Principal Outstanding July 1, 2014	Additions	Reductions	Principal Outstanding June 30, 2015	Due Within One Year
<b>Business Type</b>					
<b><u>Activities-HWEA:</u></b>					
Compensated Absences	\$ 502,141	\$ 146,589	\$ 130,387	\$ 518,343	\$ 322,489*
Revenue Bonds	23,723,067	-	20,112,567	3,610,500	377,500
Notes Payable	39,338,080	3,855,183	2,385,510	40,807,753	2,142,104
Revenue Leases	-	440,937	-	440,937	-
Payable to City of Hopkinsville:					
General Obligation Bonds	3,520,000	19,030,000	130,000	22,420,000	1,235,000
Net Pension Liability	4,196,000	-	488,000	3,708,000	-
Plus: Unamortized Premium	89,999	1,670,156	4,616	1,755,539	-
Less: Unamortized Discount	<u>(222,143)</u>	<u>-</u>	<u>(212,857)</u>	<u>(9,286)</u>	<u>-</u>
Total Business Type Activities-HWEA	<u>\$ 71,147,144</u>	<u>\$ 25,142,865</u>	<u>\$ 23,038,223</u>	<u>\$ 73,251,786</u>	<u>\$ 4,077,093</u>
<b>Business Type</b>					
<b><u>Activities-Solid Waste:</u></b>					
Compensated Absences	\$ 243,171	\$ 39,770	\$ -	\$ 282,941	\$ 176,063*
Payable to City of Hopkinsville:					
Capital Vehicle Leases	1,293,457	968,970	999,427	1,263,000	379,223
General Obligation Leases	1,710,000	-	247,082	1,462,918	252,083
Plus: Unamortized Premium	25,106	-	3,814	21,292	-
Net Pension Liability	2,586,000	-	300,000	2,286,000	-
Accrued Landfill Closing Costs	<u>5,554,272</u>	<u>-</u>	<u>1,370,658</u>	<u>4,183,614</u>	<u>-</u>
Total Business Type Activities-Solid Waste	<u>\$ 11,412,006</u>	<u>\$ 1,008,740</u>	<u>\$ 2,920,981</u>	<u>\$ 9,499,765</u>	<u>\$ 807,369</u>
<b>Business Type</b>					
<b><u>Activities-Stormwater:</u></b>					
Payable to City of Hopkinsville:					
General obligation bonds	\$ 4,555,000	\$ -	\$ 75,000	\$ 4,480,000	\$ 160,000
Plus: Unamortized Premium	<u>10,036</u>	<u>-</u>	<u>418</u>	<u>9,618</u>	<u>-</u>
Total Business Type Activities-Stormwater	<u>\$ 4,565,036</u>	<u>\$ -</u>	<u>\$ 75,418</u>	<u>\$ 4,489,618</u>	<u>\$ 160,000</u>
Total Business Type Activities-Component Units	<u>\$ 87,124,186</u>	<u>\$ 26,151,605</u>	<u>\$ 26,034,622</u>	<u>\$ 87,241,169</u>	<u>\$ 5,044,462</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 and claims and judgments payable are liquidated by the general fund. For governmental activities, the net pension obligation (PFPF), the net pension liability, (CERS) and net other postemployment benefit obligation 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 has a variable interest rate at June 30, 2015 of 3.0% plus administrative fees, and matures on January 1, 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. The lease is for the acquisition, construction, installation, and equipping of a solid waste enterprise administration building. This agreement has a variable interest rate which was 1.98% at June 30, 2015, and matures on December 1, 2019.

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

Annual debt service requirements to maturity for general obligation lease agreements are as follows:

Fiscal Year Ending June 30	Governmental Activities	Interest	Enterprise Fund Component Units	Interest
	Principal		Principal	
2016	\$ 252,083	\$ 49,447	\$ 252,083	\$ 49,447
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>128,335</u>	<u>5,717</u>	<u>128,335</u>	<u>5,717</u>
Total	<u>\$ 1,462,918</u>	<u>\$ 173,379</u>	<u>\$ 1,462,918</u>	<u>\$ 173,379</u>

**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, 2015, was:

<u>Governmental Activities:</u>	<u>Matures</u>	<u>Rate</u>	<u>June 30, 2015</u>
Oshkosh Capital - \$610,706	04/12/2017	3%	\$ 233,987
Section 108 Guaranteed Loan - \$1,500,000	08/31/2031	2.50%	<u>1,275,000</u>
Total			<u>\$ 1,508,987</u>
 <u>Business Type Activities-HWEA:</u>	 <u>Matures</u>	 <u>Rate</u>	 <u>June 30, 2015</u>
KIA Fund A Wastewater - \$9,190,530	2016	1.2%	\$ 272,522
KIA Fund B Water Plant - \$5,000,000	2026	1.9%	2,168,882
KIA Fund A Phase II - \$3,167,272	2018	1.8%	554,601
KIA Fund A Wastewater - \$240,264	2017	1.2%	26,695
KIA Fund A - \$614,521	2020	0.4%	150,435
KIA Fund A Phase III - \$834,891	2021	3.8%	295,158
KIA Fund A Phase IV - \$4,583,635	2026	1.0%	2,587,028
KIA Fund C Wastewater	2018	4.00 to 4.25%	180,000
KIA Fund F Drinking Water - \$1,513,593	2028	1.0%	1,017,816
KIA Fund A Phase V - \$2,469,924	2027	1.0%	1,544,799
KIA Fund F Water - \$3,887,432	2028	3.0%	2,869,623
KIA Fund F Water - \$8,800,000	2032	1.0%	7,793,583
KIA Fund A Sewer - \$483,710	2033	2.0%	443,534
KIA Fund A Sewer - \$7,488,282	2034	2.0%	7,180,631
KIA Fund A – loan not closed yet			<u>13,722,446</u>
Total			<u>\$ 40,807,753</u>

Continued

**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:

Fiscal Year Ending June 30	Governmental Activities Principal	Interest	Enterprise Fund Component Units Principal	Interest
2016	\$ 190,219	\$ 39,543	\$ 2,142,104	\$ 433,255
2017	193,768	35,188	1,904,160	400,345
2018	75,000	30,495	1,925,733	367,072
2019	75,000	29,254	1,699,746	334,567
2020	75,000	27,821	1,710,613	306,816
2021-2025	375,000	110,828	8,611,941	1,120,896
2026-2030	375,000	55,421	6,062,165	477,689
2031-2034	<u>150,000</u>	<u>5,153</u>	<u>16,751,291</u>	<u>100,495</u>
Total	<u>\$ 1,508,987</u>	<u>\$ 333,703</u>	<u>\$ 40,807,753</u>	<u>\$ 3,541,135</u>

As of June 30, 2015, HWEA has pledged future revenues of the water and sewer system to repay \$40,807,753 in total KIA loans established from 1996 through 2015, 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 next year's principal and interest payments as a percentage of current year net water and sewer system revenues, which totaled \$14,659,265 for the period ended June 30, 2015). As of June 30, 2015, pledged future revenues totaled \$44,348,888, 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 matures in 2016 with interest rates ranging from 3.000% to 3.750%. Principal and interest are due in monthly installments.

During the year ended June 30, 2011, the City issued general obligation bonds (Series 2010A) for the purpose of 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, 2011, the City issued general obligation bonds (Series 2011A) for the purpose of refinancing the lease agreement which was used for the acquisition and construction of a softball complex and fire station. This obligation matures in 2026 with interest rates ranging from 2.000% to 3.125%. Interest is due in monthly installments.

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, 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. The Series 2013B General Obligation Bonds were also issued to pay other allowable expenditures including issuance costs. The obligation matures in 2033 with interest rates ranging from 2.000% to 4.500%. Interest is due in semi-annual installments. The 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 2013B) 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. The bonds have a fixed interest rate of 2.00% and mature on March 1, 2038. The obligation is secured by the full taxing authority of the City.

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. The obligation matures in 2034 with interest rates ranging from 2.000% to 3.250%. Interest is due in semi-annual installments.

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 2037 with interest rates ranging from 1.500% to 6.625%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City.

Continued

**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 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. 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. The 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 2025 with an interest rate of 4.000%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City.

<u>Governmental Activities:</u>	<u>Matures</u>	<u>Rate</u>	<u>June 30, 2015</u>
Kentucky League of Cities Funding GO, 2003 Series B - \$1,034,000	08/01/2017	4%-5.3%	\$ 289,000
Kentucky League of Cities Funding GO, 2004 Series A - \$1,250,000	03/01/2016	3%-3.75%	77,976
Kentucky Bond Corporation GO, 2010 First Series A - \$1,055,000	01/01/2019	2.50%	437,083
Kentucky Bond Corporation GO, 2011 Series A - \$4,965,000	02/01/2026	2%-3.125%	3,965,000
Kentucky Bond Corporation GO, 2011 Series B - \$7,220,000	02/01/2037	2%-3.75%	7,070,000
US Bank National Association GO, 2013 Series C - \$3,965,000	02/01/2038	2%-3.75%	3,965,000

Continued

**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>June 30, 2015</u>
US Bank National Association GO, 2014 Series A - \$2,545,000	11/01/2034	2%-3.25%	\$ 2,545,000
US Bank National Association GO, 2013 Series B - \$3,390,000	10/01/2033	2%-4.50%	3,390,000
US Bank National Association GO, 2014 Series B - \$1,700,000	10/01/2037	1.50%-6.625%	1,700,000
US Bank National Association GO, 2014 Series C - \$1,620,000	02/01/2029	1.10%-3.25%	1,620,000
US Bank National Association GO, 2015 Series A - \$15,710,000	10/01/2025	4%	15,710,000
US Bank National Association GO, 2013 Series B - \$4,635,000	03/01/2038	2%	<u>4,480,000</u>
			45,249,059
Plus: Unamortized bond premium			1,910,359
Less: Unamortized bond discount			(31,427)
	Total		<u>\$47,127,991</u>
 <u>Business Type Activities-HWEA:</u>	 <u>Matures</u>	 <u>Rate</u>	 <u>June 30, 2015</u>
Due to City of Hopkinsville, US Bank	10/01/2033	2%-4.50%	\$ 3,390,000
Due to City of Hopkinsville, US Bank	10/01/2037	1.5%-6.625%	1,700,000
Due to City of Hopkinsville, US Bank	02/01/2029	1.1%-3.25%	1,620,000
Due to City of Hopkinsville, US Bank	10/01/2025	4%	15,710,000
Plus: Unamortized bond premium			<u>1,755,539</u>
	Total		<u>\$24,175,539</u>

Continued



**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>June 30, 2015</u>
Due to City of Hopkinsville, US Bank	03/01/2038	2%-4.25%	\$ 4,480,000
Plus: Unamortized bond premium			<u>9,618</u>
	Total		<u>\$ 4,489,618</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities Principal</u>	<u>Interest</u>	<u>Enterprise Fund Component Units Principal</u>	<u>Interest</u>
2016	\$ 2,068,059	\$ 1,523,800	\$ 1,395,000	\$ 978,760
2017	2,727,083	1,450,306	1,640,000	923,010
2018	2,801,000	1,371,134	1,690,000	865,140
2019	2,797,917	1,290,433	1,820,000	803,913
2020	2,840,000	1,209,808	1,880,000	739,693
2021-2025	13,735,000	4,702,893	10,485,000	2,594,918
2026-2030	8,330,000	2,611,546	4,565,000	1,016,255
2031-2035	6,810,000	1,359,105	2,400,000	452,024
2036-2038	<u>3,140,000</u>	<u>211,926</u>	<u>1,025,000</u>	<u>68,176</u>
Total	<u>\$ 45,249,059</u>	<u>\$15,730,951</u>	<u>\$ 26,900,000</u>	<u>\$ 8,441,889</u>

**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, 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.

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

Continued

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

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

**Revenue Bonds, continued**

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.

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.

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>June 30, 2015</u>
Water Sewer Facilities-1998-\$1,650,000	10/01/2021	3.75% to 4.90%	\$ 500,000
Water Sewer Facilities-2005B-\$1,545,000	10/01/2017	3.00% to 3.75%	315,000
Water Sewer Facilities-2010-\$3,588,000	04/01/2030	3.20% to 4.40%	<u>2,795,500</u>
			3,610,500
Less: Unamortized bond discount			(9,286)
	<b>Total</b>		<b><u>\$ 3,601,214</u></b>

Annual debt service requirements projected to maturity for revenue bonds are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Interest</u>	<u>Business Type Activities HWEA</u>	<u>Interest</u>
2016	\$ -	\$ -	\$ 377,500	\$ 147,080
2017	-	-	387,500	132,988
2018	-	-	237,500	121,276
2019	-	-	249,000	111,683
2020	-	-	261,500	101,341
2021-2025	-	-	1,053,500	353,938
2026-2030	-	-	<u>1,044,000</u>	<u>129,586</u>
<b>Total</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,610,500</u></b>	<b><u>\$ 1,097,892</u></b>

As of June 30, 2015, HWEA has pledged future revenues of the water and sewer system to repay \$3,610,500 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 4% of such net revenues

Continued

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

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

**Revenue Bonds, continued**

(based on next year's principal and interest payments as a percentage of current year net water and sewer system revenues, which totaled \$14,659,265 for the period ended June 30, 2015). As of June 30, 2015, pledged future revenues totaled \$4,708,392, which is the amount of the remaining principal and interest payments on these bonds.

**Revenue Leases**

**Water Main**

During the year ended June 30, 2015, 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, 2015, HWEA entered into an agreement with the United States Army Corps of Engineers (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.

Continued

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

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

**Defeasance of Debt and Current and Advanced Refunding**

In current and prior years, the City and HWEA 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, 2015, the amount of bonds outstanding considered defeased is undeterminable.

In the current and prior years, the City and HWEA had current and advance refundings resulting in defeasance losses that are being amortized over the life of the refunding bonds. The unamortized losses at June 30, 2015 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 \$32,375 for the year ended June 30, 2015.

**11. Interest Capitalization**

Total interest cost incurred for the City for the year ended June 30, 2015 was \$306,880. Interest capitalized was \$7,043, and interest expensed was \$299,837 for the year ended June 30, 2015.

Total interest cost incurred for HWEA for the year ended June 30, 2015 was \$1,763,802. Interest cost capitalized was \$321,042, and interest cost expensed was \$1,442,760 for the year ended June 30, 2015.

Solid Waste did not have any interest cost capitalized for the year ended June 30, 2015.

Total interest cost incurred for Stormwater was \$156,700 for the year ended June 30, 2015. Interest cost capitalized was \$23,331, and interest cost expensed was \$133,369 for the year ended June 30, 2015.

**12. Capital Leases**

Solid Waste is liable to the City for debt that mirrors the City's debt to Kentucky Association of Counties Leasing Trust. On August 30, 2012, Solid Waste leased 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.

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

**12. Capital Leases, continued**

Solid Waste is liable to the City for debt that mirrors the City's debt to Kentucky Association of Counties Leasing Trust. On September 30, 2014, Solid Waste leased 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.

Solid Waste is liable to the City for debt that mirrors the City's debt to Kentucky Association of Counties Leasing Trust. On May 12, 2015, Solid Waste leased 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.

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

	<u>2015</u>
Equipment under capital leases	\$1,475,870
Less accumulated depreciation	<u>(355,628)</u>
Total	<u>\$1,120,242</u>

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

The future minimum lease obligations as of June 30, 2015, 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>
2016	\$ 430,760	\$ 51,537	\$ 379,223
2017	751,916	19,997	731,919
2018	79,766	5,088	74,678
2019	<u>79,766</u>	<u>2,586</u>	<u>77,180</u>
Total	<u>\$ 1,342,208</u>	<u>\$ 79,208</u>	<u>\$ 1,263,000</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

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

**12. Capital Leases, continued**

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 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, 2015, consisted of the following:

	Transfer From:					
	General Fund	Tie Breaker Family Fund	Grants Fund	City Hall/PD Construction Fund	Nonmajor Governmental Type	Total
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tie Breaker Family Fund	125,000	-	-	-	-	125,000
Grants Fund	-	-	-	-	-	-
City Hall/PD Construction	-	-	-	-	-	-
Nonmajor Governmental Type	2,042,849	-	-	-	1,615	2,044,464
Total	<u>\$ 2,167,849</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,615</u>	<u>\$ 2,169,464</u>

The City did not have any noncash transfers.

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

**14. Fund Balance Classification**

The composition of the fund balance classifications at June 30, 2015 are as follows:

	Major Funds			Other	
	General	Grants	City Hall/PD Construction	Governmental Funds	Total
Fund balances:					
Nonspendable:	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:					
Grants	-	84,886	-	-	84,886
City Hall/PD Construction	-	-	1,596,272	-	1,596,272
Municipal road aid	-	-	-	13,449	13,449
Community development block grant	-	-	-	-	-
Police incentive	-	-	-	18,722	18,722
Fire incentive	-	-	-	21,441	21,441
Urban development action grant	-	-	-	817,178	817,178
Expendable trust	-	-	-	477,454	477,454
Capital fund	-	-	-	1,038,392	1,038,392
Section 108 CDBG fund	-	-	-	328,406	328,406
Nonexpendable trust	-	-	-	417,801	417,801
Committed:					
General government	139,755	-	-	-	139,755
Public safety	82,538	-	-	254,192	336,730
Public works	-	-	-	-	-
Community development	750,363	-	-	-	750,363
Parks and recreation	77,597	-	-	-	77,597
Assigned (Encumbrances):					
General government	124,592	-	-	-	124,592
Public safety	117,168	-	-	-	117,168
Public works	70,787	-	-	-	70,787
Community development	24,421	8,905	-	-	33,326
Parks and recreation	22,263	-	-	-	22,263
Municipal road aid	-	-	-	154,890	154,890
Other purposes	-	-	-	-	-
Unassigned:	<u>8,650,221</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,650,221</u>
Total fund balances:	<u>\$10,059,705</u>	<u>\$93,791</u>	<u>\$ 1,596,272</u>	<u>\$ 3,541,925</u>	<u>\$15,291,693</u>

Continued

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

**14. Fund Balance Classification, continued**

Total encumbrances for General Fund total \$359,231. Total encumbrances for City Hall/PD Construction Fund total \$0. Total encumbrances for Nonmajor Funds total \$154,890.

**15. Interfund Balances**

There were no interfund receivables or payables between the governmental funds at June 30, 2015.

**16. 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.

**17. 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.

**18. 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.

**19. 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

Continued



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

**19. Risk Management, continued**

of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. Claims 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.

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, 2015, the claims liability was \$81,067 (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>
2013-2014	\$ 40,935	\$1,706,007	\$1,614,984	\$ 131,958
2014-2015	\$ 131,958	\$2,083,782	\$2,134,673	\$ 81,067

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, 2015, the claims liability was \$96,889. 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>
2013-2014	\$ 30,435	\$ 396,742	\$ 370,267	\$ 56,910
2014-2015	\$ 56,910	\$1,056,203	\$1,016,224	\$ 96,889

**20. 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

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

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

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 each balance sheet date.

The \$4,183,614 reported as Solid Waste landfill closure and postclosure care liability at June 30, 2015, represents the cumulative amount reported to date based on the use of approximately 54 percent of the capacity of the landfill. These amounts are based on what it would cost to perform all closure and postclosure care in 2015 as estimated by the consulting engineer. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

This total amount of closure and postclosure costs are estimated to be \$7,722,614, leaving \$3,539,000 remaining to be recognized. The remaining life of the landfill is estimated to be 45 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, 2015, \$2,264,942 is held for such purposes and reported as 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.

See Note 23 for the Special Item relating to the change in the estimated remaining life of the landfill.

**21. Deferred Revenues**

During the year ended June 30, 2015, HWEA entered into agreements with the U.S. Army Corps of Engineers (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 being financed with loans from a local bank. 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 note receivable with deferred revenues 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 these receivables and deferred revenues was \$440,937 at June 30, 2015.

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

**21. Deferred Revenues, continued**

Stormwater received grant money from the Kentucky Agricultural Development Board and other agencies totaling \$253,500 in 2013. The grants were to be used for a research study by the U.S. Geological Survey to identify different sources of pathogens, sediment, and nitrogen in the Little River Basin of Kentucky. The study is to be conducted over three years. The grant was recorded as deferred revenue that is being recognized as income over the life of the study. Grant income recognized in the year ended June 30, 2015 was \$86,583. The amount of deferred grant revenue at June 30, 2015 was \$0.

**22. 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.

Solid Waste paid HWEA \$77,155 for providing customer billing and collection services and \$13,135 for leachate purification services for the year ended June 30, 2015. Accounts payable for these services at June 30, 2015 was \$12,762.

The City assesses a percentage of Solid Waste revenue as payment in lieu of taxes. The Solid Waste paid the City \$197,887 for payment in lieu of taxes for the year ended June 30, 2015. At June 30, 2015, accounts payable for these payments was \$16,979.

Stormwater has contracted services with the City for bookkeeping services by the Finance Department. This contract requires Stormwater to pay the City \$850 each month for work completed by the Finance Department. For the year ended June 30, 2015, the total amount paid to the Finance Department was \$10,200. Stormwater has contracted services with Community and Development Services for administration services and code enforcement for \$14,167 each month. For the year ended June 30, 2015, the total amount paid to Community and Development Services for the services was \$170,000.

HWEA provides utility billing and cash collection services for Stormwater. HWEA charges Stormwater for these services. For the year ended June 30, 2015, the expense for billing and collection services totaled \$71,889. At June 30, 2015, accounts payable for these services was \$5,950.

**23. Special Item**

Solid Waste completed construction of a vertical expansion of the landfill in 2011. The expansion resulted in new permitting that incorporated changes in technology and environmental requirements resulting in a significant decrease to the projected closure and post closure costs, as well as the estimated remaining life of the landfill. The resulting gain of \$1,370,658 is considered a special item on the statement of revenues, expenses, and change in net position.

Continued

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

**24. Subsequent Events**

Subsequent to year end, 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. The City will bond some or the entire \$2.9 million grant. The timing of the bond issuance will be dependent on the timing of when the construction begins. It could be late fiscal year 2015-2016 or early fiscal year 2016-2017.

Subsequent to year end, the City entered into a lease/purchase agreement in the amount of \$514,396 for a 2015 Pierce Pumper Fire Truck. The lease is for a five-year period.

Subsequent to year end, the City, on behalf of Solid Waste, entered into a capital lease agreement for two 2016 Mack GU713 trucks at a cost of \$157,862 each.

Subsequent to the year ended, HWEA entered into a contract with Cumberland Pipeline of Russell Springs, Kentucky for phase three construction of a twenty inch water main extension along US Highway 41A. This project is to be financed with \$1.5 million in proceeds from the 2013B general obligation bond that was issued by the City on behalf of HWEA during the ended June 30, 2014, with additional financing to come from a grant awarded by the U.S. Department of Housing and Urban Development.

**25. Change in Accounting Principle**

The City implemented Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB No. 27*; GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment to GASB 68*. The implementation of these GASB statements resulted in a cumulative effect of change in accounting principle, which reduced the City's net position by \$23,910,435. Additionally, implementation of the GASB statements also resulted in the recognition of related net pension liability, pension expense, and deferred outflows and inflows of resources, as previously disclosed in Note 6.

	<u>Governmental Activities</u>
Net Position at July 1, 2014, as previously reported	\$ 27,691,264
Net pension liability	(27,532,000)
Deferred outflows of resources related to pension	<u>3,621,565</u>
Net Position at July 1, 2014, restated	<u>\$ 3,780,829</u>

For HWEA, the implementation of these GASB statements resulted in a cumulative effect of change in the accounting principle, which reduced HWEA's net position by \$3,700,685.

For Solid Waste, the implementation of these GASB statements resulted in a cumulative effect of change in the accounting principle, which reduced Solid Waste's net position by \$2,280,714.

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

**26. Recent Accounting Pronouncements**

As of June 30, 2015, the GASB has issued the following pronouncements not yet required to be adopted by the City.

**Governmental Accounting Standards Board Statement No. 72**

GASB Statement No. 72, *Fair Value Measurement and Application*, was issued February 2015. The provisions of this pronouncement are effective for periods beginning after June 15, 2015. This pronouncement is intended to enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This pronouncement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The City's management has not yet determined the effect this pronouncement will have on the financial statements.

**Governmental Accounting Standards Board Statement No. 73**

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, was issued June 2015. The provisions of this pronouncement are effective for periods beginning after June 15, 2015 except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. This pronouncement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The City's management has not yet determined the effect this pronouncement will have on the financial statements.

**Governmental Accounting Standards Board Statement No. 74**

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, was issued June 2015. The provisions of this pronouncement are effective for periods beginning after June 15, 2016. This pronouncement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The City's management has not yet determined the effect this pronouncement will have on the financial statements.

**Governmental Accounting Standards Board Statement No. 75**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued June 2015. The provisions of this pronouncement are effective for periods beginning after June 15, 2017. This pronouncement will improve the decision-usefulness of information in employer and

Continued

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

**26. Recent Accounting Pronouncements, continued**

**Governmental Accounting Standards Board Statement No. 75, continued**

governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. The City's management has not yet determined the effect this pronouncement will have on the financial statements.

**Governmental Accounting Standards Board Statement No. 76**

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued June 2015. The provisions of this pronouncement are effective for periods beginning after June 15, 2015. This pronouncement is intended to improve financial reporting by (1) raising the category of GASB Implementation Guide in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidelines; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidelines with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments.

**Governmental Accounting Standards Board Statement No. 77**

GASB Statement No. 77, *Tax Abatement Disclosures*, was issued August 2015. The provisions of this pronouncement are effective for periods beginning after December 15, 2015. This pronouncement requires disclosure of information necessary to assess how tax abatements affect financial position and results of operations. The City's management has not yet determined the effect this pronouncement will have on the financial statements.

**27. The Single Audit Act**

The U.S. Office of Management and Budget's Circular No. A-133 for *Audits of State, Local Governments and Non-Profit Organizations* requires non-federal entities that expend \$500,000 or more a year in federal awards to have an audit performed in accordance with the provisions of the Circular. A separate supplemental report will be issued on active grant programs of the City of Hopkinsville in accordance with appropriate provisions of the Single Audit Act of 1984, P.L. 98-502 and the Single Audit Act Amendments of 1996, P.L. 104-156.

**City of Hopkinsville, Kentucky**  
**Schedule of Required Supplementary Information**  
**County Employees' Retirement System (CERS)**  
**Schedule of City of Hopkinsville's Proportionate Share of the Net Pension Liability**  
**For the Year Ended June 30, 2015**

	<u>2015</u>
<b>Nonhazardous:</b>	
City's proportion of the net pension liability (asset)	0.143192%
City's proportionate share of the net pension liability (asset)	\$ 4,646,000
City's covered payroll	\$ 3,410,997
City's proportionate share of the net pension liability as a percentage of its covered payroll	136.21%
Total pension plan's fiduciary net position	\$ 6,528,146
Total pension plan's pension liability	\$ 9,772,523
Total pension plan fiduciary net position as a percentage of the total pension liability	66.80%
<b>Hazardous:</b>	
City's proportion of the net pension liability (asset)	1.659682%
City's proportionate share of the net pension liability (asset)	\$ 19,946,000
City's covered payroll	\$ 8,431,262
City's proportionate share of the net pension liability as a percentage of its covered payroll	236.57%
Total pension plan's fiduciary net position	\$ 2,087,001
Total pension plan's pension liability	\$ 3,288,826
Total pension plan fiduciary net position as a percentage of the total pension liability	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 plan.

**City of Hopkinsville, Kentucky**  
**Schedule of Required Supplementary Information**  
**County Employees' Retirement System (CERS)**  
**Schedule of Component Unit's Proportionate Share of the Net Pension Liability**  
**For the Year Ended June 30, 2015**

	<u>2015</u>
<b>HWEA:</b>	
<b>Nonhazardous:</b>	
HWEA's proportion of the net pension liability (asset)	0.114295%
HWEA's proportionate share of the net pension liability (asset)	\$ 3,708,000
HWEA's covered payroll	\$ 2,766,612
HWEA's proportionate share of the net pension liability as a percentage of its covered payroll	134.03%
Total pension plan's fiduciary net position	\$ 6,528,146
Total pension plan's pension liability	\$ 9,772,523
Total pension plan fiduciary net position as a percentage of the total pension liability	66.80%
<b>Solid Waste:</b>	
<b>Nonhazardous:</b>	
Solid Waste's proportion of the net pension liability (asset)	0.070445%
Solid Waste's proportionate share of the net pension liability (asset)	\$ 2,286,000
Solid Waste's covered payroll	\$ 1,688,607
Solid Waste's proportionate share of the net pension liability as a percentage of its covered payroll	135.38%
Total pension plan's fiduciary net position	\$ 6,528,146
Total pension plan's pension liability	\$ 9,772,523
Total pension plan fiduciary net position as a percentage of the total pension liability	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 the City's pension plan.



**City of Hopkinsville, Kentucky**  
**Schedule of Required Supplementary Information**  
**County Employees' Retirement System (CERS)**  
**For the Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Nonhazardous:</b>		
Contractually required contributions	\$ 180,694	\$ 172,404
Contributions in relation to the contractually required contributions	<u>180,694</u>	<u>172,404</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,410,997	\$ 3,282,128
Contributions as a percentage of covered payroll	5.30%	5.25%
<b>Hazardous:</b>		
Contractually required contributions	\$ 700,735	\$ 694,717
Contributions in relation to the contractually required contributions	<u>700,735</u>	<u>694,717</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 8,431,262	\$ 8,400,784
Contributions as a percentage of covered payroll	8.31%	8.27%

**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**  
**Schedule of Required Supplementary Information**  
**County Employees' Retirement System (CERS)**  
**For the Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Component units:</b>		
<b>HWEA:</b>		
<b>Nonhazardous:</b>		
Contractually required contributions	\$ 487,244	\$ 495,315
Contributions in relation to the contractually required contributions	<u>487,244</u>	<u>495,315</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,766,612	\$ 2,621,446
Contributions as a percentage of covered payroll	17.61%	18.89%
<b>Solid Waste</b>		
<b>Nonhazardous:</b>		
Contractually required contributions	\$ 310,637	\$ 305,286
Contributions in relation to the contractually required contributions	<u>310,637</u>	<u>305,286</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,688,607	\$ 1,610,274
Contributions as a percentage of covered payroll	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**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
**For the Year Ended June 30, 2015**

	<u><b>2015</b></u>
<b>Total Pension Liability</b>	
Service cost	\$ -
Interest	267,915
Changes of benefit terms	-
Differences between expected and actual experience	(71,532)
Changes of assumptions	1,026,854
Benefit payments	(399,589)
Net change in total pension liability	<u>823,648</u>
Total pension liability-beginning	<u>4,681,695</u>
Total pension liability-ending	<u><u>\$5,505,343</u></u>
<b>Plan Fiduciary Net Position</b>	
Contributions-employer	\$ 400,000
Contributions-member	-
Net investment income	15,692
Benefit payment	(392,703)
Administration expenses	-
Other	-
Net change in plan fiduciary net position	<u>22,989</u>
Plan fiduciary net position-beginning	<u>807,405</u>
Plan fiduciary net position-ending	<u><u>\$ 830,394</u></u>
Net Pension Liability	<u><u>\$4,674,949</u></u>
Plan fiduciary net position as a percentage of the total pension liability	15.08%
Covered-employee payroll	-
City's net position as a percentage of covered-employee payroll	N/A

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

**City of Hopkinsville, Kentucky  
Policemen's and Firefighter's Pension Fund  
Schedule of Contributions  
For the Year Ended June 30, 2015**

	<u><b>2015</b></u>
Actuarily Determined Contributions	\$ 851,707
Contributions in relation to the actuarily determined contribution	<u>400,000</u>
Contribution deficiency (excess)	<u><u>\$ 451,707</u></u>
Covered-employee payroll	\$ -
Contributions as a percentage of covered-employee payroll	N/A

**Notes to Schedule**

Valuation date	January 1, 2015
Actuarial cost method	Entry age normal
Amortization method	Level dollar payments sufficient to pay interest on the unamortized amount each year
Amortization period	5 years
Asset valuation method	Market
Inflation	None
Salary increases	None
Investment rate of return	4%
Retirement age	Minimum 20 years of service
Mortality	RP-2014 Mortality Table

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

**City of Hopkinsville, Kentucky  
Policemen's and Firefighter's Pension Fund  
Schedule of Investment Return  
For the Year Ended June 30, 2015**

**2015**

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Annual money-weighted rate of return,  
net of investment expense

3.92%

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

**City of Hopkinsville, Kentucky**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (See <b>Note A</b> )	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 5,042,500	\$ 5,142,500	\$ 5,159,960	\$ 17,460
Licenses and permits	20,722,500	21,647,500	21,623,538	(23,962)
Fines and forfeits	45,000	45,000	67,323	22,323
Intergovernmental	2,835,410	3,007,490	2,941,132	(66,358)
Charges for services	432,968	263,000	263,342	342
Interest	20,000	20,000	36,294	16,294
Other revenues	289,575	496,168	489,287	(6,881)
Total Revenues	29,387,953	30,621,658	30,580,876	(40,782)
<b>EXPENDITURES</b>				
Current:				
General government:				
Administrative	1,924,745	1,760,054	1,619,213	140,841
Tax department	610,882	633,982	573,949	60,033
Information technology	789,986	826,826	770,476	56,350
Legislative	335,157	336,937	331,367	5,570
Public safety:				
Police	6,913,586	7,012,812	6,739,863	272,949
Emergency communications	1,079,068	1,079,068	1,009,513	69,555
Fire	7,018,277	7,250,267	7,124,143	126,124
Other	400,000	400,000	400,000	-
Public works:				
Administrative	265,064	277,548	272,478	5,070
Street	1,800,519	1,843,573	1,666,001	177,572
Service center	349,103	352,338	347,632	4,706
Other	1,129,000	1,079,763	970,887	108,876
Community development	3,784,592	3,891,712	3,886,063	5,649
Parks and recreation	818,635	839,885	782,362	57,523
Debt service:				
Principal	628,156	628,156	628,156	-
Interest & finance charges	175,553	175,553	175,553	-
Capital outlays	-	263,648	263,648	-
Total Expenditures	28,022,323	28,652,122	27,561,304	1,090,818
Excess of revenues over (under) expenditures	1,365,630	1,969,536	3,019,572	1,050,036
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	-	-	-
Transfers in	434,800	434,800	-	(434,800)
Transfers out	(1,546,667)	(2,725,000)	(2,957,473)	(232,473)
Total Other Financing Sources (Uses)	(1,111,867)	(2,290,200)	(2,957,473)	(667,273)
Net change in fund balance	253,763	(320,664)	62,099	382,763
Fund balance, beginning of year	10,198,224	10,198,224	10,198,224	-
Fund balance, end of year	\$ 10,451,987	\$ 9,877,560	\$ 10,260,323	\$ 382,763

**CITY OF HOPKINSVILLE, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**ON BUDGETARY ACCOUNTING AND CONTROL**  
**For the Year Ended June 30, 2015**

**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. The Grants Fund and the City Hall/Police Department Construction Fund are not required to legally adopt a 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, 2015, of the General Fund is presented below.

Excess (deficit) of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$ 62,099
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Adjustments:

To adjust expenditures for salary accruals	39,393
To adjust expenditures for payable accruals	(46,426)
To adjust revenues for tax and license accruals	<u>(34,602)</u>

Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u>\$ 20,464</u>
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**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, 2015**

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

	General Fund (Budgetary)	Budgetary to GAAP Adjustments *	Special Revenue Funds	Total
<b>REVENUES</b>				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 30,580,876	\$ 30,580,876	\$ 37,947	\$ 30,618,823
Adjustments:				
The City budgets for receivables on the cash basis, rather than on the modified accrual basis	-	(34,602)	-	(34,602)
Budgetary Special Revenue Funds are consolidated into the General Fund, required for GAAP reporting	-	-	-	-
Total revenues as reported on the budgetary comparison schedule	<u>30,580,876</u>	+ <u>30,546,274</u>	<u>37,947</u>	<u>30,584,221</u> ^
<b>EXPENDITURES</b>				
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	(27,561,304)	(27,561,304)	-	(27,561,304)
Adjustments:				
The City budgets for payables on the cash basis, rather than on the modified accrual basis	-	(46,426)	-	(46,426)
The City budgets for payroll on the cash basis, rather than on the modified accrual basis	-	39,393	-	39,393
Budgetary Special Revenue Funds are consolidated into the General Fund, required for GAAP reporting	-	-	(25,202,165)	(25,202,165)
Total expenditures as reported on the budgetary comparison schedule	<u>(27,561,304)</u>	+ <u>(27,568,337)</u>	<u>(25,202,165)</u>	<u>(52,770,502)</u> ^
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(2,957,473)	(2,957,473)	789,624	(2,167,849)
Issuance of long-term debt	-	-	24,215,611	24,215,611
Total other financing sources (uses)	<u>(2,957,473)</u>	+ <u>(2,957,473)</u>	<u>25,005,235</u>	<u>22,047,762</u> ^
Excess of revenues and other financing sources over/ (under) expenditures and other financing uses	<u>\$ 62,099</u>	+ <u>\$ 20,464</u> **	<u>\$ (158,983)</u>	<u>\$ (138,519)</u> ^
Reclassifications:				
Budgetary Special Revenue Funds are consolidated into the General Fund, required for GAAP reporting	<u>\$ (789,624)</u>	<u>\$ -</u>	<u>\$ 789,624</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

1 The City issued long-term debt on behalf of two component units in the amount of \$21,669,126. Additional City debt issued was \$2,546,485.



**City of Hopkinsville, Kentucky**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2015**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Pooled cash and cash equivalents	\$ 1,152,719	\$ 1,047,706	\$ -	\$ 2,200,425
Non-pooled cash and cash equivalents	168,433	331,886	19,425	519,744
Investments	309,021	-	398,376	707,397
Loans receivable	128,742	-	-	128,742
Due from component unit	-	-	-	-
Other receivables	<u>384</u>	<u>-</u>	<u>-</u>	<u>384</u>
Total assets	<u>\$ 1,759,299</u>	<u>\$ 1,379,592</u>	<u>\$ 417,801</u>	<u>\$ 3,556,692</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,973	\$ 12,794	\$ -	\$ 14,767
Interfund payables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,973</u>	<u>12,794</u>	<u>-</u>	<u>14,767</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	1,348,244	1,366,798	417,801	3,132,843
Committed	254,192	-	-	254,192
Assigned	154,890	-	-	154,890
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,757,326</u>	<u>1,366,798</u>	<u>417,801</u>	<u>3,541,925</u>
Total liabilities and fund balances	<u>\$ 1,759,299</u>	<u>\$ 1,379,592</u>	<u>\$ 417,801</u>	<u>\$ 3,556,692</u>

**City of Hopkinsville, Kentucky**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2015**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Intergovernmental	\$ 1,507,225	\$ -	\$ -	\$ 1,507,225
Investment income	21,308	810	(9,959)	12,159
Insurance proceeds	-	8,951	-	8,951
Donations	-	100	-	100
Other	71,554	-	14,721	86,275
	<u>1,600,087</u>	<u>9,861</u>	<u>4,762</u>	<u>1,614,710</u>
Total revenues				
	<u>1,600,087</u>	<u>9,861</u>	<u>4,762</u>	<u>1,614,710</u>
<b>EXPENDITURES</b>				
Current:				
General government	13,209	68,488	-	81,697
Public safety	511,289	25,301	-	536,590
Public works	166,625	14,485	-	181,110
Community development	158,372	49,235	-	207,607
Debt Service:				
Principal	75,000	161,776	-	236,776
Interest	32,936	395,447	-	428,383
Expenditures	-	-	-	-
Capital outlay	667,994	1,258,177	-	1,926,171
	<u>1,625,425</u>	<u>1,972,909</u>	<u>-</u>	<u>3,598,334</u>
Total expenditures				
	<u>1,625,425</u>	<u>1,972,909</u>	<u>-</u>	<u>3,598,334</u>
Excess of revenues over (under) expenditures	<u>(25,338)</u>	<u>(1,963,048)</u>	<u>4,762</u>	<u>(1,983,624)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	50,000	1,994,464	-	2,044,464
Transfers out	(1,615)	-	-	(1,615)
Issuance of debt	-	-	-	-
	<u>48,385</u>	<u>1,994,464</u>	<u>-</u>	<u>2,042,849</u>
Total other financing sources (uses)				
	<u>48,385</u>	<u>1,994,464</u>	<u>-</u>	<u>2,042,849</u>
Net change in fund balances	23,047	31,416	4,762	59,225
Fund balances, beginning of year	1,734,279	1,335,382	413,039	3,482,700
Fund balances, end of year	<u>\$ 1,757,326</u>	<u>\$ 1,366,798</u>	<u>\$ 417,801</u>	<u>\$ 3,541,925</u>

**City of Hopkinsville, Kentucky  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2015**

	Municipal Road Aid	Community Development Block Grant	Police Incentive	Fire Incentive	Urban Development Action Grant	Drug Enforcement	Expendable Trust Funds	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>								
Pooled cash and cash equivalents	\$ 169,928	\$ -	\$ 18,722	\$ 21,441	\$ 688,436	\$ 254,192	\$ -	\$ 1,152,719
Non-pooled cash and cash equivalents	-	-	-	-	-	-	168,433	168,433
Investments	-	-	-	-	-	-	309,021	309,021
Loans receivable	-	-	-	-	128,742	-	-	128,742
Due from component unit	-	-	-	-	-	-	-	-
Other receivables	-	384	-	-	-	-	-	384
	<u>-</u>	<u>384</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>384</u>
Total assets	<u>\$ 169,928</u>	<u>\$ 384</u>	<u>\$ 18,722</u>	<u>\$ 21,441</u>	<u>\$ 817,178</u>	<u>\$ 254,192</u>	<u>\$ 477,454</u>	<u>\$ 1,759,299</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts payable	\$ 1,589	\$ 384	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,973
Interfund payables	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,589</u>	<u>384</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,973</u>
<b>FUND BALANCES</b>								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	13,449	-	18,722	21,441	817,178	-	477,454	1,348,244
Committed	-	-	-	-	-	254,192	-	254,192
Assigned	154,890	-	-	-	-	-	-	154,890
Unassigned	-	-	-	-	-	-	-	-
	<u>168,339</u>	<u>-</u>	<u>18,722</u>	<u>21,441</u>	<u>817,178</u>	<u>254,192</u>	<u>477,454</u>	<u>1,757,326</u>
Total fund balances	<u>168,339</u>	<u>-</u>	<u>18,722</u>	<u>21,441</u>	<u>817,178</u>	<u>254,192</u>	<u>477,454</u>	<u>1,757,326</u>
Total liabilities and fund balances	<u>\$ 169,928</u>	<u>\$ 384</u>	<u>\$ 18,722</u>	<u>\$ 21,441</u>	<u>\$ 817,178</u>	<u>\$ 254,192</u>	<u>\$ 477,454</u>	<u>\$ 1,759,299</u>

**City of Hopkinsville, Kentucky**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended June 30, 2015**

	Municipal Road Aid	Community Development Block Grant	Police Incentive	Fire Incentive	Urban Development Action Grant	Drug Enforcement	Expendable Trust Funds	Total Nonmajor Special Revenue Funds
<b>REVENUES</b>								
Intergovernmental	\$ 758,858	\$ 266,308	\$ 224,406	\$ 257,653	\$ -	\$ -	\$ -	\$ 1,507,225
Investment income	482	-	-	-	-	199	20,627	21,308
Other	-	-	-	-	2,222	69,332	-	71,554
	<u>759,340</u>	<u>266,308</u>	<u>224,406</u>	<u>257,653</u>	<u>2,222</u>	<u>69,531</u>	<u>20,627</u>	<u>1,600,087</u>
<b>EXPENDITURES</b>								
General government	-	-	-	-	-	-	13,209	13,209
Public safety	-	-	224,287	256,878	-	30,124	-	511,289
Public works	163,125	-	-	-	-	-	3,500	166,625
Community development	-	158,372	-	-	-	-	-	158,372
Debt Service:								
Principal	-	75,000	-	-	-	-	-	75,000
Interest	-	32,936	-	-	-	-	-	32,936
Capital Outlay	<u>662,257</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,737</u>	<u>-</u>	<u>667,994</u>
	<u>825,382</u>	<u>266,308</u>	<u>224,287</u>	<u>256,878</u>	<u>-</u>	<u>35,861</u>	<u>16,709</u>	<u>1,625,425</u>
Excess of revenues over (under) expenditures	<u>(66,042)</u>	<u>-</u>	<u>119</u>	<u>775</u>	<u>2,222</u>	<u>33,670</u>	<u>3,918</u>	<u>(25,338)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	50,000	-	-	-	-	-	-	50,000
Transfer out	(1,615)	-	-	-	-	-	-	(1,615)
Issuance of debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>48,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,385</u>
Net change in fund balances	(17,657)	-	119	775	2,222	33,670	3,918	23,047
Fund balances, beginning of year	<u>185,996</u>	<u>-</u>	<u>18,603</u>	<u>20,666</u>	<u>814,956</u>	<u>220,522</u>	<u>473,536</u>	<u>1,734,279</u>
Fund balances, end of year	<u>\$ 168,339</u>	<u>\$ -</u>	<u>\$ 18,722</u>	<u>\$ 21,441</u>	<u>\$ 817,178</u>	<u>\$ 254,192</u>	<u>\$ 477,454</u>	<u>\$ 1,757,326</u>

**City of Hopkinsville, Kentucky  
Budgetary Comparison Schedule  
Municipal Road Aid Special Revenue Fund  
For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Intergovernmental	\$ 784,500	\$ 734,500	\$ 758,857	\$ 24,357
Other	-	-	-	-
Interest	<u>500</u>	<u>500</u>	<u>483</u>	<u>(17)</u>
Total Revenues	<u>785,000</u>	<u>735,000</u>	<u>759,340</u>	<u>24,340</u>
 <b>EXPENDITURES</b>				
Public works	835,000	508,773	328,217	180,556
Capital outlay	<u>-</u>	<u>662,257</u>	<u>662,257</u>	<u>-</u>
Total expenditures	<u>835,000</u>	<u>1,171,030</u>	<u>990,474</u>	<u>180,556</u>
Excess of revenues over/(under) expenditures	<u>(50,000)</u>	<u>(436,030)</u>	<u>(231,134)</u>	<u>204,896</u>
 <b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	50,000	50,000	50,000	-
Transfers out	<u>-</u>	<u>(1,615)</u>	<u>(1,615)</u>	<u>-</u>
Total other financing sources (uses)	<u>50,000</u>	<u>48,385</u>	<u>48,385</u>	<u>-</u>
Net change in fund balance	-	(387,645)	(182,749)	204,896
Fund balance, beginning of year	<u>285,000</u>	<u>185,996</u>	<u>185,996</u>	<u>-</u>
Fund balance, end of year	<u>\$ 285,000</u>	<u>\$ (201,649)</u>	<u>\$ 3,247</u>	<u>\$ 204,896</u>
Excess of revenues and other financing sources (uses) over expenditures and other financing uses (budgetary basis)			\$ (182,749)	
Adjustments:				
To adjust expenditures for payable accruals			<u>165,092</u>	
Excess of revenues and other financing sources (uses) over expenditures and other financing uses (GAAP basis)			<u>\$ (17,657)</u>	

**City of Hopkinsville, Kentucky  
Combining Balance Sheet  
Nonmajor Capital Projects Funds  
June 30, 2015**

	Capital Fund	Section 108 CDBG Loan Fund	Total Nonmajor Capital Projects Funds
<b>ASSETS</b>			
Pooled cash and cash equivalents	\$ 1,047,706	\$ -	\$ 1,047,706
Non-pooled cash and cash equivalents	-	331,886	331,886
Loans receivable	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,047,706</u>	<u>\$ 331,886</u>	<u>\$ 1,379,592</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 9,314	\$ 3,480	\$ 12,794
	<u>9,314</u>	<u>3,480</u>	<u>12,794</u>
Total liabilities	<u>9,314</u>	<u>3,480</u>	<u>12,794</u>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	1,038,392	328,406	1,366,798
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,038,392</u>	<u>328,406</u>	<u>1,366,798</u>
Total liabilities and fund balances	<u>\$ 1,047,706</u>	<u>\$ 331,886</u>	<u>\$ 1,379,592</u>

**City of Hopkinsville, Kentucky**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Capital Projects Funds**  
**For the Year Ended June 30, 2015**

	Capital Fund	Section 108 CDBG Loan Fund	Total Nonmajor Capital Projects Funds
<b>REVENUES</b>			
Insurance proceeds	\$ 8,951	\$ -	\$ 8,951
Donations	100	-	100
Investment income	<u>-</u>	<u>810</u>	<u>810</u>
Total revenues	<u>9,051</u>	<u>810</u>	<u>9,861</u>
<b>EXPENDITURES</b>			
Current:			
General government	68,488	-	68,488
Public safety	25,301	-	25,301
Public works	14,485	-	14,485
Community development	44,902	4,333	49,235
Debt service:			
Principal	161,776	-	161,776
Interest	395,447	-	395,447
Expenditures	-	-	-
Capital outlay	<u>945,392</u>	<u>312,785</u>	<u>1,258,177</u>
Total expenditures	<u>1,655,791</u>	<u>317,118</u>	<u>1,972,909</u>
Excess of revenues over (under) expenditures	<u>(1,646,740)</u>	<u>(316,308)</u>	<u>(1,963,048)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,994,464	-	1,994,464
Transfers out	-	-	-
Issuance of debt	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>1,994,464</u>	<u>-</u>	<u>1,994,464</u>
Net change in fund balances	347,724	(316,308)	31,416
Fund balances, beginning of year	<u>690,668</u>	<u>644,714</u>	<u>1,335,382</u>
Fund balances, end of year	<u>\$ 1,038,392</u>	<u>\$ 328,406</u>	<u>\$ 1,366,798</u>

**CITY OF HOPKINSVILLE, KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2015**

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grant Identifying Number</u>	<u>Federal Expenditures</u>
<b>Highway Safety Cluster</b>			
<b>Department of Transportation</b>			
State and Community Highway Safety (Passed through Kentucky Transportation Cabinet)	20.600	PO2-625-1400000875-1	\$ 9,773
Occupant Protection Incentive Grants (Passed through Kentucky Transportation Cabinet)	20.602	PO2-625-1500000368-1	<u>6,659</u>
			16,432
<b>Highway Planning and Construction Cluster</b>			
<b>Department of Transportation</b>			
Highway Planning and Construction (Passed through Kentucky Transportation Cabinet)	20.205	PO2-628-1100004696 PO2-628-1500000932	218,085 <u>6,018</u>
			224,103
Recreational Trails Program (Passed through Kentucky Department for Local Government)	20.219		<u>5,337</u>
			229,440
<b>Department of Housing and Urban Development</b>			
Community Development Block Grants / Entitlement Grants	14.218	B13-MC-210002 B14-MC-210002	207,510 <u>32,992</u>
			240,502
Community Development Block Grants - Section 108 Loan Guarantees	14.248	B-10-MC-21-0002	317,118
Economic Development Initiative - Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	B-10-SP-KY-0104	<u>2,951,505</u> *
<b>Total Federal Expenditures</b>			<u>\$ 3,754,997</u>

\*Denotes major program



**CITY OF HOPKINSVILLE, KENTUCKY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For The Year Ended June 30, 2015**

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of City of Hopkinsville, Kentucky under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the City.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles of OMB Circular A-122, Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

**NOTE C - 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>\$ 49,299</u>



**& CO. - HOPKINSVILLE LLP**

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FIRM ID # 61-1313802

LEONARD F. ADCOCK, CPA  
JOHN M. DeANGELIS, CPA  
KERRY T. FORT, CPA

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

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, 2015, 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 26, 2016.

**Internal Control Over Financial Reporting**

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

### **Purpose of this Report**

This 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, Neel & Co. - Hopkinsville, LLP*

Hopkinsville, Kentucky  
January 26, 2016



**& CO. - HOPKINSVILLE LLP**

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KERRY T. FORT, CPA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

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

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

We have audited City of Hopkinsville, Kentucky's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Hopkinsville, Kentucky's major federal programs for the year ended June 30, 2015. City of Hopkinsville, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 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, 2015.

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

Management of 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 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

*Yor K. Nee | + Co. - Hopkinsville, LLP*

Hopkinsville, Kentucky  
January 26, 2016

**CITY OF HOPKINSVILLE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2015**

**Section I – Summary of Auditor’s 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 Section 510(a) of OMB Circular A-133? \_\_\_\_\_ Yes   X   No

Identification of major programs:

CFDA Number:                      Name of Federal Program or Cluster:

14.251                      Department of Housing and Urban Development – Economic  
Development Initiative – Special Project

Dollar threshold used to distinguish between type A and type B programs: \$300,000

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

**Section II – Financial Statement Findings**

- No matters were reported.

**Section III – Federal Award Findings and Questioned Costs**

- No matters were reported.

**CITY OF HOPKINSVILLE**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2015**

The City of Hopkinsville, Kentucky had no prior audit findings.