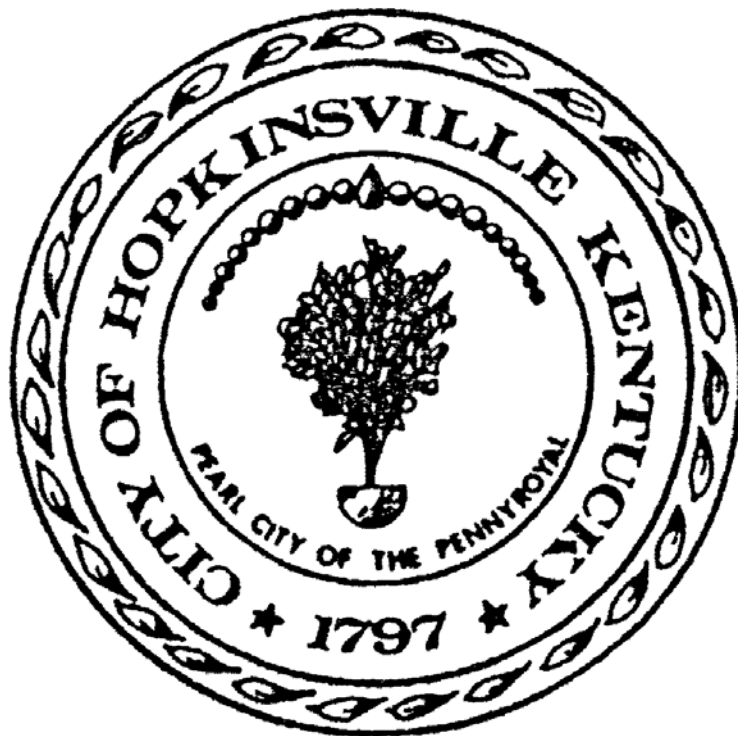


# **CITY OF HOPKINSVILLE, KENTUCKY**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For The Fiscal Year Ended June 30, 2010**



**Issued by the  
Department of Finance**

**ROBERT MARTIN  
Chief Financial Officer**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE CITY OF HOPKINSVILLE, KENTUCKY  
FOR THE YEAR ENDING JUNE 30, 2010**

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**CITY OF HOPKINSVILLE  
INTRODUCTORY SECTION**



CITY OF HOPKINSVILLE  
KENTUCKY

42240

[www.hopkinsvilleky.us](http://www.hopkinsvilleky.us)

ROBERT W. MARTIN, CPA  
CHIEF FINANCIAL OFFICER

101 NORTH MAIN STREET  
270/890-0239  
FAX 270/890-0236

January 21, 2011

Honorable Mayor, Council Persons and Citizens of Hopkinsville:

The Comprehensive Annual Financial Report of the City of Hopkinsville (the "City") for the fiscal year ended June 30, 2010, is hereby submitted. Responsibility for accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the City of Hopkinsville. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and the results of operations of the various funds and component units of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter, the City's organizational chart, and a list of principal officials. The Financial Section includes the independent auditors' report, management's discussion and analysis, basic financial statements, and required supplementary information. The Statistical Section includes selected unaudited financial and demographic information, which is generally presented on a multiyear basis.

#### LEGAL REQUIREMENT

This report has been prepared pursuant to and in compliance with the statutes of the Commonwealth of Kentucky, which require an annual audit of books of account, financial records and transactions of the City. In addition to meeting the requirements set forth by state statutes, the audit is intended to meet the requirements of the federal Single Audit Act Amendments of 1996 and related *OMB Circular A-133*. The independent auditor's report on the basic financial statements is included in the financial section of this report. The independent auditor's report related specifically to the Single Audit Act is published separately. Those wishing to receive the Single Audit Act Report should direct their request to the City's Chief Financial Officer.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.



*Hopkinsville enhances the lives of its citizens and encourages opportunities  
through service, development and education.*

Honorable Mayor, Council Persons  
and Citizens of Hopkinsville

## **LEGAL REQUIREMENT, continued**

As demonstrated by the statements and schedules included in this report, the City continues to fulfill its responsibility for providing sound financial reporting.

## **REPORTING ENTITY**

The City provides a wide range of municipal services and includes, for financial reporting purposes, all funds, account groups, boards, agencies and authorities involved in the provision of these services and for which, in the opinion of the City's officials, the City is financially accountable. The City is financially accountable for the organizations that make up its legal entity. The City is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and the City is either able to impose its will on that organization or there is potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the City. The City is also financially accountable for fiscally dependent governmental organizations.

The City has performed a comprehensive evaluation of its financial reporting entity in accordance with Governmental Accounting Standards Board Statement No. 14, "*The Financial Reporting Entity*", and, based on the foregoing criteria, has included the following separate organizations as discretely presented component units within the City's basic financial statements:

Hopkinsville Water Environment Authority  
Hopkinsville Solid Waste Authority  
Hopkinsville Surface and Storm Water Utility

The following entities do not meet the financial accountability criteria discussed above and are not included in this report:

Hopkinsville-Christian County Public Housing Authority  
Hopkinsville Electric System

The Hopkinsville-Christian County Airport Board and any other City/County agencies are considered to be joint governing board type organizations. Consequently, neither the City nor the County governments have control or total financial responsibility for these organizations.

The City provides a full range of municipal services, including public safety (police, fire, and emergency communications), street maintenance, cemetery, recreation, and general administrative services.

## **ACCOUNTING SYSTEM**

The Finance Department is responsible for providing to the City all financial services, including accounting and reporting, payroll, accounts payable, cash and investment management, debt management, budgeting, and purchasing. The City has computerized systems of accounting and reporting, and payroll/personnel.

Honorable Mayor, Council Persons  
and Citizens of Hopkinsville

## **INTERNAL CONTROLS**

The City's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse, and to ensure that adequate accounting information is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefit likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. The internal control structure is subject to periodic evaluation by the management of the City and by the City's independent certified public accounting and auditing firm.

As a part of the City's audit, tests were made to determine the adequacy of the internal control structure as well as to determine that the City has complied with applicable laws and regulations. The results of the City's audit for the fiscal year ended June 30, 2010, disclosed no instance of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

## **BUDGETARY CONTROLS**

In addition to internal controls, the City maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriation and budget ordinance approved by the City Council. Activities of the General Fund and the Municipal Road Aid Special Revenue Fund are included in the annual appropriations budget. The level of budgetary control (this is the level at which expenditures cannot legally exceed the appropriated amount) is at the departmental level within an individual fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

## **ECONOMIC CONDITION AND OUTLOOK**

Despite a global recession with high unemployment, depressed property values, and an increase in demands on social programs, the City of Hopkinsville continues to maintain a positive economic outlook. The City has been able to maintain service levels without any tax increases except for a small increase in the real estate property tax rate. The occupational tax is scheduled to decrease from 2.00% to 1.95% as of January 1, 2011.

The unemployment rate in Christian County was 12.3% in June 2010, which was above the state rate of 10.0%. The City continues to be actively involved in promoting economic development.

Honorable Mayor, Council Persons  
and Citizens of Hopkinsville

## **SIGNIFICANT EVENTS AND INITIATIVES**

The City had much to be proud of in 2009 – 2010. The City continues to form partnerships with outside federal, state, and local agencies, and with the citizenry itself, to meet its goals and spend its tax dollars wisely. Some of our accomplishments include:

- Receiving a 2009 TEA-21 Grant in the amount of \$300,000 to be utilized towards Phase II of the 9<sup>th</sup> and Campbell Streets Corridor.
- Completing the streetscape projects in the downtown area and the renovation of 6<sup>th</sup> Street utilizing a 2006 TEA-21 Grant in the amount of \$330,000.
- Completing the Little River Bank Stabilization Project at Little River Park between 7<sup>th</sup> and 9<sup>th</sup> Streets.
- Constructing an entrance road to the Trail of Tears Park which was partially funded by a Land and Water Conservation Fund Grant in the amount of \$40,000.
- Replacing a pavilion at West Side Park utilizing Community Development Block Grant (CDBG) funds in the amount of \$60,000.
- Constructing new sidewalks along North Drive to North Drive Middle School utilizing a Safe Routes to School Grant in the amount of \$250,000.
- Receiving a 2010 Litter Abatement Grant from the State of Kentucky in the amount of \$17,877. A portion of the Grant was used to fund the “Trash for Cash” program in which nonprofit organizations were paid \$75 per mile of trash picked up on City Streets.
- Receiving a Repair Affair Grant in the amount of \$20,000 through the Kentucky Housing Corporation to be used for minor exterior repairs of homeowner occupied residential units located within the Inner-City Residential Enterprise Zone (ICREZ).
- Receiving two grants, \$240,000 and \$180,000, from the Kentucky Housing Corporation GAP Financing Pool. These grants are to be used toward the rehabilitation of seven homeowner occupied residential units located within the ICREZ up to \$60,000 per unit.
- Receiving a \$40,000 grant from the Kentucky Housing Corporation GAP Financing Pool. This grant is to be used toward the construction and sale of a residential unit located with the ICREZ to one first time homebuyer.
- Receiving a \$143,600 Energy Efficiency and Conservation Block Grant under the American Recovery and Reinvestment Act of 2009 (ARRA) for the purpose of energy audits and efficiency improvements to homes located with the ICREZ.
- Receiving a \$77,460 CDBG-R Grant under the ARRA for housing improvements for three residents in the ICREZ.



Honorable Mayor, Council Persons  
and Citizens of Hopkinsville

### **SIGNIFICANT EVENTS AND INITIATIVES, continued**

- Paying for staff salaries for the operation of the Walnut Street Community Center by the Boys and Girls Club. Funding was provided by CDBG funds and the City's General Fund.
- Executing contracts for the reconstruction of three homes under the Hopkinsville Home Improvement Program.
- Approving the issuance of industrial revenue bonds by the Kentucky Economic Development Finance Authority to finance the construction of a \$1,375,000 donated goods center for Goodwill Industries of Kentucky on Ft. Campbell Blvd. The donated goods center will create three jobs.
- Accepting the transfer from the United States of America approximately 81.8 acres of land which was formally the right-of-way line of the Illinois Central Gulf Railroad. The City is exploring possibilities of converting the former railroad spur to Rails to Trails.
- Annexing into the City 12.463 acres known as the Wilshire Development Area.
- Annexing into the City 61.301 acres along Eagle Way Highway.
- Applying for a Section 108 Loan through the Department of Housing and Urban Development Community Block Grant Program. Loan proceeds in the amount of approximately \$1,445,000 will be used to upgrade existing parks within the ICREZ.
- Amending the Downtown Hopkinsville 50/50 Matching Grant Incentive Program to include a new element known as "Let's Paint Downtown Hoptown". Under this element of the program, property owners/tenants in the Hopkinsville's Downtown Renaissance District will be given the opportunity to paint the exterior facade of their building on a 50/50 matching basis, with reimbursement to the property owner/tenant not to exceed \$5,000.
- Adopting the ICREZ Single Family New Construction Incentives Program which is designed to assist with the efforts of the ICREZ program's housing stock revitalization component. These incentives were created to encourage contractors and developers to invest in new construction inner-city residential housing projects. Within the package there are several avenues that contractors and developers can tap into in order to receive financial assistance or rebates for single family new construction.

Honorable Mayor, Council Persons  
and Citizens of Hopkinsville

### **SIGNIFICANT EVENTS AND INITIATIVES, continued**

- Approving the Hopkinsville ACTS (Advocacy, Call to Action, Training, Secure a Job) Program which is designed to create an advocacy campaign geared toward identifying the relationship between education and work and to trigger a response from individuals who need job training opportunities. The program will help position individuals educationally to be ready to pursue the jobs that will be available post recession and is designed to reach into the inner city neighborhoods and help to make the connection between education and earning potential. The Hopkinsville ACTS Career Workshop was held May 12, 2010 at the Hopkinsville Community College. The event had over 260 participants in attendance with career counselors setting up meetings with attendees to create individual education plans including financial assistance if needed.
  
- The following activities under the ICREZ initiative:
  - Providing technical assistance on an as-needed basis to the five Neighborhood Network Associations within the targeted inner-city neighborhoods of Attucks/Eastside, Canton Pike, Durrett Avenue and Westside.
  
  - Assisting the five Neighborhood Network Associations in developing empowerment plans for presentation to the Local Development Corporation with recommendations to disperse funding to them for projects.
  
  - Helping to facilitate the Association's neighborhood projects such as repairing the exterior and interior of houses in their boundaries, creating neighborhood Adopt-A-Spot, park pavilion renovations, handicap accessibility interior and exterior, neighborhood watch programs, fundraising, children's summer activities, neighborhood cleanup days, emergency assistance programs, and weatherization efforts.
  
  - Administering the Adolescents Choosing To Improve Our Neighborhoods (ACTION) Graffiti Program. The Program is designed to work with "at risk" youth to give them a second chance and a diversion from incarceration in partnership with the Christian County Jail, Court Designated Workers, Judges, Community and Development Services, Public Works, County Attorney's office and Hopkinsville Police Department to address the graffiti that has defaced public and private property. Ten juveniles, ranging in ages from 12-17, were assigned to participate in the program for the summer and 174 hours of graffiti clean-up were completed. None of the ten juveniles that participated have re-offended and one is going to college and has been hired by the school system as a tutor.

Honorable Mayor, Council Persons  
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## **GENERAL GOVERNMENTAL FUNCTIONS**

### **General Fund**

Revenues and expenditures in the General Fund are displayed on the budgetary basis. General Fund revenue and other financial sources totaled \$24,661,514 in fiscal year 2009-2010, an increase of 3.41% over fiscal year 2008-2009. Expenditures and transfers out totaled \$23,627,483, a decrease of (0.66)% from prior year. The City's general fund unreserved fund balance of \$6,600,580 gives the City a strong financial posture. For further information on General Fund sources of revenue and charts depicting those revenue sources, please see Management's Discussion and Analysis at pages 17-28.

### **Special Revenue Funds**

Special Revenue Funds are restricted as to use by the federal government and other external requirements. Revenues and other financing sources for these funds amounted to \$4,968,001. This represents a \$975,470 increase, or 24.43% over prior year. The City has been very fortunate during the past few years in obtaining grants. We are very pleased in our efforts to obtain funding for community development, streets, parks, flood mitigation and affordable housing programs.

### **Capital Projects Fund**

The Park Construction Fund was established to account for the construction expenditures of Tie Breaker Park, a fire substation, and a water park. Park construction revenue and other financial sources totaled \$2,936 in fiscal year 2009-2010, an increase of 599.05% from fiscal year 2008-2009. Expenditures and other financial uses totaled \$3,788, a decrease of 75.72% over prior year. The City utilizes a Capital Fund to account for purchases of capital assets. Transfers to and from the various governmental funds represent all activity in the Capital Fund. Capital Fund revenue and other financial sources totaled \$1,125,666 in fiscal year 2009-2010, an increase of 6.74% from fiscal year 2008-2009. Expenditures and other financial uses totaled \$1,185,948, an increase of 32.58% over prior year.

## **PROPRIETARY FUNDS**

These funds include the City's five 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 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's five enterprise funds operations perform separate and distinct activities.

Honorable Mayor, Council Persons  
and Citizens of Hopkinsville

### **PROPRIETARY FUNDS, continued**

The Water and Sewer operation (component unit) is the largest of the enterprise operations with \$100.1 million in assets and \$56.8 million in liabilities. The Hopkinsville Water Environment Authority continues a large expansion of both water and sewer treatment facilities. Additional rate increases are expected over the next several years as these expansion projects are implemented.

The Solid Waste operation (component unit) has assets of \$6.3 million and liabilities of \$14.1 million. The \$9.3 million deficit in unrestricted net assets is due primarily to a large accrual (\$13.3 million) for landfill closure and postclosure care costs. The City Council converted the existing landfill to a limited construction, demolition and debris (CDD) type landfill due to lack of a state permit to construct a contained landfill. By current law, postclosure maintenance and monitoring is required for a period of thirty years after closure.

The Surface and Storm Water Utility operation (component unit) has assets of \$7.4 million and \$5.3 million in liabilities at June 30, 2010. The Surface and Storm Water Utility was established to help minimize flooding and to establish minimum requirements and procedures to control the adverse impacts associated with increased surface and storm water runoff.

The Tie Breaker Family Aquatic Fund was established to account for and maintain the operations of the water park. The Tie Breaker Family Aquatic Fund has assets of \$3.78 million and liabilities of \$11,649.

The Grounds Maintenance Fund has assets of \$585,661 and liabilities of \$86,330. City Council has acknowledged that fees will not be sufficient to cover all costs of operation. A common workforce maintains two cemeteries as well as the City parks. The City parks generally do not charge user fees.

### **PENSION FUND MANAGEMENT**

City of Hopkinsville retired and active employees are covered by one of two retirement systems: 1) Police and Firefighter's Retirement Fund; 2) County Employees' Retirement System (CERS).

The Police and Firemen's Pension Fund is a contributory defined benefit plan created by ordinance under State Statute. There were no active members and 30 retirees and widows remaining in the fund at January 1, 2009 (date of most recent actuarial report). The fund's assets are managed under trust agreement with a local banking institution. The City receives monthly reports on the fund's assets. Additionally, quarterly meetings are held with the trust managers in order to review the objectives and progress of the fund.

Kentucky State statutes require that an actuarial report be prepared every three years. The most recent actuarial Schedule of Funding Progress dated January 1, 2009, reported an Unfunded Actuarial Accrued Liability of \$3,299,931. The City elected to fund the annual payout on a year-to-year basis.

Honorable Mayor, Council Persons  
and Citizens of Hopkinsville

## **PENSION FUND MANAGEMENT, continued**

The County Employees' Retirement System is a multiple employer, cost-sharing defined benefit plan administered by the Kentucky Retirement System. All current and future full-time employees of the City will be members of the County Employees' Retirement System (CERS). On August 1, 1988, public safety employees were offered the option of converting from the Police and Firemen's Pension Fund to the County Employees' Retirement System (CERS). All active members elected to transfer to the State operated pension fund. Non-hazardous position employees contribute 5% and hazardous position employees contribute 8% of their salary to the plan. The City contributed 16.16% for nonhazardous covered payroll and 32.97% for hazardous covered payroll for the year ended June 30, 2010.

## **DEBT ADMINISTRATION**

The City of Hopkinsville's long-term debt is \$10,125,278. This debt is comprised of Compensated Absences, \$1,092,150; Net Pension Obligation, \$1,650,936; General Obligation Bonds, \$5,068,847; Revenue Bonds, \$1,187,220; and Notes Payable, \$1,126,125.

Beginning Long-Term Debt – July 1, 2009	\$ 10,950,816
<b>INCREASES:</b>	
Compensated Absences	295,868
Net Pension Obligation	68,949
Notes Payable	358,334
<b>REDUCTIONS:</b>	
Compensated Absences	(179,131)
Revenue Bonds	(25,890)
Notes Payable	(145,674)
General Obligation Bonds	(372,015)
Portion Due Within One Year	<u>(825,979)</u>
Ending Long-Term Debt – June 30, 2010	<u>\$ 10,125,278</u>

## **FINANCIAL POLICIES**

The City's financial policies are shaped by state law and established by management and the City Council. Financial policies include budgeting and financial planning, capital planning, revenue, investment, debt management, procurement, and accounting and auditing.

During the budgetary process for FY 2010, the City took into consideration the anticipated decrease in payroll tax collections due to the downturn in the economy. Accordingly each department kept their operating expenses at or below prior year amounts. Also, the City is allowed by state statute to take an annual increase in property tax rates to generate an additional four percent in property tax revenue, excluding revenue from new growth. This increase was budgeted and later adopted by City Council.

City Council has authorized that one-third of the insurance premium tax revenue and the revenue generated from the sale of property declared surplus be transferred from the General Fund to the Capital Fund to be used for the construction and acquisition of long-term capital assets. City Council also realizes that the Grounds Maintenance Fund does not generate the

Honorable Mayor, Council Persons  
and Citizens of Hopkinsville

## **FINANCIAL POLICIES, continued**

revenue necessary to meet the expenditures of that fund, so annual appropriations are budgeted as transfers from the General Fund to the Grounds Maintenance Fund. Also, City Council realizes that the revenue generated by the Tie Breaker Park Aquatic Center does not cover operating expenditures of the Center and an annual appropriation from the General Fund to the Tie Breaker Park Aquatic Center Fund is needed.

In order to reduce insurance premiums that are paid by the City, the City has elected a \$10,000 deductible for workers compensation claims and a \$50,000 deductible for general liability claims. The annual insurance premiums that are saved on general liability insurance are transferred to a General Liability Insurance Contingency Fund to be used to pay out future deductibles on insurance claims.

In FY 2010, the City established a Grant Matching Fund which is to be funded with appropriations from the General Fund until a maximum balance of \$250,000 is reached. This fund is to be used for the City's match requirements on any local, state, or federal grants that are awarded to the City. Whenever the Grant Matching Fund balance falls below the \$250,000 ceiling, funds will be transferred from the General Fund to the Grant Matching Fund up to the amount budgeted for the year to replenish the fund.

The Mayor and administration have established a goal that the City should always keep between a two to three months operating cash reserve in the General Fund to meet any unanticipated decreases in revenue or unbudgeted expenses that may arise.

### **Long-Term Financial Planning**

The City's budget team, which is composed of the Budget Officer, Chief Financial Officer, City Administrative Officer, and Mayor, is charged with the task of long-term financial planning. Revenue projections are matched to anticipated expenditures in order to analyze and to monitor the fund balance in the General Fund and other major funds of the City. Also the capital budget is coordinated with the annual operating budget, taking into consideration its impact on annual operating costs including any debt service that might be incurred with additional capital improvements.

Each department of the City has formed Total Efficient Asset Management (TEAM) committees comprised of management and employees to recommend and implement plans for expenditure reduction, increased efficiencies, and revenue.

### **CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING**

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hopkinsville for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the sixteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

Honorable Mayor, Council Persons  
and Citizens of Hopkinsville

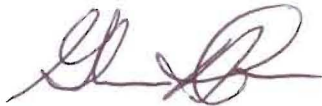
**CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING,  
continued**

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

**ACKNOWLEDGMENTS**

Preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire Finance Department staff. We wish to express our appreciation to all department members who assisted and contributed to its preparation, with special thanks to York, Neel & Co.-Hopkinsville, LLP, Certified Public Accountants. We also thank the Mayor and members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Glenn Abee  
CAO



Robert W. Martin  
Chief Financial Officer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Hopkinsville  
Kentucky

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

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



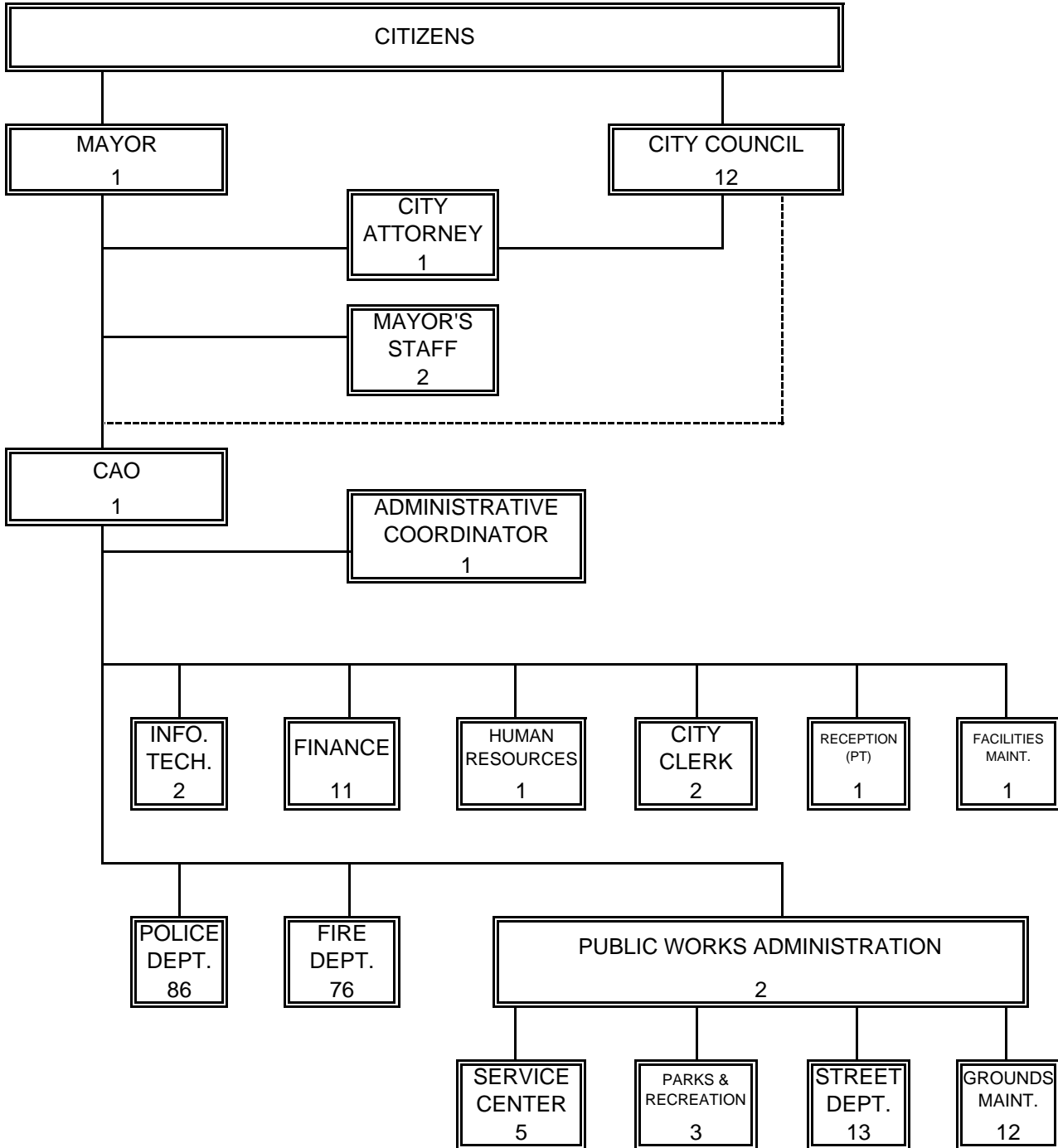
President

Executive Director





**City of Hopkinsville,  
Organizational Chart  
June 30, 2010**



**CITY OF HOPKINSVILLE  
DIRECTORY OF OFFICIALS  
June 30, 2010**

J. Daniel Kemp, Mayor

Glenn Abee, CAO

Christine F. Upton, City Clerk

H. Douglas Willen, City Attorney

Robert W. Martin, Chief Financial Officer

Melissa Sellers, Budget Officer

**COMMON COUNCIL MEMBERS**

Don Ahart

Fred Atkins

Patricia Bell

Phillip Brooks

Ann Cherry

Jimmy Dossett

Dave Fernandez

Wesley Grimes

Charlie Henderson

Paul Henson

Kimberly McCarley

Marby Schlegel

**CITY OF HOPKINSVILLE  
FINANCIAL SECTION**



**& CO. - HOPKINSVILLE LLP**

CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

1113 BETHEL STREET  
HOPKINSVILLE, KENTUCKY 42240  
(270) 886-0206 - FAX (270) 886-0875

FIRM ID # 61-1313802

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

## INDEPENDENT AUDITOR'S REPORTS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hopkinsville, Kentucky (the "City"), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

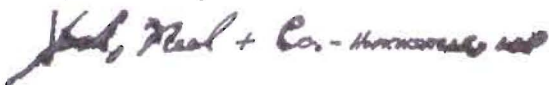
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2011, on our consideration of the City'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedule, and budgetary comparison information 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hopkinsville, Kentucky's financial statements as a whole. The introductory section, other supplementary information, combining nonmajor fund financial statements, capital assets used in the operation of governmental funds, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplementary information, combining nonmajor fund financial statements, and capital assets used in the operation of governmental fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Hopkinsville, Kentucky  
January 21, 2011

**CITY OF HOPKINSVILLE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(REQUIRED SUPPLEMENTARY INFORMATION)**

## 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, 2010. To fully understand the entire scope of the City's financial activities, this information should be read in conjunction with the financial statements (pages 29-41) provided in this document.

### I. Financial Highlights

- The City's assets exceeded liabilities at the close of the fiscal year by \$26.0 million (net assets). This amount includes \$834 thousand that are restricted to specific projects by laws, regulations, or contractual agreements. A total of \$7.3 million of resources are unrestricted and are available to fund the City's outstanding obligations and future programs.
- The City's total net assets increased \$1.757 million this year. Net assets of governmental activities increased \$1.967 million and net assets of business-type activities decreased by \$210 thousand.
- As of June 30, 2010, the City's governmental funds reported combined ending fund balances of \$10.6 million, an increase of \$1.6 million from the prior year. Approximately 88.57% of this total amount, \$9.41 million, is unreserved and available for spending at the City's discretion. The General Fund has \$6.6 million that is unreserved, undesignated, and available for spending.
- The City's governmental activities total debt decreased overall by \$185 thousand. The debt decreased by \$543 thousand due to the repayment of debt and increased by \$358 thousand due to the issuance of new 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 nor 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 Assets presents information on all City assets and liabilities, with the difference between assets and liabilities reported as net assets. Monitoring increases and/or decreases in net assets over time helps the City to recognize whether its financial position is deteriorating, stagnating, or improving.

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

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 and grounds maintenance.

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 Authority, and Hopkinsville Surface and Storm Water 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 29-30 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 fifteen (15) 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 and Grants Fund, which are considered to be major funds. Data from the other thirteen (13) 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 Assets 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 31-34 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 two enterprise funds to account for the Tie Breaker Family Aquatic Center and Grounds Maintenance, as well as the discretely presented component units that provide water and sewerage services, solid waste services, and storm water 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 35-37 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 (Police and Firemen Defined Benefit Pension Trust) is presented in the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets. The fiduciary fund financial statements are presented at pages 38-39 of this report.

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

These notes provide additional information crucial to fully understanding data provided in the government-wide and fund financial statements. Notes to the financial statements can be found at pages 42-77 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 non-major governmental funds and internal service funds are presented immediately following the other supplementary information. Combining and fund statements and schedules can be found on pages 82-87 of this report.

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

As previously indicated, net assets 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 \$26.0 million, an increase of \$1.76 million over last year. Of the \$26.0 million, \$17.8 million or 68.7% was invested in capital assets, and \$7.31 million or 28.1% was unrestricted. Net assets of governmental activity funds total \$22 million, with \$13.8 million or 62.7% invested in capital assets and \$7.4 million or 33.5% unrestricted. The unrestricted net assets of governmental funds include fund balances of the General Fund and various special revenue funds. Unrestricted net assets 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 assets 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 capital assets investment is reported net of related debt, but the resources to pay this debt must be provided from other sources since the capital assets cannot be used to liquidate the liabilities.

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

### City of Hopkinsville Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 13,008,630	\$ 11,163,486	\$ 35,713	\$ 82,403	\$ 13,044,343	\$ 11,245,889
Capital assets	<u>20,785,566</u>	<u>20,390,476</u>	<u>4,075,975</u>	<u>4,238,055</u>	<u>24,861,541</u>	<u>24,628,531</u>
Total assets	<u>\$ 33,794,196</u>	<u>\$ 31,553,962</u>	<u>\$ 4,111,688</u>	<u>\$ 4,320,458</u>	<u>\$ 37,905,884</u>	<u>\$ 35,874,420</u>
Long-term liabilities outstanding	\$ 10,069,544	\$ 10,225,296	\$ 55,732	\$ 45,941	\$ 10,125,276	\$ 10,271,237
Other liabilities	<u>1,751,112</u>	<u>1,322,263</u>	<u>42,247</u>	<u>51,142</u>	<u>1,793,359</u>	<u>1,373,405</u>
Total liabilities	<u>\$ 11,820,656</u>	<u>\$ 11,547,559</u>	<u>\$ 97,979</u>	<u>\$ 97,083</u>	<u>\$ 11,918,635</u>	<u>\$ 11,644,642</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 13,771,237	\$ 12,936,792	\$ 4,075,975	\$ 4,238,055	\$ 17,847,212	\$ 17,174,847
Restricted	833,640	810,959	-	-	833,640	810,959
Unrestricted	<u>7,368,663</u>	<u>6,258,652</u>	<u>(62,266)</u>	<u>(14,680)</u>	<u>7,306,397</u>	<u>6,243,972</u>
Total net assets	<u>\$ 21,973,540</u>	<u>\$ 20,006,403</u>	<u>\$ 4,013,709</u>	<u>\$ 4,223,375</u>	<u>\$ 25,987,249</u>	<u>\$ 24,229,778</u>

The net assets of the City's business-type activities total \$4.014 million. Of the net assets total, \$4.076 million (101.6%) was invested in capital assets with an unrestricted fund deficit balance of (\$62 thousand) (-1.6%).

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

The following table provides a summary of the City's operations for the year ended June 30, 2010. Governmental activities increased the City's net assets by \$1.967 million, accounting for 112% of the increase in the net assets. Business-type activities decreased the City's net assets by (\$210 thousand), which was (12%) of the total increase.

### City of Hopkinsville – Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services and sales	\$ 1,727,617	\$ 1,640,973	\$ 348,073	\$ 390,363	\$ 2,075,690	\$ 2,031,336
Operating grants/contributions/interest	2,633,675	2,251,755	-	-	2,633,675	2,251,755
Capital grants/contributions	1,213,712	1,117,144	-	-	1,213,712	1,117,144
General revenues:						
Property taxes	4,482,152	4,227,823	-	-	4,482,152	4,227,823
Occupational taxes	11,890,073	11,990,364	-	-	11,890,073	11,990,364
Insurance premium tax	3,240,908	3,050,560	-	-	3,240,908	3,050,560
Franchise tax	343,592	431,238	-	-	343,592	431,238
Transient room tax	274,852	301,273	-	-	274,852	301,273
Investment income	93,867	133,151	159	326	94,026	133,477
Gain on sale of capital assets	-	-	-	-	-	-
Other	<u>37,030</u>	<u>139,307</u>	<u>-</u>	<u>-</u>	<u>37,030</u>	<u>139,307</u>
Total revenues	<u>\$ 25,937,478</u>	<u>\$ 25,283,588</u>	<u>\$ 348,232</u>	<u>\$ 390,689</u>	<u>\$ 26,285,710</u>	<u>\$ 25,674,277</u>

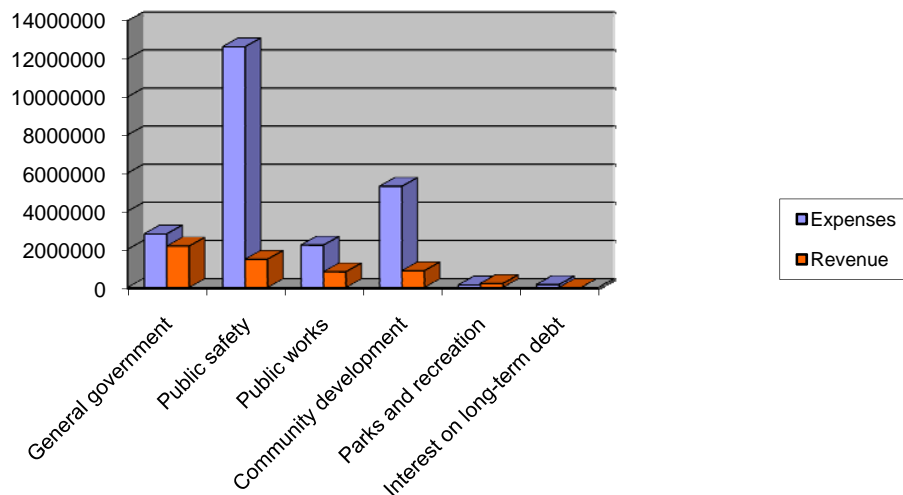
## City of Hopkinsville – Changes in Net Assets, continued

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Expenses:						
General government	\$ 2,815,207	\$ 2,571,986	\$ -	\$ -	\$ 2,815,207	\$ 2,571,986
Public safety	12,631,362	11,810,691	-	-	12,631,362	11,810,691
Public works	2,227,919	2,046,900	-	-	2,227,919	2,046,900
Community development	5,309,180	5,256,018	-	-	5,309,180	5,256,018
Parks and recreation	122,470	511,742	-	-	122,470	511,742
Interest on long-term debt	154,203	234,149	-	-	154,203	234,149
Tie Breaker Family Aquatic	-	-	487,204	468,690	487,204	468,690
Grounds maintenance	-	-	780,694	744,492	780,694	744,492
Total expenses	<u>\$ 23,260,341</u>	<u>\$ 22,431,486</u>	<u>\$ 1,267,898</u>	<u>\$ 1,213,182</u>	<u>\$ 24,528,239</u>	<u>\$ 23,644,668</u>
Increase in net assets before Transfers	\$ 2,677,137	\$ 2,852,102	\$ (919,666)	\$ (822,493)	\$ 1,757,471	\$ 2,029,609
Transfers	<u>(710,000)</u>	<u>(779,827)</u>	<u>710,000</u>	<u>779,827</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	1,967,137	2,072,275	(209,666)	(42,666)	1,757,471	2,029,609
Net assets – 7/1/09	<u>20,006,403</u>	<u>17,934,128</u>	<u>4,223,375</u>	<u>4,266,041</u>	<u>24,229,778</u>	<u>22,200,169</u>
Net assets – 6/30/10	<u>\$ 21,973,540</u>	<u>\$ 20,006,403</u>	<u>\$ 4,013,709</u>	<u>\$ 4,223,375</u>	<u>\$ 25,987,249</u>	<u>\$ 24,229,778</u>

Total revenues for the City's governmental activities total \$25.9 million at June 30, 2010, compared to \$25.3 million last year. Occupational taxes total \$11.9 million or 45.9% of revenue. The second largest category of government revenues, property taxes, accounts for \$4.5 million, or 17.3% of total revenues. The third largest category of government revenues, operating and capital grants and contributions, accounts for \$3.8 million, or 14.8% of revenue. Insurance premium taxes total \$3.2 million, or 12.5% of the total collections. Miscellaneous sources account for \$37 thousand, or 0.1%.

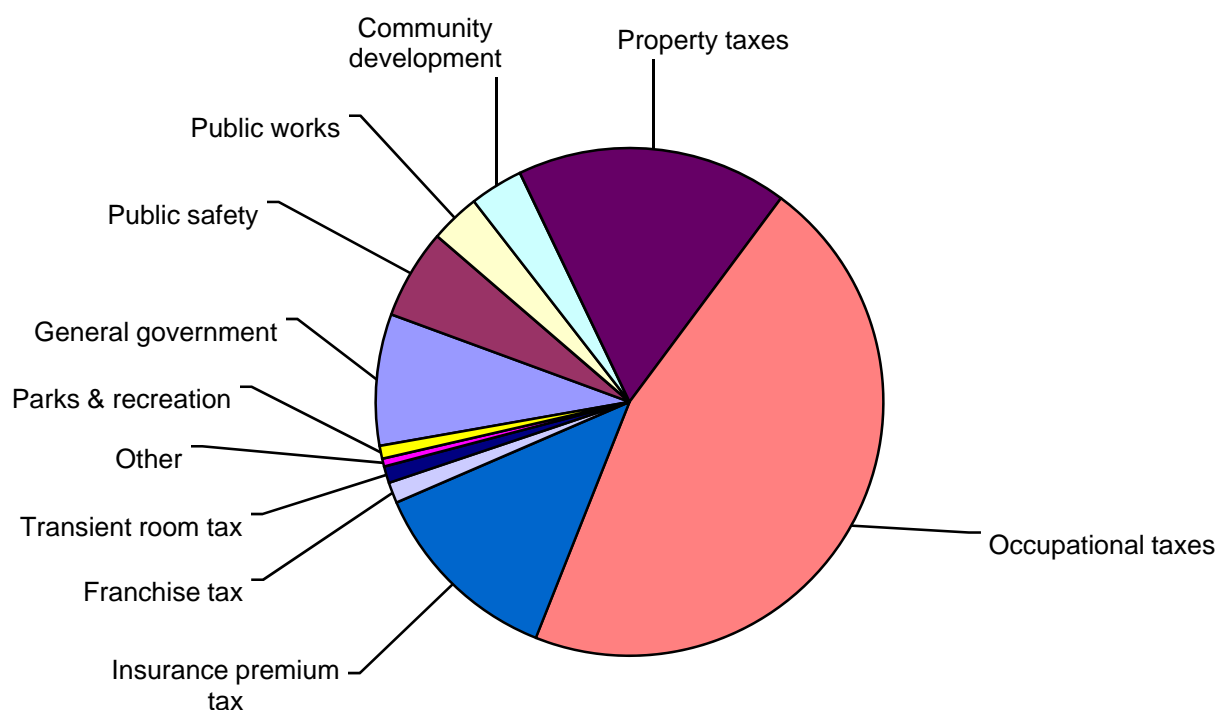
### B. Governmental Activities

#### Expenses and Program Revenues – Governmental Activities



Current year total expenses of the City's governmental activities total \$23.3 million, compared to \$22.4 million last year. The increase is primarily a result of Public Safety wages increasing due to additional employees hired and the increase in the employer matched retirement rates for all employees. Also contributing to the increase was upgrading computer systems city wide, incentives given to a local manufacturer for a plant expansion resulting in the creation of new jobs, and TIF rebates given for a development which also resulted in the creation of new jobs. Public Safety expenses total \$12.6 million and account for 54.3% of total expenses. The second largest category of expenses, Community Development, totals \$5.3 million and accounts for 22.8% of expenses. General government is the next largest category and totals \$2.8 million, or 12.1% of expenses. Public Works totals \$2.2 million, or 9.6% of expenses.

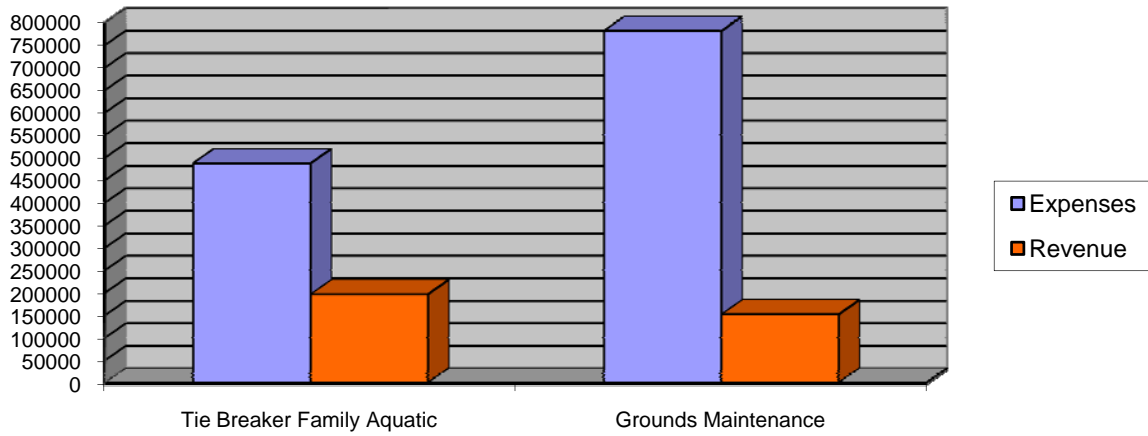
### Revenue by Source – Governmental Activities



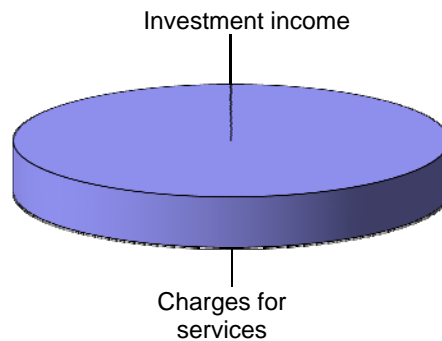
### C. Business-Type Activities

Revenue for business-type activities total \$348 thousand this fiscal year compared to \$391 thousand last year. Of this, \$348 thousand or 99.95% was from charges for services and sales. Expenses for business-type activities total \$1.3 million. The largest program in the business-type activities was the operations of the grounds maintenance fund, which accounts for 61.57% of business-type expenses. The Tie Breaker Family Aquatic Park accounts for 38.43% of business-type activities.

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



**Revenue by Source – Business-Type Activities**

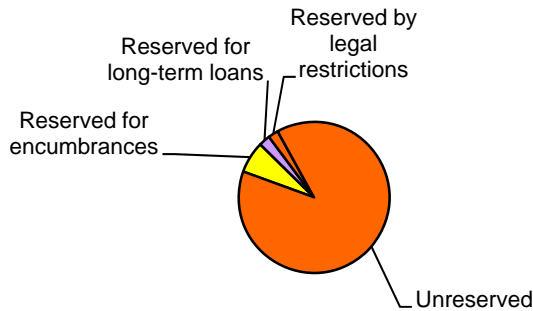


### D. Governmental Funds

At the end of the fiscal year, the City governmental funds reported combined ending fund balances of \$10.6 million, an increase of \$1.6 million from the prior year. Approximately 88.6% of this total amount, \$9.41 million, is unreserved fund balance, which is available for spending at the government’s discretion. The remainder of fund balance is reserved to indicate it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior year (\$723,935); 2) to make certain long-term loans (\$258,393); and 3) legally restricted as to purpose (\$231,925).

The total ending fund balance of governmental funds show an increase of \$1.6 million over the prior year. This increase 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 2009-10 fiscal year, the total fund balance in the General Fund was \$7.1 million, which represents an increase of \$1.03 million from the prior year. Of this total, unreserved, undesignated fund balance was \$6.6 million and reflected by 28.2% of General Fund revenues. Included in the \$7.1 million was \$540 thousand in project carryovers to be spent in fiscal year end 2011. As a measure of general fund liquidity, readers may compare both unreserved fund balance and total fund balance to total general fund expenditures. Unreserved fund balance represents 32% and total fund balance represents 34% of total general fund expenditures (\$20.9 million).

### 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 assets in the proprietary funds equal to \$4.27 million as of June 30, 2010, compared to \$4.47 million last year.

The Water Park has total net assets of \$3.8 million, representing a decrease of \$141 thousand from prior year. Of the total net assets, \$3.7 million was invested in capital assets and \$0.1 million was unrestricted. This decrease is primarily the results of events and programs described within the analysis of the City's business-type activities.

The Grounds Maintenance Fund had total net assets of \$499 thousand, representing a \$65 thousand decrease from last year. Of the total net assets, \$368 thousand was invested in capital assets. Unrestricted net assets was \$131 thousand. 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 \$805,660 or 3.9% during the year. The changes in appropriations can be briefly summarized as follows:

- \$ 105,774 increase in general administrative
- \$ 105,600 increase in tax department
- \$ 10,818 increase in information technology
- \$ 4,150 increase in legislative
- \$ 163,684 increase in police
- \$ 128,068 increase in fire
- \$ - no change in other public safety
- \$ 25,150 increase in public works administrative
- \$ 2,100 increase in street
- \$ 53,270 decrease in other public works
- \$ 36,800 increase in service center
- \$ 251,973 increase in community development
- \$ 24,813 increase in parks and recreation
- \$ - no change in debt service principal
- \$ - no change in interest charges

The net increase to appropriations of \$805,660 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 \$714,284 decrease in actual appropriations in comparison to the budgeted appropriations. The most significant differences were due to not using all of the overtime as budgeted in the police and fire department, lower workers compensation insurance, fuel costs, equipment and vehicles repairs than budgeted, not filling vacant budgeted positions in Public Works, the timing of community development projects, and appropriations for programs that were not expended during the 2009-2010 fiscal year.

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

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

The City's total investment in capital assets is \$24.9 million (net of accumulated depreciation) as of June 30, 2010, which represents an increase of \$233 thousand 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 \$20.8 million, an increase of \$395 thousand. For business-type activities, investments totaled \$4.1 million, a decrease of (\$162 thousand).



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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 1,615,621	\$ 1,615,621	\$ 260,159	\$ 260,159	\$ 1,875,780	\$ 1,875,780
Construction in Progress	-	114,223	-	-	-	114,223
Land improvements	4,217,068	3,065,154	54,098	59,178	4,271,166	3,124,332
Buildings	4,911,878	5,111,948	3,473,365	3,569,196	8,385,243	8,681,144
Machinery and equipment	3,148,868	2,978,291	288,353	349,522	3,437,221	3,327,813
Infrastructure	<u>6,892,131</u>	<u>7,505,239</u>	<u>-</u>	<u>-</u>	<u>6,892,131</u>	<u>7,505,239</u>
Total	<u>\$20,785,566</u>	<u>\$20,390,476</u>	<u>\$4,075,975</u>	<u>\$ 4,238,055</u>	<u>\$24,861,541</u>	<u>\$24,628,531</u>

Additional information on City capital assets can be found in Note 4 in the footnotes at pages 58-60.

**B. Long-Term Debt**

At year-end the City had \$8.0 million in outstanding notes and bonds, compared to \$8.2 million at June 30, 2009, a decrease of \$185 thousand. The City had new debt of \$358,334 issued during this fiscal year. The following table illustrates the changes in outstanding notes, bonds and capital leases:

	Governmental Activities	
	2010	2009
KLC General Obligation bonds	\$ 5,457,556	\$5,829,571
KLC Revenue bonds	1,214,306	1,240,196
KLC Softball Complex lease	1,024,466	1,130,918
Note payable	<u>319,111</u>	<u>-</u>
Total	<u>\$ 8,015,439</u>	<u>\$8,200,685</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 \$160,117,058. The City's latest bond rating is A.

**C. Types of Municipal Debt**

Additional information on the City's long-term debt can be found at pages 66-71.

**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 2010 was 12.3%. This rate compares unfavorably to state and federal unemployment rates, 10.0% and 9.6%, 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 2009-2010 budget for the City of Hopkinsville was prepared. The beginning general fund balance for fiscal year 2009-2010 was \$6,106,808, and has estimated an ending fund balance of \$7,187,690. At the present time the City is in good financial condition. The City passed an increase in payroll taxes effective October 1, 2007, from 1.50% to 2.00%. The rate was scheduled to decrease in July 2009 to 1.85% but will remain at 2% until January 1, 2011 when the rate is scheduled to change to 1.95%.

**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, Finance Director, City of Hopkinsville, 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 Storm Water Utility component unit may be obtained at the entity's administrative office located at 101 North Main Street, Hopkinsville, KY 42240. Complete financial statements for the Hopkinsville Solid Waste Authority component unit may be obtained at the entity's administrative office located at 5665 Mt. Zoar Road, Hopkinsville, KY 42240.

# **BASIC FINANCIAL STATEMENTS**

**City of Hopkinsville, Kentucky**  
**Statement of Net Assets**  
**June 30, 2010**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Pooled cash and cash equivalents	\$ 8,102,878	\$ 217,563	\$ 8,320,441	\$ -
Non-pooled cash and cash equivalents	832,443	71,505	903,948	3,736,747
Investments	-	-	-	-
Accounts receivable	-	-	-	1,364,995
Taxes receivable	1,980,820	-	1,980,820	-
Interest receivable	-	-	-	-
Intergovernmental receivables	261,674	-	261,674	-
Other receivables	386,500	-	386,500	671,037
Prepaid expenses	-	-	-	-
Internal balances	253,355	(253,355)	-	-
Due from component unit	206,840	-	206,840	-
Deferred charges	111,414	-	111,414	800,685
Inventory	-	-	-	206,707
Noncurrent restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	106,562	-	106,562	7,942,220
Investments	384,912	-	384,912	-
Permanently restricted assets:				
Cash and cash equivalents	76,786	-	76,786	-
Investments	304,446	-	304,446	-
Capital Assets	-	-	-	-
Land and construction in progress	1,615,621	260,159	1,875,780	11,309,381
Depreciable capital assets, net	19,169,945	3,815,816	22,985,761	87,867,109
Total capital assets	<u>20,785,566</u>	<u>4,075,975</u>	<u>24,861,541</u>	<u>99,176,490</u>
Total assets	<u>\$ 33,794,196</u>	<u>\$ 4,111,688</u>	<u>\$ 37,905,884</u>	<u>\$ 113,898,881</u>
<b>LIABILITIES</b>				
Accrued salaries	\$ 426,485	\$ 18,886	\$ 445,371	\$ 104,522
Accounts payable	418,616	13,526	432,142	1,137,442
Accrued liabilities	-	-	-	12,096
Line of credit	-	-	-	-
Claims payable	67,099	-	67,099	-
Accrued interest	20,266	-	20,266	297,427
Transient bond deposits	2,500	-	2,500	-
Construction retainage payable	-	-	-	568,499
Construction contracts payable	-	-	-	845,972
Customer deposits	-	-	-	65,285
Note payable-UDAG	-	-	-	95,000
Note payable-City	-	-	-	-
Note payable-Pennyroyal Center	-	-	-	-
Due to primary government	-	-	-	111,840
Noncurrent liabilities:				
Due within one year	633,249	-	633,249	4,061,215
Due beyond one year	9,033,126	-	9,033,126	68,621,732
Compensated absences:				
Due within one year	182,897	9,835	192,732	47,370
Due beyond one year	1,036,418	55,732	1,092,150	268,431
Total liabilities	<u>11,820,656</u>	<u>97,979</u>	<u>11,918,635</u>	<u>76,236,831</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	13,771,237	4,075,975	17,847,212	42,388,312
Restricted for:				
Other	-	-	-	2,065,119
Perpetual care:				
Expendable	465,422	-	465,422	-
Nonexpendable	368,218	-	368,218	-
Unrestricted	<u>7,368,663</u>	<u>(62,266)</u>	<u>7,306,397</u>	<u>(6,791,381)</u>
Total net assets	<u>21,973,540</u>	<u>4,013,709</u>	<u>25,987,249</u>	<u>37,662,050</u>
Total liabilities and net assets	<u>\$ 33,794,196</u>	<u>\$ 4,111,688</u>	<u>\$ 37,905,884</u>	<u>\$ 113,898,881</u>

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

**City of Hopkinsville, Kentucky  
Statement of Activities  
For the Year Ended June 30, 2010**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
<b>PRIMARY GOVERNMENT</b>								
Governmental activities:								
General government	\$ (2,815,207)	\$ 1,690,723	\$ 481,867	\$ -	\$ (642,617)	\$ -	\$ (642,617)	\$ -
Public safety	(12,631,362)	28,490	1,158,878	296,250	(11,147,744)	-	(11,147,744)	-
Public works	(2,227,919)	-	665,867	159,553	(1,402,499)	-	(1,402,499)	-
Community development	(5,309,180)	8,404	137,705	734,320	(4,428,751)	-	(4,428,751)	-
Parks and recreation	(122,470)	-	189,358	23,589	90,477	-	90,477	-
Interest on long-term debt	(154,203)	-	-	-	(154,203)	-	(154,203)	-
Total governmental activities	<u>(23,260,341)</u>	<u>1,727,617</u>	<u>2,633,675</u>	<u>1,213,712</u>	<u>(17,685,337)</u>	<u>-</u>	<u>(17,685,337)</u>	<u>-</u>
Business-type activities:								
Tie Breaker Family Aquatic	(487,204)	196,354	-	-	-	(290,850)	(290,850)	-
Grounds Maintenance	(780,694)	151,719	-	-	-	(628,975)	(628,975)	-
Total business-type activities	<u>(1,267,898)</u>	<u>348,073</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(919,825)</u>	<u>(919,825)</u>	<u>-</u>
Total - primary government	<u>\$ (24,528,239)</u>	<u>\$ 2,075,690</u>	<u>\$ 2,633,675</u>	<u>\$ 1,213,712</u>	<u>(17,685,337)</u>	<u>(919,825)</u>	<u>(18,605,162)</u>	<u>-</u>
<b>COMPONENT UNITS</b>								
Hopkinsville Water Environment Authority	(11,608,770)	11,323,779	-	1,547,688	-	-	-	1,262,697
Hopkinsville Solid Waste Authority	(5,445,012)	4,785,379	-	-	-	-	-	(659,633)
Hopkinsville Surface and Stormwater	(407,654)	1,123,139	56,909	-	-	-	-	772,394
Total - component units	<u>(17,461,436)</u>	<u>17,232,297</u>	<u>56,909</u>	<u>1,547,688</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,375,458</u>
<b>GENERAL REVENUES</b>								
Property taxes					4,482,152	-	4,482,152	-
Occupational taxes					11,890,073	-	11,890,073	-
Insurance premium tax					3,240,908	-	3,240,908	-
Franchise tax					343,592	-	343,592	-
Transient room tax					274,852	-	274,852	-
Investment income					93,867	159	94,026	25,072
Gain (loss) on sale of capital assets					-	-	-	50,274
Other					37,030	-	37,030	289,042
Total general revenues					<u>20,362,474</u>	<u>159</u>	<u>20,362,633</u>	<u>364,388</u>
Transfers					(710,000)	710,000	-	-
Total general revenue & transfers					<u>19,652,474</u>	<u>710,159</u>	<u>20,362,633</u>	<u>364,388</u>
Change in net assets					1,967,137	(209,666)	1,757,471	1,739,846
Net assets beginning of year					<u>20,006,403</u>	<u>4,223,375</u>	<u>24,229,778</u>	<u>35,922,204</u>
Net assets end of year					<u>\$ 21,973,540</u>	<u>\$ 4,013,709</u>	<u>\$ 25,987,249</u>	<u>\$ 37,662,050</u>

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

**City of Hopkinsville, Kentucky**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

	Major Fund		Other Governmental Funds	Total Governmental Funds
	General	Grants Fund		
<b>ASSETS</b>				
Pooled cash and cash equivalents	\$ 5,868,642	\$ -	\$ 2,243,533	\$ 8,112,175
Non-pooled cash and cash equivalents	-	-	192,265	192,265
Investments	-	-	689,359	689,359
Taxes receivable	1,618,377	-	-	1,618,377
Interest receivable	-	-	-	-
Interfund receivable	201,646	-	-	201,646
Intergovernmental receivables	25,649	-	-	25,649
Loans receivable	-	-	51,553	51,553
Due from component unit	-	-	206,840	206,840
Other receivables	-	511,139	59,835	570,974
<b>Total assets</b>	<b>\$ 7,714,314</b>	<b>\$ 511,139</b>	<b>\$ 3,443,385</b>	<b>\$ 11,668,838</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 144,490	\$ 197,047	\$ 77,079	\$ 418,616
Accrued salaries	426,485	-	-	426,485
Interfund payables	-	201,646	-	201,646
Bond issue cost payable	-	-	-	-
Transient bond deposits	2,500	-	-	2,500
<b>Total liabilities</b>	<b>573,475</b>	<b>398,693</b>	<b>77,079</b>	<b>1,049,247</b>
<b>FUND BALANCES</b>				
Reserved for encumbrances	540,259	-	183,676	723,935
Reserved for long-term loans	-	-	258,393	258,393
Reserved for legal restrictions	-	-	231,925	231,925
Unreserved, undesignated, reported in:				
General fund	6,600,580	-	-	6,600,580
Special revenue funds	-	112,446	2,301,780	2,414,226
Capital project funds	-	-	9,299	9,299
Permanent fund	-	-	381,233	381,233
<b>Total fund balances</b>	<b>7,140,839</b>	<b>112,446</b>	<b>3,366,306</b>	<b>10,619,591</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,714,314</b>	<b>\$ 511,139</b>	<b>\$ 3,443,385</b>	<b>\$ 11,668,838</b>

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 Assets**  
**For the Fiscal Year Ended June 30, 2010**

Total fund balance - total governmental funds	\$ 10,619,591
Amounts reported for governmental activities in the statement of net assets are different because:	
Taxes receivable based on availability criteria; \$35,882 property taxes, \$258,831 insurance premium taxes, and \$67,730 franchise taxes.	362,443
Loans to a component unit are considered a receivable on the government wide financial statements.	50,000
Payments from a component unit are considered a reduction in the receivable on the government wide financial statements.	(50,000)
Deferred charges - bond refinancing charges, amortizable over life of debt	111,414
Capital assets of \$38,734,096, net of accumulated depreciation of (\$17,948,530), are not financial resources and, therefore, are not reported in the funds. See note 4 for additional detail.	20,785,566
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 \$747,127 are included in governmental activities in the statement of net assets, plus \$253,355 allocated to business type activities.	1,000,482
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.	(10,885,690)
Accrued interest	<u>(20,266)</u>
Net assets of governmental activities	<u>\$ 21,973,540</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, 2010**

	Major Fund		Other Governmental Funds	Total Governmental Funds
	General	Grants Fund		
<b>REVENUES</b>				
Taxes	\$ 4,473,010	\$ -	\$ -	\$ 4,473,010
Licenses and permits	17,387,245	-	-	17,387,245
Fines and forfeits	28,490	-	-	28,490
Intergovernmental	619,399	917,614	1,379,509	2,916,522
Investment income	43,175	-	57,602	100,777
Insurance proceeds	-	-	12,811	12,811
Charges for services	-	-	-	-
Other	887,513	-	132,103	1,019,616
Total revenues	<u>23,438,832</u>	<u>917,614</u>	<u>1,582,025</u>	<u>25,938,471</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,593,454	-	109,200	2,702,654
Public safety	12,521,719	-	602,499	13,124,218
Public works	1,849,148	-	637,161	2,486,309
Community development	2,822,886	902,066	812,573	4,537,525
Parks and recreation	431,302	-	-	431,302
Debt service:				
Principal	543,580	-	-	543,580
Interest	148,699	-	-	148,699
Total expenditures	<u>20,910,788</u>	<u>902,066</u>	<u>2,161,433</u>	<u>23,974,287</u>
Excess of revenues over (under) expenditures	<u>2,528,044</u>	<u>15,548</u>	<u>(579,408)</u>	<u>1,964,184</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	1,209,483	75,000	2,035,028	3,319,511
Transfers to other funds	(2,716,695)	(23,535)	(1,289,281)	(4,029,511)
Issuance of debt	-	-	358,334	358,334
Sale of capital assets	13,199	-	-	13,199
Total other financing sources (uses)	<u>(1,494,013)</u>	<u>51,465</u>	<u>1,104,081</u>	<u>(338,467)</u>
Net change in fund balances	1,034,031	67,013	524,673	1,625,717
Fund balances beginning of year	<u>6,106,808</u>	<u>45,433</u>	<u>2,841,633</u>	<u>8,993,874</u>
Fund balances end of year	<u>\$ 7,140,839</u>	<u>\$ 112,446</u>	<u>\$ 3,366,306</u>	<u>\$ 10,619,591</u>

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



**City of Hopkinsville, Kentucky**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2010**

Net change in fund balances - total governmental funds	\$ 1,625,717
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 outlays of \$2,202,713 exceeded depreciation of (\$1,793,293) in the current period.	
	409,420
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 \$3,396 with an overall loss of (\$14,329) less \$257 for commission expense for 2010.	
	(14,329)
Governmental funds recognizes repayment of loans to a component unit as revenue. In the governmental activities, this is considered a reduction in a receivable.	
	(50,000)
Certain imposed nonexchange revenues were not recognized in the governmental funds because they were not available at June 30, 2010. The change in this account balance is a reconciling item for this statement.	
	57,437
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 (\$70,556) is reported with governmental activities, less \$3,874 allocated to business-type activities.	
	(66,682)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
	543,579
Issuance of debt is revenue in the governmental funds, but the debt increases long-term liabilities in the statement of net assets.	
	(358,334)
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 \$105,218, decrease in accrued interest of (\$3,796), increase in pension obligation \$68,949, and amortization of deferred charges of \$9,300.	
	<u>(179,671)</u>
Change in net assets of governmental activities	<u>\$ 1,967,137</u>

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

**City of Hopkinsville, Kentucky**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2010**

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Major Fund			
	Tie Breaker Family Aquatic	Grounds Maintenance	Total	
<b>ASSETS</b>				
Current assets:				
Pooled cash and cash equivalents	\$ -	\$ 217,563	\$ 217,563	\$ -
Non-pooled cash and cash equivalents	71,505	-	71,505	814,226
Accounts receivable	-	-	-	-
Total current assets	<u>71,505</u>	<u>217,563</u>	<u>289,068</u>	<u>814,226</u>
Noncurrent assets:				
Capital assets:				
Land and construction in progress	-	260,159	260,159	-
Depreciable capital assets, net	<u>3,707,877</u>	<u>107,939</u>	<u>3,815,816</u>	<u>-</u>
Total noncurrent assets	<u>3,707,877</u>	<u>368,098</u>	<u>4,075,975</u>	<u>-</u>
Total assets	<u>\$ 3,779,382</u>	<u>\$ 585,661</u>	<u>\$ 4,365,043</u>	<u>\$ 814,226</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 11,649	\$ 1,877	\$ 13,526	\$ -
Accrued salaries	-	18,886	18,886	-
Incurred, not yet reported	-	-	-	67,099
Accrued landfill closing costs	-	-	-	-
Compensated absences	-	9,835	9,835	-
Total current liabilities	<u>11,649</u>	<u>30,598</u>	<u>42,247</u>	<u>67,099</u>
Noncurrent liabilities:				
Accrued landfill closing costs	-	-	-	-
Compensated absences	-	<u>55,732</u>	<u>55,732</u>	<u>-</u>
Total noncurrent liabilities	<u>-</u>	<u>55,732</u>	<u>55,732</u>	<u>-</u>
Total liabilities	<u>11,649</u>	<u>86,330</u>	<u>97,979</u>	<u>67,099</u>
<b>NET ASSETS</b>				
Invested in capital assets	3,707,877	368,098	4,075,975	-
Unrestricted	<u>59,856</u>	<u>131,233</u>	<u>191,089</u>	<u>747,127</u>
Total net assets	<u>\$ 3,767,733</u>	<u>\$ 499,331</u>	<u>\$ 4,267,064</u>	<u>\$ 747,127</u>
Adjustment to reflect the consolidation of applicable internal service fund activities to enterprise funds			<u>(253,355)</u>	
Net assets of business-type activities			<u>\$ 4,013,709</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 Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2010**

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Major Fund			
	Tie Breaker Family Aquatic	Grounds Maintenance	Total	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 196,354	\$ 151,719	\$ 348,073	\$ -
Employee contributions	-	-	-	283,974
Employer contributions	-	-	-	1,109,679
Insurance reimbursement	-	-	-	-
Other income	-	-	-	47
	<u>196,354</u>	<u>151,719</u>	<u>348,073</u>	<u>1,393,700</u>
<b>OPERATING EXPENSES</b>				
Salaries, wages and benefits	-	585,931	585,931	-
Lease expense	-	6,112	6,112	-
Management contract	213,878	-	213,878	-
Maintenance	10,125	106,733	116,858	-
Marketing	59,565	-	59,565	-
Operations	16,881	30,403	47,284	-
Utilities	51,503	4,193	55,696	-
Administrative	-	10,653	10,653	308,517
Supplies	4,142	1,825	5,967	-
Depreciation	131,110	30,970	162,080	-
Claims expense	-	-	-	1,155,920
	<u>487,204</u>	<u>776,820</u>	<u>1,264,024</u>	<u>1,464,437</u>
Operating income (loss)	<u>(290,850)</u>	<u>(625,101)</u>	<u>(915,951)</u>	<u>(70,737)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	159	-	159	181
Gain on sale of equipment	-	-	-	-
	<u>159</u>	<u>-</u>	<u>159</u>	<u>181</u>
Total nonoperating revenues (expenses)	<u>159</u>	<u>-</u>	<u>159</u>	<u>181</u>
Income (loss) before transfers	<u>(290,691)</u>	<u>(625,101)</u>	<u>(915,792)</u>	<u>(70,556)</u>
Transfers in	150,000	560,000	710,000	-
Transfers out	-	-	-	-
Capital contributions	-	-	-	-
Transfer of net liabilities to component unit	-	-	-	-
	<u>150,000</u>	<u>560,000</u>	<u>710,000</u>	<u>-</u>
Total transfers and capital contributions	<u>150,000</u>	<u>560,000</u>	<u>710,000</u>	<u>-</u>
Change in net assets	<u>(140,691)</u>	<u>(65,101)</u>	<u>(205,792)</u>	<u>(70,556)</u>
Net assets (liabilities) beginning of year	<u>3,908,424</u>	<u>564,432</u>	<u>4,472,856</u>	<u>817,683</u>
Net assets end of year	<u>\$ 3,767,733</u>	<u>\$ 499,331</u>	<u>\$ 4,267,064</u>	<u>\$ 747,127</u>
Adjustment to reflect the consolidation of applicable internal service fund activities to enterprise funds			<u>(3,874)</u>	
Change in net assets of business-type activities			<u>\$ (209,666)</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, 2010**

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Tie Breaker Family Aquatic	Grounds Maintenance	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 196,354	\$ 151,720	\$ 348,074	\$ 1,393,653
Other cash receipts	-	-	-	47
Cash payments to employees for services	-	(572,908)	(572,908)	-
Cash payments to suppliers	(369,208)	(158,933)	(528,141)	(308,517)
Cash payments for claims	-	-	-	(1,178,670)
Net cash provided by (used in) operating activities	<u>(172,854)</u>	<u>(580,121)</u>	<u>(752,975)</u>	<u>(93,487)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in	150,000	560,000	710,000	-
Transfers out	-	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>150,000</u>	<u>560,000</u>	<u>710,000</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital contributions	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Payments for capital acquisitions	-	-	-	-
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>				
Transfer to trust	-	-	-	-
Interest on investments	159	-	159	181
Net cash provided by (used in) investment activities	<u>159</u>	<u>-</u>	<u>159</u>	<u>181</u>
Net increase (decrease) in cash and cash equivalents	(22,695)	(20,121)	(42,816)	(93,306)
Cash and cash equivalents, beginning of year	94,200	237,684	331,884	907,532
Cash and cash equivalents, end of year	<u>\$ 71,505</u>	<u>\$ 217,563</u>	<u>\$ 289,068</u>	<u>\$ 814,226</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (290,850)	\$ (625,101)	\$ (915,951)	\$ (70,737)
Adjustments:				
Depreciation	131,110	30,970	162,080	-
(Increase) decrease in assets:				
Accounts receivable	-	-	-	-
Increase (decrease) in liabilities:				
Accounts payable	(13,114)	987	(12,127)	-
Accrued liabilities	-	13,023	13,023	(22,750)
Net cash provided by (used in) operating activities	<u>\$ (172,854)</u>	<u>\$ (580,121)</u>	<u>\$ (752,975)</u>	<u>\$ (93,487)</u>

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

**City of Hopkinsville, Kentucky**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2010**

	<u>Pension Trust Funds</u>
<b>ASSETS</b>	
Accrued interest receivable	\$ 2,531
Money market	35,400
Corporate bond funds	<u>728,312</u>
 Total assets	 <u><u>\$ 766,243</u></u>
<b>LIABILITIES</b>	
Administration fees payable	<u>\$ -</u>
 Total liabilities	 <u>-</u>
<b>NET ASSETS</b>	
Held in trust for pension benefits	<u>766,243</u>
 Total liabilities and net assets	 <u><u>\$ 766,243</u></u>

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

**City of Hopkinsville, Kentucky**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2010**

	<u>Pension Trust Funds</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 400,000
Plan members	<u>-</u>
Total contributions	400,000
Investment earnings:	
Net appreciation (depreciation) in fair value of investments	20,781
Interest	30,806
Miscellaneous receipts	<u>24,122</u>
Total investment earnings	75,709
Less investment expense	<u>2,722</u>
Net investment earnings	<u>72,987</u>
Total additions	<u>472,987</u>
<b>DEDUCTIONS</b>	
Benefits	<u>386,558</u>
Change in net assets	86,429
Net assets beginning of year	<u>679,814</u>
Net assets end of year	<u><u>\$ 766,243</u></u>

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

**City of Hopkinsville, Kentucky**  
**Statement of Net Assets**  
**Component Units**  
**June 30, 2010**

	Major			Total
	Hopkinsville Water Environment Authority	Hopkinsville Solid Waste Authority	Hopkinsville Surface and Storm Water Utility	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,111,111	\$ 1,183,354	\$ 1,442,282	\$ 3,736,747
Receivables	887,755	398,834	78,406	1,364,995
Inventory	206,707	-	-	206,707
Prepaid expenses	-	-	-	-
Restricted assets:				
Cash and cash equivalents	2,065,119	2,950,455	2,926,646	7,942,220
Deferred charges	710,035	-	90,650	800,685
Notes receivable	565,511	-	-	565,511
Other receivables	105,526	-	-	105,526
Capital assets, net of depreciation:				
Land and construction in progress	7,917,871	683,567	2,707,943	11,309,381
Depreciable capital assets	<u>86,558,452</u>	<u>1,132,544</u>	<u>176,113</u>	<u>87,867,109</u>
<b>Total assets</b>	<b><u>\$ 100,128,087</u></b>	<b><u>\$ 6,348,754</u></b>	<b><u>\$ 7,422,040</u></b>	<b><u>\$ 113,898,881</u></b>
<b>LIABILITIES</b>				
Current portion of long-term debt	\$ 3,045,033	\$ -	\$ 119,118	\$ 3,164,151
Current portion of capital lease obligation	11,052	97,992	-	109,044
Due to Oak Grove (current portion)	788,020	-	-	788,020
Line of credit	-	-	-	-
Pennyroyal Center loan payable	-	-	-	-
Customer deposits	65,285	-	-	65,285
Accrued interest	278,594	-	18,833	297,427
Accounts payable	526,336	360,982	250,124	1,137,442
Accrued salaries and compensated absences	80,346	83,642	-	163,988
Accrued liabilities	-	-	-	-
Accrued landfill closing costs	-	-	-	-
Note payable-UDAG	-	-	95,000	95,000
Note payable-City	-	-	-	-
Construction retainage payable	568,499	-	-	568,499
Construction contracts payable	845,972	-	-	845,972
Long-term liabilities:				
Compensated absences	111,000	157,431	-	268,431
Revenue bonds payable (net of current portion)	26,447,002	-	-	26,447,002
KIA - loans payable (net of current portion)	21,434,770	-	-	21,434,770
KLC - loans payable (net of current portion)	-	-	4,834,898	4,834,898
Capital lease obligation (net of current portion)	12,896	102,451	-	115,347
Accrued landfill closure costs	-	13,268,033	-	13,268,033
Due to Oak Grove (net of current portion)	617,182	-	-	617,182
KY Rural Finance loans payable (net of current portion)	1,904,500	-	-	1,904,500
City of Hopkinsville - loan payable	<u>111,840</u>	<u>-</u>	<u>-</u>	<u>111,840</u>
<b>Total liabilities</b>	<b><u>56,848,327</u></b>	<b><u>14,070,531</u></b>	<b><u>5,317,973</u></b>	<b><u>76,236,831</u></b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	39,966,970	1,615,668	805,674	42,388,312
Net assets, restricted	2,065,119	-	-	2,065,119
Net assets, unrestricted	<u>1,247,671</u>	<u>(9,337,445)</u>	<u>1,298,393</u>	<u>(6,791,381)</u>
<b>Total net assets</b>	<b><u>43,279,760</u></b>	<b><u>(7,721,777)</u></b>	<b><u>2,104,067</u></b>	<b><u>37,662,050</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 100,128,087</u></b>	<b><u>\$ 6,348,754</u></b>	<b><u>\$ 7,422,040</u></b>	<b><u>\$ 113,898,881</u></b>

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 (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 (Commission), doing business as Hopkinsville Water Environment Authority, is responsible for sewerage and water service for City residents. The City's governing body appoints the Commission'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 Commission's debt remains with the government. The Commission is presented as a proprietary fund type.

Complete financial statements for the 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 Authority (Solid Waste), doing business as Hopkinsville Solid Waste Authority, 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 the individual component unit may be obtained at the entity's administrative office.

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

The Surface and Storm Water Utility (Storm Water), doing business as Hopkinsville Surface and Storm Water 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 storm water runoff for City residents. The City's governing body appoints the Storm Water'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 Storm Water's debt remains with the government. The Storm Water is presented as a proprietary fund type.

Complete financial statements for the individual component unit may be obtained at the entity's administrative office.

Hopkinsville Surface and Storm Water Utility  
101 N. 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	\$ 37,000
Planning Commission	338,808
Library Board	160,000
Emergency Communications Center	685,000

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 assets 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 assets 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 assets 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 contribution 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.

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

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

**B. Basis of Presentation, continued**

**Government-Wide Financial Statements, continued**

The business-type activities of the City report both operating and non-operating 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.

**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.

Special Revenue Funds – The Municipal Road Aid Special Revenue Fund was established to account for state grants restricted for road improvements. The

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**

Community Development Block Grant Special Revenue Fund was 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, Fire Incentive Fund, UDAG Fund, Drug Enforcement Fund, Expendable Trust Fund, Inner City REZ, General Liability Insurance Contingency Fund, and Special Projects Fund, were established to account for various local, state or federal grants and other projects unrelated to general fund operations. Certain trust funds whose corpus is expendable are also considered Special Revenue Funds.

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

*Capital Projects Fund* – Established to account for acquisition of fixed assets or construction of major capital projects.

*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 assets, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service.

**Enterprise Funds**

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

*Grounds Maintenance Fund* – The Grounds Maintenance Fund was established to account for activities in the City's public cemeteries and parks. An ordinance dated August 18, 1959, placed public cemeteries under the supervision of the Department of Public Works. Due to the similarity of operations, grounds maintenance was added to the fund.

Continued

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

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

**C. Fund Accounting, continued**

**Proprietary Funds, continued**

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* – This fund was established to serve all other funds as a self-insurance employees' medical/health care plan.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. 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 95.885. 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 Assets.

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.

Continued

**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 Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. 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 fund net assets 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.

Continued

**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 Intergovernmental	Licenses and permits

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 deposits, 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.

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.

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

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

**J. Restricted Assets**

Certain proceeds of revenue bonds of the Hopkinsville Water Environment Authority (component unit), as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. 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. The Commission first applies restricted resources for expenditures for which both restricted and unrestricted net assets 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 funds placed in trust in order to comply with state laws for funding landfill closure and postclosure costs.

The component of restricted assets for Storm Water Utility consists of proceeds from a general obligation bond placed into trust for use in the acquisition, construction, and installation of surface and storm water 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 assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of pavements, storm sewers, water lines, and sanitary sewers. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. 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

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

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

**K. Capital Assets, continued**

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. 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 assets.

**M. 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, 2010.

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 has matured (i.e. unused reimbursable leave still outstanding following an employee's resignation or retirement). The proprietary funds report the liability as it is incurred.

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

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

**N. 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.

**O. Fund Balance Reserves**

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. As a result, encumbrances, prepaids and inventories are recorded as a reservation of fund balance.

A net asset deficit of \$7,721,177 exists for the Solid Waste. The deficit is caused primarily due to the accrual of landfill closure costs that are expected to be funded in future years. The Solid Waste expects results from future operations to fund such costs.

**P. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are 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. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Q. 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. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

Continued

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

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence.

**S. Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**2. Deposits and Investments**

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

**A. Deposits**

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires banks doing business with the City to pledge securities in an amount to exceed uninsured funds on deposit by the City. At year-end, the carrying amount of the City's deposits was \$8,419,859 and the bank balance was \$9,146,454. Of the cash balance, \$3,000,000 was covered by federal depository insurance. The remaining balance was covered by collateral held by financial institutions' agents in the City's name. Therefore, as of June 30, 2010, the City did not have any deposited funds exposed to custodial credit risk.

At year-end, the carrying amount of the deposits for the Sewerage and Waterworks Commission, discretely presented component unit, was \$3,112,800 and the bank balance was \$3,038,664. Of this bank balance, Federal Depository Insurance covered \$387,431, with the balance covered by collateral held by the pledging bank. Therefore, as of June 30, 2010, the Sewerage and Waterworks Commission did not have any deposited funds exposed to custodial credit risk. State law requires all funds to be fully insured or collateralized.

At year-end, the carrying amount of the Solid Waste's deposits was \$1,183,354 and the bank balance was \$1,208,667. Of the cash balance, \$250,000 was covered by federal depository insurance. The remaining balance was covered by collateral held by financial institution's agents in the Solid Waste's name. Therefore, as of June 30, 2010, the Solid Waste did not have any deposited funds exposed to custodial credit risk.

Continued

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

**2. Deposits and Investments, continued**

**A. Deposits, continued**

At year-end, the carrying amount of the Storm Water's deposits was \$1,442,282 and the bank balance was \$1,469,539. Of this bank balance, Federal Depository Insurance covered \$250,000, with the balance of \$1,219,539 covered by collateral held by financial institutions' agents in the Storm Water's name. Therefore, as of June 30, 2010, the Storm Water did not have any deposited funds exposed to custodial credit risk.

**B. Investments**

The investments for City of Hopkinsville consisted of the following:

<u>Investments as of June 30, 2010</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>
BB&T US Treasury Money Market Fund	N/A	\$ 715,193	\$ -	26 Days
BB&T Prime Money Market Fund	N/A	174,050	35,400	39 Days
BB&T Intermediate US Gov't Fund	AAA	207,628	-	4.55 Years
BB&T Short US Gov't Fund	Aaa	7,015	-	1.86 Years
BB&T Total Return Bond Fund	Aa	175,686	473,462	6.94 Years
Dodge & Cox Income Fund	AA	11,055	-	6.60 Years
Federated Total Return Gov't Fund	AAA	9,882	-	4.20 Years
Ishares Lehman Treasury	AAA	36,158	-	10.00 Years
Legg Mason Western Asset Non-US Opp Bond	AA	-	36,619	11.49 Years
Vanguard GNMA Fund	AAA	<u>59,460</u>	<u>-</u>	2.70 Years
Total Credit Risk Debt Securities		<u>1,396,127</u>	<u>545,481</u>	
US Government Agencies		<u>182,475</u>	<u>218,231</u>	
Total Debt Securities		<u>\$ 1,578,602</u>	<u>\$ 763,712</u>	

The investments for Solid Waste consisted of the following:

<u>Investments as of June 30, 2010</u>	<u>Average Credit Quality/Rating</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Average Maturity</u>
First American Treasury Obligations Money Market Fund	AAA	\$ 2,950,454	\$ 2,950,454	45 days

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

**2. Deposits and Investments, continued**

**B. Investments, continued**

The investments for Storm Water consisted of the following:

<u>Investments as of June 30, 2010</u>	<u>Average Credit Quality/Rating</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Average Maturity</u>
Repurchase Agreement	N/A	\$ 2,926,646	\$ 2,926,646	N/A

**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, 2010, 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.

**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.

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

**2. Deposits and Investments, continued**

**B. Investments, continued**

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 the Commission's restricted asset accounts are as follows:

Bond and interest redemption	\$ 36,738
Construction	2,003,639
Unemployment	<u>24,742</u>
Total restricted assets	<u>\$ 2,065,119</u>

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

Landfill closure costs	<u>\$ 2,950,455</u>
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The balance of the Storm Water's restricted asset account is

General obligation bond proceeds	<u>\$ 2,926,646</u>
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**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, 2010, was \$.236 real and \$.251 personal per \$100, which means that the City has a tax margin of approximately \$1.264 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.

Continued



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

**4. Capital Assets**

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

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<b><u>Governmental Activities</u></b>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,615,621	\$ -	\$ -	\$ 1,615,621
Construction in Progress	114,223	-	114,223	-
Total Capital Asset Not Being Depreciated	<u>1,729,844</u>	<u>-</u>	<u>114,223</u>	<u>1,615,621</u>
Capital Assets Being Depreciated:				
Buildings & Improvements	7,590,759	58,538	3,392	7,645,905
Equipment	5,964,423	747,915	97,856	6,614,482
Infrastructure	15,576,676	831,440	-	16,408,116
Land Improvements	4,149,191	507,781	-	4,656,972
Vehicles	1,621,737	171,262	-	1,792,999
Total Capital Assets Being Depreciated	<u>34,902,786</u>	<u>2,316,936</u>	<u>101,248</u>	<u>37,118,474</u>
Less Accumulated Depreciation:				
Buildings & Improvements	2,478,811	256,931	1,715	2,734,027
Equipment	3,314,201	484,382	85,203	3,713,380
Infrastructure	8,071,437	613,108	-	8,684,545
Land Improvements	1,084,037	187,307	-	1,271,344
Vehicles	1,293,668	251,565	-	1,545,233
Total Accumulated Depreciation	<u>16,242,154</u>	<u>1,793,293</u>	<u>86,918</u>	<u>17,948,529</u>
Total	<u>\$ 20,390,476</u>	<u>\$ 523,643</u>	<u>\$ 128,553</u>	<u>\$ 20,785,566</u>

Deletions represent a disposition of surplus assets sold or no longer in use.

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 250,084
Public Safety	427,826
Public Works	843,461
Community Development	186,408
Parks and Recreation	<u>85,514</u>
Total Depreciation Expense	<u>\$1,793,293</u>

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

**4. Capital Assets, continued**

A summary of City enterprise funds property, plant and equipment at June 30, 2010, is as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<b><u>Enterprise Fund Activities</u></b>				
Capital Assets Not Being Depreciated:				
Land	\$ 260,159	\$ -	\$ -	\$ 260,159
Capital Assets Being Depreciated:				
Buildings and improvements	3,957,937	-	-	3,957,937
Equipment	506,844	-	-	506,844
Vehicles	95,953	-	-	95,953
Total Capital Assets Being Depreciated	<u>4,560,734</u>	<u>-</u>	<u>-</u>	<u>4,560,734</u>
Less Accumulated Depreciation:				
Buildings and improvements	329,564	100,911	-	430,475
Equipment	193,383	57,688	-	251,071
Vehicles	59,891	3,481	-	63,372
Total Accumulated Depreciated	<u>582,838</u>	<u>162,080</u>	<u>-</u>	<u>744,918</u>
Total	<u>\$ 4,238,055</u>	<u>\$ (162,080)</u>	<u>\$ -</u>	<u>\$ 4,075,975</u>

Depreciation expense (including amortization of capitalized assets) of the enterprise funds for the year ended June 30, 2010, was \$162,080.

A summary of Commission enterprise fund property, plant and equipment at June 30, 2010, is as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<b><u>Enterprise Fund Activities</u></b>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,605,344	\$ -	\$ -	\$ 1,605,344
Construction in progress	623,438	5,689,089	-	6,312,527
Total Capital Assets Not Being Depreciated	<u>2,228,782</u>	<u>5,689,089</u>	<u>-</u>	<u>7,917,871</u>
Capital Assets Being Depreciated:				
Structures and Improvements	128,905,953	292,524	-	129,198,477
Equipment	9,724,242	13,765	-	9,738,007
Vehicles	717,726	-	-	717,726
Total Capital Assets Being Depreciated	<u>139,347,921</u>	<u>306,289</u>	<u>-</u>	<u>139,654,210</u>
Less Accumulated Depreciation:				
Structures and Improvements	42,609,046	2,708,250	-	45,317,296
Equipment	6,744,926	398,543	-	7,143,469
Vehicles	613,275	21,718	-	634,993
Total Accumulated Depreciation	<u>49,967,247</u>	<u>3,128,511</u>	<u>-</u>	<u>53,095,758</u>
Total	<u>\$ 91,609,456</u>	<u>\$ 2,866,867</u>	<u>\$ -</u>	<u>\$ 94,476,323</u>

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

**4. Capital Assets, continued**

Depreciation expense (including amortization of capitalized assets) for the Commission for the year ended June 30, 2010, was \$3,128,511.

A summary of Solid Waste enterprise fund property, plant and equipment at June 30, 2010, is as follows:

<u>Enterprise Fund Activities</u>	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Capital Assets Not Being Depreciated:				
Land	\$ 615,582	\$ -	\$ -	\$ 615,582
Construction in Progress	51,520	16,465	-	67,985
Total Capital Assets Not Being Depreciated	<u>667,102</u>	<u>16,465</u>	<u>-</u>	<u>683,567</u>
Capital Assets Being Depreciated:				
Buildings	184,605	-	-	184,605
Equipment	4,807,758	138,564	96,125	4,850,197
Land Improvements	579,723	-	-	579,723
Total Capital Assets Being Depreciated	<u>5,572,086</u>	<u>138,564</u>	<u>96,125</u>	<u>5,614,525</u>
Less Accumulated Depreciation:				
Buildings and Improvements	30,677	5,342	-	36,019
Equipment	3,620,150	340,746	58,089	3,902,807
Land Improvements	538,853	4,302	-	543,155
Total Accumulated Depreciation	<u>4,189,680</u>	<u>350,390</u>	<u>58,089</u>	<u>4,481,981</u>
Total	<u>\$ 2,049,508</u>	<u>\$ (195,361)</u>	<u>\$ 38,036</u>	<u>\$ 1,816,111</u>

Depreciation expense (including amortization of capitalized assets) for Solid Waste for the year ended June 30, 2010, was \$350,390.

A summary of Storm Water enterprise fund property, plant and equipment at June 30, 2010, is as follows:

<u>Enterprise Fund Activities</u>	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Capital Assets Not Being Depreciated:				
Land	\$ 175,000	\$ 243,023	\$ -	\$ 418,023
Construction in Progress	867,677	1,470,398	48,155	2,289,920
Total Capital Assets Not Being Depreciated	<u>1,042,677</u>	<u>1,713,421</u>	<u>48,155</u>	<u>2,707,943</u>
Capital Assets Being Depreciated:				
Infrastructure	-	181,782	-	181,782
Less Accumulated Depreciation:				
Infrastructure	-	5,669	-	5,669
Total	<u>\$ 1,042,677</u>	<u>\$ 1,889,534</u>	<u>\$ 48,155</u>	<u>\$ 2,884,056</u>

Depreciation expense (including amortization of capitalized assets) for Storm Water for the year ended June 30, 2010 was \$5,669.

For the year ended June 30, 2010, the Storm Water capitalized interest totaling \$52,136 for the construction of capital assets.

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

**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 a retirement allowance based on accumulated sick leave. The amount that may be converted to retirement hours is based on a mathematical calculation with a factor that considers the retiree's wage, age, and years of service. As it is not practical to estimate the cost of converting sick hours to retirement credit, management chooses to report accumulated sick time as a liability based on converting four sick days to one day of terminal pay at retirement.

**6. Employee Retirement Systems**

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

(a) County Employees' Retirement System

**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). 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 State Legislature. Section 61.645 of the Kentucky Revised Statutes assigns the authority to establish and amend benefit provisions to the KRS Board of Trustees. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling 1-502-564-4646.

**Funding policy.** Nonhazardous position plan members are required to contribute 5% of their annual creditable compensation while hazardous position plan members are required to contribute 8%. The City is required to contribute at an actuarially determined rate. The current rate is 16.16% of annual covered payroll for nonhazardous and 32.97% for hazardous position members. The contribution requirements of plan members and the City are established and may be amended by KRS Board of Trustees. The City's contribution to CERS for the three years ended June 30, 2010, 2009, and 2008, was \$2,634,309, \$2,301,766, and \$2,589,952, respectively, equal to the required contribution for these years. The Commission's contribution to CERS for the three years ended June

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

**6. Employee Retirement Systems, continued**

30, 2010, 2009, and 2008, was \$399,392, \$346,368, and \$400,261, respectively, equal to the required contribution for these years. The Solid Waste's contributions to CERS for the three years ended June 30, 2010, 2009, and 2008, was \$217,664, \$210,380 and \$234,574, respectively, equal to the required contribution for these years.

(b) Police and Firemen Pension Fund

During the year ended June 30, 1989, active public safety employees were provided the option to convert to coverage under the County Employees' Retirement System (CERS). Approximately 98 employees elected to convert from the Police and Firemen Pension Fund coverage.

**Plan Description.** The City's Policemen's and Firefighter's Pension Fund is a single-employer, defined benefit pension plan administered by the Board of Trustees of the Pension Fund. The City's Policemen's and Firefighter's Pension Fund has no active participants and 30 inactive retirees and beneficiaries receiving benefits. No new participants can be enrolled. No terminated employees entitled to deferred benefits exist. The authority to establish and amend benefit provisions has been assigned to the Council of the City of Hopkinsville. All new policemen and firefighters eligible for retirement benefits are participants in the County Employees' Retirement System.

This pension plan does not issue stand-alone financial reports. The investments of this fund is 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.

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 April 17, 2009. This report stipulates that the actuarial valuation summarized has been performed utilizing generally accepted accounting principles.

**Asset Valuation Method.** Assets are valued using the mean of book and market values.

**Description of Actuarial Funding Method.** The employer contribution is determined under an aggregate variation of the Entry Age Normal Funding Method, with the contribution calculated in two pieces. The first piece is the "normal cost", and would usually be evaluated in terms of the normal cost accrual rate. This portion of the contribution is no longer applicable. The second piece of the total employer contribution is an amount that is intended to amortize the "unfunded supplemental liability". The unfunded supplemental liability is sometimes referred to as the "unfunded past service liability". The amortization period is considered closed. Since only retirees and beneficiaries remain covered by the Fund, the supplemental liability is simply the present value of future expected benefit payments. The unfunded supplemental liability is the amount by which current assets fall short of this expected liability.

Continued

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

**6. Employee Retirement Systems, continued**

**Funding Policy.** Plan benefits are being funded by contributions authorized by the City legislative body, commonly referred to as employer contributions. Since the plan covers a closed group of participants, the City is essentially funding the plan on a pay-as-you-go basis to avoid a large build-up of assets. Therefore, the City's contribution policy has been to contribute amounts approximately equal to the total benefits payable to retirees and beneficiaries over the next fiscal year plus the administrative costs charged by the trustee for plan administration. Benefits and refunds are recognized when due and payable in accordance with terms of the plan.

Based on the January 1, 2009, actuarial valuation of the Fund, a suggested employer contribution to be applied to the fiscal year beginning July 1, 2009, has been determined. The interest rate used to determine the present value of future benefit payments is currently 6%, selected to recognize current and expected market conditions. Assuming a 3.25% COLA, the amortization period selected by the actuary is 2015 (5 years from 2010), which is the remaining life expectancy of the current beneficiaries. The normal cost is \$0, as there are no actively employed participants in the Fund.

**Annual Pension Cost and Net Pension Obligation.** The City's annual pension cost and net pension obligation to the Police and Firemen Pension Fund for the current year were as follows:

Annual required contribution	\$ 701,402
Interest on net pension obligation	97,486
Adjustment to annual required contribution	<u>(329,939)</u>
Annual pension cost	468,949
Contributions made	<u>(400,000)</u>
Increase in net pension obligation	68,949
Net pension obligation beginning of year	<u>1,581,987</u>
 Net pension obligation end of year	 <u><u>\$1,650,936</u></u>

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/08	373,682	106%	1,408,614
6/30/09	510,096	79%	1,581,987
6/30/10	468,949	85%	1,650,936

The actuarial assumptions include a 6.00% investment rate of return, no salary increases, no post retirement benefit increases, and no inflation.

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

**6. Employee Retirement Systems, continued**

**Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) entry age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/c</u>
1/1/2009	\$863,187	\$4,163,118	\$3,299,931	20.7	\$ -	N/A

The schedule of funding progress, presented as required supplemental information (RSI) following the notes to the financial statements, present multi-year information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL's for benefits.

Information as of the latest actuarial valuation is presented in the following table.

Valuation Date	01/01/09
Valuation Method	Entry age normal funding method (an aggregate variation)
Amortization method and period	Amortization period selected by actuary is six (6) years. Amortization is achieved using level dollar payments sufficient to pay interest on the unamortized amount each year.
Actuarial asset valuation method	Mean of book and market value
Actuarial assumptions:	
Investment rate of return	6.00%
Projected salary increases	None
Post retirement benefit increases	None
Inflation	None

Continued

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

**7. Interfund Receivables and Payables**

Interfund balances at June 30, 2010, consists of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$201,646	
Grants Fund		\$201,646

The interfund balance results from the funding of a temporary cash flow deficit of the major fund, grants fund, from the general fund.

**8. Construction Commitment**

At June 30, 2010, the City did not have any construction commitments.

At June 30, 2010, the Commission had one material project pending, the Moss Water Treatment Plant expansion project. The total expenditures for the contract at the end of the year were approximately \$5.65 million with approximately \$3.76 million remaining for the project.

The Solid Waste is in the preconstruction planning phase of a Landfill Vertical Expansion and a Leachate Treatment Facility. Therefore, no construction commitments existed at June 30, 2010, for Solid Waste.

At June 30, 2010, the Storm Water had three material contracts pending. For the South Fork Dry Dam project, total expenditures for the contract were approximately \$332,000. This project is currently in the planning stage with no current contract commitments. For the Woodmont Drive Basin project, total expenditures were approximately \$1.9 million with approximately \$235,000 remaining for the project. For the North Fork Little River Watershed (Lake Blythe) project, total expenditures were approximately \$34,000 with \$141,000 remaining for the project.

**9. Short-Term Debt**

The City of Hopkinsville issued no short-term debt during the year ended June 30, 2010.

On December 1, 2008, the Commission entered into an agreement with the Pennyroyal Center for a \$150,000 non-interest bearing loan, which was to be used to extend sewer lines to service the Trilogy Center for Women. This loan was paid off during the current year.

On April 1, 2009, the Commission entered into an agreement with Heritage Bank for a \$2,000,000 line of credit with a fixed interest rate of 3.5%, which was to be used for general operations. This loan was paid off during the current year.



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

**9. Short-Term Debt, continued**

Short-term debt activity for the Commission for the year-ended June 30, 2010, was as follows:

	Principal Outstanding <u>July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	Principal Outstanding <u>June 30, 2010</u>
Line of credit	\$ 1,300,000	\$ -	\$ 1,300,000	\$ -
Note Payable	<u>150,000</u>	<u>-</u>	<u>150,000</u>	<u>-</u>
Total	<u>\$ 1,450,000</u>	<u>\$ -</u>	<u>\$ 1,450,000</u>	<u>\$ -</u>

**10. Long-Term Obligations**

During the year ended June 30, 2010, the following changes occurred in long-term liabilities:

	Principal Outstanding <u>July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	Principal Outstanding <u>June 30, 2010</u>	Due Within <u>One Year</u>
<b>Governmental Activities:</b>					
Compensated absences	\$ 1,114,097	\$ 257,857	\$ 152,639	\$ 1,219,315	\$ 182,897*
Net Pension Obligation	1,581,987	68,949	-	1,650,936	-
General Obligation Bond	5,829,571	-	372,015	5,457,556	388,709
Revenue Bond	1,240,196	-	25,890	1,214,306	27,086
Notes Payable	<u>1,130,918</u>	<u>358,334</u>	<u>145,674</u>	<u>1,343,577</u>	<u>217,452</u>
Total Governmental Activities	<u>\$ 10,896,769</u>	<u>\$ 685,140</u>	<u>\$ 696,218</u>	<u>\$ 10,885,690</u>	<u>\$ 816,144</u>
<b>Business Type</b>					
<b>Activities-City:</b>					
Compensated Absences	<u>\$ 54,048</u>	<u>\$ 38,011</u>	<u>\$ 26,492</u>	<u>\$ 65,567</u>	<u>\$ 9,835*</u>
<b>Business Type</b>					
<b>Activities-Commission:</b>					
Revenue Bonds	\$ 25,510,000	\$ 3,588,000	\$ 1,223,400	\$ 27,874,600	\$ 1,375,098
Notes Payable	25,419,151	3,438,795	2,384,199	26,473,747	2,457,955
Capital Leases	<u>35,000</u>	<u>-</u>	<u>11,052</u>	<u>23,948</u>	<u>11,052</u>
Total Business Type Activities- Commission	<u>\$ 50,964,151</u>	<u>\$ 7,026,795</u>	<u>\$ 3,618,651</u>	<u>\$ 54,372,295</u>	<u>\$ 3,844,105</u>

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

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

	Principal Outstanding July 1, 2009	<u>Additions</u>	<u>Reductions</u>	Principal Outstanding June 30, 2010	Due Within One Year
<b>Business Type</b>					
<b><u>Activities-Solid Waste:</u></b>					
Compensated Absences	\$ 177,919	\$ 7,294	\$ -	\$ 185,213	\$ 27,782*
Capital Leases	420,178	-	219,735	200,443	97,992
Accrued Landfill Closing Costs	<u>12,888,804</u>	<u>379,229</u>	<u>-</u>	<u>13,268,033</u>	<u>-</u>
Total Business Type Activities- Solid Waste	<u>\$13,486,901</u>	<u>\$ 386,523</u>	<u>\$ 219,735</u>	<u>\$ 13,653,689</u>	<u>\$ 125,774</u>
<b>Business Type</b>					
<b><u>Activities-Storm Water:</u></b>					
General Obligation Bond	<u>\$ 5,069,881</u>	<u>\$ -</u>	<u>\$ 115,865</u>	<u>\$ 4,954,016</u>	<u>\$ 119,118</u>
Total Business Type Activities- Storm Water	<u>\$ 5,069,881</u>	<u>\$ -</u>	<u>\$ 115,865</u>	<u>\$ 4,954,016</u>	<u>\$ 119,118</u>
Total Business Type Activities- Component Units	<u>\$69,520,933</u>	<u>\$ 7,413,318</u>	<u>\$ 3,954,251</u>	<u>\$ 72,980,000</u>	<u>\$ 4,088,997</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.

For governmental activities, compensated absences and claims and judgments payable are liquidated by the general fund.

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>Governmental Activities:</u>	<u>Matures</u>	<u>Rate</u>	<u>2010</u>
Kentucky League of Cities Funding Revenue, 2006 Series A - \$1,300,000	12/01/2035	Variable	\$ 1,214,306
 <b><u>Business Type Activities-Commission:</u></b>			
Water Sewer Facilities-1998-\$1,650,000	10/01/2021	3.75% to 4.90%	\$ 755,000
Water Sewer Facilities-2005A-\$25,635,000	10/01/2026	3.375% to 4.00%	22,550,000
Water Sewer Facilities-2005B-\$1,545,000	10/01/2017	3.00% to 3.75%	1,015,000
Water Sewer Facilities-2010-\$3,588,000	04/01/2030	3.20% to 4.40%	<u>3,554,600</u>
Total			<u>\$27,874,600</u>

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

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

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

Fiscal Year Ending June 30	Governmental Activities	Interest	Business Type Activities Commission	Interest
2011	\$ 27,086	\$ 34,071	\$ 1,427,600	\$ 1,066,081
2012	28,232	41,931	1,404,000	1,018,422
2013	29,705	40,837	1,455,000	968,145
2014	30,985	39,834	1,507,500	914,632
2015	32,414	38,732	1,567,500	858,457
2016-2020	185,716	175,540	8,308,000	3,336,039
2021-2025	232,629	139,581	9,296,000	1,580,008
2026-2030	291,127	94,693	2,909,000	166,886
2031-2035	<u>356,412</u>	<u>38,355</u>	<u>-</u>	<u>-</u>
Total	<u>\$1,214,306</u>	<u>\$643,574</u>	<u>\$27,874,600</u>	<u>\$ 9,908,670</u>

General obligation bonds were issued in 2003 for the purpose of refunding a floating indebtedness obligation incurred by the City for an unfunded pension liability. General obligation bonds were issued in 2006 for the purpose of funding certain project improvements. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

<u>Governmental Activities:</u>	<u>Matures</u>	<u>Rate</u>	<u>2010</u>
Kentucky League of Cities Funding GO, 2003 Series B - \$1,034,000	08/01/2017	4%-5.3%	\$ 682,000
Kentucky League of Cities Funding 2004 Series A - \$1,250,000	03/01/2016	3%-3.75%	738,521
Kentucky League of Cities Fund 2004 Series A - \$4,910,000	04/01/2026	3.5%-3.75%	4,037,035

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

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

The City, the Commission, and the Storm Water have issued notes payable, primarily for the purpose of funding various construction projects and financing a CERS liability. The outstanding debt related to notes payable at June 30, 2010, was:

<u>Governmental Activities:</u>	<u>Matures</u>	<u>Rate</u>	<u>2010</u>
Kentucky League of Cities			
Pooled Lease Financing - \$1,975,000	2019	3.27%	\$ 1,024,466
US Bank - \$358,334	2013	2.25%	319,111
 <u>Business Type Activities-Commission:</u>			
KIA Fund A Wastewater - \$9,190,530	2016	1.2%	2,909,923
KIA Fund B Water Plant - \$5,000,000	2026	1.9%	3,015,117
KIA Fund A Phase II - \$3,167,272	2018	1.8%	1,415,185
KIA Fund A Wastewater - \$240,264	2017	1.2%	90,703
KIA Fund A - \$614,521	2020	0.4%	314,444
KIA Fund A Phase III - \$834,891	2021	3.8%	515,298
KIA Fund A Phase IV - \$4,583,635	2026	1.0%	3,726,896
KIA Fund C Wastewater	2018	4.00 to 4.25%	440,000
KIA Fund F Drinking Water - \$1,513,593	2028	1.0%	1,375,457
KIA Fund A Phase V - \$2,469,924	2027	1.0%	2,135,848
KIA Fund F Water - \$3,887,432	2028	3.0%	3,594,384
KIA Fund A-loan not closed yet			198,137
KIA Fund F-loan not closed yet			3,240,658
KY Rural Finance	2025	3.125 to 4.50%	462,500
KY Rural Finance	2029	2.28 to 4.405%	1,522,155
Due to Oak Grove	2012	N/A	1,405,202
Capital lease obligation	2012	5.00%	23,948
City of Hopkinsville - \$120,000	Undetermined	N/A	111,840
 <u>Business Type Activities-Storm Water:</u>			
KLC Bond - \$5,100,000	2038	Variable	\$ 4,954,016

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

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

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

Fiscal Year Ending June 30	Governmental Activities Principal	Interest	Enterprise Fund Component Units Principal	Interest
2011	\$ 606,163	\$ 207,050	\$ 2,588,125	\$ 553,795
2012	638,768	220,012	1,773,391	558,157
2013	628,644	196,690	1,802,491	524,489
2014	561,706	174,999	1,840,092	490,439
2015	579,992	153,119	1,879,431	455,110
2016-2020	2,084,857	476,178	6,788,654	1,790,843
2021-2025	1,540,102	178,740	5,915,975	1,104,275
2026-2030	160,901	2,701	7,041,638	502,080
2031-2035	-	-	1,091,336	237,470
2036-2038	-	-	730,578	47,294
Total	<u>\$ 6,801,133</u>	<u>\$1,609,489</u>	<u>\$ 31,451,711</u>	<u>\$ 6,263,952</u>

During June 2008, the Commission acquired the sewerage system of the City of Oak Grove, Kentucky for a purchase price of \$6,986,762. As part of the payment of the purchase price, the Commission agreed to assume the debt relating to the City of Oak Grove sewerage system. The total debt assumed from the City of Oak Grove totaled \$3,530,000. The remainder of the purchase price was to be paid by the Commission in the following manner: a payment of \$475,520 within thirty days of the execution of the contract and the remaining balance to be paid in annual installments over the next four years.

During March 2009, the Kentucky League of Cities Funding Trust Program issued a general obligation bond to the Storm Water for \$5,100,000 for the purpose of funding the acquisition, construction, and installation of surface and storm water projects within the jurisdiction of the City. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The bond has a variable interest rate, currently 0.274% plus administrative fees, and matures on June 1, 2038.

City refinanced the Kentucky League of Cities Pooled Lease Financing note subsequent to year end. The new note has a beginning balance of \$1,055,000 with a fixed interest rate of 2.50% with a maturity date of January 2019.

**Defeased Bonds Outstanding**

In prior years, the City and the Commission issued refunding bonds to defease certain outstanding bonds, for the purpose of consolidation and to achieve debt service savings. The City and the Commission have placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to insure payment of debt service on the refunded bonds.

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

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

Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City'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. On June 30, 2010, \$650,000 bonds outstanding for the City are considered defeased. On June 30, 2010, the amount of bonds outstanding for the Commission considered defeased is undeterminable.

**11. Deferred Charges**

The selling costs and discounts associated with the issuance of the revenue bonds and general obligation bonds payable for the City are being amortized on the straight-line method over the term of the bonds. Amortization expense charged to operations during the year ended June 30, 2010 was \$9,300.

The selling costs and discounts associated with the issuance of the revenue bonds payable for the Commission are being amortized on the straight-line method over the term of the bonds. Amortization expense charged to operations during the year ended June 30, 2010 was \$49,765.

The selling costs and discounts associated with the issuance of the general obligation bonds payable for the Storm Water are being amortized on the straight-line method over the term of the bond. Amortization expense charged to operations during the year ended June 30, 2010 was \$3,241.

**12. Leases**

The City did not have any capital leases at year-end.

In June 2007, the Commission entered into a capital lease agreement for a Panasonic phone system. The lease agreement is for a period of five years expiring on August 30, 2012, with a \$1 buyout option at the end of the lease period.

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

	<u>2010</u>
Equipment under capital leases	\$ 53,628
Less accumulated depreciation	<u>(14,097)</u>
Total	<u>\$ 39,531</u>

The future minimum lease obligations as of June 30, 2010, were as follows:

2011	\$ 11,052
2012	11,052
2013	<u>1,844</u>
	<u>\$ 23,948</u>

Continued

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

**12. Leases, continued**

In March 2009, the Solid Waste leased a vehicle. The vehicle is leased at \$47,964 per year for a term of three years at an imputed interest rate of 4.55%. The first payment was due March 12, 2010. The lease expires on March 12, 2012.

In March 2009, the Solid Waste leased a vehicle. The vehicle is leased at \$59,149 per year for a term of three years at an imputed interest rate of 4.55%. The first payment is due March 12, 2010. The lease expires on March 12, 2012.

The assets acquired through these capital leases were as follows at June 30, 2010:

	<u>2010</u>
Vehicles	\$ 294,171
Less accumulated depreciation	<u>(78,446)</u>
Total	<u>\$ 215,725</u>

The future minimum lease obligations as of June 30, 2010, were as follows:

Year Ending June 30	Total Lease Payments	Less Imputed Interest	Present Value of Minimum Lease Payments
2011	\$ 107,112	\$ 9,120	\$ 97,992
2012	<u>107,113</u>	<u>4,662</u>	<u>102,451</u>
	<u>\$ 214,225</u>	<u>\$ 13,782</u>	<u>\$ 200,443</u>

The Storm Water Utility leases the watershed lakes known as Lake Tandy, Lake Morris, and Lake Boxley located in Christian County, Kentucky from the Hopkinsville Water Environment Authority (Commission). This lease is for the Storm Water to use the watershed lakes for flood control and water storage activities. The term of this lease is for a period of twenty (20) 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 (1) year written notice as to its intent to terminate the lease. The lease shall be automatically extended by a twenty (20) year period if no notice is given within the one (1) year time period provided. The Storm Water will pay the sum of \$1 per year to the Commission and further maintain property in the manner stated in the lease. The Storm Water will provide insurance for coverage of activities on the premises. Also, the Storm Water must honor existing lease agreements running with the premises.

The Storm Water Utility leases the watershed lake known as Lake Blythe located in Christian County, Kentucky has been leased from the City of Hopkinsville. The lease is for the Storm Water to use the watershed lake for flood control and water storage activities. The term of this lease is for a period of twenty (20) 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 (1) year written notice as to its intent to terminate the lease. The lease shall be automatically extended by a twenty (20) year period if no notice is given within the one (1) year time period provided. The Storm Water will pay the sum of \$1 per

Continued

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

**12. Leases, continued**

year to the City and further maintain property in the manner stated in the lease. The Storm Water will provide insurance for coverage of activities on the premises. Also, the Storm Water 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, 2010, consisted of the following:

	Transfer From:				Total
	General Fund	Grants Fund	Grounds Maintenance Fund	Nonmajor Governmental Fund	
General Fund	\$ -	\$ 23,535	\$ -	\$ 1,185,948	\$1,209,483
Grants Fund	75,000	-	-	-	75,000
Tie Breaker Family Fund	150,000	-	-	-	150,000
Grounds Maintenance Fund	560,000	-	-	-	560,000
Nonmajor Governmental Type	<u>1,931,695</u>	<u>-</u>	<u>-</u>	<u>103,333</u>	<u>2,035,028</u>
Total	<u>\$ 2,716,695</u>	<u>\$ 23,535</u>	<u>\$ -</u>	<u>\$ 1,289,281</u>	<u>\$4,029,511</u>

Non-cash transfers (equipment purchased) consisted of the following:

Transfers from Nonmajor Governmental Fund to:	<u>Noncash</u>
General Fund	<u>\$ 953,292</u>

**14. Interfund Balances**

The fund financial statements reflect receivables and payables resulting from short-term interfund loans. A schedule of these interfund payables and receivables follows:

	Due from Grants Fund	Due to General Fund
General Fund	\$ 201,646	
Grants Fund		\$ 201,646

These amounts are eliminated in the governmental activities column of the Statement of Net Assets.



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

**15. Claims and Judgments**

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

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

**16. Community Development Loan Funds**

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

**17. Contingencies**

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

**18. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for these types of risk of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. 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 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, 2010, the claims liability was \$67,099 (a current liability to be paid

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

**18. Risk Management, continued**

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>
2008-2009	\$ 47,244	\$1,074,580	\$1,031,975	\$ 89,849
2009-2010	89,849	1,143,322	1,166,072	67,099

The Commission'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 the Commission. At June 30, 2010, the claims liability was \$59,220. 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>
2008-2009	\$25,481	\$338,595	\$333,889	\$30,187
2009-2010	\$30,187	\$551,143	\$522,110	\$59,220

**19. Closure and Postclosure Care Costs**

State and federal laws and regulations require the City's Solid Waste Authority 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, the Solid Waste Authority have operated a separate landfill section as a construction demolition debris (CDD) landfill since June 30, 1995. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Solid Waste Authority 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 \$13,268,033 reported as Solid Waste landfill closure and postclosure care liability at June 30, 2010, represents the cumulative amount reported to date based on the use of approximately 97 percent of the capacity of the landfill. These amounts are based on what it would cost to perform all closure and postclosure care in 2010 as estimated by the consulting engineer. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

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

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

This total amount of closure and postclosure costs are estimated to be \$13,616,622, leaving \$348,588 remaining to be recognized. The remaining life of the current landfill is estimated to be a year and a half. The Solid Waste has received an approval for a vertical expansion of the landfill's capacity which may result in a significant change in the liability estimate for closure and postclosure costs upon construction of the vertical expansion.

The City of Hopkinsville and the Solid Waste Authority 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. The Solid Waste Authority is in compliance with these requirements, as determined by the Kentucky Natural Resources and Environmental Protection Cabinet, by entering into a trust agreement that calls for scheduled future annual funding contributions to the trust. At June 30, 2010, \$2,950,454 is held for such purposes and reported as restricted assets on the balance sheet. The Solid Waste expects future inflation costs will be paid from these funds combined with the scheduled future funding and related investment income. However, if earnings are inadequate or additional postclosure care requirements are determined due to changes in technology, laws, regulations, or other, additional funding would be required.

**20. Related Party Transactions**

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

The City has collected from the Commission a capital credit in the amount of \$77,770 for the fiscal year ended June 30, 2010.

Solid Waste paid the Commission \$70,911 for providing customer billing and collection services and \$163,579 for leachate purification services for the year ended June 30, 2010.

The City assesses a percentage of Solid Waste revenue as payment in lieu of taxes. The Solid Waste paid the City \$139,751 for payment in lieu of taxes for the year ended June 30, 2010.

The Storm Water has contracted services with the City for bookkeeping services to be done by the Finance Department. This contract requires Storm Water to pay the City \$850 each month for work done by the Finance Department. For the year ended June 30, 2010, the total amount paid to the Finance Department was \$10,200. The Storm Water also reimburses the City for materials and other expenses allocable to the Storm Water. For the year ended June 30, 2010, the total amount reimbursed to the City for such work was \$2,666. The Storm Water has contracted services with the Hopkinsville-Christian County Planning Commission (Planning Commission) for administration services and code enforcement for \$13,333 each month. For the year ended June 30, 2010, the total amount paid to the Planning Commission for the services was \$160,000.

Continued

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

**20. Related Party Transactions, continued**

The Commission provides utility billing and cash collection services for the Storm Water. The Commission charges the Storm Water for these services. For the year ended June 30, 2010, the expense for billing and collection services totaled \$55,639. At June 30, 2010, accounts payable for these services was \$5,222.

The Storm Water has notes payable with the City for the purpose of funding operating expenses. The Storm Water has a short-term liability of \$95,000 from the City's UDAG Revolving Loan Fund for pre-funding of operating expenses for the Storm Water, which is due immediately upon receipt of bond proceeds. The interest rate on this loan is 2%. The Storm Water also had a short-term loan from the City for operating expenses. The City has authorized the Storm Water to borrow up to \$250,000 under this loan agreement. Repayment of this liability is to be made through revenues collected by the Storm Water or bond proceeds. The interest rate on this loan is 1%. The Storm Water paid off this short-term loan during the current year.

During the year ended June 30, 2010, the following changes occurred in short-term liabilities:

	Principal Outstanding <u>July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	Principal Outstanding <u>June 30, 2010</u>
UDAG Revolving Loan	\$ 95,000	\$ -	\$ -	\$ 95,000
City of Hopkinsville Loan	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Total	<u>\$ 145,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 95,000</u>

**21. 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.

**REQUIRED SUPPLEMENTARY  
INFORMATION  
(Other than Management's Discussion and Analysis)**

**CITY OF HOPKINSVILLE, KENTUCKY  
REQUIRED SUPPLEMENTARY INFORMATION  
POLICE AND FIREMEN DEFINED BENEFIT PENSION TRUST  
June 30, 2010**

**1. SCHEDULE OF FUNDING PROGRESS**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) -entry age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll ( c )</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/c</u>
1/1/2003	\$ 766,342	\$ 4,136,854	\$ 3,370,512	18.5	\$ -	N/A
1/1/2006	827,258	4,376,738	3,549,480	18.9	-	N/A
1/1/2009	863,187	4,163,118	3,299,931	20.7	-	N/A

**2. SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2006	500,406	88.1%
2007	701,402	58.8%
2008	701,402	56.7%
2009	701,402	57.5%
2010	701,402	57.0%

**3. NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

Valuation Date	01/01/09
Valuation Method	Entry age normal funding method (an aggregate variation)
Amortization method and period	Amortization period selected by actuary is twelve (12) years. Amortization is achieved using level dollar payments sufficient to pay interest on the unamortized amount each year.
Actuarial asset valuation method	Mean of book and market value
Actuarial assumptions:	
Investment rate of return	6.00%
Projected salary increases	None
Post retirement benefit increases	None
Inflation	None

**City of Hopkinsville, Kentucky  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 4,338,000	\$ 4,410,078	\$ 4,436,174	\$ 26,096
Licenses and permits	17,200,500	17,190,500	17,387,245	196,745
Fines and forfeits	35,000	35,000	28,490	(6,510)
Intergovernmental	544,352	607,118	619,399	12,281
Charges for services	-	-	-	-
Interest	50,000	43,000	43,175	175
Other revenues	<u>654,855</u>	<u>890,029</u>	<u>887,513</u>	<u>(2,516)</u>
Total Revenues	<u>22,822,707</u>	<u>23,175,725</u>	<u>23,401,996</u>	<u>226,271</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Administrative	1,404,026	1,509,800	1,379,614	130,186
Tax department	353,858	459,458	385,585	73,873
Information technology	554,002	564,820	527,342	37,478
Legislative	302,805	306,955	298,160	8,795
Public safety:				
Police	5,772,997	5,936,681	5,849,271	87,410
Fire	5,434,279	5,562,347	5,522,198	40,149
Other	1,085,000	1,085,000	1,085,000	-
Public works:				
Administrative	209,378	234,528	222,252	12,276
Street	947,272	949,372	873,118	76,254
Other	1,104,000	1,050,730	915,214	135,516
Service center	360,930	397,730	347,745	49,985
Community development	2,124,309	2,376,282	2,332,825	43,457
Parks and recreation	390,590	415,403	396,498	18,905
Debt service:				
Principal	543,580	543,580	543,580	-
Interest & finance charges	<u>148,699</u>	<u>148,699</u>	<u>148,699</u>	<u>-</u>
Total expenditures	<u>20,735,725</u>	<u>21,541,385</u>	<u>20,827,101</u>	<u>714,284</u>
Excess of revenues over (under) expenditures	2,086,982	1,634,340	2,574,895	940,555
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	35,000	35,000	13,199	(21,801)
Issuance of debt	-	-	-	-
Transfers in	233,258	256,235	1,209,483	953,248
Transfers out	<u>(2,352,954)</u>	<u>(1,868,538)</u>	<u>(2,716,695)</u>	<u>(848,157)</u>
Total other financing sources (uses)	<u>(2,084,696)</u>	<u>(1,577,303)</u>	<u>(1,494,013)</u>	<u>83,290</u>
Net change in fund balance	2,286	57,037	1,080,882	1,023,845
Fund balance beginning of year	<u>6,106,808</u>	<u>6,106,808</u>	<u>6,106,808</u>	<u>-</u>
Fund balance end of year	<u>\$ 6,109,094</u>	<u>\$ 6,163,845</u>	<u>\$ 7,187,690</u>	<u>\$ 1,023,845</u>

**CITY OF HOPKINSVILLE, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**ON BUDGETARY ACCOUNTING AND CONTROL**  
**For the Year Ended June 30, 2010**

**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 are reported as reservations of fund balance and 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). Budgets for the General Fund and Municipal Road Aid Fund are adopted based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Budgetary Comparison Schedule presented for these funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

Excess of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$ 1,080,882
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Adjustments:

To adjust expenditures for salary accruals	(49,697)
To adjust expenditures for payable accruals	(33,990)
To adjust revenues for tax and license accruals	<u>36,836</u>

Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u>\$ 1,034,031</u>
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# **OTHER SUPPLEMENTARY INFORMATION**

**City of Hopkinsville, Kentucky**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Municipal Road Aid Special Revenue Fund**  
**For the Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 541,500	\$ 572,500	\$ 580,612	\$ 8,112
Other	-	-	-	-
Interest	<u>3,500</u>	<u>2,500</u>	<u>2,828</u>	<u>328</u>
Total Revenues	<u>545,000</u>	<u>575,000</u>	<u>583,440</u>	<u>8,440</u>
 <b>EXPENDITURES</b>				
Public works	<u>545,000</u>	<u>575,000</u>	<u>637,162</u>	<u>(62,162)</u>
Total expenditures	<u>545,000</u>	<u>575,000</u>	<u>637,162</u>	<u>(62,162)</u>
Excess of revenues over/(under) expenditures	<u>-</u>	<u>-</u>	<u>(53,722)</u>	<u>(53,722)</u>
 <b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	17,871	17,871
Transfers out	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(82,129)</u>	<u>(82,129)</u>
Net change in fund balance	-	-	(135,851)	(135,851)
Fund balance beginning of year	<u>351,648</u>	<u>351,648</u>	<u>351,648</u>	<u>-</u>
Fund balance end of year	<u>\$ 351,648</u>	<u>\$ 351,648</u>	<u>\$ 215,797</u>	<u>\$ (135,851)</u>

# **COMBINING NONMAJOR FUND FINANCIAL STATEMENTS**

**City of Hopkinsville, Kentucky**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2010**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Pooled cash and cash equivalents	\$ 2,002,309	\$ 241,224	\$ -	\$ 2,243,533
Non-pooled cash and cash equivalents	115,479	-	76,786	192,265
Investments	384,912	-	304,447	689,359
Loans receivable	51,553	-	-	51,553
Due from component unit	206,840	-	-	206,840
Other receivables	59,835	-	-	59,835
 Total assets	 \$ 2,820,928	 \$ 241,224	 \$ 381,233	 \$ 3,443,385
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 77,079	\$ -	\$ -	\$ 77,079
Interfund payables	-	-	-	-
 Total liabilities	 77,079	 -	 -	 77,079
<b>FUND BALANCES</b>				
Reserved for encumbrances	183,676	-	-	183,676
Reserved for long-term loans	258,393	-	-	258,393
Reserved for legal restrictions	-	231,925	-	231,925
Unreserved, undesignated, reported in:				
Special revenue funds	2,301,780	-	-	2,301,780
Capital project funds	-	9,299	-	9,299
Permanent fund	-	-	381,233	381,233
 Total fund balances	 2,743,849	 241,224	 381,233	 3,366,306
 Total liabilities and fund balances	 \$ 2,820,928	 \$ 241,224	 \$ 381,233	 \$ 3,443,385

**City of Hopkinsville, Kentucky**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2010**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Intergovernmental	\$ 1,379,509	\$ -	\$ -	\$ 1,379,509
Investment income	38,932	1	18,669	57,602
Insurance proceeds	-	12,811	-	12,811
Other	<u>123,699</u>	<u>-</u>	<u>8,404</u>	<u>132,103</u>
Total revenues	<u>1,542,140</u>	<u>12,812</u>	<u>27,073</u>	<u>1,582,025</u>
<b>EXPENDITURES</b>				
General government	105,810	3,390	-	109,200
Public safety	602,499	-	-	602,499
Public works	637,161	-	-	637,161
Community development	<u>812,573</u>	<u>-</u>	<u>-</u>	<u>812,573</u>
Total expenditures	<u>2,158,043</u>	<u>3,390</u>	<u>-</u>	<u>2,161,433</u>
Excess of revenues over (under) expenditures	<u>(615,903)</u>	<u>9,422</u>	<u>27,073</u>	<u>(579,408)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	919,238	1,115,790	-	2,035,028
Transfers out	(102,935)	(1,186,346)	-	(1,289,281)
Issuance of debt	<u>358,334</u>	<u>-</u>	<u>-</u>	<u>358,334</u>
Total other financing sources (uses)	<u>1,174,637</u>	<u>(70,556)</u>	<u>-</u>	<u>1,104,081</u>
Net change in fund balances	558,734	(61,134)	27,073	524,673
Fund balances beginning of year	<u>2,185,115</u>	<u>302,358</u>	<u>354,160</u>	<u>2,841,633</u>
Fund balances end of year	<u>\$ 2,743,849</u>	<u>\$ 241,224</u>	<u>\$ 381,233</u>	<u>\$ 3,366,306</u>

**City of Hopkinsville, Kentucky  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2010**

	Municipal Road Aid	Community Development Block Grant	Police Incentive	Fire Incentive	Urban Development Action Grant	Drug Enforcement	Expendable Trust Funds	Inner City REZ	General Liability Insurance Contingency	Special Projects	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>											
Pooled cash and cash equivalents	\$ 215,798	\$ -	\$ 19,131	\$ 18,861	\$ 336,136	\$ 121,568	\$ -	\$ 568,413	\$ 243,907	\$ 478,495	\$ 2,002,309
Non-pooled cash and cash equivalents	-	-	-	-	-	-	97,263	-	-	18,216	115,479
Investments	-	-	-	-	-	-	384,912	-	-	-	384,912
Loans receivable	-	-	-	-	51,553	-	-	-	-	-	51,553
Due from component unit	-	-	-	-	206,840	-	-	-	-	-	206,840
Other receivables	-	59,835	-	-	-	-	-	-	-	-	59,835
<b>Total assets</b>	<b>\$ 215,798</b>	<b>\$ 59,835</b>	<b>\$ 19,131</b>	<b>\$ 18,861</b>	<b>\$ 594,529</b>	<b>\$ 121,568</b>	<b>\$ 482,175</b>	<b>\$ 568,413</b>	<b>\$ 243,907</b>	<b>\$ 496,711</b>	<b>\$ 2,820,928</b>
<b>LIABILITIES AND FUND BALANCES</b>											
<b>LIABILITIES</b>											
Accounts payable	\$ -	\$ 59,835	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,244	\$ 77,079
Interfund payables	-	-	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>59,835</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,244</b>	<b>77,079</b>
<b>FUND BALANCES</b>											
Reserved for encumbrances	183,676	-	-	-	-	-	-	-	-	-	183,676
Reserved for long-term loans	-	-	-	-	258,393	-	-	-	-	-	258,393
Unreserved, undesignated, reported in: Special revenue funds	32,122	-	19,131	18,861	336,136	121,568	482,175	568,413	243,907	479,467	2,301,780
<b>Total fund balances</b>	<b>215,798</b>	<b>-</b>	<b>19,131</b>	<b>18,861</b>	<b>594,529</b>	<b>121,568</b>	<b>482,175</b>	<b>568,413</b>	<b>243,907</b>	<b>479,467</b>	<b>2,743,849</b>
<b>Total liabilities and fund balances</b>	<b>\$ 215,798</b>	<b>\$ 59,835</b>	<b>\$ 19,131</b>	<b>\$ 18,861</b>	<b>\$ 594,529</b>	<b>\$ 121,568</b>	<b>\$ 482,175</b>	<b>\$ 568,413</b>	<b>\$ 243,907</b>	<b>\$ 496,711</b>	<b>\$ 2,820,928</b>

**City of Hopkinsville, Kentucky**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended June 30, 2010**

	Municipal Road Aid	Community Development Block Grant	Police Incentive	Fire Incentive	Urban Development Action Grant	Drug Enforcement	Expendable Trust Funds	Inner City REZ	General Liability Insurance Contingency	Special Projects	Total Nonmajor Special Revenue Funds
<b>REVENUES</b>											
Intergovernmental	\$ 580,612	\$ 350,932	\$ 219,592	\$ 228,373	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,379,509
Investment income	2,828	-	-	-	-	-	36,104	-	-	-	38,932
Other	-	-	-	-	54,754	67,769	-	-	-	1,176	123,699
<b>Total revenues</b>	<b>583,440</b>	<b>350,932</b>	<b>219,592</b>	<b>228,373</b>	<b>54,754</b>	<b>67,769</b>	<b>36,104</b>	<b>-</b>	<b>-</b>	<b>1,176</b>	<b>1,542,140</b>
<b>EXPENDITURES</b>											
General government	-	-	-	-	-	-	10,728	-	60,020	35,062	105,810
Public safety	-	-	219,064	228,112	-	11,127	-	-	-	144,196	602,499
Public works	637,161	-	-	-	-	-	-	-	-	-	637,161
Community development	-	350,932	-	-	-	-	-	259,508	-	202,133	812,573
<b>Total expenditures</b>	<b>637,161</b>	<b>350,932</b>	<b>219,064</b>	<b>228,112</b>	<b>-</b>	<b>11,127</b>	<b>10,728</b>	<b>259,508</b>	<b>60,020</b>	<b>381,391</b>	<b>2,158,043</b>
Excess of revenues over (under) expenditures	(53,721)	-	528	261	54,754	56,642	25,376	(259,508)	(60,020)	(380,215)	(615,903)
<b>OTHER FINANCING SOURCES (USES)</b>											
Transfers in	17,871	-	-	-	-	-	-	510,000	32,611	358,756	919,238
Transfer out	(100,000)	-	-	-	-	-	-	-	-	(2,935)	(102,935)
Issuance of debt	-	-	-	-	-	-	-	-	-	358,334	358,334
<b>Total other financing sources (uses)</b>	<b>(82,129)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>510,000</b>	<b>32,611</b>	<b>714,155</b>	<b>1,174,637</b>
Net change in fund balances	(135,850)	-	528	261	54,754	56,642	25,376	250,492	(27,409)	333,940	558,734
Fund balances beginning of year	351,648	-	18,603	18,600	539,775	64,926	456,799	317,921	271,316	145,527	2,185,115
Fund balances end of year	\$ 215,798	\$ -	\$ 19,131	\$ 18,861	\$ 594,529	\$ 121,568	\$ 482,175	\$ 568,413	\$ 243,907	\$ 479,467	\$ 2,743,849

**City of Hopkinsville, Kentucky  
Combining Balance Sheet  
Nonmajor Capital Projects Funds  
June 30, 2010**

	<u>Capital Fund</u>	<u>Park Construction Fund</u>	<u>Total Nonmajor Capital Projects Funds</u>
<b>ASSETS</b>			
Pooled cash and cash equivalents	\$ 231,925	\$ 9,299	\$ 241,224
Non-pooled cash and cash equivalents	-	-	-
Loans receivable	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 231,925</u>	 <u>\$ 9,299</u>	 <u>\$ 241,224</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
 Total liabilities	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>
<b>FUND BALANCES</b>			
Reserved for encumbrances	-	-	-
Reserved for legal restrictions	231,925	-	231,925
Unreserved, undesignated, reported in:			
Capital project funds	<u>-</u>	<u>9,299</u>	<u>9,299</u>
 Total fund balances	 <u>231,925</u>	 <u>9,299</u>	 <u>241,224</u>
 Total liabilities and fund balances	 <u>\$ 231,925</u>	 <u>\$ 9,299</u>	 <u>\$ 241,224</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, 2010**

	<u>Capital Fund</u>	<u>Park Construction Fund</u>	<u>Total Nonmajor Capital Projects Funds</u>
<b>REVENUES</b>			
Insurance proceeds	\$ 12,811	\$ -	\$ 12,811
Investment income	<u>-</u>	<u>1</u>	<u>1</u>
Total revenues	<u>12,811</u>	<u>1</u>	<u>12,812</u>
<b>EXPENDITURES</b>			
General government	<u>-</u>	<u>3,390</u>	<u>3,390</u>
Total expenditures	<u>-</u>	<u>3,390</u>	<u>3,390</u>
Excess of revenues over (under) expenditures	<u>12,811</u>	<u>(3,389)</u>	<u>9,422</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,112,855	2,935	1,115,790
Transfers out	<u>(1,185,948)</u>	<u>(398)</u>	<u>(1,186,346)</u>
Total other financing sources (uses)	<u>(73,093)</u>	<u>2,537</u>	<u>(70,556)</u>
Net change in fund balances	(60,282)	(852)	(61,134)
Fund balances beginning of year	<u>292,207</u>	<u>10,151</u>	<u>302,358</u>
Fund balances end of year	<u>\$ 231,925</u>	<u>\$ 9,299</u>	<u>\$ 241,224</u>

# **CAPITAL ASSETS - GOVERNMENTAL**

**CITY OF HOPKINSVILLE  
CAPITAL ASSETS  
SCHEDULE BY SOURCE  
June 30, 2010**

CAPITAL ASSETS:

Land and land improvements	\$ 6,235,414
Infrastructure	16,456,925
Buildings and improvements	7,638,520
Equipment	8,403,236
Construction in progress	<u>                  -</u>
	<u>\$ 38,734,095</u>

**CITY OF HOPKINSVILLE  
CAPITAL ASSETS  
SCHEDULE BY FUNCTION AND ACTIVITY  
June 30, 2010**

<u>Function and Activity</u>	<u>Total</u>	<u>Land and Improvements</u>	<u>Infrastructure</u>	<u>Buildings and Improvements</u>	<u>Equipment</u>	<u>Construction In Progress</u>
Administrative	\$ 3,937,624	\$ -	\$ 26,923	\$ 2,106,005	\$ 1,804,696	\$ -
Police Department	2,783,302	-	50,545	323,100	2,409,657	-
Fire Department	2,758,883	19,950	-	572,902	2,166,031	-
Emergency Operations	99,385	-	-	88,766	10,619	-
Street Department	16,914,199	129,363	13,643,479	1,530,237	1,611,120	-
Parks & Recreation Department	1,124,686	509,840	4,957	436,717	173,172	-
Unallocated	<u>11,116,016</u>	<u>5,576,261</u>	<u>2,731,021</u>	<u>2,580,793</u>	<u>227,941</u>	<u>-</u>
Totals	<u>\$ 38,734,095</u>	<u>\$ 6,235,414</u>	<u>\$ 16,456,925</u>	<u>\$ 7,638,520</u>	<u>\$ 8,403,236</u>	<u>\$ -</u>

**CITY OF HOPKINSVILLE  
CAPITAL ASSETS  
SCHEDULE OF CHANGES  
BY FUNCTION AND ACTIVITY  
For The Year Ended June 30, 2010**

<u>Function and Activity</u>	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
Administrative	\$ 3,821,469	\$ 147,478	\$ 31,323	\$ 3,937,624
Police Department	2,407,015	402,404	26,118	2,783,301
Fire Department	2,449,146	328,806	19,070	2,758,882
Emergency Operations	105,785	-	6,400	99,385
Street Department	15,968,777	976,737	31,312	16,914,202
Parks & Recreation Department	1,213,601	11,809	14,325	1,211,085
Unallocated	<u>10,666,837</u>	<u>449,702</u>	<u>86,923</u>	<u>11,029,616</u>
Totals	<u>\$ 36,632,630</u>	<u>\$ 2,316,936</u>	<u>\$ 215,471</u>	<u>\$ 38,734,095</u>

**CITY OF HOPKINSVILLE  
STATISTICAL SECTION**

## STATISTICAL SECTION DIVIDER PAGE

### **Statistical Section**

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

### **Contents**

#### **Financial Trends (Tables 1 through 4)**

These tables contain trend information to help readers understand how the City's financial performance and well-being have changed over time.

#### **Revenue Capacity (Tables 5 through 9)**

These tables contain information to help readers assess the City's property tax and occupational tax.

#### **Debt Capacity (Tables 10 through 14)**

These tables present information to help readers assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

#### **Demographic and Economic Information (Tables 15 through 16)**

These tables offer demographic and economic indicators to help readers understand the environment within which the City's financial activities take place.

#### **Operating Information (Tables 17 through 19)**

These tables contain service and infrastructure data to help readers understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Except where noted, the information in these tables is derived from the City of Hopkinsville's comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; tables presenting government-wide information include information beginning that year.

**TABLE 1**  
**CITY OF HOPKINSVILLE, KENTUCKY**  
**NET ASSETS BY COMPONENT**  
**Last Eight Fiscal Years**

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities								
Invested in capital assets, net of related debt	\$ 13,771,237	\$ 12,936,792	\$ 11,388,965	\$ 11,408,970	\$ 12,075,586	\$ 14,622,048	13,248,220	\$ 12,494,675
Restricted-capital projects	-	-	-	-	119,664	396,014	580,768	584,388
Restricted-expendable trust	465,422	456,799	421,951	392,834	369,368	347,645	347,645	-
Restricted-nonexpendable trust	368,218	354,160	339,224	316,179	264,108	253,405	253,405	-
Unrestricted	<u>7,368,663</u>	<u>6,258,652</u>	<u>5,783,988</u>	<u>3,238,036</u>	<u>5,853,429</u>	<u>3,125,036</u>	<u>4,446,104</u>	<u>4,199,084</u>
Total governmental activities net assets	<u>\$ 21,973,540</u>	<u>\$ 20,006,403</u>	<u>\$ 17,934,128</u>	<u>\$ 15,356,019</u>	<u>\$ 18,682,155</u>	<u>\$ 18,744,148</u>	<u>\$ 18,876,142</u>	<u>\$ 17,278,147</u>
Business-type activities								
Invested in capital assets, net of related debt	\$ 4,075,975	\$ 4,238,055	\$ 4,358,074	\$ 4,307,598	\$ 1,954,777	\$ 1,701,049	\$ 1,245,947	\$ 1,552,033
Unrestricted	<u>(62,266)</u>	<u>(14,680)</u>	<u>(92,033)</u>	<u>(79,443)</u>	<u>(9,670,745)</u>	<u>(9,696,516)</u>	<u>(5,473,120)</u>	<u>(4,989,824)</u>
Total business-type activities net assets	<u>\$ 4,013,709</u>	<u>\$ 4,223,375</u>	<u>\$ 4,266,041</u>	<u>\$ 4,228,155</u>	<u>\$ (7,715,968)</u>	<u>\$ (7,995,467)</u>	<u>\$ (4,227,173)</u>	<u>\$ (3,437,791)</u>
Primary government								
Invested in capital assets, net of related debt	17,847,212	\$ 17,174,847	\$ 15,747,039	\$ 15,716,568	\$ 14,030,363	\$ 16,323,097	\$ 14,494,167	\$ 14,046,708
Restricted-capital projects	-	-	-	-	119,664	396,014	580,768	584,388
Restricted-expendable trust	465,422	456,799	421,951	392,834	369,368	347,645	347,645	-
Restricted-nonexpendable trust	368,218	354,160	339,224	316,179	264,108	253,405	253,405	-
Unrestricted	<u>7,306,397</u>	<u>6,243,972</u>	<u>5,691,955</u>	<u>3,158,593</u>	<u>(3,817,316)</u>	<u>(6,571,480)</u>	<u>(1,027,016)</u>	<u>(790,740)</u>
Total primary government net assets	<u>\$ 25,987,249</u>	<u>\$ 24,229,778</u>	<u>\$ 22,200,169</u>	<u>\$ 19,584,174</u>	<u>\$ 10,966,187</u>	<u>\$ 10,748,681</u>	<u>\$ 14,648,969</u>	<u>\$ 13,840,356</u>
Component Units:								
Water Environment Authority								
Invested in capital assets, net of related debt	39,966,970	\$ 40,843,981	\$ 35,119,112	\$ 29,054,936	\$ 9,272,865	\$ 7,703,484	30,796,489	\$ 30,666,185
Restricted	2,065,119	60,872	2,824,414	9,326,964	27,775,073	28,558,239	5,167,762	5,407,774
Unrestricted	<u>1,247,671</u>	<u>839,215</u>	<u>2,070,905</u>	<u>1,689,139</u>	<u>2,125,485</u>	<u>2,000,753</u>	<u>2,081,397</u>	<u>1,709,975</u>
Total component unit Water Environment Authority	<u>\$ 43,279,760</u>	<u>\$ 41,744,068</u>	<u>\$ 40,014,431</u>	<u>\$ 40,071,039</u>	<u>\$ 39,173,423</u>	<u>\$ 38,262,476</u>	<u>\$ 38,045,648</u>	<u>\$ 37,783,934</u>

**Note:** The numbers for this table were only available for eight fiscal years due to timing of implementation of GASB 34.



**TABLE 1, continued**  
**CITY OF HOPKINSVILLE, KENTUCKY**  
**NET ASSETS BY COMPONENT**  
**Last Eight Fiscal Years**

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Solid Waste Authority								
Invested in capital assets, net of related debt	\$ 1,615,668	\$ 1,629,330	\$ 1,621,798	\$ 1,536,195	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>(9,337,445)</u>	<u>(8,773,393)</u>	<u>(8,802,632)</u>	<u>(9,614,547)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total component unit Solid Waste Authority	<u>\$ (7,721,777)</u>	<u>\$ (7,144,063)</u>	<u>\$ (7,180,834)</u>	<u>\$ (8,078,352)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Surface and Storm Water Utility								
Invested in capital assets, net of related debt	\$ 805,674	\$ 1,042,677	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>1,298,393</u>	<u>279,522</u>	<u>373,936</u>	<u>50,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total component unit Surface and Storm Water Utility	<u>\$ 2,104,067</u>	<u>\$ 1,322,199</u>	<u>\$ 373,936</u>	<u>\$ 50,104</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total component units net assets	<u>\$ 37,662,050</u>	<u>\$ 35,922,204</u>	<u>\$ 33,207,533</u>	<u>\$ 32,042,791</u>	<u>\$ 39,173,423</u>	<u>\$ 38,262,476</u>	<u>\$ 38,045,648</u>	<u>\$ 37,783,934</u>

**Note:** The numbers for this table were only available for eight fiscal years due to timing of implementation of GASB 34.

**TABLE 2**  
**CITY OF HOPKINSVILLE, KENTUCKY**  
**CHANGES IN NET ASSETS**  
**Last Eight Fiscal Years**

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
<b>Expenses</b>								
Governmental activities:								
General government	\$ 2,815,207	\$ 2,571,986	\$ 2,505,387	\$ 2,708,106	\$ 2,737,177	\$ 3,298,800	\$ 2,785,804	\$ 5,121,133
Public safety	12,631,362	11,810,691	12,021,761	11,631,175	10,670,500	10,357,891	9,396,015	9,193,802
Public works	2,227,919	2,046,900	2,909,778	2,710,691	3,129,232	1,948,092	2,750,605	1,139,389
Community development	5,309,180	5,256,018	3,668,336	3,792,400	3,594,244	4,207,698	3,507,157	2,560,704
Parks and recreation	122,470	511,742	134,787 *	-	-	-	-	-
Interest on long-term debt	154,203	234,149	360,664	267,302	181,949	38,834	127,307	201,710
Total governmental activities expenses	<u>23,260,341</u>	<u>22,431,486</u>	<u>21,600,713</u>	<u>21,109,674</u>	<u>20,313,102</u>	<u>19,851,315</u>	<u>18,566,888</u>	<u>18,216,738</u>
Business-type activities:								
Sanitation	-	-	-	-	5,208,947	8,751,694	4,819,376	4,578,726
Tie Breaker Family Aquatic	487,204	468,690	515,233	240,365	-	-	-	-
Grounds maintenance	780,694	744,492	650,038	496,578	452,860	401,585	422,803	395,226
Total business-type activities expenses	<u>1,267,898</u>	<u>1,213,182</u>	<u>1,165,271</u>	<u>736,943</u>	<u>5,661,807</u>	<u>9,153,279</u>	<u>5,242,179</u>	<u>4,973,952</u>
Total - primary government expenses	<u>\$ 24,528,239</u>	<u>\$ 23,644,668</u>	<u>\$ 22,765,984</u>	<u>\$ 21,846,617</u>	<u>\$ 25,974,909</u>	<u>\$ 29,004,594</u>	<u>\$ 23,809,067</u>	<u>\$ 23,190,690</u>
Component Units expenses								
Water Environment Authority	11,608,770	\$ 11,262,651	\$ 10,830,950	\$ 10,326,435	\$ 9,621,977	\$ 8,298,931	\$ 8,056,911	\$ 8,026,168
Solid Waste Authority	5,445,012	5,224,511	4,401,131	5,497,395	-	-	-	-
Surface and Storm Water Utility	407,654	369,978	735,087	553,054	-	-	-	-
Total component units expenses	<u>\$ 17,461,436</u>	<u>\$ 16,857,140</u>	<u>\$ 15,967,168</u>	<u>\$ 16,376,884</u>	<u>\$ 9,621,977</u>	<u>\$ 8,298,931</u>	<u>\$ 8,056,911</u>	<u>\$ 8,026,168</u>
<b>Program Revenues</b>								
Governmental activities:								
Charges for services and sales:								
General government	1,690,723	\$ 1,595,124	\$ 1,561,463	\$ 1,370,145	\$ 1,318,304	\$ 1,228,261	\$ 109,373	\$ 105,089
Public safety	28,490	37,347	25,307	35,079	21,099	20,607	11,493	9,969
Community development	8,404	8,502	14,401	15,979	11,214	9,625	28,474	13,508
Operating grants, contributions, and interest	2,633,675	2,251,755	2,597,488	2,747,354	1,988,052	1,963,099	1,330,298	1,006,615
Capital grants and contributions	1,213,712	1,117,144	1,398,695	1,136,602	968,602	1,083,750	2,147,969	2,930,946
Total governmental activities program revenues	<u>5,575,004</u>	<u>5,009,872</u>	<u>5,597,354</u>	<u>5,305,159</u>	<u>4,307,271</u>	<u>4,305,342</u>	<u>3,627,607</u>	<u>4,066,127</u>
Business-type activities:								
Charges for services and sales:								
Sanitation	-	-	-	-	5,119,077	4,582,145	4,235,397	4,106,447
Tie Breaker Family Aquatic	196,354	200,138	254,325	112,846	-	-	-	-
Grounds maintenance	151,719	190,225	183,395	193,460	193,590	130,180	142,970	128,450
Operating grants, contributions, and interest	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>348,073</u>	<u>390,363</u>	<u>437,720</u>	<u>306,306</u>	<u>5,312,667</u>	<u>4,712,325</u>	<u>4,378,367</u>	<u>4,234,897</u>
Total primary government program revenues	<u>\$ 5,923,077</u>	<u>\$ 5,400,235</u>	<u>\$ 6,035,074</u>	<u>\$ 5,611,465</u>	<u>\$ 9,619,938</u>	<u>\$ 9,017,667</u>	<u>\$ 8,005,974</u>	<u>\$ 8,301,024</u>
Component Units program revenues								
Water Environment Authority	\$ 12,871,467	\$ 12,729,959	\$ 10,250,943	\$ 10,091,974	\$ 9,216,658	\$ 8,226,569	\$ 8,063,759	\$ 7,943,486
Solid Waste Authority	4,785,379	4,792,004	5,119,831	5,144,076	-	-	-	-
Surface and Stormwater Utility	1,180,048	1,122,908	1,142,898	448,497	50,000	-	-	-
Total component units program revenues	<u>\$ 18,836,894</u>	<u>\$ 18,644,871</u>	<u>\$ 16,513,672</u>	<u>\$ 15,684,547</u>	<u>\$ 9,266,658</u>	<u>\$ 8,226,569</u>	<u>\$ 8,063,759</u>	<u>\$ 7,943,486</u>
<b>Net (Expense)/Revenue</b>								
Governmental activities								
	\$ (17,685,337)	\$ (17,421,614)	\$ (16,003,359)	\$ (15,804,515)	\$ (16,005,831)	\$ (15,545,973)	\$ (14,939,281)	\$ (14,150,611)
Business-type activities								
	(919,825)	(822,819)	(727,551)	(430,637)	(349,140)	(4,440,954)	(863,812)	(739,055)
Total primary government net (expense)/revenue	<u>\$ (18,605,162)</u>	<u>\$ (18,244,433)</u>	<u>\$ (16,730,910)</u>	<u>\$ (16,235,152)</u>	<u>\$ (16,354,971)</u>	<u>\$ (19,986,927)</u>	<u>\$ (15,803,093)</u>	<u>\$ (14,889,666)</u>
Component unit net (expense)/revenue								
	<u>\$ 1,375,458</u>	<u>\$ 1,787,731</u>	<u>\$ 546,504</u>	<u>\$ (692,337)</u>	<u>\$ (355,319)</u>	<u>\$ (72,362)</u>	<u>\$ 6,848</u>	<u>\$ (82,682)</u>

**Note:** The numbers for this table were only available for eight fiscal years due to timing of implementation of GASB 34.

**TABLE 2, continued**  
**CITY OF HOPKINSVILLE, KENTUCKY**  
**CHANGES IN NET ASSETS**  
**Last Eight Fiscal Years**

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
<b>General Revenues and Other Changes in Net Assets</b>								
Governmental activities:								
Taxes								
Property taxes	\$ 4,482,152	\$ 4,227,823	\$ 4,036,729	\$ 3,840,840	\$ 3,695,200	\$ 3,696,790	\$ 3,167,094	\$ 3,178,303
Occupational taxes	11,890,073	11,990,364	12,252,101	9,977,514	9,635,930	9,283,389	8,800,056	8,446,813
Net profit license fees	-	-	-	-	-	*	1,012,769	978,839
Insurance premium tax	3,240,908	3,050,560	2,123,573	2,220,227	2,120,397	2,086,871	2,418,362	2,109,528
Franchise tax	343,592	431,238	452,286	398,009	474,085	488,402	393,616	415,280
Transient room tax	274,852	301,273	298,160	244,722	237,015	214,699	224,822	255,176
Intergovernmental	-	-	-	-	-	*	361,402	427,647
Investment income	93,867	133,151	243,983	11,112	6,505	5,667	4,605	10,688
Gain/(loss) on sale of capital assets	-	-	40,037	31,298	10,117	35,879	(1,476)	9,707
Other	37,030	139,307	38,788	149,267	236,321	71,626	51,228	45,915
Transfers	(710,000)	(779,827)	(758,631)	(4,370,932)	(471,730)	(469,344)	(19,500)	(135,000)
Total governmental activities	<u>19,652,474</u>	<u>19,493,889</u>	<u>18,727,026</u>	<u>12,502,057</u>	<u>15,943,840</u>	<u>15,413,979</u>	<u>16,412,978</u>	<u>15,742,896</u>
Business-type activities:								
Investment income	159	326	1,246	576	156,084	53,621	54,931	77,239
Gain on sale of capital assets	-	-	-	7,738	825	-	-	-
Transfers	710,000	779,827	758,631	12,366,446	471,730	469,344	19,500	135,000
Total business-type activities	<u>710,159</u>	<u>780,153</u>	<u>759,877</u>	<u>12,374,760</u>	<u>628,639</u>	<u>522,965</u>	<u>74,431</u>	<u>212,239</u>
Total primary government	<u>\$ 20,362,633</u>	<u>\$ 20,274,042</u>	<u>\$ 19,486,903</u>	<u>\$ 24,876,817</u>	<u>\$ 16,572,479</u>	<u>\$ 15,936,944</u>	<u>\$ 16,487,409</u>	<u>\$ 15,955,135</u>
Component Units								
Water Environment Authority	\$ 272,995	\$ 262,329	\$ 523,399	\$ 1,270,322	\$ 1,316,266	\$ 289,190	\$ 252,833	\$ 253,589
Solid Waste Authority	81,919	469,278	178,818	(7,725,033)	-	-	-	-
Surface and Stormwater Utility	9,474	20,333	14,796	5,782	104	-	-	-
Total component units	<u>\$ 364,388</u>	<u>\$ 751,940</u>	<u>\$ 717,013</u>	<u>\$ (6,448,929)</u>	<u>\$ 1,316,370</u>	<u>\$ 289,190</u>	<u>\$ 252,833</u>	<u>\$ 253,589</u>
<b>Change in Net Assets</b>								
Governmental activities	\$ 1,967,137	\$ 2,072,275	\$ 2,723,667	\$ (3,302,458)	\$ (61,991)	\$ (131,994)	\$ 1,473,697	\$ 1,592,285
Business-type activities	(209,666)	(42,666)	32,326	11,944,123	279,499	(3,917,989)	(789,381)	(526,816)
Total primary government	<u>\$ 1,757,471</u>	<u>\$ 2,029,609</u>	<u>\$ 2,755,993</u>	<u>\$ 8,641,665</u>	<u>\$ 217,508</u>	<u>\$ (4,049,983)</u>	<u>\$ 684,316</u>	<u>\$ 1,065,469</u>
Component Units								
Water Environment Authority	1,535,692	\$ 1,729,637	\$ (56,608)	\$ 1,035,861	\$ 910,947	\$ 216,828	\$ 259,681	\$ 170,907
Solid Waste Authority	(577,714)	36,771	897,518	(8,078,352)	-	-	-	-
Surface and Storm Water Utility	781,868	773,263	422,607	(98,775)	50,104	-	-	-
Total component units	<u>\$ 1,739,846</u>	<u>\$ 2,539,671</u>	<u>\$ 1,263,517</u>	<u>\$ (7,141,266)</u>	<u>\$ 961,051</u>	<u>\$ 216,828</u>	<u>\$ 259,681</u>	<u>\$ 170,907</u>

\* Beginning fiscal year end June 30, 2005, the net profit license fees and intergovernmental revenue are included in charges for service and sales under program revenue.

**Note:** The numbers for this table were only available for eight fiscal years due to timing of implementation of GASB 34.

**TABLE 3**  
**CITY OF HOPKINSVILLE, KENTUCKY**  
**FUND BALANCES, GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
General Fund										
Reserved	\$ 540,259	\$ 669,352	\$ 748,560	\$ 227,621	\$ 430,246	\$ 326,591	\$ 356,043	\$ 312,214	\$ 451,253	\$ 303,942
Unreserved	<u>6,600,580</u>	<u>5,437,456</u>	<u>5,293,893</u>	<u>3,861,453</u>	<u>4,983,870</u>	<u>4,763,287</u>	<u>6,022,449</u>	<u>5,948,839</u>	<u>5,019,495</u>	<u>5,131,946</u>
Total general fund	<u>\$ 7,140,839</u>	<u>\$ 6,106,808</u>	<u>\$ 6,042,453</u>	<u>\$ 4,089,074</u>	<u>\$ 5,414,116</u>	<u>\$ 5,089,878</u>	<u>\$ 6,378,492</u>	<u>\$ 6,261,053</u>	<u>\$ 5,470,748</u>	<u>\$ 5,435,888</u>
All Other Governmental Funds										
Reserved	\$ 673,994	\$ 962,094	\$ 702,357	\$ 820,825	\$ 3,530,049	\$ 682,193	\$ 1,082,594	\$ 944,836	\$ 610,086	\$ 880,065
Unreserved reported in:										
Special revenue funds	2,414,226	1,560,661	1,489,362	1,154,590	809,930	1,017,411	825,399	871,235	-	-
Capital projects funds	9,299	10,151	25,332	233,134	-	259,847	259,847	56,027	667,712	1,130,073
Permanent fund	<u>381,233</u>	<u>354,160</u>	<u>339,224</u>	<u>316,179</u>	<u>290,484</u>	<u>264,108</u>	<u>253,405</u>	<u>249,681</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 3,478,752</u>	<u>\$ 2,887,066</u>	<u>\$ 2,556,275</u>	<u>\$ 2,524,728</u>	<u>\$ 4,630,463</u>	<u>\$ 2,223,559</u>	<u>\$ 2,421,245</u>	<u>\$ 2,121,779</u>	<u>\$ 1,277,798</u>	<u>\$ 2,010,138</u>

**TABLE 4**  
**CITY OF HOPKINSVILLE, KENTUCKY**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>Revenues</b>										
Taxes	\$ 4,473,010	\$ 4,230,903	\$ 4,031,624	\$ 3,856,133	\$ 3,679,185	\$ 3,558,060	\$ 3,208,416	\$ 3,141,037	\$ 3,058,455	\$ 2,919,855
Licenses and permits	17,387,245	17,333,274	16,690,504	14,138,584	13,943,363	13,301,560	12,956,259	12,087,543	11,011,368	10,791,022
Fines and forfeits	28,490	37,347	22,717	22,913	15,222	7,461	3,355	3,375	3,891	2,114
Charges for services	-	-	-	-	45,386	61	-	734	-	-
Intergovernmental	619,399	523,659	2,873,179	2,955,947	2,653,757	2,802,556	3,559,759	3,059,126	2,800,374	2,474,405
Investment income	43,175	79,285	233,775	299,863	233,024	99,338	85,551	119,625	182,796	459,617
Rental income	-	-	-	-	-	-	-	-	-	-
Other revenues	<u>887,513</u>	<u>817,645</u>	<u>1,114,698</u>	<u>809,706</u>	<u>121,426</u>	<u>239,351</u>	<u>284,945</u>	<u>1,253,548</u>	<u>108,828</u>	<u>588,479</u>
Total revenues	<u>23,438,832</u>	<u>23,022,113</u>	<u>24,966,497</u>	<u>22,083,146</u>	<u>20,691,363</u>	<u>20,008,387</u>	<u>20,098,285</u>	<u>19,664,988</u>	<u>17,165,712</u>	<u>17,235,492</u>
<b>Expenditures</b>										
General government	2,593,454	2,435,521	2,534,135	5,796,894	5,868,868	3,135,593	2,818,303	4,375,843	1,709,267	1,908,855
Public safety	12,521,719	11,797,396	12,433,135	11,611,775	10,329,001	10,179,473	9,392,068	8,796,073	8,562,119	8,391,805
Public works	1,849,148	1,893,434	3,215,283	3,158,564	2,504,607	3,216,478	3,740,539	2,221,713	2,318,268	2,143,671
Community development	2,822,886	2,970,779	4,036,275	3,390,299	4,603,269	4,239,416	3,343,834	2,721,488	3,924,140	3,388,178
Parks and recreation	431,302	1,121,529	374,180	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	533,599	20,430
Debt service										
Principal	543,580	899,472	635,553	501,557	268,939	191,229	218,912	148,977	367,055	298,242
Interest	<u>148,699</u>	<u>254,340</u>	<u>334,417</u>	<u>256,628</u>	<u>158,982</u>	<u>99,032</u>	<u>149,133</u>	<u>193,993</u>	<u>230,143</u>	<u>245,646</u>
Total expenditures	<u>20,910,788</u>	<u>21,372,471</u>	<u>23,562,978</u>	<u>24,715,717</u>	<u>23,733,666</u>	<u>21,061,221</u>	<u>19,662,789</u>	<u>18,458,087</u>	<u>17,644,591</u>	<u>16,396,827</u>
Excess of revenues over (under) expenditures	<u>2,528,044</u>	<u>1,649,642</u>	<u>1,403,519</u>	<u>(2,632,571)</u>	<u>(3,042,303)</u>	<u>(1,052,834)</u>	<u>435,496</u>	<u>1,206,901</u>	<u>(478,879)</u>	<u>838,665</u>

**TABLE 4, continued**  
**CITY OF HOPKINSVILLE, KENTUCKY**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>Other Financing Sources (Uses)</b>										
Transfers from other funds	1,209,483	787,211	1,036,837	1,545,153	7,976,344	282,231	717,619	682,311	-	-
Transfers to other funds	(2,716,695)	(2,411,316)	(1,795,467)	(2,354,917)	(8,448,073)	(751,575)	(737,119)	(817,311)	(218,602)	(200,000)
Sale of capital assets	13,199	38,818	40,037	35,237	176,031	35,879	908	9,706	-	-
Issuance of long term debt	-	-	1,300,000	-	6,069,143	-	1,587,972	-	-	-
Refunding of CERS financing	-	-	-	-	-	-	(1,587,972)	-	-	-
Total other financing sources (uses)	<u>(1,494,013)</u>	<u>(1,585,287)</u>	<u>581,407</u>	<u>(774,527)</u>	<u>5,773,445</u>	<u>(433,465)</u>	<u>(18,592)</u>	<u>(125,294)</u>	<u>(218,602)</u>	<u>(200,000)</u>
Net change in fund balances	<u>\$ 1,034,031</u>	<u>\$ 64,355</u>	<u>\$ 1,984,926</u>	<u>\$ (3,407,098)</u>	<u>\$ 2,731,142</u>	<u>\$ (1,486,299)</u>	<u>\$ 416,904</u>	<u>\$ 1,081,607</u>	<u>\$ (697,481)</u>	<u>\$ 638,665</u>
Debt service as a percentage of noncapital expenditures	3.3%	5.4%	4.1%	3.1%	1.8%	1.4%	1.9%	1.9%	3.4%	3.3%

**TABLE 5  
CITY OF HOPKINSVILLE  
GENERAL GOVERNMENTAL REVENUES BY SOURCE  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Total</b>	<b>Property Taxes</b>	<b>Payment in Lieu of Taxes</b>	<b>Bank Deposits Taxes</b>	<b>Occupational Taxes</b>	<b>Business License</b>	<b>Franchise Taxes</b>	<b>Insurance Premium Taxes</b>	<b>Transient Room Taxes</b>	<b>Inter-Governmental Revenue</b>	<b>Investment Income</b>	<b>Other Revenues</b>
2001	15,730,000	2,728,394	85,630	105,831	7,501,754	929,816	371,144	1,753,529	153,979	384,215	374,643	2,846,557
2002	15,679,076	2,871,764	74,447	112,245	7,694,976	848,000	409,471	1,748,214	191,979	451,944	164,340	2,598,332
2003	18,075,018	2,945,541	85,459	110,037	8,446,813	978,840	354,267	1,949,167	255,176	415,634	97,923	4,026,131
2004	18,554,190	3,024,392	79,810	104,214	8,800,056	1,012,769	393,616	2,418,362	224,822	347,302	76,345	3,616,597
2005	18,312,689	3,373,433	82,647	101,980	9,283,389	1,113,094	488,402	2,086,871	214,699	397,977	63,526	2,802,369
2006	18,950,888	3,486,630	85,981	106,574	9,635,930	1,192,444	475,277	2,279,500	237,015	355,476	207,611	2,628,925
2007	20,186,233	3,659,181	76,353	120,599	9,977,514	1,250,084	424,903	2,125,451	244,721	449,877	238,397	3,516,066
2008	22,765,635	3,819,137	83,827	128,660	12,252,101 *	1,422,573	450,038	2,130,145	298,160	565,802	162,432	3,653,622
2009	20,774,159	4,008,182	95,141	127,580	11,990,364	1,501,574	441,340	3,010,833	301,273	523,659	79,285	942,882
2010	20,902,101	4,145,903	170,029	157,078	11,890,073	1,590,225	326,730	3,209,475	274,852	619,399	43,175	1,011,893

\* The rate changed from 1.50% to 2.00% effective October 1, 2007.

**TABLE 6  
CITY OF HOPKINSVILLE  
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY  
Last Ten Fiscal Years**

<u>FISCAL YEAR</u>	<u>REAL ESTATE</u>	<u>PERSONAL PROPERTY</u>	<u>TOTAL TAXABLE ASSESSED VALUE</u>	<u>TOTAL DIRECT TAX RATE REAL ESTATE</u>	<u>TOTAL DIRECT TAX RATE PERSONAL PROPERTY</u>
2000-2001	887,535,144	150,221,070	1,037,756,214	0.2300	0.2510
2001-2002	928,693,122	163,754,992	1,092,448,114	0.2330	0.2510
2002-2003	956,932,768	153,479,001	1,110,411,769	0.2340	0.2510
2003-2004	983,142,313	147,113,981	1,130,256,294	0.2390	0.2510
2004-2005	1,068,795,778	306,584,352	1,375,380,130	0.2340	0.2510
2005-2006	1,092,502,463	217,909,787	1,310,412,250	0.2370	0.2510
2006-2007	1,155,823,414	217,490,179	1,373,313,593	0.2390	0.2510
2007-2008	1,185,739,818	242,369,317	1,428,109,135	0.2440	0.2510
2008-2009	1,341,216,047	227,675,524	1,568,891,571	0.2280	0.2510
2009-2010	1,360,409,441	240,761,141	1,601,170,582	0.2360	0.2510

**Source:** Christian County Property Valuation Office

\* Property in the City of Hopkinsville is reassessed every few years at estimated actual value. For this reason, assessed value is equal to estimated actual value. Tax rates are per \$100 of assessed value.

**Note:** Assessments on motor vehicles are not included as the State of Kentucky collects the taxes when vehicles are licensed.



**TABLE 7  
CITY OF HOPKINSVILLE  
PROPERTY TAX RATES  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
Last Ten Fiscal Years**

**REAL PROPERTY:**

<u>FISCAL YEAR</u>	<u>DIRECT</u>	<u>OVERLAPPING RATES</u>			
	<u>CITY</u>	<u>COUNTY</u>	<u>HEALTH</u>	<u>EXTENSION</u>	<u>SCHOOL</u>
2000-2001	0.2300	0.1170	0.0260	0.0176	0.3550
2001-2002	0.2330	0.1220	0.0260	0.0187	0.3600
2002-2003	0.2340	0.1310	0.0260	0.0197	0.3670
2003-2004	0.2390	0.1410	0.0260	0.0207	0.3670
2004-2005	0.2340	0.1420	0.0220	0.0207	0.3660
2005-2006	0.2370	0.1460	0.0220	0.0218	0.3800
2006-2007	0.2390	0.1470	0.0200	0.0239	0.3800
2007-2008	0.2440	0.1540	0.0200	0.0239	0.3800
2008-2009	0.2280	0.1540	0.0200	0.0230	0.3690
2009-2010	0.2360	0.1630	0.0180	0.0230	0.3680

**PERSONAL PROPERTY:**

<u>FISCAL YEAR</u>	<u>DIRECT</u>	<u>OVERLAPPING RATES</u>			
	<u>CITY</u>	<u>COUNTY</u>	<u>HEALTH</u>	<u>EXTENSION</u>	<u>SCHOOL</u>
2000-2001	0.2510	0.1650	0.0260	0.0189	0.3550
2001-2002	0.2510	0.1670	0.0260	0.0196	0.3600
2002-2003	0.2510	0.1930	0.0260	0.0222	0.3670
2003-2004	0.2510	0.0220	0.0260	0.0247	0.3670
2004-2005	0.2510	0.1640	0.0220	0.0207	0.3670
2005-2006	0.2510	0.1950	0.0220	0.0252	0.3800
2006-2007	0.2510	0.2190	0.0200	0.0307	0.3800
2007-2008	0.2510	0.2290	0.0200	0.0307	0.3800
2008-2009	0.2510	0.2540	0.0200	0.0328	0.3800
2009-2010	0.2510	0.2600	0.0180	0.0328	0.3680

\*Rates are per \$100 of assessed valuation.

**Note:** Overlapping rates are those of local and county governments that apply to property owners within the City of Hopkinsville.

**TABLE 8  
CITY OF HOPKINSVILLE  
PRINCIPAL PROPERTY TAXPAYERS  
Current Year and Nine Years Ago**

TAXPAYER	2010			2001		
	TAXABLE ASSESSED VALUE*	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE*	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE
Wal-Mart Stores East LP	\$ 54,789,807	1	3.42%	\$ 8,310,000	6	0.80%
Amfine Chemical Corp.	34,145,300	2	2.13%	22,777,990	1	2.19%
Continental Mills	18,329,990	3	1.14%	9,388,995	5	0.90%
United States Tobacco Manufacturing	17,569,493	4	1.10%	14,564,500	2	1.40%
TG Automotive Sealing Kentucky	15,300,000	5	0.96%	-		-
Lowes Home Centers Inc	14,491,885	6	0.91%	-		-
Emhart Teknologies	14,061,721	7	0.88%	-		-
Lexington Hopkinsville Corp	13,500,000	8	0.84%	-		-
Martinrea International Inc	11,383,268	9	0.71%	-		-
T Rad North America Inc	10,198,016	10	0.64%	-		-
The BUDD Company	-		-	10,603,099	3	1.02%
Shannon Properties Group	-		-	9,813,464	4	0.95%
CFJ Properties	-		-	7,576,865	7	0.73%
Pittsburg Tube Company	-		-	7,000,000	8	0.67%
Phelps Dodge Wire & Cable Company	-		-	6,000,000	9	0.58%
Williams Travelcenters Inc	-		-	5,965,794	10	0.57%
<b>Total</b>	<u>\$ 203,769,480</u>		<u>12.73%</u>	<u>\$ 102,000,707</u>		<u>9.83%</u>

**Source:** \* Christian County Property Valuation Office

**TABLE 9  
CITY OF HOPKINSVILLE  
PROPERTY TAX LEVIES AND COLLECTIONS  
Last Ten Fiscal Years**

<b>FISCAL YEAR</b>	<b>TAXES LEVIED FOR THE FISCAL YEAR</b>	<b>COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY</b>		<b>COLLECTIONS IN SUBSEQUENT YEARS</b>	<b>TOTAL COLLECTIONS TO DATE</b>	
		<b>AMOUNT</b>	<b>PERCENTAGE OF LEVY</b>		<b>AMOUNT</b>	<b>PERCENTAGE OF LEVY</b>
2000-2001	2,418,219	2,359,654	97.5782%	21,856	2,381,510	98.4820%
2001-2002	2,574,146	2,512,487	97.6047%	17,565	2,530,052	98.2870%
2002-2003	2,615,915	2,560,363	97.8764%	20,741	2,581,104	98.6693%
2003-2004	2,718,233	2,661,705	97.9204%	34,071	2,695,776	99.1738%
2004-2005	3,124,599	3,022,965	96.7473%	42,852	3,065,817	98.1187%
2005-2006	3,075,296	3,019,739	98.1934%	38,461	3,058,200	99.4441%
2006-2007	3,235,832	3,132,300	96.8005%	16,761	3,149,061	97.3184%
2007-2008	3,430,114	3,321,612	96.8368%	18,089	3,339,701	97.3641%
2008-2009	3,574,846	3,496,042	97.7956%	28,931	3,524,973	98.6049%
2009-2010	3,755,521	3,655,272	97.3306%	N/A	3,655,272	97.3306%

**TABLE 10**  
**CITY OF HOPKINSVILLE**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**Last Ten Fiscal Years**

<b>GOVERNMENTAL ACTIVITIES*</b>							
<b>FISCAL YEAR</b>	<b>GENERAL OBLIGATION BONDS</b>	<b>NOTES PAYABLE</b>	<b>REVENUE BOND</b>	<b>CAPITAL LEASES</b>	<b>TOTAL PRIMARY GOVERNMENT</b>	<b>PERCENTAGE OF PERSONAL INCOME**</b>	<b>PER CAPITA**</b>
2000-2001	602,310	3,299,981	-	24,316	3,926,607	0.77%	117.35
2001-2002	580,000	2,959,707	-	19,845	3,559,552	0.62%	119.25
2002-2003	540,000	2,760,906	-	15,099	3,316,005	0.56%	113.26
2003-2004	1,578,000	1,648,788	-	10,648	3,237,436	0.48%	112.89
2004-2005	1,481,000	1,559,935	-	5,271	3,046,206	0.43%	105.21
2005-2006	7,476,663	1,460,604	-	-	8,937,267	1.09%	310.10
2006-2007	7,071,229	1,364,481	-	-	8,435,710	0.92%	307.70
2007-2008	6,535,708	1,264,449	1,300,000	-	9,100,157	1.08%	287.63
2008-2009	5,829,571	1,130,918	1,240,196	-	8,200,685	0.97%	255.66
2009-2010	5,457,556	1,343,577	1,214,306	-	8,015,439	0.80%	249.74

**Notes:**

\* Details regarding the City's outstanding debt can be found in Note 10 in the current financial statements.

\*\* See Table 15 for personal income and population data for the City.

**TABLE 11  
CITY OF HOPKINSVILLE  
RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
Last Ten Fiscal Years**

<b>FISCAL YEAR</b>	<b>GENERAL OBLIGATION BONDS*</b>	<b>POPULATION**</b>	<b>ASSESSED VALUE***</b>	<b>PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY</b>	<b>PER CAPITA</b>
2000-2001	602,310	33,460	1,037,756,214	0.06%	18.00
2001-2002	580,000	29,850	1,092,448,114	0.05%	19.43
2002-2003	540,000	29,279	1,110,411,769	0.05%	18.44
2003-2004	1,578,000	28,678	1,130,256,294	0.14%	55.02
2004-2005	1,481,000	26,953	1,375,380,130	0.11%	54.95
2005-2006	7,476,663	28,821	1,310,412,250	0.57%	259.42
2006-2007	7,071,229	27,415	1,373,313,593	0.51%	257.93
2007-2008	6,535,708	31,638	1,428,109,135	0.46%	206.58
2008-2009	5,829,571	32,076	1,568,891,571	0.37%	181.74
2009-2010	5,457,556	32,095	1,601,170,582	0.34%	170.04

**Notes:**

\* Details regarding the City's outstanding debt can be found in Note 10 to the current financial statements.

\*\* Source: Kentucky Cabinet for Economic Development

\*\*\* Source: Christian County Property Valuation Office

**TABLE 12**  
**CITY OF HOPKINSVILLE**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**As of June 30, 2010**

	<u>DEBT OUTSTANDING</u>	<u>ESTIMATED PERCENTAGE APPLICABLE TO CITY OF HOPKINSVILLE**</u>	<u>CITY OF HOPKINSVILLE'S ESTIMATED SHARE OF OVERLAPPING DEBT*</u>
Governmental Unit:			
Hopkinsville Sewerage and Waterworks Commission	54,372,295	100.0%	54,372,295
Christian County Schools	<u>55,015,000</u>	57.6%	<u>31,684,330</u>
Subtotal, overlapping debt			86,056,625
City governmental activities direct debt			<u>8,015,439</u>
Total direct and overlapping debt			<u>\$ 94,072,064</u>

**Notes:**

\* Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Hopkinsville. This process recognizes that, when considering the City of Hopkinsville's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

\*\* Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

**TABLE 13  
CITY OF HOPKINSVILLE  
LEGAL DEBT MARGIN INFORMATION  
Last Ten Fiscal Years**

**Legal Debt Margin Calculation for Fiscal Year 2009:**

Assessed value	\$ 1,601,170,582
Debt limit (10% of assessed value)*	160,117,058
Debt applicable to limit:	
Total Long-Term debt	<u>8,015,439</u>
Legal Debt Margin	<u>\$ 152,101,619</u>

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Debt limit	\$ 160,117,058	\$ 156,889,157	\$ 142,810,914	\$ 137,331,359	\$ 131,041,225	\$ 179,223,809	\$ 157,391,921	\$ 157,833,788	\$ 131,078,758	\$ 148,928,486
Total net debt applicable to limit	<u>8,015,439</u>	<u>8,200,685</u>	<u>9,100,157</u>	<u>8,435,710</u>	<u>8,937,267</u>	<u>3,046,206</u>	<u>3,231,348</u>	<u>3,316,005</u>	<u>3,559,552</u>	<u>3,926,607</u>
Legal debt margin	<u>\$ 152,101,619</u>	<u>\$ 148,688,472</u>	<u>\$ 133,710,757</u>	<u>\$ 128,895,649</u>	<u>\$ 122,103,958</u>	<u>\$ 176,177,603</u>	<u>\$ 154,160,573</u>	<u>\$ 154,517,783</u>	<u>\$ 127,519,206</u>	<u>\$ 145,001,879</u>
Total net debt applicable to the limit as a percentage of debt limit	5.01%	5.23%	6.37%	6.14%	6.82%	1.70%	2.05%	2.10%	2.72%	2.64%

**Note:** (\*) Section 158 of the Commonwealth of Kentucky Constitution states: Cities shall not be authorized or permitted to incur indebtedness to an amount, including existing indebtedness, in the aggregate exceeding the following named maximum percentages on the value of the taxable property therein, to be estimated by the assessment next before the last assessment previous to the incurring of the indebtedness: Cities of the first and second class, and of the third class having a population exceeding fifteen hundred, ten per centum.

**TABLE 14**  
**CITY OF HOPKINSVILLE**  
**PLEDGED SEWER REVENUE BOND COVERAGE**  
**Last Ten Fiscal Years**

<u>FISCAL YEAR</u>	<u>GROSS REVENUE*</u>	<u>LESS OPERATING EXPENSES**</u>	<u>NET REVENUE AVAILABLE FOR DEBT SERVICE</u>	<u>DEBT SERVICE REQUIREMENTS***</u>			<u>COVERAGE</u>
				<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>	
2000-2001	8,492,876	4,849,058	3,643,818	1,088,026	704,082	1,792,108	203.3%
2001-2002	8,383,373	4,953,139	3,430,234	953,349	351,785	1,305,134	262.8%
2002-2003	8,197,075	5,029,372	3,167,703	1,666,559	295,814	1,962,373	161.4%
2003-2004	8,316,592	5,068,578	3,248,014	1,338,664	249,954	1,588,618	204.5%
2004-2005	8,545,383	5,290,936	3,254,447	1,283,242	1,062,338	2,345,580	138.7%
2005-2006	10,177,257	5,668,502	4,508,755	1,945,098	1,354,224	3,299,322	136.7%
2006-2007	10,739,186	6,332,660	4,406,526	1,993,117	1,024,084	3,017,201	146.0%
2007-2008	9,793,727	6,820,019	2,973,708	1,145,000	999,292	2,144,292	138.7%
2008-2009	10,384,422	6,885,564	3,498,858	1,140,000	932,031	2,072,031	168.9%
2009-2010	11,596,774	6,887,077	4,709,697	1,375,098	1,030,098	2,405,196	195.8%

**Notes:**

\* Gross revenue does not include federal and state grants for construction of sewer plant facilities.

\*\* Total expenses are exclusive of depreciation and bond interest.

\*\*\* Details regarding the City's outstanding debt can be found in Note 10 to the current financial statements.



**TABLE 15  
CITY OF HOPKINSVILLE  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
Last Ten Fiscal Years**

<u>FISCAL YEAR</u>	<u>POPULATION*</u>	<u>PERSONAL INCOME</u>	<u>PER CAPITA PERSONAL INCOME*</u>	<u>SCHOOL ENROLLMENT**</u>	<u>UNEMPLOYMENT RATE**</u>
2000-2001	33,460	510,405,150	17,099	9,871	5.1%
2001-2002	29,850	573,458,494	19,586	8,772	4.8%
2002-2003	29,279	593,634,600	20,700	9,729	6.1%
2003-2004	28,678	678,774,132	23,444	9,702	7.1%
2004-2005	28,953	705,076,944	24,464	9,664	6.8%
2005-2006	28,821	820,858,500	26,059	9,664	7.5%
2006-2007	27,415	912,240,000	28,960	9,696	6.6%
2007-2008	31,638	841,855,542	26,609	9,812	6.5%
2008-2009	32,076	842,668,596	26,271	9,642	8.4%
2009-2010	32,095	1,003,995,790	31,282	9,547	12.3%

**Sources:**

\* Kentucky Cabinet for Economic Development

\*\* Chamber of Commerce

**TABLE 16**  
**CITY OF HOPKINSVILLE**  
**PRINCIPAL EMPLOYERS**  
**Current Year and Four Years Ago**

<u>EMPLOYER</u>	<u>2010</u>			<u>2006</u>		
	<u>EMPLOYEES</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL EMPLOYMENT</u>	<u>EMPLOYEES</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL EMPLOYMENT</u>
Wal-Mart Distribution Center & Transportation	875	1	3.31%	1,244	1	5.13%
Jennie Stuart Medical Center	850	2	3.22%	750	3	3.09%
Western State Psychiatric Hospital	776	3	2.94%	650	4	2.68%
Metalsa Structural Products Inc	480	4	1.82%	410	9	1.69%
Martinrea	438	5	1.66%	600	5	2.47%
TG Automotive Sealing Kentucky	330	6	1.25%			
Hopkinsville Community College	290	7	1.10%			
Douglas Autotech Corp	238	8	0.90%			
Ebonite International Inc	225	9	0.85%			
T Rad North America Inc	218	10	0.83%			
Flynn Enterprises (3 locations)				1,168	2	4.82%
WalMart				510	6	2.10%
Grupo Antolin Kentucky				492	7	2.03%
ThyssenKrupp Hopkinsville				430	8	1.77%
US Smokeless Tobacco Manufacturing				353	10	1.46%
<b>Total</b>	<u><u>4,720</u></u>		<u><u>17.87%</u></u>	<u><u>6,607</u></u>		<u><u>27.24%</u></u>

**Source:** Chamber of Commerce

**Note:** The data for years prior to 2006 was not available.

**TABLE 17**  
**CITY OF HOPKINSVILLE**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
**Last Five Fiscal Years**

<u>FUNCTION</u>	<u>FULL TIME EQUIVALENT EMPLOYEES AT JUNE 30</u>				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General government	22	21	24	24	29
Police	86	82	82	82	83
Fire	76	76	80	80	81
Sanitation	N/A	N/A	N/A	N/A *	63
Public works	23	26	28 **	27	28
Grounds Maintenance	12	12	13 **	8	8
<b>Total</b>	<u>219</u>	<u>217</u>	<u>227</u>	<u>221</u>	<u>292</u>

\* Beginning July 1, 2006, Sanitation is no longer considered a separate fund of the City of Hopkinsville but is being reported as a component unit of the City.

\*\* The Recreation Commission was absorbed by the City during fiscal year 2007-2008. A total of 8 employees were absorbed: three in public works and five in grounds maintenance.

**Source:** Internal departments of the City of Hopkinsville.

**Note:** This information is being accumulated to achieve a total of ten years of information.

**TABLE 18**  
**CITY OF HOPKINSVILLE**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**Last Ten Fiscal Years**

FUNCTION/PROGRAM	FISCAL YEAR									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Fire:										
Number of calls answered	1,771	1,951	1,862	1,598	1,356	1,196	1,360	1,442	1,230	1,328
Number of inspections conducted	1,124	1,200	1,148	989	1,012	1,015	1,144	791	791	1,255
Police:										
Physical arrests	4,156	3,997	3,960	3,137	3,787	3,787	6,779	3,930	3,681	3,189
Traffic violations	10,553	11,058	3,973	4,881	3,950	4,191	7,281	8,398	7,905	3,163
Sewerage System:										
Number of service connections	12,452	12,504	14,456	12,197	12,159	12,166	12,128	11,944	11,981	11,988
Average daily consumption in gallons	4,176,458	5,451,650	7,646,777	4,896,333	4,610,000	4,530,000	4,530,000	4,790,000	4,100,000	4,100,000
Water System:										
Number of service connections	14,296	14,332	12,376	14,104	14,067	14,037	13,935	13,695	13,657	13,556
Average daily consumption in gallons	5,478,356	7,648,920	5,571,151	7,797,507	7,230,000	7,110,000	6,920,000	6,970,000	6,200,000	5,990,000
Facilities and services not included in the reporting entity:										
Communications:										
Cable Television System	3	2	2	2	2	2	2	2	2	2
Newspapers	1	1	1	1	1	1	1	1	1	1
Radio stations	3	3	3	3	3	3	3	3	5	5
Television stations	1	1	1	1	1	1	1	1	1	1
Number of satellite receiving stations	44	44	44	44	44	44	44	44	44	44
Education-Public:										
Number of elementary schools	13	13	14	14	14	14	14	14	14	11
Number of elementary school instructors	496	403	393	407	434	434	434	430	430	226
Number of secondary schools	2	2	2	2	2	2	2	2	2	5
Number of secondary school instructors	210	172	122	141	136	136	136	143	143	289
Education-Private/Parochial:										
Number of schools	3	3	3	3	3	3	3	3	3	5
Number of instructors	83	90	85	72	80	80	80	74	74	48
Community Facilities:										
Churches										
Protestant	90	89	73	73	73	79	79	170	170	170
Catholic	1	1	1	1	1	1	1	1	1	1
Hotels/Motels	15	12	13	12	12	15	15	17	17	17
Shopping mall	1	1	1	1	1	1	1	1	1	1
Shopping centers	11	11	11	11	11	11	11	11	9	9
Hospitals:										
Number of hospitals	3	3	3	3	3	3	3	3	3	3
Number of patient beds	242	480	749	741	744	409	409	416	416	972
Number of doctors	76	87	115	127	134	117	117	177	177	126

**Source:** Internal departments of the City of Hopkinsville.

**TABLE 19  
CITY OF HOPKINSVILLE  
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
Last Ten Fiscal Years**

FUNCTION/PROGRAM	FISCAL YEAR									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Fire stations	4	4	4	4	4	4	4	4	4	4
Police:										
Stations	2	2	2	2	2	2	2	2	3	3
Patrol units	57	57	49	51	50	40	47	44	40	38
Sewerage System:										
Miles of sanitary sewers	247.5	247	246	243	236.0	229	228	222	220.5	214
Treatment plants	2	2	2	2	2	2	2	2	2	2
Maximum daily capacity of treatment plant in gallons	8,880,000	8,880,000	8,880,000	8,880,000	8,880,000	8,880,000	8,880,000	8,880,000	8,880,000	8,880,000
Water System:										
Miles of water mains	269	267	265	257	253.0	250	248	247	243.9	270
Number of fire hydrants	1,205	1,197	1,183	1,137	1,100	1,075	1,060	1,230	1,008	993
Maximum daily capacity of plant in gallons	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Public Works:										
Miles of streets	160	155	155	150	280	280	273	168	162	450
Parks and Recreation:										
Community center	1	2	3	2	2	2	2	1	1	1
Playgrounds	12	12	12	10	10	10	10	8	8	8
Golf courses	3	3	3	3	3	3	3	3	3	3
Tennis courts	14	18	18	14	14	14	14	16	16	16
Baseball diamonds	8	8	4	9	9	9	9	8	8	8
Softball fields	5	5	10	8	8	8	8	3	3	3
Football field	1	1	1	1	1	1	1	1	1	1
Soccer fields	4	8	3	3	3	3	3	3	3	3
Bowling alley	1	1	1	1	1	1	1	1	1	1
Skating rink	1	1	1	1	1	1	1	1	1	1
Movie theater with 5-movie capacity	1	1	1	1	1	1	1	1	1	1
Skate park	-	-	-	1	1	1	1	1	1	1
Aquatic center	1	1	1	1	-	-	-	-	-	-

**Source:** Internal departments of the City of Hopkinsville.