

**REPORT OF THE AUDIT OF THE  
HOPKINS COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2012**



**ADAM H. EDELEN  
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## EXECUTIVE SUMMARY

### AUDIT EXAMINATION OF THE HOPKINS COUNTY FISCAL COURT

June 30, 2012

The Auditor of Public Accounts has completed the audit of the Hopkins County Fiscal Court for fiscal year ended June 30, 2012. The financial statements of Hopkins County Tourist and Convention Commission a discretely presented component unit, have been prepared under accounting principles generally accepted in the United States of America, which is inconsistent with the basis of accounting Hopkins County, Kentucky, uses to prepare its financial statements. As a result, we have issued a qualified opinion on the discretely presented component unit. We have issued unqualified opinions on the governmental activities, business-type activities, and each major fund of Hopkins County, Kentucky.

#### Financial Condition:

The fiscal court had total net assets of \$25,912,121 as of June 30, 2012. The fiscal court had unrestricted net assets of \$8,413,855 in its governmental activities as of June 30, 2012, with total net assets of \$25,736,784. In its business-type activities, total net cash and cash equivalents were \$124,525 with total net assets of \$175,337. The fiscal court's discretely presented component unit had net assets of \$509,641 as of June 30, 2012. The discretely presented component unit had net cash and cash equivalents of \$479,159. The fiscal court had total debt principal as of June 30, 2012 of \$23,915,000 with \$1,665,000 due within the next year.

#### Deposits:

The fiscal court and component unit deposits were insured and collateralized by bank securities.



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**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administration Cabinet  
Honorable Donald E. Carroll, Hopkins County Judge/Executive  
Members of the Hopkins County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of Hopkins County, Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Hopkins County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Hopkins County Tourist and Convention Commission, a discretely presented component unit, which represents 100% of the assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hopkins County Tourist and Convention Commission, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. 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 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.

As described in Note 1, Hopkins County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements of the Hopkins County Tourist and Convention Commission, a discretely presented component unit, are prepared in accordance with the accrual basis of accounting and therefore include certain accruals required by accounting principles generally accepted in the United States of America that are not presented in accordance with the modified cash basis of accounting. The amounts by which these accruals affect the financial statements are not reasonably determinable.

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Members of the Hopkins County Fiscal Court

In our opinion, based upon our audit and the report of the other auditors, except for the effects of such adjustments, if any, as might have been determined had the Hopkins County Tourist and Convention Commission been prepared using the same basis of accounting as Hopkins County, Kentucky, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit of Hopkins County, Kentucky, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, 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, and each major fund of Hopkins County, Kentucky, as of June 30, 2012, and the respective changes in financial position and cash flow, where applicable, thereof for the year then ended in conformity with the modified cash basis of accounting.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hopkins County, Kentucky's basic financial statements as a whole. The budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The budgetary comparison information has 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 it.

In accordance with Government Auditing Standards, we have also issued our report dated February 12, 2013 on our consideration of Hopkins County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Respectfully submitted,



Adam H. Edelen  
Auditor of Public Accounts

February 12, 2013

HOPKINS COUNTY OFFICIALS

For The Year Ended June 30, 2012

**Fiscal Court Members:**

Donald E. Carroll	County Judge/Executive
Karol Welch	Magistrate
William Groves	Magistrate
Christopher Toney	Magistrate
Larry Wilson	Magistrate
Shaun Roberts	Magistrate
Charlie Beshears	Magistrate
Maurice Wilson	Magistrate

**Other Elected Officials:**

Todd P'Pool	County Attorney
Joe Blue	Jailer
Devra Steckler	County Clerk
Karen L. McKnight	Circuit Court Clerk
Frank Latham	Sheriff
Margaret Brown	Property Valuation Administrator
Dennis Mayfield	Coroner

**Appointed Personnel:**

Cindy Jones	County Treasurer
Bette Arison	Jail Administrative Assistant

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**HOPKINS COUNTY  
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2012**



**HOPKINS COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Hopkins County Tourist And Convention Commission
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 9,640,509	\$ 124,525	\$ 9,765,034	\$ 479,159
Receivables (net of allowances)				45,824
Total Current Assets	9,640,509	124,525	9,765,034	524,983
Noncurrent Assets:				
Capital Assets - Net of Accumulated Depreciation				
Construction In Progress	1,393,977		1,393,977	
Land	2,620,111		2,620,111	
Buildings	27,651,179		27,651,179	
Vehicles	859,187	34,165	893,352	
Equipment	1,847,503	16,647	1,864,150	
Office Equipment				1,213
Infrastructure	5,639,318		5,639,318	
Total Noncurrent Assets	40,011,275	50,812	40,062,087	1,213
Total Assets	49,651,784	175,337	49,827,121	526,196
<b>LIABILITIES</b>				
Current Liabilities:				
Payroll Liabilities				1,329
Due to Hopkins Co. Fair, Inc.				15,226
Revenue Bonds	960,000		960,000	
General Obligation Bonds	705,000		705,000	
Total Current Liabilities	1,665,000		1,665,000	16,555
Noncurrent Liabilities:				
Revenue Bonds	16,530,000		16,530,000	
General Obligation Bonds	5,720,000		5,720,000	
Total Noncurrent Liabilities	22,250,000		22,250,000	
Total Liabilities	23,915,000		23,915,000	16,555
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	16,096,275	50,812	16,147,087	1,213
Restricted For:				
Capital Projects	1,214,383		1,214,383	
Debt Service	12,271		12,271	
Jail Commissary		7,357	7,357	
Unrestricted	8,413,855	117,168	8,531,023	508,428
Total Net Assets	\$ 25,736,784	\$ 175,337	\$ 25,912,121	\$ 509,641

The accompanying notes are an integral part of the financial statements.

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**HOPKINS COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2012**

**HOPKINS COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2012

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 6,456,442	\$ 70,011	\$ 4,023,856	\$
Protection to Persons and Property	6,326,375	2,715,375	902,419	3,950
General Health and Sanitation	1,452,465	399,799		
Social Services	91,855			10,169
Recreation and Culture	353,122			500,796
Roads	3,999,530	175	2,711,822	2,701,061
Interest on Long-Term Debt	840,656			
Capital Projects	1,000			
<b>Total Governmental Activities</b>	<b>19,521,445</b>	<b>3,185,360</b>	<b>7,638,097</b>	<b>3,215,976</b>
Business-type Activities:				
Jail Canteen	645,502	693,004		
<b>Total Business-type Activities</b>	<b>645,502</b>	<b>693,004</b>		
<b>Total Primary Government</b>	<b>\$ 20,166,947</b>	<b>\$ 3,878,364</b>	<b>\$ 7,638,097</b>	<b>\$ 3,215,976</b>
<b>Discretely Presented Component Unit:</b>				
Hopkins County Tourist and Convention Commission				
	\$ 148,566	\$	\$ 35,287	\$
<b>Total Discretely Presented Component Unit</b>	<b>\$ 148,566</b>	<b>\$ 0</b>	<b>\$ 35,287</b>	<b>\$ 0</b>

**General Revenues:**

## Taxes:

Real Property Taxes  
Personal Property Taxes  
Motor Vehicle Taxes  
Insurance Premium Tax  
Other Taxes

## Interest

## Reimbursements

## Miscellaneous Revenues

## Total General Revenues

## Change in Net Assets

## Net Assets - Beginning (Restated)

## Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

HOPKINS COUNTY  
 STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
 For The Year Ended June 30, 2012  
 (Continued)

Net (Expenses) Revenues and Changes in Net Assets			Component Unit
Primary Government			Hopkins County Tourist And Convention Commission
Governmental Activities	Business-Type Activities	Totals	
\$ (2,362,575)	\$	\$ (2,362,575)	\$
(2,704,631)		(2,704,631)	
(1,052,666)		(1,052,666)	
(81,686)		(81,686)	
147,674		147,674	
1,413,528		1,413,528	
(840,656)		(840,656)	
(1,000)		(1,000)	
(5,482,012)		(5,482,012)	
	47,502	47,502	
	47,502	47,502	
(5,482,012)	47,502	(5,434,510)	
			(113,279)
			(113,279)
2,370,581		2,370,581	
538,455		538,455	
284,921		284,921	
2,278,260		2,278,260	
804,710		804,710	160,744
44,993	142	45,135	2,023
634,782		634,782	
160,245		160,245	
7,116,947	142	7,117,089	162,767
1,634,935	47,644	1,682,579	49,488
24,101,849	127,693	24,229,542	460,153
\$ 25,736,784	\$ 175,337	\$ 25,912,121	\$ 509,641

The accompanying notes are an integral part of the financial statements.

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**HOPKINS COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2012**

**HOPKINS COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

June 30, 2012

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Local Government Economic Assistance Fund</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 6,239,142	\$ 454,169	\$ 657,785	\$ 1,062,759
Total Assets	<u>6,239,142</u>	<u>454,169</u>	<u>657,785</u>	<u>1,062,759</u>
<b>FUND BALANCES</b>				
<b>Restricted For:</b>				
Capital Projects				
Debt Service				
<b>Assigned To:</b>				
General Government				122,712
Protection to Persons and Property			657,785	38,257
General Health and Sanitation				208,811
Recreation and Culture				530,742
Social Services				12,303
Roads		454,169		73,420
Debt Service				30,943
Capital Projects				45,571
<b>Unassigned</b>	<u>6,239,142</u>			
Total Fund Balances	<u>\$ 6,239,142</u>	<u>\$ 454,169</u>	<u>\$ 657,785</u>	<u>\$ 1,062,759</u>

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:**

Total Fund Balances

Amounts Reported For Governmental Activities In The Statement

Of Net Assets Are Different Because:

    Capital Assets Used in Governmental Activities Are Not Financial Resources

    And Therefore Are Not Reported in the Funds.

    Accumulated Depreciation

    Long-term Debt Is Not Due And Payable In The Current Period And, Therefore, Is Not Reported In The Funds.

    Bonds

Net Assets Of Governmental Activities

The accompanying notes are an integral part of the financial statements.

HOPKINS COUNTY  
 BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
 June 30, 2012  
 (Continued)

Hopkins Co. Public Properties Corporation	Total Governmental Funds
\$ 1,226,654	\$ 9,640,509
<u>1,226,654</u>	<u>9,640,509</u>
1,214,383	1,214,383
12,271	12,271
	122,712
	696,042
	208,811
	530,742
	12,303
	527,589
	30,943
	45,571
	<u>6,239,142</u>
<u>\$ 1,226,654</u>	<u>\$ 9,640,509</u>
\$ 9,640,509	
53,330,179	
(13,318,904)	
<u>(23,915,000)</u>	
<u>\$ 25,736,784</u>	

The accompanying notes are an integral part of the financial statements.

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**HOPKINS COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**

**HOPKINS COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

For The Year Ended June 30, 2012

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
<b>REVENUES</b>				
Taxes	\$ 6,220,457	\$	\$	\$
Licenses and Permits	67,118			1,367
Intergovernmental	2,879,413	2,892,388	3,122,108	3,035,411
Charges for Services			177,996	188,209
Miscellaneous	55,573	77,550	650,481	270,783
Interest	28,786	1,255	624	2,448
Total Revenues	<u>9,251,347</u>	<u>2,971,193</u>	<u>3,951,209</u>	<u>3,498,218</u>
<b>EXPENDITURES</b>				
General Government	4,020,408			297,323
Protection to Persons and Property	289,689		4,261,370	273,134
General Health and Sanitation	400			1,183,791
Social Services				90,455
Recreation and Culture				864,007
Roads		3,024,054		598,086
Debt Service			956,006	
Capital Projects	6,278	1,540,068		
Administration	1,661,708	460,851	1,023,951	284,297
Total Expenditures	<u>5,978,483</u>	<u>5,024,973</u>	<u>6,241,327</u>	<u>3,591,093</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>3,272,864</u>	<u>(2,053,780)</u>	<u>(2,290,118)</u>	<u>(92,875)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers From Other Funds		1,375,000	2,125,000	
Transfers To Other Funds	(3,500,000)			
Total Other Financing Sources (Uses)	<u>(3,500,000)</u>	<u>1,375,000</u>	<u>2,125,000</u>	
Net Change in Fund Balances	(227,136)	(678,780)	(165,118)	(92,875)
Fund Balances - Beginning	6,466,278	1,132,949	822,903	1,155,634
Fund Balances - Ending	<u>\$ 6,239,142</u>	<u>\$ 454,169</u>	<u>\$ 657,785</u>	<u>\$ 1,062,759</u>

The accompanying notes are an integral part of the financial statements.

HOPKINS COUNTY  
 STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
 For The Year Ended June 30, 2012  
 (Continued)

<u>Hopkins Co. Public Properties Corporation</u>	<u>Total Governmental Funds</u>
\$	\$ 6,220,457
	68,485
1,518,602	13,447,922
	366,205
	1,054,387
11,880	44,993
<u>1,530,482</u>	<u>21,202,449</u>
	4,317,731
	4,824,193
	1,184,191
	90,455
	864,007
	3,622,140
1,514,650	2,470,656
9,077,421	10,623,767
1,000	3,431,807
<u>10,593,071</u>	<u>31,428,947</u>
<u>(9,062,589)</u>	<u>(10,226,498)</u>
	3,500,000
	<u>(3,500,000)</u>
(9,062,589)	(10,226,498)
<u>10,289,243</u>	<u>19,867,007</u>
<u>\$ 1,226,654</u>	<u>\$ 9,640,509</u>

The accompanying notes are an integral part of the financial statements.

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**HOPKINS COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**



**HOPKINS COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**

Net Change in Fund Balances - Total Governmental Funds	\$ (10,226,498)
<p>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 Are Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.</p>	
Capital Outlay	12,518,492
Depreciation Expense	(2,285,864)
Assets Disposed of, Net Book Value	(1,195)
<p>Bond Principal Payments Are Expenses in the Governmental Funds as a use of Current Financial Resources.</p>	
Bond Principal Payments	<u>1,630,000</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,634,935</u>

The accompanying notes are an integral part of the financial statements.

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**HOPKINS COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2012**



**HOPKINS COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

June 30, 2012

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 124,525
Total Current Assets	124,525
Noncurrent Assets:	
Capital Assets:	
Vehicles	123,341
Equipment	42,401
Less Accumulated Depreciation	(114,930)
Total Noncurrent Assets	50,812
Total Assets	175,337
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	50,812
Restricted	7,357
Unrestricted	117,168
Total Net Assets	\$ 175,337

The accompanying notes are an integral part of the financial statements.

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**HOPKINS COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**



**HOPKINS COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

For The Year Ended June 30, 2012

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 675,748
Total Operating Revenues	675,748
 <b>Operating Expenses</b>	
Cost of Sales	219,912
Educational and Recreational	34,514
Depreciation	20,507
Miscellaneous	31,489
Total Operating Expenses	306,422
Operating Income	369,326
 <b>Nonoperating Revenues (Expenses)</b>	
Interest Income	142
Inmate Pay From State	17,256
Court Ordered/Statutory Payments	(339,080)
Total Nonoperating Revenues (Expenses)	(321,682)
Change In Net Assets	47,644
Total Net Assets - Beginning	127,693
Total Net Assets - Ending	\$ 175,337

The accompanying notes are an integral part of the financial statements.

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**HOPKINS COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**



**HOPKINS COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**

	<b>Business-Type Activities - Enterprise Fund</b>	<b>Jail Canteen Fund</b>
<b>Cash Flows From Operating Activities</b>		
Cash Received From Customers	\$ 675,748	
Cash Payments To Vendors	(219,912)	
Cash Payments To Suppliers For Goods And Services	(34,514)	
Cash Payments For Miscellaneous Items	(31,489)	
Net Cash Provided (Used) By Operating Activities	389,833	
<b>Cash Flows From Noncapital Financing Activities</b>		
Interest Earned	142	
Inmate Pay From State	17,256	
Court Ordered/Statutory Payments	(339,080)	
Net Cash Provided (Used) By Noncapital Financing Activities	(321,682)	
Net Increase (Decrease) in Cash and Cash Equivalents	68,151	
Cash and Cash Equivalents - July 1, 2011	56,374	
Cash and Cash Equivalents - June 30, 2012	\$ 124,525	
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>		
Operating Income	\$ 369,326	
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities		
Depreciation Expense	20,507	
Net Cash Provided (Used) By Operating Activities	\$ 389,833	

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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**HOPKINS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The Hopkins County Tourist and Convention Commission is a discretely presented component unit of Hopkins County, Kentucky and its financial statements are presented in accordance with the accrual basis of accounting. Under this basis of accounting, revenues and expenses are recorded when earned or incurred without regard to the timing of cash.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Hopkins County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Units

The following legally separate organizations provide its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

HOPKINS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012  
(Continued)

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Blended Component Units (Continued)

Hopkins County Public Properties Corporation

Hopkins County Public Properties Corporation (Corporation) is a legally separate entity established for the purpose of construction of the Judicial Center Project and the related long-term debt service. The Corporation's governing body consists entirely of fiscal court members. Therefore, the Fiscal Court is financially accountable and legally obligated for the debt of the Hopkins County Public Properties Corporation. Financial information for the Hopkins County Public Properties Corporation is blended within Hopkins County's financial statements.

Discretely Presented Component Unit

The financial data of the Hopkins County Tourist and Convention Commission is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Unit" to emphasize this organization's separateness from the Fiscal Court's primary government.

Hopkins County Tourist and Convention Commission

Hopkins County Fiscal Court established the Hopkins County Tourist and Convention Commission pursuant to KRS 91A.350(2) for the purpose of promoting tourism and convention activity in Hopkins County. The Hopkins County Tourist and Convention Commission board is composed of seven members appointed by the Hopkins County Fiscal Court from the local hotel and motel industries, the local restaurant industries, the local chamber of commerce and one at large member. The Hopkins County Tourist and Convention Commission's governing body is substantially different from the Fiscal Court. However, the Hopkins County Tourist and Convention Commission is fiscally dependent on the Fiscal Court because the Fiscal Court controls its major source of revenue. The Hopkins County Tourist and Convention Commission's major source of revenue is transient room tax. The Hopkins County Fiscal Court enacted a transient room tax ordinance on January 16, 2003.

The Fiscal Court currently imposes a 4% tax for the rent for every occupancy of a suite, room or rooms, charged by all persons, companies, corporations or other like or similar persons, groups, or organizations doing business as motor courts, motels, hotels, inns, or other like or similar accommodation businesses. Due to this fiscal dependency the Fiscal Court has included the Hopkins County Tourist and Convention Commission as a component unit. The Hopkins County Tourist and Convention Commission is not included in any other organization's reporting entity and does not provide services exclusively to the Fiscal Court; therefore, the financial activity of the Hopkins County Tourist and Convention Commission is presented discretely.

Audited financial statements for the Hopkins County Tourist and Convention Commission, a discretely presented component unit, may be requested by contacting the Hopkins County Fiscal Court.

**HOPKINS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Hopkins County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Hopkins County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Hopkins County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

HOPKINS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012  
(Continued)

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Jail Fund** - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Local Government Economic Assistance Fund** - The primary purpose of this fund is to account for general health and sanitation, social services and economic assistance expenses of the county. The primary sources of revenue are state grants, coal and mineral severances taxes, landfill user fees, and recreational area user fees. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Hopkins County Public Properties Corporation** - The purpose of this fund is to account for the construction costs for the Judicial Center. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

**Special Revenue Funds:**

The Road Fund, Jail Fund, and Local Government Economic Assistance Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**HOPKINS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

**Capital Projects/Debt Service Fund:**

The Hopkins County Public Properties Corporation is presented as a capital projects/debt service fund. Capital projects funds are to account for the financial resources to be used for the acquisition, construction, or renovation of major capital facilities. Debt Service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest related to the Judicial Center.

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**Presentation of Component Unit**

The financial statements present the following major discretely presented component unit: Hopkins County Tourist and Convention Commission.

The component unit is presented in a separate column in the combined financial statements. It is also reported on the Statement of Net Assets and the Statement of Activities in a separate total column that is labeled as "Component Unit" to emphasize this organizations' separateness from the fiscal court's primary government.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

**HOPKINS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Deposits and Investment (Continued)**

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, equipment, vehicles, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction in Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings	25,000	10-75
Buildings Improvements	25,000	10-75
Furniture and Fixtures	20,000	5-25
Machinery and Equipment	20,000	5-25
Equipment	2,500	3-25
Vehicles	20,000	3
Infrastructure	20,000	10-50

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**HOPKINS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the County using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the County or the delegated county committee or official given authority to assign amounts.
- Unassigned-for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the County issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the County has designated the County Treasurer to carry out the intent of the Fiscal Court.

It is the policy of the County to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

Encumbrances, although not reported on the balance sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the Fiscal Court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Due to the modified cash basis of accounting, encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

**HOPKINS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**I. Budgetary Information (Continued)**

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**J. Jointly Governed Organizations**

A jointly governed organization is a regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. Based on these criteria, the following is considered a jointly governed organization of Hopkins County Fiscal Court: Hopkins County Joint Planning Commission.

**Note 2. Deposits**

The primary government and its discretely presented component unit maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a depository institution failure, the primary government's or its discretely presented component unit's deposits may not be returned. The primary government and its discretely presented component unit do not have deposit policies for custodial credit risk, but rather follow the requirements of KRS 41.240(4). As of June 30, 2012, the primary government's and its discretely presented component unit's deposits were covered by FDIC insurance or a properly executed collateral security agreement.

HOPKINS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012  
(Continued)

Note 3. Capital Assets

Capital asset activity of the primary government for the year ended June 30, 2012 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,596,564	\$ 1,023,547	\$	\$ 2,620,111
Construction In Progress	12,032,029	10,127,101	(20,765,153)	1,393,977
Total Capital Assets Not Being Depreciated	13,628,593	11,150,648	(20,765,153)	4,014,088
Capital Assets, Being Depreciated:				
Buildings	13,242,161	19,741,606	(39,000)	32,944,767
Equipment	4,427,749	539,445	(35,150)	4,932,044
Vehicles	2,068,238	265,346	(8,400)	2,325,184
Infrastructure	7,527,496	1,586,600		9,114,096
Total Capital Assets Being Depreciated	27,265,644	22,132,997	(82,550)	49,316,091
Less Accumulated Depreciation For:				
Buildings	(4,500,007)	(832,581)	39,000	(5,293,588)
Equipment	(2,657,272)	(461,224)	33,955	(3,084,541)
Vehicles	(1,199,036)	(275,361)	8,400	(1,465,997)
Infrastructure	(2,758,080)	(716,698)		(3,474,778)
Total Accumulated Depreciation	(11,114,395)	(2,285,864)	81,355	(13,318,904)
Total Capital Assets, Being Depreciated, Net	16,151,249	19,847,133	(1,195)	35,997,187
Governmental Activities Capital Assets, Net	<u>\$ 29,779,842</u>	<u>\$ 30,997,781</u>	<u>\$ (20,766,348)</u>	<u>\$ 40,011,275</u>

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 678,570
Protection to Persons and Property	478,231
General Health and Sanitation	45,263
Social Services	1,400
Roads, Including Depreciation of General Infrastructure Assets	1,082,400
Total Depreciation Expense - Governmental Activities	<u>\$ 2,285,864</u>

**HOPKINS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

Capital asset activity for Business-Type Activities for the year ended June 30, 2012 was as follows:

<b>Primary Government: (Continued)</b> <u>Business-Type Activities:</u>	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital Assets, Being Depreciated:				
Vehicles	\$ 123,341	\$	\$	\$ 123,341
Equipment	42,401			42,401
Total Capital Assets Being Depreciated	165,742			165,742
Less Accumulated Depreciation For:				
Vehicles	(77,150)	(12,026)		(89,176)
Equipment	(17,273)	(8,481)		(25,754)
Total Accumulated Depreciation	(94,423)	(20,507)		(114,930)
Total Capital Assets, Being Depreciated, Net	71,319	(20,507)		50,812
Business-Type Activities Capital Assets, Net	<u>\$ 71,319</u>	<u>\$ (20,507)</u>	<u>\$ 0</u>	<u>\$ 50,812</u>

Depreciation expense was charged to functions of the Business-Type Activities as follows:

Business-Type Activities:

Vehicles	\$ 12,026
Equipment	8,481
Total Depreciation Expense - Business-Type Activities	<u>\$ 20,507</u>

**HOPKINS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

Capital asset activity of the discretely presented component unit for the year ended June 30, 2012 was as follows:

Discretely Presented Component Unit:	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
<u>Governmental Activities:</u>				
Capital Assets, Being Depreciated:				
Office Equipment	\$ 6,648	\$ 1,048	\$ (1,798)	\$ 5,898
Total Capital Assets Being Depreciated	6,648	1,048	(1,798)	5,898
Less Accumulated Depreciation For:				
Other Equipment	(5,666)	(817)	1,798	(4,685)
Total Accumulated Depreciation	(5,666)	(817)	1,798	(4,685)
Total Capital Assets, Being Depreciated, Net	982	231		1,213
Governmental Activities Capital Assets, Net	\$ 982	\$ 231	\$ 0	\$ 1,213

Depreciation expense was charged to functions of the discretely presented component unit as follows:

Hopkins County Tourist and Convention Commission	\$ 817
Total Depreciation Expense - Component Unit	\$ 817

**Note 4. Transfers**

The table below shows the interfund operating transfers for fiscal year 2012.

	General Fund	Total Transfers In
Road Fund	\$ 1,375,000	\$ 1,375,000
Jail Fund	2,125,000	2,125,000
Total Transfers Out	\$ 3,500,000	\$ 3,500,000

Reason for transfers:

To move resources from the General Fund, for budgetary purposes, to the fund that will expend them.

**HOPKINS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 5. Long-term Debt**

**A. General Obligation Refunding Bonds, Series 2005**

The fiscal court issued obligations, dated June 1, 2005 and payable in 15 annual installments beginning February 1, 2006, and semi-annual interest payments on the first of February and August at varying rate from 3% to 4%. The fiscal court issued the bonds for the purpose of advanced refunding of all outstanding County of Hopkins, Kentucky General Obligation bonds (Detention Facility Project), Series 2000 and paying the associated costs of issuing the bonds. As of June 30, 2012, bonds outstanding were \$6,425,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2013	\$ 705,000	\$ 247,887
2014	730,000	223,213
2015	760,000	196,750
2016	780,000	169,200
2017	810,000	138,000
2018-2020	<u>2,640,000</u>	<u>214,000</u>
Totals	<u>\$ 6,425,000</u>	<u>\$ 1,189,050</u>

**B. First Mortgage Revenue Bonds (Judicial Center Project), Series 2010**

On June 1, 2010, Hopkins County Public Properties Corporation issued \$19,410,000 of First Mortgage Revenue Bonds (Judicial Center Project), Series 2010, for the purpose of acquiring, constructing, and equipping a new Judicial Center. The bonds will mature on June 30, 2027. Interest is payable each June 1 and December 1. As of June 30, 2012, bonds outstanding were \$17,490,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2013	\$ 960,000	\$ 550,750
2014	980,000	531,550
2015	1,000,000	511,950
2016	1,020,000	491,950
2017	1,045,000	466,450
2018-2022	5,715,000	1,846,188
2023-2027	<u>6,770,000</u>	<u>797,262</u>
Totals	<u>\$ 17,490,000</u>	<u>\$ 5,196,100</u>

**HOPKINS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**C. Changes In Long-term Liabilities**

Long-term liability activity of the primary government for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 7,110,000	\$	\$ 685,000	\$ 6,425,000	\$ 705,000
Revenue Bonds	18,435,000		945,000	17,490,000	960,000
Governmental Activities Long-term Liabilities	<u>\$25,545,000</u>	<u>\$ 0</u>	<u>\$ 1,630,000</u>	<u>\$ 23,915,000</u>	<u>\$ 1,665,000</u>

**Note 6. Commitments and Contingencies**

**Ambulance Service Contract**

The Medical Center Ambulance Service, Incorporated (MCAS) operates under a lease with Hopkins County. The term of the lease is for one year, and such lease is automatically renewed on a year-to-year basis unless terminated by one of the parties. Under the terms of the lease, the county is required to furnish the necessary number of ambulances required for the operation of the ambulance service and is to reimburse MCAS for the support of the County. MCAS has agreed to provide suitable and necessary ambulance service on a twenty-four hour basis to the residents of Hopkins County and to other persons requiring such service while in Hopkins County.

Under the lease agreement between MCAS and Hopkins County, the county has agreed to reimburse MCAS during the term of the lease for losses incurred in its' operation. The county's obligation is limited to the amount budgeted in any given year. The amount included in the budget may not go below \$66,272. MCAS records such subsidy as a reduction of the excess of expenses over revenues in the year in which such excess expenses incurred.

On January 1, 2012, Hopkins County (County) entered into a lease and contract with Medical Center Ambulance Service, Inc., (MCAS). The County agreed to furnish to the Ambulance Service for the sum of one dollar (\$1.00) per year the existing inventory of fully serviceable ambulances. The term of the agreement shall be for a period of fours (4) years, commencing with the date hereof, unless sooner canceled or terminated as herein provided. This agreement shall be automatically extended for like periods of one (1) year each, unless either party shall give the other party thirty (30) days written notice prior to the expiration of the then current term that this agreement shall not be further extended. MCAS agreed to supply suitable and necessary ambulance service to the residents of Dawson Springs, Kentucky, at its Dawson Spring location and the remainder of Hopkins County, Kentucky through its Madisonville location. The County agreed to provide financial support as budgeted by the Hopkins County Fiscal Court, which budget shall be no less than the current amount of two hundred thousand dollars (\$200,000) annually, which shall be paid to the Ambulance Service in cash payments, not less frequently than quarterly payments of fifty thousand dollars (\$50,000).

**HOPKINS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 6. Commitment and Contingencies (Continued)**

**B. Hopkins County Regional Landfill**

The Hopkins County Regional Landfill operates under a verbal agreement with Hopkins County. The term of the agreement is for one year, and is automatically renewed on a year-to-year basis unless terminated by one of the parties. Under the terms of the agreement, the Hopkins County Regional Landfill is to provide waste management services for the county and the citizens of Hopkins County, Kentucky. The Hopkins County Regional Landfill has also agreed to pay licensing fees to the county as mandated in ordinance 2006-10. As of June 30, 2012 both parties were in compliance with this agreement.

**Note 7. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.96 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 35.76 percent.

The county's contribution for FY 2010 was \$1,237,548, FY 2011 was \$1,273,855, and FY 2012 was \$1,391,904.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

**HOPKINS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 7. Employee Retirement System (Continued)**

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 8. Deferred Compensation**

On February 24, 2000, the Hopkins County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**HOPKINS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 9. Insurance**

For the fiscal year ended June 30, 2012, Hopkins County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 10. Prior Year Adjustments**

Beginning Net Assets for the Governmental Activities has been restated for the prior year due to construction in progress omitted in prior year totaling \$3,995,386, decrease in accumulated depreciation expense totaling \$11,681. The effect of this change is an increase of \$4,007,067. Net Assets in prior year were \$20,094,782 after restatement beginning net assets will be \$24,101,849.

**Note 11. Transfer to Primary Government**

On July 8, 2008, the Hopkins County Tourist and Convention Commission (Commission) transferred \$117,000 toward the purchase of 25 acres of undeveloped land in Hopkins County that will ultimately be used for a sports complex. The land was deeded directly to the Hopkins County Fiscal Court. The sales agreement called for an additional \$35,000 to be paid at such date when all personal property had been removed from the premise. The Commission paid the remaining balance on September 13, 2011.

**HOPKINS COUNTY**  
**BUDGETARY COMPARISON INFORMATION**  
**Other Information - Modified Cash Basis**

**For The Year Ended June 30, 2012**



**HOPKINS COUNTY**  
**BUDGETARY COMPARISON INFORMATION**  
**Other Information - Modified Cash Basis**

**For The Year Ended June 30, 2012**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 5,721,920	\$ 5,721,920	\$ 6,220,457	\$ 498,537
Licenses and Permits	71,000	71,000	67,118	(3,882)
Intergovernmental Revenue	3,234,055	3,234,055	2,879,413	(354,642)
Miscellaneous	53,600	53,600	55,573	1,973
Interest	25,000	25,000	6,833	(18,167)
Total Revenues	<u>9,105,575</u>	<u>9,105,575</u>	<u>9,229,394</u>	<u>123,819</u>
<b>EXPENDITURES</b>				
General Government	4,478,886	4,577,081	4,020,408	556,673
Protection to Persons and Property	688,960	742,660	289,689	452,971
General Health and Sanitation	200	400	400	
Capital Projects	20,000	20,000	6,278	13,722
Administration	2,224,333	2,072,238	1,661,708	410,530
Total Expenditures	<u>7,412,379</u>	<u>7,412,379</u>	<u>5,978,483</u>	<u>1,433,896</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,693,196</u>	<u>1,693,196</u>	<u>3,250,911</u>	<u>1,557,715</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	(4,593,196)	(4,593,196)	(3,500,000)	1,093,196
Total Other Financing Sources (Uses)	<u>(4,593,196)</u>	<u>(4,593,196)</u>	<u>(3,500,000)</u>	<u>1,093,196</u>
Net Changes in Fund Balance	(2,900,000)	(2,900,000)	(249,089)	2,650,911
Fund Balance - Beginning	<u>2,900,000</u>	<u>2,900,000</u>	<u>3,538,916</u>	<u>638,916</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,289,827</u>	<u>\$ 3,289,827</u>

**HOPKINS COUNTY**  
**BUDGETARY COMPARISON INFORMATION**  
**Other Information - Modified Cash Basis**  
**For The Year Ended June 30, 2012**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 3,142,242	\$ 3,142,242	\$ 2,892,388	\$ (249,854)
Miscellaneous	1,800	1,800	77,550	75,750
Interest	2,500	2,500	1,255	(1,245)
<b>Total Revenues</b>	<u>3,146,542</u>	<u>3,146,542</u>	<u>2,971,193</u>	<u>(175,349)</u>
<b>EXPENDITURES</b>				
Roads	3,342,015	3,581,515	3,024,054	557,461
Capital Projects	1,700,000	1,540,500	1,540,068	432
Administration	599,800	519,800	460,851	58,949
<b>Total Expenditures</b>	<u>5,641,815</u>	<u>5,641,815</u>	<u>5,024,973</u>	<u>616,842</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(2,495,273)</u>	<u>(2,495,273)</u>	<u>(2,053,780)</u>	<u>441,493</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	2,095,273	2,095,273	1,375,000	(720,273)
<b>Total Other Financing Sources (Uses)</b>	<u>2,095,273</u>	<u>2,095,273</u>	<u>1,375,000</u>	<u>(720,273)</u>
Net Changes in Fund Balance	(400,000)	(400,000)	(678,780)	(278,780)
Fund Balance - Beginning	400,000	400,000	1,132,949	732,949
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 454,169</u>	<u>\$ 454,169</u>

**HOPKINS COUNTY**  
**BUDGETARY COMPARISON INFORMATION**  
**Other Information - Modified Cash Basis**  
**For The Year Ended June 30, 2012**  
(Continued)

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 3,077,450	\$ 3,077,450	\$ 3,122,108	\$ 44,658
Charges for Services	214,600	214,600	177,996	(36,604)
Miscellaneous	110,800	720,135	650,481	(69,654)
Interest	1,800	1,800	624	(1,176)
Total Revenues	<u>3,404,650</u>	<u>4,013,985</u>	<u>3,951,209</u>	<u>(62,776)</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	3,930,530	4,573,165	4,261,370	311,795
Debt Service	956,050	956,050	956,006	44
Administration	1,181,180	1,147,880	1,023,951	123,929
Total Expenditures	<u>6,067,760</u>	<u>6,677,095</u>	<u>6,241,327</u>	<u>435,768</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(2,663,110)</u>	<u>(2,663,110)</u>	<u>(2,290,118)</u>	<u>372,992</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	2,113,110	2,113,110	2,125,000	11,890
Total Other Financing Sources (Uses)	<u>2,113,110</u>	<u>2,113,110</u>	<u>2,125,000</u>	<u>11,890</u>
Net Changes in Fund Balance	(550,000)	(550,000)	(165,118)	384,882
Fund Balance - Beginning	<u>550,000</u>	<u>550,000</u>	<u>822,903</u>	<u>272,903</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 657,785</u>	<u>\$ 657,785</u>

HOPKINS COUNTY  
 BUDGETARY COMPARISON INFORMATION  
 Other Information - Modified Cash Basis  
 For The Year Ended June 30, 2012  
 (Continued)

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Licenses and Permits	\$ 1,500	\$ 1,500	\$ 1,367	\$ (133)
Intergovernmental Revenue	4,205,000	4,205,000	3,035,411	(1,169,589)
Charges for Services	154,000	154,000	188,209	34,209
Miscellaneous	62,800	62,800	270,783	207,983
Interest	5,300	5,300	2,448	(2,852)
Total Revenues	4,428,600	4,428,600	3,498,218	(930,382)
<b>EXPENDITURES</b>				
General Government	684,000	689,000	297,323	391,677
Protection to Persons and Property	311,272	310,272	273,134	37,138
General Health and Sanitation	1,526,304	1,549,404	1,183,791	365,613
Social Services	107,337	107,337	90,455	16,882
Recreation and Culture	4,451,500	4,451,500	864,007	3,587,493
Roads	600,000	600,000	598,086	1,914
Road Facilities	275,000	275,000		275,000
Capital Projects	200,000	200,000		200,000
Administration	358,000	330,900	284,297	46,603
Total Expenditures	8,513,413	8,513,413	3,591,093	4,922,320
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(4,084,813)	(4,084,813)	(92,875)	3,991,938
<b>OTHER FINANCING SOURCES (USES)</b>				
Borrowed Money	3,000,000	3,000,000		(3,000,000)
Transfers From Other Funds	384,813	384,813		(384,813)
Total Other Financing Sources (Uses)	3,384,813	3,384,813		(3,384,813)
Net Changes in Fund Balances	(700,000)	(700,000)	(92,875)	607,125
Fund Balances - Beginning	700,000	700,000	1,155,634	455,634
Fund Balances - Ending	\$ 0	\$ 0	\$ 1,062,759	\$ 1,062,759

**HOPKINS COUNTY**  
**NOTES TO OTHER INFORMATION**

June 30, 2012

**Note 1. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Note 2. General Fund Reconciliation of Required Supplementary Information to Statement of Revenues, Expenditures, and Changes in Fund Balances**

Following is a summary of adjustments that convert the cash basis budgetary schedules to the modified cash basis of accounting used in the Statement of Revenues, Expenditures, and Changes in Fund Balances:

Budgetary Basis - Revenues	\$ 9,229,394
Plus: Contingency Fund Revenues	<u>21,953</u>
Modified Cash Basis	<u>\$ 9,251,347</u>
Budgetary Basis - Beginning Fund Balance	\$ 3,538,916
Plus: Contingency Fund Balance	<u>2,927,362</u>
Modified Cash Basis	<u>\$ 6,466,278</u>
Budgetary Basis - Ending Fund Balance	\$ 3,289,827
Plus: Contingency Fund Balance	<u>2,949,315</u>
Modified Cash Basis	<u>\$ 6,239,142</u>

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





**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

Honorable Donald E. Carroll, Hopkins County Judge/Executive  
Members of the Hopkins County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of Hopkins County, Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated February 12, 2013, wherein, we issued a qualified opinion on the discretely presented component unit. We did not audit the financial statements of the Hopkins County Tourist and Convention Commission, a discretely presented component unit of the Hopkins County Fiscal Court. Those financial statements were audited by other auditors whose report has been furnished to us. Hopkins County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. 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. This report does not include the results of the other auditor's testing of internal control over financial reporting on compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

Management of the Hopkins County Fiscal Court is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Hopkins County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hopkins County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hopkins County Fiscal Court's internal control over financial reporting.

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

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

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Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Hopkins County's financial statements as of and for the year ended June 30, 2012, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Adam H. Edelen  
Auditor of Public Accounts

February 12, 2013

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**HOPKINS COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2012**

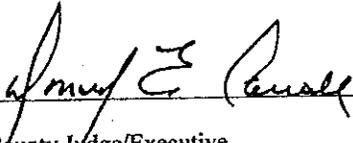
Appendix A

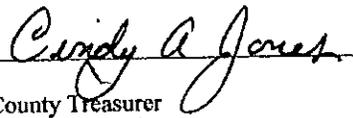


CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
HOPKINS COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2012

The Hopkins County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
County Judge/Executive

  
County Treasurer