

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



**For the Year Ended
June 30, 2019**

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

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS | KENTUCKY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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**CITY OF HOPKINSVILLE
HOPKINSVILLE, KENTUCKY**

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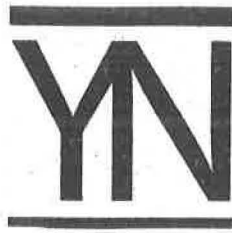
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YORK, NEEL & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hopkinsville, Kentucky, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Hopkinsville, Kentucky's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

To the Honorable Mayor
and City Council
City of Hopkinsville, Kentucky
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hopkinsville, Kentucky, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedules, OPEB schedules, and budgetary comparison information on pages 4-17, pages 115-121, pages 122-125, and 126-128, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hopkinsville, Kentucky's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other

To the Honorable Mayor
and City Council
City of Hopkinsville, Kentucky
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additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2020, on our consideration of the City of Hopkinsville, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City of Hopkinsville, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hopkinsville, Kentucky's internal control over financial reporting and compliance.

York Neel & Associates, LLP

Hopkinsville, Kentucky
April 13, 2020

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Hopkinsville, Kentucky (City) offers Management's Discussion and Analysis to provide a narrative overview and analysis of City financial activities for fiscal year ended June 30, 2019. To fully understand the entire scope of the City's financial activities, this information should be read in conjunction with the financial statements (pages 18-32) provided in this document.

FINANCIAL HIGHLIGHTS

- The City's liabilities and deferred inflows exceeded assets and deferred outflows at the close of the fiscal year by (\$15.0) million (net position). This amount includes \$6.1 million that are restricted to specific projects by laws, regulations, or contractual agreements. A deficit total of (\$49.5) million was unrestricted due to GASB No. 68, *Accounting and Financial Reporting for Pensions*, which was implemented in the fiscal year ended 6/30/2015, and GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)*, which was implemented in the fiscal year ended 6/30/2018.
- The City's total net position decreased (\$5.6) million this year, primarily due to changes in the net pension and OPEB liabilities and the related deferred outflows and inflows. Net position of governmental activities decreased (\$5.5) million, and net position of business-type activities decreased by (\$129) thousand.
- As of June 30, 2019, the City's governmental funds reported combined ending fund balances of \$20.0 million, a decrease of \$1.0 million from the prior year. Approximately \$9.9 million, 49.50% of this total amount, is unassigned and available for spending.
- The City's governmental activities total debt increased by a net amount of \$1.1 million. Debt increases included \$3.5 million for a bond issue to finance the WINS project, \$1.0 million to finance the Probation and Parole project, and \$3.0 million for new capital leases on behalf of a component unit. Debt decreases included \$1.6 million due to the repayment of debt by the City and \$4.8 million due to the component units' repayment of debt.

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).

This discussion and analysis serves as an introduction to the City's basic financial statements, which consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF FINANCIAL STATEMENTS, continued

Government-Wide Financial Statements

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

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

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

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

Government-wide financial statements include not only the City (the primary government), but also three legally separate component units for which the City is financially accountable: Hopkinsville Water Environment Authority, Hopkinsville Solid Waste Enterprise, and Hopkinsville Surface and Stormwater Utility. Financial information for the component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 18-20 of this report.

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: governmental funds, proprietary funds, and fiduciary funds.

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF FINANCIAL STATEMENTS, continued

Fund Financial Statements, continued

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 the WINS Construction 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 Position and the Statement of Activities) and governmental funds in the reconciliations on page 22 and page 24.

The basic governmental fund financial statements can be found at pages 21-24 of this report.

Proprietary Funds:

The City maintains two types of proprietary funds:

Enterprise funds. Enterprise funds report the same functions presented as business-type activities in the government-wide financial statements and are used to account for operations:

- that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or
- where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF FINANCIAL STATEMENTS, continued

Fund Financial Statements, continued

Proprietary Funds, continued:

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 25-27 of this report.

Fiduciary Funds:

Fiduciary funds are used to account for resources held for the benefit of parties outside the government and are not reflected in government-wide financial statements because those resources are not available to support City programs.

Data for the City's fiduciary fund (Policemen's and Firefighter's Pension Fund) is presented in the Statement of Net Position – Fiduciary Funds and the Statement of Changes in Net Position – Fiduciary Funds. The fiduciary fund financial statements are presented at pages 28-29 of this report.

Notes to the Basic Financial Statements

These notes provide additional information crucial to fully understanding data provided in the government-wide and fund financial statements. Notes to the basic financial statements can be found at pages 33-114 of this report.

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 and other post-employment benefits to its employees and budgetary comparison schedules as required. The General Fund is the budgeted major fund for which budgetary comparison information is reported. Required and other supplementary information follow the notes to the basic financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and fund statements and schedules can be found on pages 129-132 and 134-135 of this report.

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously indicated, net position may serve over time as a useful indicator of the City's financial position. The City as a whole had assets and deferred outflows less than liabilities and deferred inflows by (\$15.0) million, a decrease of (\$5.6) million over last year. This deficit is due to the implementation of GASB No. 68, *Accounting and Financial Reporting for Pensions*, which was implemented in the fiscal year ended 6/30/2015, and GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)*, which was implemented in the fiscal year ended 6/30/2018. Of the (\$15.0) million, \$28.3 million was net investment in capital assets, \$6.1 million was restricted, and (\$49.5) million was unrestricted. Net position of governmental activity funds total (\$17.8) million, with \$25.7 million as net investment in capital assets, \$6.1 million as restricted, and (\$49.6) million as unrestricted. The net position of the City's business-type activities total \$2.8 million. Of that net position total, \$2.6 million was net investment in capital assets with an unrestricted fund balance of \$127 thousand. The unrestricted net position of governmental funds includes fund balances of the General Fund, various special revenue funds, and various capital funds. Unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors in the future.

The largest portion of the City's net position reflects its investment in capital assets (i.e., land, buildings, machinery, and equipment) less outstanding related debt used to acquire those assets. The City uses these capital assets to provide service to citizens, and as a result, these assets are not available for future spending. The City's investment in capital assets is reported net of related debt, but the resources to pay this debt must be provided from other sources since the capital assets cannot be used to liquidate the liabilities.

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

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued

City of Hopkinsville Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 46,020,216	\$ 48,825,298	\$ 145,266	\$ 166,964	\$ 46,165,482	\$ 48,992,262
Capital assets	<u>46,823,991</u>	<u>42,930,902</u>	<u>2,646,972</u>	<u>2,752,495</u>	<u>49,470,963</u>	<u>45,683,397</u>
Total assets	<u>\$ 92,844,207</u>	<u>\$ 91,756,200</u>	<u>\$ 2,792,238</u>	<u>\$ 2,919,459</u>	<u>\$ 95,636,445</u>	<u>\$ 94,675,659</u>
Deferred outflows of resources	<u>\$ 19,001,741</u>	<u>\$ 24,315,923</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,001,741</u>	<u>\$ 24,315,923</u>
Long-term liabilities	\$121,420,738	\$122,675,304	\$ -	\$ -	\$121,420,738	\$122,675,304
Other liabilities	<u>1,028,647</u>	<u>1,446,318</u>	<u>17,958</u>	<u>16,047</u>	<u>1,046,605</u>	<u>1,462,365</u>
Total liabilities	<u>\$122,449,385</u>	<u>\$124,121,622</u>	<u>\$ 17,958</u>	<u>\$ 16,047</u>	<u>\$122,467,343</u>	<u>\$124,137,669</u>
Deferred inflows of resources	<u>\$ 7,180,424</u>	<u>\$ 4,232,793</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,180,424</u>	<u>\$ 4,232,793</u>
Net position:						
Net investment in						
capital assets	\$ 25,698,569	\$ 25,938,251	\$ 2,646,972	\$ 2,752,495	\$ 28,345,541	\$ 28,690,746
Restricted	6,136,012	6,816,401	-	-	6,136,012	6,816,401
Unrestricted (deficit)	<u>(49,618,442)</u>	<u>(45,036,943)</u>	<u>127,308</u>	<u>150,917</u>	<u>(49,491,134)</u>	<u>(44,886,026)</u>
Total net position	<u>\$(17,783,861)</u>	<u>\$(12,282,291)</u>	<u>\$ 2,774,280</u>	<u>\$ 2,903,412</u>	<u>\$(15,009,581)</u>	<u>\$ (9,378,879)</u>

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued

Analysis of the City's Operations

The following table provides a summary of the City's operations for the year ended June 30, 2019. Governmental activities decreased the City's net position by (\$5.5) million, while business-type activities decreased the City's net position by (\$129) thousand.

City of Hopkinsville – Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services and sales	\$ 2,250,876	\$ 2,147,848	\$ 277,428	\$ 293,852	\$ 2,528,304	\$ 2,441,700
Operating grants and contributions	5,559,973	7,526,059	-	-	5,559,973	7,526,059
Capital grants and contributions	288,468	254,942	-	-	288,468	254,942
General revenues:						
Property taxes	5,509,894	5,239,771	-	-	5,509,894	5,239,771
Occupational taxes	17,097,971	16,835,340	-	-	17,097,971	16,835,340
Insurance premium tax	4,856,576	4,516,839	-	-	4,856,576	4,516,839
Franchise tax	413,181	312,946	-	-	413,181	312,946
Transient room tax	832,011	803,343	-	-	832,011	803,343
Payment in lieu of taxes	696,082	705,336	-	-	696,082	705,336
Investment income	506,712	258,074	1,528	1,303	508,240	259,377
Gain on sale of capital assets	-	23,541	-	-	-	23,541
Miscellaneous	42,315	25,862	-	-	42,315	25,862
Total revenues	<u>\$ 38,054,059</u>	<u>\$ 38,649,901</u>	<u>\$ 278,956</u>	<u>\$ 295,155</u>	<u>\$ 38,333,015</u>	<u>\$ 38,945,056</u>
Expenses:						
General government	\$ 4,678,189	\$ 4,791,738	\$ -	\$ -	\$ 4,678,189	\$ 4,791,738
Public safety	23,771,587	24,011,020	-	-	23,771,587	24,011,020
Public works	4,766,064	4,766,838	-	-	4,766,064	4,766,838
Community development	7,465,036	9,370,638	-	-	7,465,036	9,370,638
Parks and recreation	1,675,315	1,650,727	-	-	1,675,315	1,650,727
Interest on long-term debt	1,099,438	711,202	-	-	1,099,438	711,202
Tie Breaker Family Aquatic	-	-	508,088	513,382	508,088	513,382
Total expenses	<u>\$ 43,455,629</u>	<u>\$ 45,302,163</u>	<u>\$ 508,088</u>	<u>\$ 513,382</u>	<u>\$ 43,963,717</u>	<u>\$ 45,815,545</u>
Change in net position before transfers	\$ (5,401,570)	\$ (6,652,262)	\$ (229,132)	\$ (218,227)	\$ (5,630,702)	\$ (6,870,489)
Transfers	(100,000)	(100,000)	100,000	100,000	-	-
Increase (decrease) in net position	(5,501,570)	(6,752,262)	(129,132)	(118,227)	(5,630,702)	(6,870,489)
Net position, beginning	(12,282,291)	(5,530,029)	2,903,412	3,021,639	(9,378,879)	(2,508,390)
Net position, ending	<u>\$ (17,783,861)</u>	<u>\$ (12,282,291)</u>	<u>\$ 2,774,280</u>	<u>\$ 2,903,412</u>	<u>\$ (15,009,581)</u>	<u>\$ (9,378,879)</u>

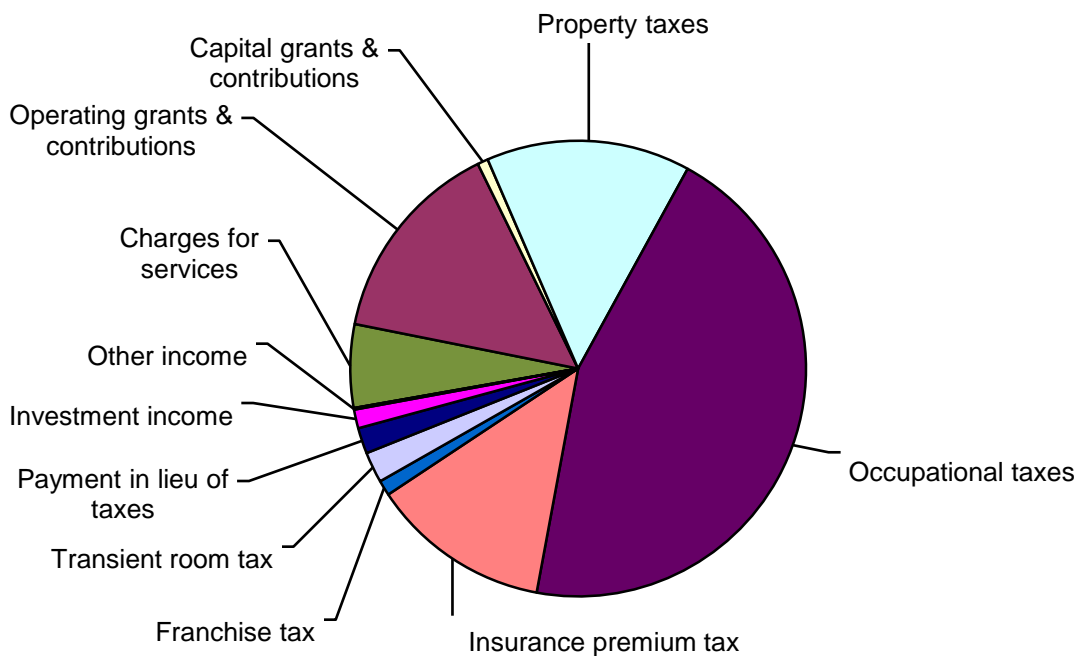
CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued

Governmental Activities

Total revenues for the City's governmental activities total \$38.1 million for the year ended June 30, 2019, compared to \$38.6 million last year. Occupational taxes total \$17.1 million or 44.88% of total revenue. The second largest category of government revenues, operating grants and contributions, accounts for \$5.6 million or 14.70% of revenue. The third largest category of government revenues, property taxes, accounts for \$5.5 million or 14.44% of total revenues. Insurance premium tax totals \$4.9 million or 12.86% of total revenue. Miscellaneous sources account for \$42 thousand or less than 0.01% of total revenues.

Revenue by Source – Governmental Activities



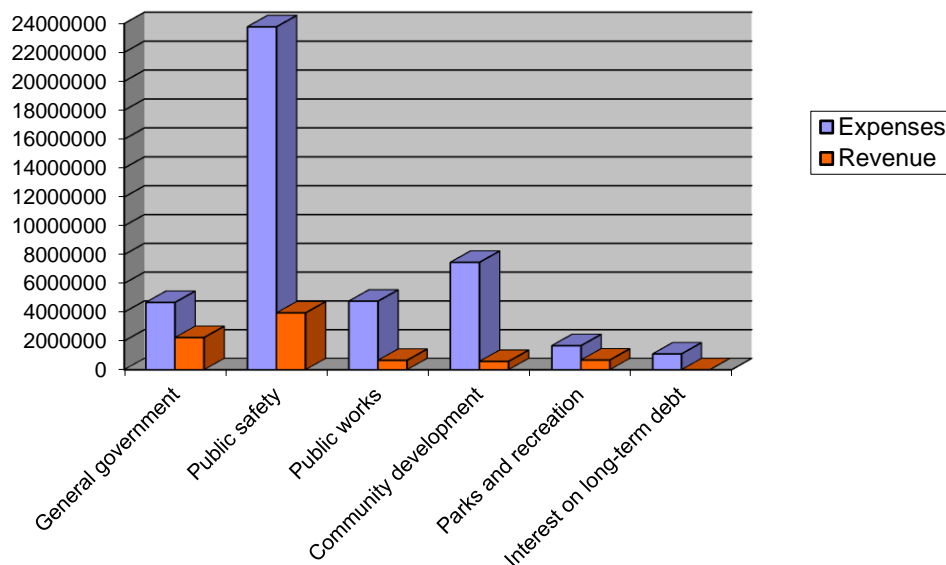
Current year total expenses of the City's governmental activities total \$43.5 million, compared to \$45.3 million last year. This decrease in expenses is attributable to the fluctuation in pension and OPEB expenses. Public Safety expenses total \$23.8 million and account for 54.70% of total expenses. The second largest category of expenses, Community Development, totals \$7.5 million and accounts for 17.18% of expenses. Public Works is the next largest category and totals \$4.8 million or 10.97% of expenses. General Government totals \$4.7 million or 10.77% of expenses.

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued

Governmental Activities, continued

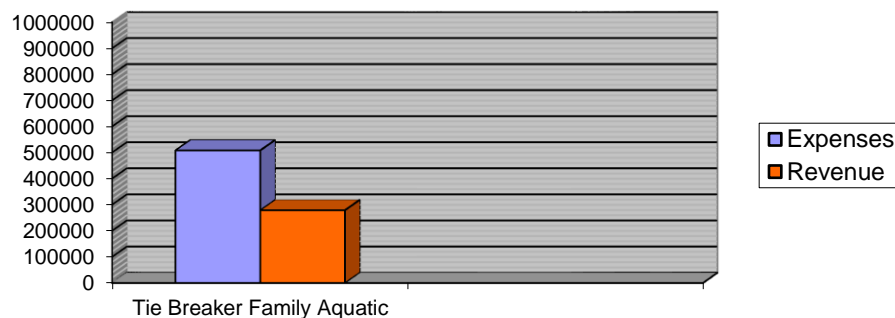
Expenses and Program Revenues – Governmental Activities



Business-Type Activities

Revenues for business-type activities total \$279 thousand this fiscal year compared to \$295 thousand last year. Of this total, \$277 thousand or 99.28% was from charges for services and sales. Expenses for business-type activities total \$508 thousand. The only program in the business-type activities was the operations of the Tie Breaker Family Aquatic Park, which accounts for 100.00% of business-type expenses.

Expenses and Revenues – Business-Type Activities



CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

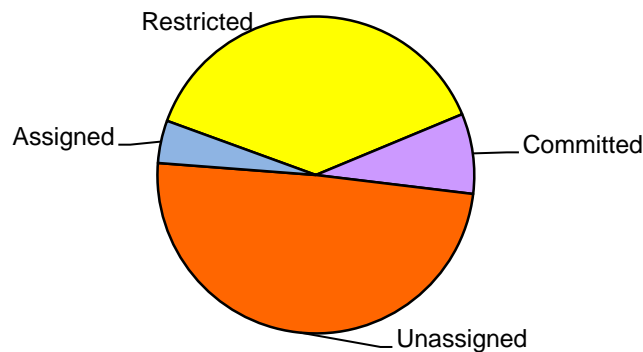
FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

At the end of the current fiscal year, the City governmental funds reported combined ending fund balances of \$20.0 million, a decrease of \$1.0 million from the prior year. Approximately 49.30% of the total amount of governmental fund balance, \$9.9 million, is unassigned fund balance, which is available for spending at the government's discretion. Approximately 38.17%, \$7.6 million, is restricted fund balance. Approximately 4.35%, \$869 thousand, has been encumbered or is assigned. The remainder of fund balance, \$1.6 million, is committed to indicate it is not available for new spending.

The total ending fund balance of governmental funds for the current year shows a decrease of \$1.0 million from the prior year. This decrease is primarily the result of an increase in capital outlay of \$1.5 million compared to the prior year.

Ending Fund Balances – Governmental Funds



The General Fund is the chief operating fund of the City. At the end of the 2018-2019 fiscal year, the total fund balance in the General Fund was \$11.5 million, which represents a decrease of (\$566) thousand from the prior year. Of the total fund balance in the General Fund, unassigned fund balance was \$9.9 million. As a measure of general fund liquidity, readers may compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents 26.90% of total general fund expenditures of \$36.6 million, and total fund balance represents 31.49% of total general fund expenditures.

Taxes in the General Fund increased \$178 thousand, which represents a 2.98% increase over the prior year, due to the increase in the collection of property taxes and payment in lieu of taxes being paid on a timely basis. Licenses and permits increased \$283 thousand, which represents a 1.16% increase over prior year and indicates an improvement in the economy. The unemployment rate for Hopkinsville decreased from 7.2% to 7.1% from June 30, 2018 to June 30, 2019.

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S FUNDS, continued

Governmental Funds, continued

General government expenditures in the General Fund decreased \$80 thousand; public safety expenditures increased \$157 thousand; and public works increased \$653 thousand. Community development expenditures in the General Fund decreased \$1.2 million, which is due to fewer community projects during the year.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Total net position in the proprietary funds equals \$3.1 million as of June 30, 2019, compared to \$3.5 million last year.

The Tie Breaker Family Aquatic Park has total net position of \$2.8 million, representing a decrease of (\$129) thousand from prior year. Of the total net position, \$2.6 million was net investment in capital assets and \$127 thousand was unrestricted. This decrease is primarily the result of events and programs described within the analysis of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the current fiscal year, the City Council approved revisions of the General Fund's budget in order to make adjustments to and add projects that were not anticipated when the budget was first adopted. The total expenditures budget increased \$480 thousand or 1.43% during the year. The changes in appropriations can be briefly summarized as follows:

- \$ 100,000 increase in general administrative
- \$ (82,000) decrease in tax department
- \$ (48,800) decrease in information technology
- \$ - no change in legislative
- \$ (53,000) decrease in police
- \$ - no change in emergency communications
- \$ (42,000) decrease in fire
- \$ - no change in other public safety
- \$ (31,000) decrease in public works administrative
- \$ (62,000) decrease in street
- \$ (1,000) decrease in service center
- \$ 20,000 increase in other public works
- \$ 282,000 increase in community development
- \$ 12,450 increase in parks and recreation
- \$ - no change in debt service principal
- \$ - no change in interest and finance charges
- \$ 384,850 increase in capital outlays

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL FUND BUDGETARY HIGHLIGHTS, continued

The net increase to appropriations of \$480 thousand was to be budgeted from additional projected revenue. During the year, however, overall expenditures were less than budgetary estimates, thus lessening the need to draw upon existing fund balance.

Differences between the final appropriations budget and the actual appropriations resulted in a \$1.6 million decrease in actual appropriations in comparison to the budgeted appropriations. The most significant differences were due to lower than budgeted wages and related labor expenses in various departments and reclassifications for capital outlays.

Additional information on the City's budgetary comparison for the General Fund can be found on pages 126-128.

CAPITAL ASSETS

The City's total investment in capital assets is \$49.5 million (net of accumulated depreciation) as of June 30, 2019, which represents an increase of \$3.8 million over the prior year. This investment in capital assets includes land, buildings, improvements, machinery and equipment, vehicles, park facilities, roads, highways, bridges, and construction in progress. For governmental activities, investment in capital assets totaled \$46.8 million, an increase of \$3.9 million. For business-type activities, investment in capital assets totaled \$2.6 million, a decrease of (\$106) thousand.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 2,200,850	\$ 2,180,850	\$ -	\$ -	\$ 2,200,850	\$ 2,180,850
Construction in progress	5,300,081	7,128,935	-	-	5,300,081	7,128,935
Buildings and improvements	20,560,089	15,593,594	2,622,820	2,718,997	23,182,909	18,312,591
Equipment	3,009,861	3,023,375	24,152	33,498	3,034,013	3,056,873
Infrastructure	6,764,434	7,033,756	-	-	6,764,434	7,033,756
Land improvements	5,990,363	6,001,440	-	-	5,990,363	6,001,440
Vehicles	2,998,313	1,968,952	-	-	2,998,313	1,968,952
Total	<u>\$46,823,991</u>	<u>\$42,930,902</u>	<u>\$2,646,972</u>	<u>\$ 2,752,495</u>	<u>\$49,470,963</u>	<u>\$45,683,397</u>

Additional information on City capital assets can be found in Note 4 in the footnotes at pages 56-58.

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

DEBT ADMINISTRATION

At June 30, 2019, the City had \$54.8 million in outstanding notes and bonds compared to \$53.6 million at June 30, 2018, an increase of \$1.2 million. The City issued two new bonds for \$4.5 million. In addition, the City, on behalf of one component unit, also entered into multiple capital leases for various solid waste trucks of \$3.1 million. The following table illustrates the changes in outstanding notes, bonds and capital leases:

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
General obligation bonds & leases	\$ 50,886,662	\$ 49,966,797
Capital leases	2,875,908	2,582,625
Note payable	<u>975,000</u>	<u>1,050,000</u>
Total	<u>\$54,737,570</u>	<u>\$53,599,422</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 \$205,098,177. The City's latest bond rating is AA-.

Additional information on the City's long-term debt can be found in Note 9 in the footnotes at pages 90-102.

ECONOMIC FACTORS

Unemployment Rate

The unemployment rate for the City of Hopkinsville (Christian County) as of June 2019 was 7.1%. This rate compares unfavorably to state and federal unemployment rates of 4.1% and 3.7%, respectively.

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 2018-2019 budget for the City of Hopkinsville was prepared. The beginning general fund balance for fiscal year 2018-2019 was \$12.1 million, and there is an ending fund balance of \$11.5 million. At the present time, the City is in good financial condition.

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

REQUESTS FOR INFORMATION

This financial report is designed to provide a general financial overview for those interested in the City of Hopkinsville government finances. Questions or requests for additional financial information may be addressed to Robert Martin, Chief Financial Officer, City of Hopkinsville, 715 South Virginia Street, Hopkinsville, Kentucky 42240.

City of Hopkinsville, Kentucky
Statement of Net Position
June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Pooled cash and cash equivalents	\$ 11,198,668	\$ -	\$ 11,198,668	\$ -
Non-pooled cash and cash equivalents	685,874	145,266	831,140	11,477,934
Investments	38,134	-	38,134	-
Accounts receivable	-	-	-	2,100,940
Taxes receivable	3,042,252	-	3,042,252	-
Inventory	-	-	-	251,413
Prepaid items	-	-	-	31,410
Accrued interest on note receivable	-	-	-	323
Other current assets	-	-	-	55,902
Notes receivable	584,226	-	584,226	129,218
Other receivables	225,590	-	225,590	4,431,865
Due from component unit	37,475	-	37,475	-
Restricted assets:				
Due from Component Units				
Due within one year	3,744,547	-	3,744,547	-
Due beyond one year	20,420,995	-	20,420,995	-
Temporarily restricted:				
Cash and cash equivalents	5,324,968	-	5,324,968	2,306,275
Investments	233,509	-	233,509	98,791
Permanently restricted assets:				
Cash and cash equivalents	80,379	-	80,379	-
Investments	403,599	-	403,599	-
Capital Assets				
Land and construction in progress	7,500,931	-	7,500,931	9,359,354
Capital assets, net of accumulated depreciation	39,323,060	2,646,972	41,970,032	115,342,693
Total capital assets	46,823,991	2,646,972	49,470,963	124,702,047
Total assets	92,844,207	2,792,238	95,636,445	145,586,118
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pension	13,771,226	-	13,771,226	3,956,831
Deferred outflows from OPEB	5,186,896	-	5,186,896	1,171,938
Deferred refunding costs	43,619	-	43,619	426,602
Total deferred outflows of resources	19,001,741	-	19,001,741	5,555,371
 Total assets and deferred outflows of resources	 <u>\$ 111,845,948</u>	 <u>\$ 2,792,238</u>	 <u>\$ 114,638,186</u>	 <u>\$ 151,141,489</u>

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

City of Hopkinsville, Kentucky
Statement of Net Position, continued
June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable	\$ 186,045	\$ 17,958	\$ 204,003	\$ 793,830
Accrued salaries	510,147	-	510,147	156,911
Claims payable	74,074	-	74,074	-
Accrued interest	257,381	-	257,381	278,698
Transient bond deposits	1,000	-	1,000	-
Construction retainage payable	-	-	-	-
Customer deposits	-	-	-	115,495
Due to primary government:				
Due within one year	-	-	-	3,744,547
Due beyond one year	-	-	-	20,420,995
Noncurrent liabilities:				
Due within one year	5,488,483	-	5,488,483	3,043,309
Due beyond one year	113,235,196	-	113,235,196	67,810,304
Compensated absences:				
Due within one year	107,882	-	107,882	305,895
Due beyond one year	2,589,177	-	2,589,177	684,593
Total liabilities	<u>122,449,385</u>	<u>17,958</u>	<u>122,467,343</u>	<u>97,354,577</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - USACE	-	-	-	4,599,873
Deferred inflows from pension	3,778,417	-	3,778,417	1,198,165
Deferred inflows from OPEB	3,402,007	-	3,402,007	846,775
Total deferred inflows of resources	<u>7,180,424</u>	<u>-</u>	<u>7,180,424</u>	<u>6,644,813</u>
NET POSITION				
Net investment in capital assets	25,698,569	2,646,972	28,345,541	56,455,735
Restricted for:				
Capital projects	5,311,606	-	5,311,606	-
Debt reserves	-	-	-	2,081,443
Perpetual care:				
Expendable	340,428	-	340,428	-
Nonexpendable	483,978	-	483,978	-
Unrestricted (deficit)	<u>(49,618,442)</u>	<u>127,308</u>	<u>(49,491,134)</u>	<u>(11,395,079)</u>
Total net position	<u>(17,783,861)</u>	<u>2,774,280</u>	<u>(15,009,581)</u>	<u>47,142,099</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 111,845,948</u>	 <u>\$ 2,792,238</u>	 <u>\$ 114,638,186</u>	 <u>\$ 151,141,489</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, 2019

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
PRIMARY GOVERNMENT								
Governmental activities:								
General government	\$ (4,678,189)	\$ 1,972,143	\$ 265,159	\$ -	\$ (2,440,887)	\$ -	\$ (2,440,887)	\$ -
Public safety	(23,771,587)	94,383	3,841,159	14,259	(19,821,786)	-	(19,821,786)	-
Public works	(4,766,064)	-	655,916	-	(4,110,148)	-	(4,110,148)	-
Community development	(7,465,036)	-	318,447	261,409	(6,885,180)	-	(6,885,180)	-
Parks and recreation	(1,675,315)	184,350	479,292	12,800	(998,873)	-	(998,873)	-
Interest on long-term debt	(1,099,438)	-	-	-	(1,099,438)	-	(1,099,438)	-
Total governmental activities	(43,455,629)	2,250,876	5,559,973	288,468	(35,356,312)	-	(35,356,312)	-
Business-type activities:								
Tie Breaker Family Aquatic	(508,088)	277,428	-	-	-	(230,660)	(230,660)	-
Total business-type activities	(508,088)	277,428	-	-	-	(230,660)	(230,660)	-
Total - primary government	<u>\$ (43,963,717)</u>	<u>\$ 2,528,304</u>	<u>\$ 5,559,973</u>	<u>\$ 288,468</u>	<u>(35,356,312)</u>	<u>(230,660)</u>	<u>(35,586,972)</u>	<u>-</u>
COMPONENT UNITS								
Hopkinsville Water Environment Authority	\$ (16,940,807)	\$ 17,575,757	\$ -	\$ 58,009	-	-	-	692,959
Hopkinsville Solid Waste Enterprise	(12,365,909)	8,302,113	-	-	-	-	-	(4,063,796)
Hopkinsville Surface and Stormwater Utility	(1,095,575)	1,186,203	30,326	21,500	-	-	-	142,454
Total - component units	<u>\$ (30,402,291)</u>	<u>\$ 27,064,073</u>	<u>\$ 30,326</u>	<u>\$ 79,509</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,228,383)</u>
GENERAL REVENUES								
Property taxes					5,509,894	-	5,509,894	-
Occupational taxes					17,097,971	-	17,097,971	-
Insurance premium tax					4,856,576	-	4,856,576	-
Franchise tax					413,181	-	413,181	-
Transient room tax					832,011	-	832,011	-
Payment in lieu of taxes					696,082	-	696,082	-
Investment income					506,712	1,528	508,240	462,522
Gain on sale of capital assets					-	-	-	100,344
Miscellaneous					42,315	-	42,315	390,049
Total general revenues					29,954,742	1,528	29,956,270	952,915
Transfers					(100,000)	100,000	-	-
Total general revenues and transfers					29,854,742	101,528	29,956,270	952,915
Change in net position					(5,501,570)	(129,132)	(5,630,702)	(2,275,468)
Net position, beginning of year					(12,282,291)	2,903,412	(9,378,879)	49,417,567
Net position, end of year					<u>\$ (17,783,861)</u>	<u>\$ 2,774,280</u>	<u>\$ (15,009,581)</u>	<u>\$ 47,142,099</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, 2019

	General	WINS Construction	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Pooled cash and cash equivalents	\$ 9,693,794	\$ -	\$ 1,504,874	\$ 11,198,668
Non-pooled cash and cash equivalents	172,123	4,549,334	977,799	5,699,256
Investments	38,134	-	637,108	675,242
Taxes receivable	2,259,145	-	-	2,259,145
Loans receivable	-	-	584,225	584,225
Due from component unit	37,475	-	-	37,475
Other receivables	-	-	199,000	199,000
	<u>-</u>	<u>-</u>	<u>199,000</u>	<u>199,000</u>
Total assets	<u>\$ 12,200,671</u>	<u>\$ 4,549,334</u>	<u>\$ 3,903,006</u>	<u>\$ 20,653,011</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 159,452	\$ -	\$ -	\$ 159,452
Accrued salaries	510,147	-	-	510,147
Transient bond deposits	1,000	-	-	1,000
	<u>670,599</u>	<u>-</u>	<u>-</u>	<u>670,599</u>
Total liabilities	<u>670,599</u>	<u>-</u>	<u>-</u>	<u>670,599</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	4,549,334	3,079,480	7,628,814
Committed	1,309,992	-	324,524	1,634,516
Assigned	369,664	-	499,002	868,666
Unassigned	9,850,416	-	-	9,850,416
	<u>11,530,072</u>	<u>4,549,334</u>	<u>3,903,006</u>	<u>19,982,412</u>
Total fund balances	<u>11,530,072</u>	<u>4,549,334</u>	<u>3,903,006</u>	<u>19,982,412</u>
Total liabilities and fund balances	<u>\$ 12,200,671</u>	<u>\$ 4,549,334</u>	<u>\$ 3,903,006</u>	<u>\$ 20,653,011</u>

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

City of Hopkinsville, Kentucky
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2019

Total fund balance - total governmental funds	\$ 19,982,412
Amounts reported for governmental activities in the statement of net position are different because:	
Taxes receivable based on availability criteria; \$56,218 property taxes, \$708,944 insurance premium taxes, and \$17,943 franchise taxes.	783,105
Deferred outflows of resources - bond refinancing charges, amortizable over life of debt	43,619
Deferred outflows and inflows related to the net pension liability are not due and payable in the current period and are not reported in individual funds. See notes 6 & 9 to financial statements for detail.	9,992,809
Deferred outflows and inflows related to the net OPEB liability are not due and payable in the current period and are not reported in individual funds. See notes 6 & 9 to financial statements for detail.	1,784,889
Capital assets of \$83,977,231, net of accumulated depreciation of (\$37,153,240), are not financial resources and, therefore, are not reported in the funds. See note 4 to financial statements for detail.	46,823,991
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 \$317,891 are included in governmental activities in the statement of net position.	317,891
Long-term liabilities are not due and payable in the current period and are not reported in the funds. See note 9 to financial statements for detail.	(121,420,738)
Receivables from component units for long-term debt where the City is contingently liable are not reported in the funds.	24,165,542
Accrued interest payable	<u>(257,381)</u>
Net position of governmental activities	<u>\$ (17,783,861)</u>

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

City of Hopkinsville, Kentucky
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	General	WINS Construction	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 6,156,452	\$ -	\$ -	\$ 6,156,452
Licenses and permits	24,613,834	-	-	24,613,834
Fines and forfeitures	94,383	-	-	94,383
Intergovernmental	3,083,514	-	1,516,085	4,599,599
Investment income	285,610	144,868	61,939	492,417
Donations	19,775	-	-	19,775
Other revenue	<u>1,426,116</u>	<u>-</u>	<u>110,608</u>	<u>1,536,724</u>
Total revenues	<u>35,679,684</u>	<u>144,868</u>	<u>1,688,632</u>	<u>37,513,184</u>
EXPENDITURES				
Current:				
General government	3,876,858	-	12,344	3,889,202
Public safety	16,735,837	-	762,275	17,498,112
Public works	6,136,605	-	79,741	6,216,346
Community development	5,742,120	1,019,539	180,708	6,942,367
Parks and recreation	1,414,070	-	-	1,414,070
Debt service:				
Principal	1,307,917	-	308,690	1,616,607
Interest	825,828	-	49,966	875,794
Expenditures	-	95,221	50,061	145,282
Capital outlay	<u>575,116</u>	<u>3,479,488</u>	<u>3,345,063</u>	<u>7,399,667</u>
Total expenditures	<u>36,614,351</u>	<u>4,594,248</u>	<u>4,788,848</u>	<u>45,997,447</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(934,667)</u>	<u>(4,449,380)</u>	<u>(3,100,216)</u>	<u>(8,484,263)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	2,587,585	2,587,585
Transfers to other funds	(2,687,244)	-	(341)	(2,687,585)
Premium (discount) on bond issue	-	6,978	-	6,978
Issuance of long-term debt	<u>3,055,869</u>	<u>3,500,000</u>	<u>995,000</u>	<u>7,550,869</u>
Total other financing sources (uses)	<u>368,625</u>	<u>3,506,978</u>	<u>3,582,244</u>	<u>7,457,847</u>
Net change in fund balances	(566,042)	(942,402)	482,028	(1,026,416)
Fund balances, beginning of year	<u>12,096,114</u>	<u>5,491,736</u>	<u>3,420,978</u>	<u>21,008,828</u>
Fund balances, end of year	<u>\$ 11,530,072</u>	<u>\$ 4,549,334</u>	<u>\$ 3,903,006</u>	<u>\$ 19,982,412</u>

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

City of Hopkinsville, Kentucky
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds	\$ (1,026,416)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$7,399,667 exceeded depreciation of (\$3,465,420) in the current period.	3,934,247
Issuance of debt is revenue in the governmental funds, but the debt increases long-term liabilities in the statement of net position.	(4,501,978)
Certain imposed nonexchange revenues were not recognized in the governmental funds because they were not available at June 30, 2019. The change in this account balance is a reconciling item for this statement.	570,571
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 (\$247,866) is reported with governmental activities.	(247,866)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,616,607
Changes in net pension and OPEB liability obligations and related deferred outflows and inflows of resources are an obligation not payable from current year resources and are not reported as an expenditure of the current year. In the statement of activities, these costs represent expenses of the current year.	(5,865,751)
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 \$41,157 with an overall gain of \$0.	(41,157)
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 (\$548), decrease in accrued interest payable of \$52,993, amortization of deferred charges of (\$2,799), and amortization of debt premium/(discount) net of \$10,527.	<u>60,173</u>
Change in net position of governmental activities	<u>\$ (5,501,570)</u>

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

City of Hopkinsville, Kentucky
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-type Activities Enterprise Fund Tie Breaker Family Aquatic	Governmental Activities Internal Service Fund
ASSETS		
Current assets:		
Pooled cash and cash equivalents	\$ -	\$ -
Non-pooled cash and cash equivalents	145,266	391,965
Prepaid expenses	<u>-</u>	<u>-</u>
Total current assets	<u>145,266</u>	<u>391,965</u>
Noncurrent assets:		
Capital assets:		
Land and construction in progress	-	-
Capital assets, net of accumulated depreciation	<u>2,646,972</u>	<u>-</u>
Total noncurrent assets	<u>2,646,972</u>	<u>-</u>
Total assets	<u>\$ 2,792,238</u>	<u>\$ 391,965</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 17,958	\$ -
Incurred, not yet reported	<u>-</u>	<u>74,074</u>
Total current liabilities	<u>17,958</u>	<u>74,074</u>
Noncurrent liabilities:		
Total noncurrent liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>17,958</u>	<u>74,074</u>
NET POSITION		
Net investment in capital assets	2,646,972	-
Unrestricted	<u>127,308</u>	<u>317,891</u>
Total net position	<u>2,774,280</u>	<u>317,891</u>
Total liabilities and net position	<u>\$ 2,792,238</u>	<u>\$ 391,965</u>

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

City of Hopkinsville, Kentucky
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Business-type Activities <u>Enterprise Fund</u> Tie Breaker Family Aquatic	Governmental Activities <u>Internal Service Fund</u>
OPERATING REVENUES		
Charges for services	\$ 277,428	\$ -
Employee contributions	-	471,879
Employer contributions	-	1,942,357
Other revenue	-	130
	<u>277,428</u>	<u>2,414,366</u>
Total operating revenues		
OPERATING EXPENSES		
Management contract	214,742	-
Maintenance	22,525	-
Marketing	37,177	-
Operations	10,188	-
Supplies	11,460	-
Utilities	106,473	-
Depreciation	105,523	-
Administrative	-	191,928
Claims expense	-	2,479,316
	<u>508,088</u>	<u>2,671,244</u>
Total operating expenses		
Operating income (loss)	<u>(230,660)</u>	<u>(256,878)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	1,528	9,012
Gain (loss) on sale of equipment	-	-
	<u>1,528</u>	<u>9,012</u>
Total nonoperating revenues (expenses)		
Income (loss) before transfers	<u>(229,132)</u>	<u>(247,866)</u>
Transfers in	100,000	-
Transfers out	-	-
	<u>100,000</u>	<u>-</u>
Total transfers and capital contributions		
Change in net position	(129,132)	(247,866)
Net position, beginning of year	<u>2,903,412</u>	<u>565,757</u>
Net position, end of year	<u>\$ 2,774,280</u>	<u>\$ 317,891</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, 2019

	Business-type Activities Enterprise Fund Tie Breaker Family Aquatic	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 277,428	\$ 2,414,366
Cash payments to suppliers	(347,394)	(191,928)
Cash payments for claims	<u>-</u>	<u>(2,631,420)</u>
Net cash provided by (used in) operating activities	<u>(69,966)</u>	<u>(408,982)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	100,000	-
Transfers out	<u>-</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>100,000</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	-	-
Payments for capital acquisitions	<u>-</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>1,528</u>	<u>9,012</u>
Net cash provided by (used in) investing activities	<u>1,528</u>	<u>9,012</u>
Net increase (decrease) in cash and cash equivalents	31,562	(399,970)
Cash and cash equivalents, beginning of year	<u>113,704</u>	<u>791,935</u>
Cash and cash equivalents, end of year	<u><u>\$ 145,266</u></u>	<u><u>\$ 391,965</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	\$ (230,660)	\$ (256,878)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	105,523	-
(Increase) decrease in assets:		
Prepaid expense	53,260	-
Increase (decrease) in liabilities:		
Accounts payable	1,911	-
Accrued liabilities	<u>-</u>	<u>(152,104)</u>
Net cash provided by (used in) operating activities	<u><u>\$ (69,966)</u></u>	<u><u>\$ (408,982)</u></u>

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

City of Hopkinsville, Kentucky
Policemen's and Firefighter's Pension Fund
Statement of Net Position
Fiduciary Funds
June 30, 2019

ASSETS

Cash and cash equivalents	\$ 449,370
Investments, at fair value	<u>637,029</u>
Total assets	<u><u>\$ 1,086,399</u></u>

LIABILITIES

Accounts payable	<u>\$ -</u>
Total liabilities	<u>-</u>

NET POSITION

Net position restricted for pensions	<u><u>\$ 1,086,399</u></u>
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The notes to the basic financial statements are an integral part of this statement.

City of Hopkinsville, Kentucky
Policemen's and Firefighter's Pension Fund
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2019

ADDITIONS

Contributions:

Employer	\$ 285,000
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Investment earnings:

Net increase (decrease) in fair value investments	25,683
Interest and dividends	<u>24,267</u>
Net investment earnings	<u>49,950</u>

Total additions	334,950
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DEDUCTIONS

Benefits paid	261,712
Administrative expenses	<u>16,156</u>

Total deductions	<u>277,868</u>
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Net increase (decrease) in net position	57,082
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Net position, beginning of year	<u>1,029,317</u>
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Net position, end of year	<u><u>\$ 1,086,399</u></u>
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The notes to the basic financial statements are an integral part of this statement.

City of Hopkinsville, Kentucky
Statement of Net Position
Component Units
June 30, 2019

	Major			
	Hopkinsville Water Environment Authority	Hopkinsville Solid Waste Enterprise	Hopkinsville Surface and Stormwater Utility	Total
ASSETS				
Cash and cash equivalents	\$ 7,284,382	\$ 2,044,769	\$ 2,148,783	\$ 11,477,934
Accounts receivable	1,113,356	902,487	85,097	2,100,940
Inventory	251,413	-	-	251,413
Prepaid insurance	31,410	-	-	31,410
Accrued interest on note receivable	323	-	-	323
Other current assets	-	55,902	-	55,902
Notes receivable	129,218	-	-	129,218
Other receivables	4,413,212	-	18,653	4,431,865
Restricted assets:				
Cash and cash equivalents	2,081,443	224,832	-	2,306,275
Investments	-	98,791	-	98,791
Capital assets, net of depreciation:				
Land and construction in progress	4,888,894	2,921,291	1,549,169	9,359,354
Depreciable capital assets	<u>101,939,413</u>	<u>6,663,909</u>	<u>6,739,371</u>	<u>115,342,693</u>
Net capital assets	<u>106,828,307</u>	<u>9,585,200</u>	<u>8,288,540</u>	<u>124,702,047</u>
Total assets	<u>122,133,064</u>	<u>12,911,981</u>	<u>10,541,073</u>	<u>145,586,118</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pension	2,113,918	1,842,913	-	3,956,831
Deferred outflows from OPEB	635,344	536,594	-	1,171,938
Deferred refunding costs	<u>426,602</u>	<u>-</u>	<u>-</u>	<u>426,602</u>
Total deferred outflows of resources	<u>3,175,864</u>	<u>2,379,507</u>	<u>-</u>	<u>5,555,371</u>
Total assets and deferred outflows of resources	<u>\$ 125,308,928</u>	<u>\$ 15,291,488</u>	<u>\$ 10,541,073</u>	<u>\$ 151,141,489</u>

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

City of Hopkinsville, Kentucky
Statement of Net Position, continued
Component Units
June 30, 2019

	Major			
	Hopkinsville Water Environment Authority	Hopkinsville Solid Waste Enterprise	Hopkinsville Surface and Stormwater Utility	Total
LIABILITIES				
Accounts payable	\$ 356,490	\$ 417,556	\$ 19,784	\$ 793,830
Accrued salaries	50,757	106,154	-	156,911
Accrued interest	231,331	-	47,367	278,698
Construction retainage payable	-	-	-	-
Customer deposits	115,495	-	-	115,495
Accrued compensated absences, current portion	224,715	81,180	-	305,895
Current portion of long-term debt	2,906,492	136,817	-	3,043,309
Payable to City of Hopkinsville, current portion	1,710,000	1,864,547	170,000	3,744,547
Long-term liabilities:				
Compensated absences, net of current portion	224,574	460,019	-	684,593
Revenue bonds payable, net of current portion	2,097,500	-	-	2,097,500
Revenue leases - Planters, net of current portion	1,237,568	-	-	1,237,568
KIA - loans payable, net of current portion	37,576,815	-	-	37,576,815
Notes payable, net of current portion	-	552,180	-	552,180
Payable to City of Hopkinsville, net of current portion	15,918,461	839,589	3,662,945	20,420,995
Net pension liability	7,930,917	5,727,749	-	13,658,666
Net OPEB liability	2,311,977	1,669,733	-	3,981,710
Accrued landfill closure costs	-	8,705,865	-	8,705,865
Total liabilities	<u>72,893,092</u>	<u>20,561,389</u>	<u>3,900,096</u>	<u>97,354,577</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - USACE	4,599,873	-	-	4,599,873
Deferred inflows from pension	779,300	418,865	-	1,198,165
Deferred inflows from OPEB	<u>529,975</u>	<u>316,800</u>	<u>-</u>	<u>846,775</u>
Total deferred inflows of resources	<u>5,909,148</u>	<u>735,665</u>	<u>-</u>	<u>6,644,813</u>
NET POSITION				
Net investment in capital assets	45,808,073	6,192,067	4,455,595	56,455,735
Restricted:				
Capital projects	-	-	-	-
Debt reserves	2,081,443	-	-	2,081,443
Unrestricted (deficit)	<u>(1,382,828)</u>	<u>(12,197,633)</u>	<u>2,185,382</u>	<u>(11,395,079)</u>
Total net position	<u>46,506,688</u>	<u>(6,005,566)</u>	<u>6,640,977</u>	<u>47,142,099</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 125,308,928</u>	<u>\$ 15,291,488</u>	<u>\$ 10,541,073</u>	<u>\$ 151,141,489</u>

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

City of Hopkinsville, Kentucky
Statement of Activities
Component Units
For the Year Ended June 30, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Hopkinsville Water Environment Authority	Hopkinsville Solid Waste Enterprise	Hopkinsville Surface and Stormwater Utility	Totals
EXPENSES								
COMPONENT UNITS								
Hopkinsville Water Environment Authority	\$ (16,940,807)	\$ 17,575,757	\$ -	\$ 58,009	\$ 692,959	\$ -	\$ -	\$ 692,959
Hopkinsville Solid Waste Enterprise	(12,365,909)	8,302,113	-	-	-	(4,063,796)	-	(4,063,796)
Hopkinsville Surface and Stormwater Utility	(1,095,575)	1,186,203	30,326	21,500	-	-	142,454	142,454
Total component units	<u>\$ (30,402,291)</u>	<u>\$ 27,064,073</u>	<u>\$ 30,326</u>	<u>\$ 79,509</u>	<u>692,959</u>	<u>(4,063,796)</u>	<u>142,454</u>	<u>(3,228,383)</u>
GENERAL REVENUES:								
					355,392	67,627	39,503	462,522
					-	100,344	-	100,344
					<u>382,546</u>	<u>7,503</u>	<u>-</u>	<u>390,049</u>
					<u>737,938</u>	<u>175,474</u>	<u>39,503</u>	<u>952,915</u>
					1,430,897	(3,888,322)	181,957	(2,275,468)
					<u>45,075,791</u>	<u>(2,117,244)</u>	<u>6,459,020</u>	<u>49,417,567</u>
					<u>\$ 46,506,688</u>	<u>\$ (6,005,566)</u>	<u>\$ 6,640,977</u>	<u>\$ 47,142,099</u>

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

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

1. Summary of Significant Accounting Policies

The financial statements of the City of Hopkinsville, Kentucky (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, Kentucky 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 has three discretely presented component units.

Discretely Presented Component Units

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

Hopkinsville Solid Waste Enterprise (Solid Waste) is responsible for the management and operation of the solid waste operations in the City. The City's governing body appoints Solid Waste's governing board. The City's governing body also approves the rates for user charges and bond issuance authorizations. The legal liability for the general obligation portion of Solid Waste's debt remains with the government. Solid Waste is presented as a

**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

proprietary fund type. Complete financial statements for this individual component unit may be obtained at the entity's administrative office located at 5665 Mt. Zoar Road, Hopkinsville, Kentucky 42240.

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

Joint Ventures

The City has joined with the local government, Christian County, Kentucky (the County), to form organizations for performance of certain activities. These joint ventures are legally separate organizations for which the City has an ongoing financial interest or financial responsibility. The joint ventures are not accumulating significant financial resources or experiencing fiscal stress that would cause an additional financial benefit to or burden on the City of Hopkinsville in the future. Financial statements may be obtained from the City's Chief Financial Officer. The following lists these joint ventures with the amount of City funding for the year ended June 30, 2019:

<u>Agency</u>	<u>City Funding</u>
Hopkinsville-Christian County Ambulance Service District	\$ -
Hopkinsville-Christian County Drug & Violent Crimes Strike Force	-
Hopkinsville-Christian County Emergency Communications Center	855,636
Hopkinsville-Christian County Public Library	368,600

Jointly Governed Organizations

The City has joined with the County to form organizations for performance of certain activities. These organizations include representative(s) from the City and County, but the City has no financial interest or financial responsibility for them. The following lists these jointly governed organizations with the amount of City funding for the year ended June 30, 2019:

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

1. Summary of Significant Accounting Policies, continued

A. Reporting Entity, continued

Jointly Governed Organizations, continued

<u>Agency</u>	<u>City Funding</u>
Hopkinsville-Christian County Airport Board	\$ 38,000
Hopkinsville-Christian County Convention & Visitor's Bureau	49,440
Hopkinsville-Christian County Economic Development Council	183,000
Hopkinsville-Christian County Community Development Services	562,814
Museums of Historic Hopkinsville-Christian County	40,170

Related Organizations

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

<u>Agency</u>	<u>City Funding</u>
Christian County-Hopkinsville Development Corporation	\$ -
Hopkinsville-Christian County Conference Center Corporation	-
Hopkinsville Electric System	-

B. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include all of the non-fiduciary financial activities of the City and its component units.

The statement of net position presents the financial condition of the governmental and business-type 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 and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues not classified as program revenues are presented as general revenues of the City, with certain

**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

limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from general revenues of the City.

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

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 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.

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

1. Summary of Significant Accounting Policies, continued

C. Fund Accounting, continued

Governmental Funds, continued

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

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

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

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

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

Urban Development Action Grant Fund – established to account for federal money restricted for loans within the community for development of businesses.

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

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

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

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

1. Summary of Significant Accounting Policies, continued

C. Fund Accounting, continued

Governmental Funds, continued

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

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

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

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

WINS Construction Fund – established to account for multiple projects and construction that are part of the WINS project. This is a major fund of the City.

Probation & Parole Remodel Fund – established to account for the renovation of the relocated Probation and Parole office building.

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

Proprietary Funds

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

Enterprise Funds – Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The City reports the following as an enterprise fund:

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

**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. The City reports the following as an internal service fund:

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

Fiduciary Funds

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

D. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

1. Summary of Significant Accounting Policies, continued

D. Measurement Focus, continued

Fund Financial Statements, continued

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

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

The pension trust fund is 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 in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Revenues – Exchange and Non-Exchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis (for government-wide financial statements) when the exchange takes place. On the modified accrual basis (for governmental fund financial statements), revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty days of year end.

**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

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 thirty 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 (for governmental fund financial statements), revenue from non-exchange transactions must also be available before it can be recognized.

The following is a list of primary revenue sources which have been treated as susceptible to accrual under the modified accrual basis, and which have not:

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

Deferred Revenue

On the accrual basis of accounting, 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.

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.

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

1. Summary of Significant Accounting Policies, continued

F. Deposits and Investments, continued

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

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. Major receivable balances include property taxes, payroll taxes, insurance premium taxes, and other similar taxes. Other receivables include interlocal note receivables and intergovernmental receivables.

H. Inventory

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

I. Prepaid Items

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

J. Restricted Assets

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

Certain proceeds of revenue and general obligation bonds of HWEA, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. The "Bond and Interest Redemption" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "Depreciation" and "Equipment Maintenance and Replacement" accounts are used to report resources set aside for unusual or extraordinary maintenance, repairs, renewals and/or replacements or extensions, additions and/or improvements. The "Construction" account is used to report bond proceeds restricted for use in the cost of future expansion and rehabilitation. The "Unemployment" account is used to accumulate funds to provide for possible claims. Reservations of equity show amounts that are not appropriate for expenditures or are legally restricted for specific uses. HWEA first applies restricted resources for expenditures for which both restricted and unrestricted net position are available.

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

1. Summary of Significant Accounting Policies, continued

J. Restricted Assets, continued

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

K. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of pavements, storm sewers, water lines, and sanitary sewers.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. 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	15-40 Years
Equipment	5-10 Years
Infrastructure	20-40 Years
Land Improvements	10-20 Years
Vehicles	5-7 Years

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

1. Summary of Significant Accounting Policies, continued

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 position.

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, 2019.

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

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. Long-Term Debt

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

The City issued new bonds during the year to finance the WINS and Probation & Parole Remodel projects.

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

1. Summary of Significant Accounting Policies, continued

P. Pensions and Other Postemployment Benefits (“OPEB”)

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

Q. Deferred Outflows and Inflows of Resources

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

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

R. Net Position

Net position represents the sum of assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position is classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- *Net investment in capital assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets plus deferred outflows of resources less deferred inflows of resources related to those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* – This component of net position consists of amounts with restrictions placed on net position through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

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

1. Summary of Significant Accounting Policies, continued

R. Net Position, continued

- *Unrestricted* – This component of net position consists of amounts that do not meet the definition of “restricted” or “net investment in capital assets”.

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

The City had deficit unrestricted net position of \$49,491,134 at June 30, 2019. This deficit is primarily due to the accrual of both the net pension liability and the net OPEB liability. The City expects results from future operations to fund such costs.

HWEA had deficit unrestricted net position of \$1,382,828 at June 30, 2019. This deficit is caused primarily due to the accrual of both the net pension liability and the net OPEB liability. HWEA expects results from future operations to fund such costs.

Solid Waste had deficit unrestricted net position of \$12,197,633 at June 30, 2019. This deficit is primarily due to the accrual of landfill closure costs, net pension liability, and net OPEB liability. Solid Waste expects results from future operations to fund such costs.

S. Fund Balance

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

The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the City itself, by ordinance approved by City Council. To be reported as committed, amounts cannot be used for any other purpose unless the City takes action to remove or change the constraint.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

S. Fund Balance, continued

- Assigned fund balance – amounts the City intends to use for a specific purpose (such as encumbrances), but are neither restricted nor committed. Intent is expressed by the City Council or by any other official or body to which the City Council has delegated the authority to assign amounts to be used for a specific purpose.
- Unassigned fund balance – amounts that are available for any purpose. The General Fund is the only governmental fund which reports an unassigned fund balance.

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

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

In the General Fund, City Council formally adopted a fund balance commitment policy to establish a Capital Equipment Replacement Reserve. The policy authorized initial funding of \$500,000 and additional funding on an annual basis of 50% of excess revenues (if any) in the General Fund. This committed fund balance was established to set aside funds for the purchase and/or replacement of City owned and operated equipment. The City also strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 25% of the actual GAAP (Generally Accepted Accounting Principles) basis expenditures and other financing sources and uses.

T. Interfund Activity

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

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

U. Use of Estimates

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

V. Budgetary Information

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

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

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

W. Adoption of New Accounting Pronouncements

During the year ended June 30, 2019, management adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. GASB Statement No. 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities should be included when disclosing information related to debt.

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

2. Deposits and Investments

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

A. Deposits

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires banks doing business with the City to pledge securities in an amount to exceed uninsured funds on deposit by the City.

As of June 30, 2019, the City did not have any deposited funds exposed to custodial credit risk.

As of June 30, 2019, HWEA, Solid Waste, and Stormwater did not have any deposited funds exposed to custodial credit risk.

B. Investments

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, 2019, none of the City's investments were subject to custodial credit risk.

Credit Risk

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

Concentration of Credit Risk

The City places no limit on the amount that may be invested in any one issuer. The City's investments are in certificates of deposits, US government securities, municipal bonds, and mutual funds; all of these types of investments are specifically excluded from this type of risk.

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

2. Deposits and Investments, continued

B. Investments, continued

Interest Rate Risk

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

The investments for City of Hopkinsville consisted of the following as of June 30, 2019:

	<u>Fair Value/ Carrying Value</u>	<u>Average Credit Rating</u>	<u>Average Maturity</u>
<u>Types of Investments:</u>			
Primary Government:			
Certificates of deposits	\$ 38,134	N/A	0.20 Years
US Gov't securities	220,887	AAA	6.25 Years
Mutual funds	<u>416,221</u>	N/A	N/A
Total primary government investments	<u>\$ 675,242</u>		
Pension Trust Fund:			
Certificates of deposits	\$ 180,102	N/A	3.23 Years
US Gov't securities	150,086	N/A	7.93 Years
Municipal bonds	<u>306,841</u>	AA	5.40 Years
Total pension trust fund investments	<u>\$ 637,029</u>		

The investments for Solid Waste consisted of the following as of June 30, 2019:

	<u>Fair Value/ Carrying Value</u>	<u>Average Credit Rating</u>	<u>Average Maturity</u>
<u>Types of Investments:</u>			
Certificates of deposits	<u>\$ 98,791</u>	N/A	2 Years
Total Solid Waste investments	<u>\$ 98,791</u>		

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

2. Deposits and Investments, continued

B. Investments, continued

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The asset's fair value measurement within the fair value hierarchy is based on the lowest level of any input this is significant to the fair value measurement. The inputs or methodology used for valuing securities are not an indication of risk associated with those securities.

The City has the following fair value measurements as of June 30, 2019:

<u>Fair Value Measurements Using:</u>				
	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>Types of Investments:</u>				
Primary Government:				
Certificates of deposits	\$ 38,134	\$ -	\$ 38,134	\$ -
US Gov't securities	220,887	220,887	-	-
Mutual funds	<u>416,221</u>	<u>416,221</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 675,242</u>	<u>\$ 637,108</u>	<u>\$ 38,134</u>	<u>\$ -</u>
Pension Trust Fund:				
Certificates of deposits	\$ 180,102	\$ -	\$ 180,102	\$ -
US Gov't securities	150,086	150,086	-	-
Municipal bonds	<u>306,841</u>	<u>306,841</u>	<u>-</u>	<u>-</u>
Total pension trust fund	<u>\$ 637,029</u>	<u>\$ 456,927</u>	<u>\$ 180,102</u>	<u>\$ -</u>

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

2. Deposits and Investments, continued

B. Investments, continued

Solid Waste has the following fair value measurements as of June 30, 2019:

		<u>Fair Value Measurements Using:</u>		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Types of Investments:</u>	<u>Fair Value</u>			
Certificates of deposits	\$ 98,791	\$ -	\$ 98,791	\$ -
Total Solid Waste	\$ 98,791	\$ -	\$ 98,791	\$ -

C. Restricted Assets

Debt issued in the City's name on behalf of component units is reported as debt both by the City and the component unit, with an offsetting receivable in restricted assets on the City's Statement of Net Position for the amount owed by the component unit.

The balances of the City's restricted asset accounts are as follows as of June 30, 2019:

<u>Due from Component Units:</u>	
Hopkinsville Water Environment Authority	\$ 17,628,461
Hopkinsville Solid Waste Enterprise	2,704,136
Hopkinsville Surface & Stormwater Utility	<u>3,832,945</u>
Total - due from component units	<u>\$ 24,165,542</u>
<u>Temporarily restricted:</u>	
Debt proceeds in checking	\$ 5,218,049
Money market funds, expendable trust	106,919
Investments, expendable trust	<u>233,509</u>
Total	<u>\$ 5,558,477</u>
<u>Permanently restricted:</u>	
Money market funds, non-expendable trust	\$ 80,379
Investments, non-expendable trust	<u>403,599</u>
Total	<u>\$ 483,978</u>

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

2. Deposits and Investments, continued

C. Restricted Assets, continued

The balances of HWEA's expendable restricted asset accounts are as follows as of June 30, 2019:

Construction	\$ -
Equipment maintenance and replacement	<u>2,081,443</u>
Total restricted assets	<u>\$ 2,081,443</u>

The equipment maintenance and replacement fund includes \$2,081,443 set aside to meet reserve requirements associated with loans with the Kentucky Infrastructure Authority.

The balances of Solid Waste's restricted asset accounts are as follows as of June 30, 2019:

Landfill closure costs	\$ 98,791
Capital reserve	<u>224,832</u>
Total restricted assets	<u>\$ 323,623</u>

3. Receivables

A. 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 each 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, 2019, was \$.231 real and \$.251 personal per \$100, which means that the City has a tax margin of approximately \$1.269 for real and \$1.249 for personal per \$100. The City is subject to an absolute maximum tax rate in that House Bill 44 prohibits levying a tax rate that will produce more revenue, exclusive of revenue from net assessment growth, than would be produced by application of the tax rate that was levied in the preceding year to the preceding year's assessment. The effect of this legislation has been to limit increases in property tax revenues to minimal levels.

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

3. Receivables, continued

B. Accounts Receivable

HWEA's net customer receivables include the following as of June 30, 2019:

Customer accounts receivable	\$ 1,098,644
Allowance for uncollectible accounts	-
Miscellaneous receivables	<u>14,712</u>
Total customer receivables - HWEA	<u><u>\$ 1,113,356</u></u>

Uncollectible accounts are written off as bad debts in the period in which, in management's opinion, collection is unlikely. Normally, all accounts over 90 days old are written off as bad debts. Net bad debt expense was \$88,806 for the year ended June 30, 2019.

Solid Waste's net customer receivables include the following as of June 30, 2019:

Customer accounts receivable	\$ 904,940
Allowance for uncollectible accounts	<u>(2,453)</u>
Total customer receivables - Solid Waste	<u><u>\$ 902,487</u></u>

The allowance for uncollectible accounts is based on outstanding account balances in excess of 90 days. Uncollectible accounts are written off as bad debts in the period in which, in management's opinion, collection is unlikely. Bad debt expense was \$(5,932) for the year ended June 30, 2019.

Stormwater's net customer receivables include the following as of June 30, 2019:

Customer accounts receivable	\$ 89,576
Allowance for uncollectible accounts	<u>(4,479)</u>
Total customer receivables - Stormwater	<u><u>\$ 85,097</u></u>

The allowance for uncollectible accounts is based on collection rates of similar organizations in the industry. Bad debt expense was \$(144) for the year ended June 30, 2019.

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

3. Receivables, continued

C. Other Receivables/Deferred Revenues

During the year ended June 30, 2015, HWEA entered into agreements with the U.S. Army Corps of Engineers (USACE) to design and construct a natural gas pipeline and a water line to serve the Fort Campbell Army Post with a redundant connection for natural gas and domestic water. These construction projects were to be financed with loans from a local bank; but, once complete, HWEA was to be reimbursed for the full amount of the projects over a ten-year period by USACE. As a result of this arrangement, HWEA recorded two separate receivables (with deferred revenue offsetting each receivable) for the amount of funds drawn on each loan. Upon reimbursement by USACE, HWEA would begin to write down the other receivable and amortize to revenue the deferred revenue balance over the same period of time the underlying assets are being depreciated.

During the year ended June 30, 2018, the water line project described above was completed, the line of credit associated with that particular project was closed out, and USACE began repaying HWEA. The first installment payment was a lump sum payment of \$2,499,906 followed by regular monthly installments. USACE is currently making monthly installment payments of \$24,325 including interest at 4.0%, due in August 2027. The balance of this other receivable was \$2,013,212 at June 30, 2019. Deferred revenue associated with this water line project is also being amortized now that the project has been completed and put into service. For the year ended June 30, 2019, \$143,587 was amortized to miscellaneous income. The balance of this deferred revenue account was \$4,599,873 at June 30, 2019.

During the year ended June 30, 2019, the natural gas pipeline portion of this project was terminated by USACE. Upon termination, HWEA cleared all construction costs from their books, zeroed out the other receivable and deferred revenue accounts associated with this project, paid off the line of credit balance that had been used to fund this project, and recorded a receivable for \$2,400,000, which was the amount to be reimbursed by USACE for costs incurred on the terminated project. The balance of the other receivable was \$2,400,000 at June 30, 2019. The balance of the deferred revenue account was \$0 at June 30, 2019.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

4. Capital Assets

A summary of City governmental activities property, plant and equipment activity for the year ended June 30, 2019, is as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 2,180,850	\$ 20,000	\$ -	\$ 2,200,850
Construction in Progress	7,128,935	626,849	2,455,703	5,300,081
Total Capital Assets Not Being Depreciated	<u>9,309,785</u>	<u>646,849</u>	<u>2,455,703</u>	<u>7,500,931</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	21,516,424	5,662,685	109,614	27,069,495
Equipment	9,773,747	782,727	1,659,300	8,897,174
Infrastructure	21,734,035	598,155	-	22,332,190
Land Improvements	9,869,776	478,185	-	10,347,961
Vehicles	7,221,864	1,686,767	1,079,152	7,829,479
Total Capital Assets Being Depreciated	<u>70,115,846</u>	<u>9,208,519</u>	<u>2,848,066</u>	<u>76,476,299</u>
Less Accumulated Depreciation:				
Buildings and Improvements	5,922,830	677,434	90,858	6,509,406
Equipment	6,750,372	794,986	1,658,045	5,887,313
Infrastructure	14,700,279	867,477	-	15,567,756
Land Improvements	3,868,336	489,262	-	4,357,598
Vehicles	5,252,912	636,261	1,058,007	4,831,166
Total Accumulated Depreciation	<u>36,494,729</u>	<u>3,465,420</u>	<u>2,806,910</u>	<u>37,153,239</u>
Total	<u>\$ 42,930,902</u>	<u>\$ 6,389,948</u>	<u>\$ 2,496,859</u>	<u>\$ 46,823,991</u>

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

Depreciation expense charged to governmental activities for the year ended June 30, 2019 was as follows:

General Government	\$ 425,212
Public Safety	1,091,735
Public Works	1,172,496
Community Development	377,388
Parks and Recreation	<u>398,589</u>
Total depreciation expense	<u>\$3,465,420</u>

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

4. Capital Assets, continued

A summary of City business-type activities property, plant and equipment activity for the year ended June 30, 2019, is as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<u>Business-type Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Capital Assets Being Depreciated:				
Buildings and Improvements	3,792,630	-	-	3,792,630
Equipment	371,779	-	-	371,779
Total Capital Assets Being Depreciated	4,164,409	-	-	4,164,409
Less Accumulated Depreciation:				
Buildings and Improvements	1,073,633	96,177	-	1,169,810
Equipment	338,281	9,346	-	347,627
Total Accumulated Depreciation	1,411,914	105,523	-	1,517,437
Total	\$ 2,752,495	\$ (105,523)	\$ -	\$ 2,646,972

Depreciation expense charged to business-type activities for the year ended June 30, 2019 was \$105,523.

A summary of HWEA's business-type activities property, plant and equipment activity for the year ended June 30, 2019, is as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<u>Business-type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,571,840	\$ -	\$ -	\$ 1,571,840
Construction in Progress	8,739,416	743,641	6,166,003	3,317,054
Total Capital Assets Not Being Depreciated	10,311,256	743,641	6,166,003	4,888,894
Capital Assets Being Depreciated:				
Structures and Improvements	169,167,046	4,278,394	43,493	173,401,947
Equipment	9,651,737	479,044	7,536	10,123,245
Vehicles	1,342,920	86,211	42,960	1,386,171
Total Capital Assets Being Depreciated	180,161,703	4,843,649	93,989	184,911,363
Less Accumulated Depreciation:				
Structures and Improvements	68,971,933	4,285,716	24,053	73,233,596
Equipment	8,840,068	200,347	11,148	9,029,267
Vehicles	616,099	126,092	33,104	709,087
Total Accumulated Depreciation	78,428,100	4,612,155	68,305	82,971,950
Total	\$ 112,044,859	\$ 975,135	\$ 6,191,687	\$ 106,828,307

Depreciation expense for HWEA for the year ended June 30, 2019 was \$4,612,155.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

4. Capital Assets, continued

A summary of Solid Waste business-type activities property, plant and equipment activity for the year ended June 30, 2019, is as follows:

<u>Business-type Activities</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Capital Assets Not Being Depreciated:				
Land	\$ 615,582	\$ -	\$ -	\$ 615,582
Construction in Progress	1,994,501	311,208	-	2,305,709
Total Capital Assets Not Being Depreciated	<u>2,610,083</u>	<u>311,208</u>	<u>-</u>	<u>2,921,291</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	728,179	-	-	728,179
Equipment	8,628,518	4,130,753	3,341,720	9,417,551
Land Improvements	1,951,030	139,047	16,405	2,073,672
Total Capital Assets Being Depreciated	<u>11,307,727</u>	<u>4,269,800</u>	<u>3,358,125</u>	<u>12,219,402</u>
Less Accumulated Depreciation:				
Buildings and Improvements	108,814	16,929	-	125,743
Equipment	4,501,073	1,112,793	1,275,559	4,338,307
Land Improvements	978,720	129,128	16,405	1,091,443
Total Accumulated Depreciation	<u>5,588,607</u>	<u>1,258,850</u>	<u>1,291,964</u>	<u>5,555,493</u>
Total	<u>\$ 8,329,203</u>	<u>\$ 3,322,158</u>	<u>\$ 2,066,161</u>	<u>\$ 9,585,200</u>

Depreciation expense for Solid Waste for the year ended June 30, 2019 was \$1,258,840.

A summary of Stormwater business-type activities property, plant and equipment activity for the year ended June 30, 2019, is as follows:

<u>Business-type Activities</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Capital Assets Not Being Depreciated:				
Land	\$ 797,010	\$ 111,273	\$ -	\$ 908,283
Construction in Progress	478,116	226,776	64,006	640,886
Total Capital Assets Not Being Depreciated	<u>1,275,126</u>	<u>338,049</u>	<u>64,006</u>	<u>1,549,169</u>
Capital Assets Being Depreciated:				
Infrastructure	<u>8,435,952</u>	<u>78,676</u>	<u>-</u>	<u>8,514,628</u>
Less Accumulated Depreciation:				
Infrastructure	<u>1,436,770</u>	<u>338,487</u>	<u>-</u>	<u>1,775,257</u>
Total	<u>\$ 8,274,308</u>	<u>\$ 78,238</u>	<u>\$ 64,006</u>	<u>\$ 8,288,540</u>

Depreciation expense for Stormwater for the year ended June 30, 2019 was \$338,487.

**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 Systems, which established the Standard Unused Sick Leave Program. This Program provides for members with a participation date prior to September 1, 2008, to receive service credit for all unused accumulated sick leave at the time of retirement. Members with a participation date on September 1, 2008 through December 31, 2013 may receive a maximum of twelve months of service credit for unused sick time. Members with a participation date after December 31, 2013 cannot receive service credit for unused sick time. The amount of service credit is based on a mathematical calculation with a factor that considers the retiree's wage, age, and years of service.

6. Defined Benefit Pension Plans

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

A. County Employees Retirement Systems

Plan Description:

Employees of the City, as well as employees of HWEA and Solid Waste, are provided a defined benefit pension plan through the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by Kentucky Retirement System (KRS), an agency of the Commonwealth of Kentucky. Under the provisions of Kentucky Revised Statute Section 78.520, the Board of Trustees (the Board) of KRS administers CERS, Kentucky Employee Retirement System, and State Police Retirement System. Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to members of that plan, and a pro rata share of administrative costs.

The CERS pension plan has two categories: Non-hazardous for general employees and hazardous for police and fire employees. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may also be extended to beneficiaries of plan members under certain circumstances.

KRS issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or it may be found at the KRS website at www.kyret.ky.gov.

Schedules pertaining to the City's and component units' proportionate share of the CERS net pension liability are located at pages 115 & 116.

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

6. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

Benefits Provided:

Kentucky Revised Statute section 61.645 establishes the benefit terms and can be amended only by the Kentucky General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. There are currently three benefit tiers. Tier 1 members are those participating in the plan before 9/1/2008; tier 2 members are those who began participation 9/1/2008 through 12/31/13; and tier 3 members are those who began participation on or after 1/1/14.

Tier 1 non-hazardous members are eligible to retire with an unreduced benefit at age 65 with four years of service credit or after 27 years of service regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation, which contain at least 48 months. Reduced benefits for early retirement are available at age 55 and vested or 25 years of service credit. Members vest with five years of service credit. Service related disability benefits are provided after five years of service. Tier 2 non-hazardous members are eligible to retire based on the rule of 87: the member must be at least age 57 and age plus earned service must equal 87 years at retirement or at 65 with five years of service credit. Benefits are determined by a formula using the member's highest five consecutive year average compensation, which must be 60 months. Reduced benefits for early retirement are available at age 60 with 10 years of service. Tier 3 non-hazardous members are also eligible to retire based on the rule of 87. Benefits are determined by a life annuity calculated in accordance with actuarial assumptions and methods adopted by the Board based on a member's accumulated account balance. Tier 3 members are not eligible for reduced retirement benefits.

Tier 1 hazardous members are eligible to retire with an unreduced benefit at age 55 with five years of service credit or after 20 years of service credit regardless of age. Benefits are determined by a formula using the member's highest three consecutive year average compensation, which must have at least 24 months. Reduced benefits for early retirement are available at age 50 with 15 years of service credit. Tier 2 hazardous members are eligible to retire at any age with 25 years of service or at age 60 with 5 years of service credit. Benefits are determined by a formula using the member's highest three consecutive year average compensation, which must be 36 months. Reduced benefits for early retirement are available at age 50 with 15 years of service. Tier 3 hazardous members are also eligible to retire at any age with 25 years of service or at age 60 with 5 years of service. Tier 3 members are not eligible for reduced retirement benefits.

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 month prior to the effective

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

6. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

Benefits Provided, continued:

date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands.

Contributions:

Contributions for employees are established in the statutes governing the KRS and may only be changed by the Kentucky General Assembly. Non-hazardous employees contribute 5% and hazardous employees contribute 8% of salary if they were plan members prior to September 1, 2008. Non-hazardous and hazardous employees who entered the plan after September 1, 2008, are required to contribute 6% and 9%, respectively, of their annual creditable compensation. The additional 1% is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). The City and its component units make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation.

For the year ended June 30, 2019, total employer contributions for the City were \$3,978,679 based on a rate of 21.48% for non-hazardous and 35.34% for hazardous members through covered payroll. The total contribution rate of 21.48% for non-hazardous consists of 16.22% or \$665,352 for pension benefits and 5.26% or \$215,768 for insurance benefits. The total contribution rate of 35.34% for hazardous consists of 24.87% or \$2,179,861 for pension benefits and 10.47% or \$917,698 for insurance benefits. The total City contribution for 2019 for pension benefits was \$2,845,213, and the total City contribution for 2019 for insurance benefits was \$1,133,466.

HWEA's contributions for pension benefits for 2019 were \$535,347 for non-hazardous employees, and contributions for insurance benefits for 2019 were \$173,608 for non-hazardous employees. Solid Waste's contributions for pension benefits for 2019 were \$402,984 for non-hazardous employees, and contributions for insurance benefits for 2019 were \$130,684 for non-hazardous employees. HWEA and Solid Waste do not have any employees classified as hazardous.

By law, employer contributions are required to be paid. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, and an amortized portion of any unfunded liability.

Schedules pertaining to CERS contributions by the City and its component units are located at pages 117 & 118.

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

6. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

Actuarial Assumptions and Other Inputs:

The total pension liability ("TPL"), net pension liability, and sensitivity information as of June 30, 2018 were based on an actuarial valuation date of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2018, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2017. The actuarial assumptions are as follows:

Inflation:	2.30%
Salary increases:	3.05%
Investment rate of return:	6.25% for CERS non-hazardous and hazardous

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The total pension liability as of June 30, 2018 is determined using these updated benefit provisions.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Changes in Assumptions:

2017: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate of return decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 3.05%.

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

6. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

Actuarial Assumptions and Other Inputs, continued:

Discount Rate Assumptions:

- a. Discount rate: The discount rate used to measure the total pension liability was 6.25%.
- b. Projected cash flows: The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 year (closed) amortization period of the unfunded actuarial accrued liability.
- c. Long-term rate of return: The long-term expected rate of return was determined used a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.
- d. Municipal bond rate: The discount rate determination does not use a municipal bond rate.
- e. Periods of projected benefit payments: The long-term assumed rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

6. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

Actuarial Assumptions and Other Inputs, continued:

Discount Rate Assumptions, continued:

- f. Assumed asset allocation: The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
Emerging Market Debt	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Private Equity	10.00%	6.50%
Cash	<u>2.00%</u>	<u>1.50%</u>
Total	<u>100.00%</u>	<u>6.09%</u>

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

6. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

Actuarial Assumptions and Other Inputs, continued:

Discount Rate Assumptions, continued:

- g. Sensitivity analysis: The following presents the City's and its component units' allocated portion of the net pension liability ("NPL") of the System, calculated using the discount rate of 6.25%, as well as what the allocated portion of the NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
<u>City of Hopkinsville:</u>			
<u>CERS Nonhazardous:</u>			
Discount rate	5.25%	6.25%	7.25%
Proportionate Share NPL	<u>\$11,877,354</u>	<u>\$9,434,735</u>	<u>\$7,388,248</u>
<u>CERS Hazardous:</u>			
Discount rate	5.25%	6.25%	7.25%
Proportionate Share NPL	<u>\$48,529,023</u>	<u>\$38,732,289</u>	<u>\$30,633,455</u>
<u>Component Units:</u>			
HWEA:			
<u>CERS Nonhazardous:</u>			
Discount rate	5.25%	6.25%	7.25%
Proportionate Share NPL	<u>\$9,984,203</u>	<u>\$7,930,917</u>	<u>\$6,210,623</u>
Solid Waste:			
<u>CERS Nonhazardous:</u>			
Discount rate	5.25%	6.25%	7.25%
Proportionate Share NPL	<u>\$7,210,643</u>	<u>\$5,727,749</u>	<u>\$4,485,344</u>

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

6. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

Employer's Portion of the Collective Net Pension Liability:

The City's proportionate share of the net pension liability is approximately 0.15% and 1.60% for nonhazardous and hazardous pensions, respectively. HWEA's proportionate share of the net pension liability is approximately 0.13% for nonhazardous pensions. Solid Waste's proportionate share of the net pension liability is approximately 0.09% for nonhazardous pensions. The net pension liability was distributed based on 2018 actual employer contributions to the plan. The following is a summary of net pension liability shown on the statement of net position as of June 30, 2019, included in noncurrent liabilities, due after one year:

	<u>Net Pension Liability</u>
City of Hopkinsville:	
CERS:	
Nonhazardous	\$ 9,434,735
Hazardous	<u>38,732,289</u>
Total City of Hopkinsville	<u>\$ 48,167,024</u>
 Component Units:	
HWEA	<u>\$ 7,930,917</u>
Solid Waste	<u>\$ 5,727,749</u>

Measurement Date:

June 30, 2018, is the actuarial valuation date and measurement date upon which the total pension liability is based.

Changes Since Measurement Date:

There were no changes between the measurement date of the collective net pension liability and the employer's reporting date.

Pension Expense:

For the year ended June 30, 2019, the City was allocated \$8,282,399 in CERS pension expense, which consisted of \$1,627,697 for nonhazardous pensions and \$6,654,702 for hazardous pensions. For the year ended June 30, 2019, HWEA was allocated \$1,414,813 in CERS pension expense for nonhazardous pensions, and Solid Waste was allocated \$1,191,628 in CERS pension expense for nonhazardous pensions.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

6. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled as deferred inflows. If they will increase pension expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the CERS pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>City of Hopkinsville:</u>		
Net difference between expected and actual experience:		
Nonhazardous	\$ 307,735	\$ 138,105
Hazardous	<u>3,082,437</u>	<u>-</u>
	<u>3,390,172</u>	138,105
Net difference between projected and actual earnings on pension plan investments:		
Nonhazardous	438,722	551,850
Hazardous	<u>1,435,624</u>	<u>1,872,506</u>
	<u>1,874,346</u>	<u>2,424,356</u>
Change in assumptions:		
Nonhazardous	922,048	-
Hazardous	<u>4,122,921</u>	<u>-</u>
	<u>5,044,969</u>	<u>-</u>
Change in proportionate share:		
Nonhazardous	176,801	74,680
Hazardous	<u>395,035</u>	<u>1,141,276</u>
	<u>\$ 571,836</u>	<u>\$1,215,956</u>

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

6. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>City of Hopkinsville, continued:</u>		
City contributions subsequent to the measurement date of June 30, 2018:		
Nonhazardous	\$ 665,352	\$ -
Hazardous	<u>2,179,861</u>	<u>-</u>
	<u>2,845,213</u>	<u>-</u>
 Total	 <u>\$ 13,726,536</u>	 <u>\$ 3,778,417</u>

The \$2,845,213 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date of June 30, 2018, will be recognized as a reduction of the net pension liability in the following measurement period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to CERS pensions will be amortized as follows:

Year ending June 30:

2019	\$ 5,441,078
2020	2,361,998
2021	(474,629)
2022	(225,541)
2023	<u>-</u>
	<u>\$ 7,102,906</u>

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

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

6. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued:

At June 30, 2019, HWEA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>HWEA:</u>		
Net difference between expected and actual experience	\$ 258,684	\$ 116,092
Net difference between projected and actual earnings on pension plan investments	368,793	463,890
Change in assumptions	775,081	-
Change in proportionate share	176,013	199,318
HWEA contributions subsequent to the measurement date of June 30, 2018	<u>535,347</u>	<u>-</u>
Total	<u>\$ 2,113,918</u>	<u>\$ 779,300</u>

The \$535,347 reported as deferred outflows of resources related to pensions resulting from HWEA's contributions subsequent to the measurement date of June 30, 2018, will be recognized as a reduction of the net pension liability in the following measurement period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized as follows:

Year ending June 30:

2019	\$ 691,993
2020	279,186
2021	(129,340)
2022	(42,568)
2023	<u>-</u>
	<u>\$ 799,271</u>

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

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

6. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued:

At June 30, 2019, Solid Waste reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Solid Waste:</u>		
Net difference between expected and actual experience	\$ 186,823	\$ 83,842
Net difference between projected and actual earnings on pension plan investments	266,345	335,023
Change in assumptions	559,768	-
Change in proportionate share	426,993	-
Solid Waste contributions subsequent to the measurement date of June 30, 2018	<u>402,984</u>	<u>-</u>
Total	<u>\$ 1,842,913</u>	<u>\$ 418,865</u>

The \$402,984 reported as deferred outflows of resources related to pensions resulting from Solid Waste's contributions subsequent to the measurement date of June 30, 2018, will be recognized as a reduction of the net pension liability in the following measurement period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized as follows:

Year ending June 30:

2019	\$ 700,896
2020	381,211
2021	(30,302)
2022	(30,741)
2023	<u>-</u>
	<u>\$ 1,021,064</u>

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

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

6. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

Pension Plan Fiduciary Net Position:

Detailed information about the pension plans' fiduciary net position is available in the separately issued pension plan financial reports.

B. Policemen's and Firefighter's Pension Fund

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

Also, see the schedules on pages 119-121.

Plan Membership:

As of June 30, 2018, PFPF had seventeen members, all of whom are inactive participants (retirees and beneficiaries) receiving benefits.

Benefits Provided:

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

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

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

6. Defined Benefit Pension Plans, continued

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

Benefits Provided, continued:

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

There are two types of disability retirement that are allowed:

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

The benefit amount depends on the type of disability retirement as follows:

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

There are four types of dependent and estate benefits allowed:

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

In the cases of 1), 2), or 3) above, the pension is payable to an eligible surviving spouse until the death or remarriage of such spouse and then to any unmarried, dependent children.

For conditions 1), 2), or 3) above, the widow/widower is to receive a monthly benefit of 50% of monthly salary and each dependent child is to receive \$24 per month until age 18. For condition 4) above, a pension will be paid to dependent parents in an amount equal to 25% of his/her salary.

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

6. Defined Benefit Pension Plans, continued

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

Benefits Provided, continued:

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

Contributions:

Active members are required to contribute a specified percentage of the aggregate amount of all pay received. The specified percentage is the same OASDHI percentage which is paid by employees covered by the Social Security program. As there are no longer any active members, members made no contributions for the year ended June 30, 2019.

The City only contributes amounts required to fund current service costs and interest on unfunded past service costs as determined by actuarial valuations in compliance with Kentucky Revised Statutes. The City is not required to make an annual contribution. For the year ended June 30, 2019, the City made a contribution of \$285,000. The General Fund of the City covers administrative costs such as professional fees and beneficiary services. Other miscellaneous investment fees and miscellaneous costs are paid from available net assets in the PFPF.

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

The Schedule of Contributions for the PFPF is located at page 120.

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

6. Defined Benefit Pension Plans, continued

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

Net Pension Liability:

The City's net pension liability (asset) was measured as of January 1, 2019, and the total net pension liability (asset) was determined by an actuarial valuation as of that date.

Changes in the PFPF's Net Pension Liability is as follows:

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a) – (b)</u>
Balance – June 30, 2018	\$ 3,432,042	\$ 1,170,254	\$ 2,261,788
Changes for the Year:			
Service cost	-	-	-
Interest expense	103,866	-	103,866
Benefit changes	-	-	-
Liability losses (gains)	(82,327)	-	(82,327)
Changes of assumptions	(344,703)	-	(344,703)
Contributions – City	-	285,000	(285,000)
Contributions – Employees	-	-	-
Net investment income	-	12,238	(12,238)
Benefits paid	(267,955)	(267,955)	-
Plan administration expenses	-	(8,444)	8,444
Net changes	<u>(591,119)</u>	<u>20,839</u>	<u>(611,958)</u>
Balance – June 30, 2019	<u>\$ 2,840,923</u>	<u>\$ 1,191,093</u>	<u>\$ 1,649,830</u>

Also see the Schedule of Changes in the Net Pension Liability and Related Ratios for the PFPF that is located at page 119.

Actuarial Assumptions and Other Inputs:

The total pension liability as of the January 1, 2019, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Method	Entry Age Normal Funding
Asset Valuation Method	Market Value
COLAs	1.50% per annum – based on 10-year COLA experience.
Mortality Rates	RP-2014 Generational Mortality Tables (Blue Collar) adjusted to 2006 with projected mortality improvements after year 2006 under Projection Scale MP-2019 (male and female scales)

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

6. Defined Benefit Pension Plans, continued

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

Actuarial Assumptions and Other Inputs, continued:

Withdrawal Rates	None
Disablement Rates	None
Retirement Rates	None. All participants are retired.
Salary Scale	N/A
Discount Rate	For GASB Statement No. 68 purposes – 3.64% per annum, which represents the long-term rate of return assumption.

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

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

Changes in Assumptions and Methods from Prior Actuarial Valuation:

Mortality rates were previously based on RP-2014 Generational Mortality Tables (Blue Collar) adjusted to 2006 with projected mortality improvements after year 2006 under Projection Scale MP-2018 (male and female scales). Mortality rates are currently based on RP-2014 Generational Mortality Tables (Blue Collar) adjusted to 2006 with projected mortality improvements after year 2006 under Projection Scale MP-2019 (male and female scales). The reason for the change was to better recognize current and future mortality improvements.

The discount rate was previously 3.16%, whereas the current discount rate is 3.64%. This change was in recognition of the 20 Year High Grade Bond Rate Environment as of the valuation date.

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

6. Defined Benefit Pension Plans, continued

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

Changes in Assumptions and Methods from Prior Actuarial Valuation, continued:

The COLA was previously 1.75%, whereas it is currently 1.50%. This change was in recognition of a ten-year COLA experience study.

The joint and survivor percentage was previously 66.67%, whereas it is currently the Actual Contingent Annuitant Benefit divided by Current Retiree Monthly Annuity. The reason for the change was to better recognize current and future payments to contingent annuitants.

Sensitivity Analysis:

The following presents the net pension liability (asset) of the City calculated using the discount rate of 3.64%, as well as the net pension liability (asset) if calculated using a discount rate that is 1 percentage point lower (2.64%) or 1 percentage point higher (4.64%) than the current rate:

	1% Decrease <u>(2.64%)</u>	Current Rate <u>(3.64%)</u>	1% Increase <u>(4.64%)</u>
Net pension liability	<u>\$1,900,735</u>	<u>\$1,649,830</u>	<u>\$1,433,167</u>

The components of the net pension liability of the Policemen's and Firefighter's Pension Fund at June 30, 2019, were as follows:

Total Pension Liability	\$ 2,840,923*
Plan Fiduciary Net Position	<u>(1,191,093)</u>
City's Net Pension Liability	<u>\$ 1,649,830</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	41.93%

*Assumes 1.50% per annum COLAs.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

6. Defined Benefit Pension Plans, continued

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

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

For the year ended June 30, 2019, the City recognized pension expense of \$326,352 for the Policemen's and Firefighter's Pension Fund. At June 30, 2019, the City recognized deferred outflows of resources and deferred inflows of resources related to PFPF from the following sources (note, any contributions made to the plan between July 1, 2018 and June 30, 2019, should be included as a deferred outflow):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability gains and losses	\$ -	\$ -
Change of assumptions	-	-
Net difference between projected and actual earnings on investments	<u>44,690</u>	-
Total	<u>\$ 44,690</u>	<u>\$ -</u>

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

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

Year Ending June 30:	
2020	\$ 17,759
2021	13,806
2022	9,119
2023	4,006
2024	<u>-</u>
	<u>\$ 44,690</u>

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

C. Pension Expense

For the year ended June 30, 2019, total pension expense for the City was as follows:

CERS – Nonhazardous employees	\$ 1,627,697
CERS – Hazardous employees	6,654,702
PFPF	<u>326,352</u>
Total pension expense	<u>\$ 8,608,751</u>

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

7. Postemployment Benefits Other Than Pensions (OPEB)

Plan Description:

Under the provision of Kentucky Revised Statute Section 61.701, the Board of KRS also administers the Kentucky Retirement Systems Insurance Fund (Insurance Fund), a cost-sharing multiple-employer defined benefit OPEB plan. Employees of the City, as well as employees of HWEA and Solid Waste are covered by this OPEB plan. The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds administered by KRS. The assets of the insurance fund are invested as a whole. KRS and the Commonwealth of Kentucky have statutory authority to determine Plan benefits and employer contributions.

The OPEB plan has two categories: Non-hazardous for general employees and hazardous for police and fire employees. The plan provides for hospital and medical benefits to plan members. Benefits may also be extended to beneficiaries of plan members under certain circumstances.

KRS issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or it may be found at the KRS website at www.kyret.ky.gov.

Schedules pertaining to the City's and component units' proportionate share of the CERS net OPEB liability are located at pages 122 & 123.

Basis of Accounting:

For purposes of measuring the net OPEB liabilities, deferred outflow of resources and deferred inflow of resources related to OPEB, and OPEB expense, information about the plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Benefits Provided:

The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty. As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 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 \$15 per month for insurance benefits at

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

7. Postemployment Benefits Other Than Pensions (OPEB), continued

Benefits Provided, continued:

retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5% based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgement, the welfare of the Commonwealth so demands.

Contributions:

Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2019, was 5.26% of covered payroll for nonhazardous employees and 10.47% of covered payroll for hazardous employees. Contributions to the Insurance Fund from the City for nonhazardous and hazardous employees totaled \$1,133,466 for the year ended June 30, 2019. Employees who entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees who entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

HWEA's contributions to the Insurance Fund were \$173,608 for the year ended June 30, 2019. Solid Waste's contributions to the Insurance Fund were \$130,684 for the year ended June 30, 2019.

Schedules pertaining to OPEB contributions by the City and its component units are located at pages 124 & 125.

Actuarial Assumptions and Other Inputs:

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2018 were based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2018, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provision for active members who die in the line of duty. The System shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

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

7. Postemployment Benefits Other Than Pensions (OPEB), continued

Actuarial Assumptions and Other Inputs, continued:

The actuarial assumptions are as follows:

Inflation:	2.30%
Payroll growth rate:	2.00%
Salary increases:	3.05%, average
Investment rate of return:	6.25%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Changes in Assumptions:

2017: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total OPEB liability have been updated as follows:

- The assumed investment rate of return decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 3.05%.

Discount Rate Assumptions:

- a. Discount rate: The discount rate used to measure the total OPEB liability was 5.85%.
- b. Projected cash flows: The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 year (closed) amortization period of the unfunded actuarial accrued liability.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

7. Postemployment Benefits Other Than Pensions (OPEB), continued

Actuarial Assumptions and Other Inputs, continued:

Discount Rate Assumptions, continued:

- c. Long-term rate of return: The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.
- d. Municipal bond rate: The discount rate determination used a municipal bond rate of 3.62% as reported in Fidelity Index's "20 – Year Municipal GO AA Index" as of June 30, 2018.
- e. Periods of projected benefit payments: Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.
- f. Assumed asset allocation: The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
Emerging Market Debt	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Private Equity	10.00%	6.50%
Cash	<u>2.00%</u>	<u>1.50%</u>
Total	<u>100.00%</u>	<u>6.09%</u>

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

7. Postemployment Benefits Other Than Pensions (OPEB), continued

Actuarial Assumptions and Other Inputs, continued:

Discount Rate Assumptions, continued:

- g. Sensitivity analysis: The following presents the City's and its component units' allocated portion of the net OPEB liability of the System, calculated using the discount rate of 5.85% for nonhazardous and 5.97% for hazardous, as well as what the allocated portion of the System's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
<u>City of Hopkinsville:</u>			
<u>Nonhazardous:</u>			
Discount rate	4.85%	5.85%	6.85%
Proportionate Share OPEB Liability	<u>\$3,572,278</u>	<u>\$2,750,361</u>	<u>\$2,050,238</u>
<u>Hazardous:</u>			
Discount rate	4.97%	5.97%	6.97%
Proportionate Share OPEB Liability	<u>\$15,872,824</u>	<u>\$11,418,894</u>	<u>\$7,853,405</u>
<u>Component Units:</u>			
HWEA:			
<u>Nonhazardous:</u>			
Discount rate	4.85%	5.85%	6.85%
Proportionate Share OPEB Liability	<u>\$3,002,888</u>	<u>\$2,311,977</u>	<u>\$1,723,448</u>
Solid Waste:			
<u>Nonhazardous:</u>			
Discount rate	4.85%	5.85%	6.85%
Proportionate Share OPEB Liability	<u>\$2,168,716</u>	<u>\$1,669,733</u>	<u>\$1,244,692</u>

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

7. Postemployment Benefits Other Than Pensions (OPEB), continued

Actuarial Assumptions and Other Inputs, continued:

Discount Rate Assumptions, continued:

- g. Sensitivity analysis, continued: The following presents the City's and its component units' allocated portion of the net OPEB liability of the System calculated using the healthcare cost trend rate, as well as what the allocated portion of the System's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
<u>City of Hopkinsville:</u>			
<u>Nonhazardous:</u>			
Proportionate Share OPEB Liability	<u>\$2,047,671</u>	<u>\$2,750,361</u>	<u>\$3,578,630</u>
<u>Hazardous:</u>			
Proportionate Share OPEB Liability	<u>\$7,776,818</u>	<u>\$11,418,894</u>	<u>\$15,929,756</u>
<u>Component Units:</u>			
<u>HWEA:</u>			
<u>Nonhazardous:</u>			
Proportionate Share OPEB Liability	<u>\$1,721,290</u>	<u>\$2,311,977</u>	<u>\$3,008,228</u>
<u>Solid Waste:</u>			
<u>Nonhazardous:</u>			
Proportionate Share OPEB Liability	<u>\$1,243,133</u>	<u>\$1,669,733</u>	<u>\$2,172,572</u>

Employer's Portion of the Collective OPEB Liability:

The City's proportionate share of the net OPEB liability is approximately 0.15% and 1.60% for nonhazardous and hazardous pensions, respectively. HWEA's proportionate share of the net OPEB liability is approximately 0.13% for nonhazardous pensions. Solid Waste's proportionate share of the net pension liability is approximately 0.09% for nonhazardous pensions. The net pension liability was distributed based on 2018 actual employer contributions to the plan. The following is a summary of net OPEB liability shown on the statement of net position as of June 30, 2019, included in noncurrent liabilities, due after one year:

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

7. Postemployment Benefits Other Than Pensions (OPEB), continued

Employer's Portion of the Collective OPEB Liability, continued:

	<u>Net OPEB Liability</u>
City of Hopkinsville:	
CERS:	
Nonhazardous	\$ 2,750,361
Hazardous	11,418,894
Total City of Hopkinsville	<u>\$ 14,169,255</u>
Component Units:	
HWEA	<u>\$ 2,311,977</u>
Solid Waste	<u>\$ 1,669,733</u>

Measurement Date:

June 30, 2018 is the actuarial valuation date and measurement date upon which the total OPEB liability is based.

Changes Since Measurement Date:

There were no changes between the measurement date of the collective net OPEB liability and the employer's reporting date.

OPEB Expense:

For the year ended June 30, 2019, the City was allocated \$2,132,365 in CERS OPEB expense, which consisted of \$341,644 for nonhazardous pensions and \$1,790,721 for hazardous pensions. For the year ended June 30, 2019, HWEA was allocated \$276,618 in CERS OPEB expense for nonhazardous pensions, and Solid Waste was allocated \$225,905 in CERS OPEB expense for nonhazardous pensions.

Deferred Outflows of Resources and Deferred Inflows of Resources:

Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce OPEB expense they are labeled as deferred inflows. If they will increase OPEB expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

7. Postemployment Benefits Other Than Pensions (OPEB), continued

Deferred Outflows of Resources and Deferred Inflows of Resources, continued:

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>City of Hopkinsville:</u>		
Net difference between expected and actual experience:		
Nonhazardous	\$ -	\$ 320,518
Hazardous	<u>-</u>	<u>1,276,097</u>
	<u>-</u>	<u>1,596,615</u>
Net difference between projected and actual earnings on pension plan investments:		
Nonhazardous	-	189,446
Hazardous	<u>-</u>	<u>1,085,570</u>
	<u>-</u>	<u>1,275,016</u>
Change in assumptions:		
Nonhazardous	549,288	6,355
Hazardous	<u>3,504,143</u>	<u>31,235</u>
	<u>4,053,431</u>	<u>37,590</u>
Change in proportionate share:		
Nonhazardous	-	47,544
Hazardous	<u>-</u>	<u>445,242</u>
	<u>-</u>	<u>492,786</u>
City contributions subsequent to the measurement date of June 30, 2018:		
Nonhazardous	215,768	-
Hazardous	<u>917,697</u>	<u>-</u>
	<u>1,133,465</u>	<u>-</u>
Total	<u>\$ 5,186,896</u>	<u>\$3,402,007</u>

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

7. Postemployment Benefits Other Than Pensions (OPEB), continued

Deferred Outflows of Resources and Deferred Inflows of Resources, continued:

The \$1,133,465 reported as deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date of June 30, 2018, will be recognized as a reduction of the net OPEB liability in the following measurement period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be amortized as follows:

Year ending June 30:

2019	\$ 560,437
2020	560,437
2021	(69,801)
2022	(346,076)
2023	(33,113)
Thereafter	<u>(20,460)</u>
	<u>\$ 651,424</u>

In the previous table, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

At June 30, 2019, HWEA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>HWEA:</u>		
Net difference between expected and actual experience	\$ -	\$ 269,430
Net difference between projected and actual earnings on pension plan investments	-	159,250
Change in assumptions	461,736	5,342
Change in proportionate share	-	95,953
HWEA contributions subsequent to the measurement date of June 30, 2018	<u>173,608</u>	<u>-</u>
Total	<u>\$ 635,344</u>	<u>\$ 529,975</u>

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

7. Postemployment Benefits Other Than Pensions (OPEB), continued

Deferred Outflows of Resources and Deferred Inflows of Resources, continued:

The \$173,608 reported as deferred outflows of resources related to OPEB resulting from HWEA contributions subsequent to the measurement date of June 30, 2018, will be recognized as a reduction of the net OPEB liability in the following measurement period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:

2019	\$ (10,107)
2020	(10,107)
2021	(10,107)
2022	20,822
2023	(38,380)
Thereafter	<u>(20,360)</u>
	<u>\$ (68,239)</u>

In the previous table, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

At June 30, 2019, Solid Waste reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Solid Waste:</u>		
Net difference between expected and actual experience	\$ -	\$ 194,585
Net difference between projected and actual earnings on pension plan investments	-	115,012
Change in assumptions	333,470	3,858
Change in proportionate share	72,440	3,345
Solid Waste contributions subsequent to the measurement date of June 30, 2018	<u>130,684</u>	<u>-</u>
Total	<u>\$ 536,594</u>	<u>\$ 316,800</u>

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

7. Postemployment Benefits Other Than Pensions (OPEB), continued

Deferred Outflows of Resources and Deferred Inflows of Resources, continued:

The \$130,684 reported as deferred outflows of resources related to OPEB resulting from Solid Waste's contributions subsequent to the measurement date of June 30, 2018, will be recognized as a reduction of the net OPEB liability in the following measurement period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:

2019	\$ 18,829
2020	18,829
2021	18,829
2022	41,166
2023	(1,653)
Thereafter	<u>(6,890)</u>
	<u>\$ 89,110</u>

In the previous table, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

OPEB Plan Fiduciary Net Position:

Detailed information about the OPEB plans' fiduciary net position is available in the separately issued OPEB plan financial reports.

8. Deferred Outflows and Inflows of Resources

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

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

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

8. Deferred Outflows and Inflows of Resources, continued

The deferred outflows of resources for HWEA include deferred charges on various debt refundings and deferred outflows relating to HWEA's pension and OPEB plans. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. Those amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows relating to the pension and OPEB plans will be recognized as a reduction of the net pension and net OPEB liabilities in a subsequent year. The deferred inflows of resources for HWEA include deferred inflows associated with its pension and OPEB plans that will be recognized in pension expense in future years and deferred revenue associated with the arrangement HWEA has with the U.S. Army Corps of Engineers (USACE) relating to financing the water project in Fort Campbell.

The deferred outflows of resources for Solid Waste include deferred amounts arising from the pension and OPEB plans. The deferred outflows of resources associated with the pension plan will be recognized as a reduction of the net pension and net OPEB liabilities in future years. The deferred inflows of resources for Solid Waste include deferred amounts arising from the pension and OPEB plans. The deferred inflows of resources associated with its pension and OPEB plans will be recognized in pension expense in future years.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations

Long-term obligations are reported net of premiums and discounts. Premiums and discounts are amortized over the life of the debt to maturity. During the year ended June 30, 2019, the following changes occurred in long-term liabilities:

	Principal Outstanding July 1, 2018	Additions	Reductions	Principal Outstanding June 30, 2019	Due Within One Year
<u>Governmental Activities:</u>					
Capital Leases-City	\$ 824,000	\$ -	\$ 233,690	\$ 590,310	\$ 238,936
Capital Leases-					
on behalf of component units	1,758,625	3,055,869	2,528,896	2,285,598	1,580,380
General Obligation Leases-					
on behalf of component units	689,583	-	277,083	412,500	284,167
General Obligation Bonds-City	25,782,917	4,495,000	1,307,917	28,970,000	1,430,000
General Obligation Bonds-					
on behalf of component units	22,175,000	-	1,820,000	20,355,000	1,880,000
Notes Payable-City	1,050,000	-	75,000	975,000	75,000
Plus: Unamortized Premium-City	93,448	6,978	13,049	87,377	-
Plus: Unamortized Premium-					
on behalf of component units	1,285,141	-	167,103	1,118,038	-
Less: Unamortized Discount-City	(53,181)	-	(2,522)	(50,659)	-
Less: Unamortized Discount-					
on behalf of component units	(6,111)	-	(517)	(5,594)	-
Total long-term debt	53,599,422	7,557,847	6,419,699	54,737,570	5,488,483
Compensated Absences	2,696,511	223,595	223,047	2,697,059	107,882*
Net Pension Liability (PFPF)	2,261,788	-	611,958	1,649,830	-
Net Pension Liability (CERS)	46,993,176	3,713,056	2,539,208	48,167,024	-
Net OPEB Liability (CERS)	17,124,407	-	2,955,152	14,169,255	-
Total Governmental Activities	<u>\$ 122,675,304</u>	<u>\$ 11,494,498</u>	<u>\$ 12,749,064</u>	<u>\$ 121,420,738</u>	<u>\$ 5,596,365</u>

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

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations, continued

	Principal Outstanding July 1, 2018	Additions	Reductions	Principal Outstanding June 30, 2019	Due Within One Year
<u>Business-type Activities-HWEA:</u>					
Revenue Bonds	\$ 2,608,000	\$ -	\$ 249,000	\$ 2,359,000	\$ 261,500
Notes Payable-KIA loans	41,909,644	634,548	2,470,277	40,073,915	2,497,100
Revenue Leases	3,569,700	-	2,184,240	1,385,460	147,892
Payable to City of Hopkinsville:					
General Obligation Bonds	18,185,000	-	1,655,000	16,530,000	1,710,000
Plus: Unamortized Premium	1,266,926	-	162,871	1,104,055	-
Less: Unamortized Discount	(6,111)	-	(517)	(5,594)	-
Total long-term debt	67,533,159	634,548	6,720,871	61,446,836	4,616,492
Compensated Absences	426,389	208,562	185,662	449,289	224,715*
Net Pension Liability (CERS)	7,962,547	436,225	467,855	7,930,917	-
Net OPEB Liability (CERS)	2,734,769	-	422,792	2,311,977	-
Total Business-type Activities-HWEA	<u>\$ 78,656,864</u>	<u>\$ 1,279,335</u>	<u>\$ 7,797,180</u>	<u>\$ 72,139,019</u>	<u>\$ 4,841,207</u>
<u>Business-type Activities-Solid Waste:</u>					
Notes Payable	\$ -	\$ 722,675	\$ 33,678	\$ 688,997	\$ 136,817
Payable to City of Hopkinsville:					
Capital Vehicle Leases	1,758,625	3,055,869	2,528,896	2,285,598	1,580,380
General Obligation Leases	689,583	-	277,083	412,500	284,167
Plus: Unamortized Premium	9,851	-	3,813	6,038	-
Total long-term debt	2,458,059	3,778,544	2,843,470	3,393,133	2,001,364
Compensated Absences	466,514	74,685	-	541,199	81,180*
Net Pension Liability (CERS)	5,176,782	550,967	-	5,727,749	-
Net OPEB Liability (CERS)	1,777,987	-	108,254	1,669,733	-
Accrued Landfill Closing Costs	6,009,316	2,696,549	-	8,705,865	-
Total Business-type Activities-Solid Waste	<u>\$ 15,888,658</u>	<u>\$ 7,100,745</u>	<u>\$ 2,951,724</u>	<u>\$ 20,037,679</u>	<u>\$ 2,082,544</u>
<u>Business-type Activities-Stormwater:</u>					
Payable to City of Hopkinsville:					
General obligation bonds	\$ 3,990,000	\$ -	\$ 165,000	\$ 3,825,000	\$ 170,000
Plus: Unamortized Premium	8,364	-	419	7,945	-
Total Business-type Activities-Stormwater	<u>\$ 3,998,364</u>	<u>\$ -</u>	<u>\$ 165,419</u>	<u>\$ 3,832,945</u>	<u>\$ 170,000</u>
Total Business-type Activities-Component Units	<u>\$ 98,543,886</u>	<u>\$ 8,380,080</u>	<u>\$ 10,914,323</u>	<u>\$ 96,009,643</u>	<u>\$ 7,093,751</u>

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

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations, continued

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

Capital Leases

See Note 10 regarding capital leases.

General Obligation Leases

The Kentucky Bond Corporation (KBC) issued a general obligation lease agreement with the City on behalf of Solid Waste for \$1,835,000 in April 2011 for the purpose of funding the construction of a vertical expansion of the landfill and a leachate treatment station located at the landfill. This lease agreement has a variable interest rate, 4.00% as of June 30, 2019, plus administrative fees, and matures in January 2021.

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

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

The outstanding debt related to general obligation leases at June 30, 2019, was:

<u>Governmental Activities:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance</u>
<u>Issued on behalf of component units:</u>			
Kentucky Bond Corporation, 2011 - \$1,835,000	2021	4.00%	\$ 342,500
Branch Banking & Trust Co, 2013 - \$400,000	2019	1.98%	70,000
			<u>412,500</u>
Plus: Unamortized bond premium			6,038
	Total		<u>\$ 418,538</u>

<u>Business-type Activities-Solid Waste:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance</u>
Due to City of Hopkinsville, KBC	2021	4.00%	\$ 342,500
Due to City of Hopkinsville, BB&T	2019	1.98%	70,000
			<u>412,500</u>
Plus: Unamortized bond premium			6,038
	Total		<u>\$ 418,538</u>

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations, continued

General Obligation Leases, continued

Annual debt service requirements to maturity for general obligation lease agreements are as follows as of June 30, 2019:

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities Component Units	
	Principal	Interest	Principal	Interest
2020	\$ 284,167	\$ 15,699	\$ 284,167	\$ 15,699
2021	<u>128,333</u>	<u>5,717</u>	<u>128,333</u>	<u>5,717</u>
Total	<u>\$ 412,500**</u>	<u>\$ 21,416**</u>	<u>\$ 412,500</u>	<u>\$ 21,416</u>

** Governmental activities debt service requirements include component unit debt service requirements since those leases were issued by the City on behalf of the component unit.

Notes Payable

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

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

Solid Waste has an installment note with Caterpillar Financial for the acquisition of a dozer.

The outstanding debt related to notes payable at June 30, 2019, was:

<u>Governmental Activities:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance</u>
Section 108 Guaranteed Loan - \$1,500,000	2031	2.50%	<u>\$ 975,000</u>
	Total		<u>\$ 975,000</u>

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations, continued

Notes Payable, continued

<u>Business-type Activities-HWEA:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance</u>
KIA Fund A - \$614,521	2020	0.4%	\$ 16,849
KIA Fund A Phase III - \$834,891	2021	3.8%	86,649
KIA Fund B Water Plant - \$5,000,000	2026	1.9%	1,431,861
KIA Fund A Phase IV - \$4,583,635	2026	1.0%	1,633,304
KIA Fund A Phase V - \$2,469,924	2027	1.0%	1,050,270
KIA Fund F Drinking Water - \$1,513,593	2028	1.0%	718,578
KIA Fund F Water - \$3,887,432	2028	3.0%	2,101,739
KIA Fund F Water - \$8,800,000	2032	1.0%	6,130,190
KIA Fund A Sewer - \$483,710	2033	2.0%	358,222
KIA Fund A Sewer - \$7,488,282	2034	2.0%	5,885,902
KIA Fund A Sewer - \$7,090,224	2036	2.0%	6,197,968
KIA Fund A Sewer - \$10,354,404	2036	2.0%	9,887,230
KIA Fund A – loan not closed yet			726,900
KIA Fund F – loan not closed yet			<u>3,848,253</u>
	Total		<u>\$ 40,073,915</u>
<u>Business-type Activities-Solid Waste:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance</u>
Caterpillar Financial - \$722,675	2024	4.08%	\$ <u>688,997</u>
	Total		<u>\$ 688,997</u>

Annual debt service requirements to maturity for notes payable are as follows as of June 30, 2019:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities Component Units</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 75,000	\$ 27,821	\$ 2,633,917	\$ 650,191
2021	75,000	26,134	2,636,759	600,479
2022	75,000	24,255	2,655,863	551,388
2023	75,000	22,283	2,705,471	501,781
2024	75,000	20,179	2,701,758	451,349
2025-2029	375,000	67,061	11,442,317	1,587,344
2030-2034	225,000	11,490	8,937,359	685,534
2035-2037	<u>-</u>	<u>-</u>	<u>7,049,468</u>	<u>70,445</u>
Total	<u>\$ 975,000</u>	<u>\$ 199,223</u>	<u>\$ 40,762,912</u>	<u>\$ 5,098,511</u>

As of June 30, 2019, HWEA has pledged future revenues of the water and sewer system to repay \$40,073,915 in total KIA loans, but they are subordinated to the existing revenue bonds. Principal and interest on these loans are payable through 2037, solely from the water and sewer system net revenues. Annual principal and interest on these loans are

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations, continued

Notes Payable, continued

expected to require approximately 18% of such net revenues (based on principal and interest payments for the year ending June 30, 2020, as a percentage of net water and sewer system revenues for the year ended June 30, 2019, which totaled \$17,799,083). Principal and interest paid for the year ended June 30, 2019, was \$3,222,260. As of June 30, 2019, pledged future revenues totaled \$45,103,550, which was the amount of the remaining principal and interest payments on these KIA loans.

General Obligation Bonds

All general obligation bonds are secured by the full taxing authority of the City.

During the year ended June 30, 2011, the City issued general obligation bonds (Series 2010A) for the purpose of refinancing a KLC Pooled Lease Financing note for the construction of Tie Breaker Park and a fire station. This obligation matured in 2019 and was paid off during the year ended June 30, 2019. Principal and interest were due in monthly installments and had an interest rate of 2.50%.

During the year ended June 30, 2012, the City issued general obligation bonds (Series 2011A) for the purpose of refinancing two bond issues: portion (1) for \$3,775,000 was used for the acquisition and construction of Tie Breaker Family Aquatic Center, the Public Works Complex, and renovations at Gander Park and portion (2) for \$1,190,000 was for improvements to the Old First City Bank Building. For portion (1) of the bond issue, this obligation matures in 2026 with interest rates ranging from 2.00% to 3.125%. For portion (2) of the bond issue, this obligation matures in 2035 with interest rates ranging from 2.00% to 3.75%. Interest is due in semi-annual installments for both portions of this bond issue.

During the year ended June 30, 2012, the City issued general obligation bonds (Series 2011B) for \$7,220,000 for the construction of a City administration building and the renovation of the previous City administration building to become the police department. This obligation matures in 2037 with interest rates ranging from 2.00% to 3.75%. Interest is due in semi-annual installments.

During the year ended June 30, 2014, the City issued general obligation bonds (Series 2013C) for \$3,965,000 for the construction of a City administration building and the renovation of the current City administration building to become the police department. This obligation matures in 2038 with interest rates ranging from 2.00% to 3.75%. Interest is due in semi-annual installments.

During the year ended June 30, 2015, the City issued general obligation bonds (Series 2014A) for \$2,545,000 for the financing of the City's portion of a conference center tax increment financing (TIF), the U.S. Smokeless Tobacco project, and a visitors' center. This obligation matures in 2034 with interest rates ranging from 2.00% to 3.25%. Interest is due in semi-annual installments.

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

9. Long-Term Obligations, continued

General Obligation Bonds, continued

During the year ended June 30, 2017, the City issued general obligation bonds (Series 2016) for \$2,970,000 to finance a grant to Thompson Thrift Development, Inc. for the construction of the retail development, Hopkinsville Towne Center. This obligation matures in 2038 with interest rates ranging from 2.00% to 3.00%. Interest is due in semi-annual installments.

During the year ended June 30, 2018, the City issued general obligation bonds (Series 2017) for \$7,335,000 to finance the WINS and Convention Center projects. This obligation matures in 2042 with interest rates ranging from 2.00% to 3.25%. Interest is due in semi-annual installments.

During the year ended June 30, 2019, the City issued general obligation bonds (Series 2018) for \$3,500,000 to finance Phase 2 of the WINS projects. This obligation matures in 2044 with interest rates ranging from 3.00% to 3.625%. Interest is due in semi-annual installments.

During the year ended June 30, 2019, the City issued general obligation bonds (Series 2019) for \$995,000 to finance the renovation and relocation of the Probation and Parole office. This obligation matures in 2039 with interest rates ranging from 2.00% to 3.50%. Interest is due in semi-annual installments.

The following are general obligation bonds issued by the City on behalf of component units, all of which are secured by the full taxing authority of the City:

During the year ended June 30, 2014, the City, on behalf of HWEA, issued general obligation bonds (Series 2013B) for \$3,520,000 for the purpose of constructing a 2MG water tank and water mains along Eagle Way Bypass and US-41A and to pay other allowable expenditures including issuance costs. This obligation matures in 2034 with interest rates ranging from 2.00% to 4.50%. Interest is due in semi-annual installments.

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

During the year ended June 30, 2015, the City, on behalf of HWEA, issued tax-exempt general obligation bonds (Series 2014B) for \$1,700,000 for the purpose of helping finance the acquisition, construction, installation, and equipping of the Phase I Natural Gas Line and to pay other allowable expenditures including issuance costs. This obligation matures in 2038 with interest rates ranging from 1.50% to 6.625%. Interest is due in semi-annual installments.

During the year ended June 30, 2015, the City, on behalf of HWEA, issued tax-exempt general obligation bonds (Series 2014C) for \$1,620,000 to currently refund and redeem the outstanding Kentucky Rural Water Finance Corporation revenue bonds dated March 3,

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations, continued

General Obligation Bonds, continued

2004 and April 27, 2004 (Series 2001H and 2004B maturing in 2025 and 2029, respectively), the proceeds of which financed the acquisition, construction, installation, and equipping of extensions, additions, and improvements to the Oak Grove system. (These revenue bonds were assumed by HWEA upon HWEA's acquisition of the Oak Grove sewer system during the year ended June 30, 2008.) The Series 2014C general obligation bonds were also issued to pay other allowable expenditures including issuance costs. This current refunding took place to achieve debt service savings. This obligation matures in 2029 with interest rates ranging from 1.10% to 3.25%. Interest is due in semi-annual installments.

During the year ended June 30, 2015, the City, on behalf of HWEA, issued tax-exempt general obligation bonds (Series 2015A) for \$15,710,000 to advance refund the outstanding Series 2005A revenue bonds, the proceeds of which financed the acquisition, construction, equipping, and installation of a 36-inch raw water line from Lake Barkley to the Moss Raw Water Treatment Plant and appurtenances, including a raw water intake. The Series 2015A general obligation bonds were also issued to pay other allowable expenditures including issuance costs. This advance refunding took place to achieve debt service savings. This obligation matures in 2026 with an interest rate of 4.00%. Interest is due in semi-annual installments.

The outstanding debt related to general obligation bonds at June 30, 2019, was:

<u>Governmental Activities:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance</u>
US Bank National Association GO, 2011 Series A - \$4,965,000	2026/2035	2%-3.75%	\$ 2,775,000
US Bank National Association GO, 2011 Series B - \$7,220,000	2037	2%-3.75%	6,870,000
US Bank National Association GO, 2013 Series C - \$3,965,000	2038	2%-3.75%	3,570,000
US Bank National Association GO, 2014 Series A - \$2,545,000	2034	2%-3.25%	1,285,000
US Bank National Association GO, 2016 Series - \$2,970,000	2038	2%-3.00%	2,850,000
US Bank National Association GO, 2017 Series - \$7,335,000	2042	2%-3.25%	7,125,000
US Bank National Association GO, 2018 Series - \$3,500,000	2044	3%-3.625%	3,500,000
US Bank National Association GO, 2019 Series - \$995,000	2039	2%-3.50%	<u>995,000</u>
Bonds issued directly to the City			<u>\$ 28,970,000</u>

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations, continued

General Obligation Bonds, continued

<u>Governmental Activities:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance</u>
<u>Issued on behalf of component units:</u>			
US Bank National Association GO, 2013 Series B – \$3,520,000	2034	2%-4.50%	\$ 2,835,000
US Bank National Association GO, 2014 Series B - \$1,700,000	2038	1.50%-6.625%	1,635,000
US Bank National Association GO, 2014 Series C - \$1,620,000	2029	1.10%-3.25%	1,145,000
US Bank National Association GO, 2015 Series A - \$15,710,000	2026	4%	10,915,000
US Bank National Association GO, 2013 Series A - \$4,635,000	2038	2%	<u>3,825,000</u>
Bonds issued on behalf of component units			<u>20,355,000</u>
Total bonds issued in the City's name			49,325,000
Plus: Unamortized bond premium			1,199,377
Less: Unamortized bond discount			<u>(56,253)</u>
	Total		<u>\$ 50,468,124</u>
<u>Business-type Activities-HWEA:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance</u>
Due to City of Hopkinsville, US Bank	2034	2%-4.50%	\$ 2,835,000
Due to City of Hopkinsville, US Bank	2038	1.50%-6.625%	1,635,000
Due to City of Hopkinsville, US Bank	2029	1.10%-3.25%	1,145,000
Due to City of Hopkinsville, US Bank	2026	4.00%	<u>10,915,000</u>
			16,530,000
Plus: Unamortized bond premium			1,104,055
Less: Unamortized bond discount			<u>(5,594)</u>
	Total		<u>\$ 17,628,461</u>
<u>Business-type Activities-Stormwater:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance</u>
Due to City of Hopkinsville, US Bank	2038	2%	\$ 3,825,000
Plus: Unamortized bond premium			<u>7,945</u>
	Total		<u>\$ 3,832,945</u>

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations, continued

General Obligation Bonds, continued

Annual debt service requirements to maturity for general obligation bonds are as follows as of June 30, 2019:

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities Component Units	
	Principal	Interest	Principal	Interest
2020	\$ 3,310,000	\$ 1,629,516	\$ 1,880,000	\$ 739,693
2021	3,045,000	1,534,960	1,950,000	671,187
2022	3,145,000	1,436,797	2,020,000	599,231
2023	3,240,000	1,332,960	2,095,000	522,769
2024	3,340,000	1,223,877	2,165,000	442,637
2025-2029	12,720,000	4,599,322	6,300,000	1,222,564
2030-2034	10,090,000	2,854,173	2,600,000	555,314
2035-2039	7,910,000	1,090,370	1,345,000	117,670
2040-2044	<u>2,525,000</u>	<u>192,150</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 49,325,000**</u>	<u>\$15,894,125**</u>	<u>\$ 20,355,000</u>	<u>\$ 4,871,065</u>

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

Revenue Bonds

During the year ended June 30, 2008, HWEA acquired the sewerage system of the City of Oak Grove; and as part of that acquisition, HWEA agreed to assume the debt relating to the City of Oak Grove sewerage system. One such obligation was a revenue bond issued in 1998, the proceeds of which were used for the expansion and upgrade of existing systems. This obligation matures in 2021 with interest rates ranging from 3.75% to 4.90%. Interest is due in semi-annual installments. Other obligations assumed by HWEA as a result of this acquisition were two Kentucky Rural Finance revenue bonds issued in 2004 (both of which were refunded during the year ended June 30, 2015, using the proceeds from 2014C general obligation bond issued by the City on behalf of HWEA).

During the year ended June 30, 2005, the City, on behalf of HWEA, issued Series 2005A revenue bonds, the proceeds of which were used to fund the Lake Barkley Raw Water Project. This obligation was originally set to mature in 2026 with interest rates ranging from 3.375% to 4.00%. The interest was due in semi-annual installments. During the year ended June 30, 2015, these revenue bonds were advance refunded with the proceeds of the Series 2015A general obligation bonds issued by the City on behalf of HWEA.

During the year ended June 30, 2010, the City, on behalf of HWEA, issued Series 2010B revenue bonds to fund the expansion of the Moss Water Treatment Plant. This obligation matures in 2030 with interest rates ranging from 3.20% to 4.40%. Interest is due in semi-annual installments.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations, continued

Revenue Bonds, continued

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

<u>Business-type Activities-HWEA:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance</u>
Series 1998 - \$1,650,000	2021	3.75%-4.9%	\$ 185,000
Series 2010B - \$3,588,000	2030	3.20%-4.4%	<u>2,174,000</u>
Total			<u>\$ 2,359,000</u>

Annual debt service requirements projected to maturity for revenue bonds are as follows as of June 30, 2019:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u> <u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ -	\$ -	\$ 261,500	\$ 101,341
2021	-	-	272,500	90,039
2022	-	-	185,000	77,929
2023	-	-	192,500	70,159
2024	-	-	198,500	62,074
2025-2029	-	-	1,124,000	177,823
2030	-	-	<u>125,000</u>	<u>5,500</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,359,000</u>	<u>\$ 584,865</u>

As of June 30, 2019, HWEA has pledged future revenues of the water and sewer system to repay \$2,359,000 in total revenue bonds. Principal and interest on these bonds are payable through 2030, solely from the water and sewer system net revenues. Annual principal and interest on these bonds are expected to require approximately 2% of such net revenues (based on principal and interest payments for the year ending June 30, 2020, as a percentage of net water and sewer system revenues for the year ended June 30, 2019, which totaled \$17,799,083). Principal and interest paid for the year ended June 30, 2019, was \$360,683. As of June 30, 2019, pledged future revenues totaled \$2,943,865 which is the amount of the remaining principal and interest payments on these bonds.

The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the Revenue Bond Funds. Remaining revenues may then be used for any lawful purpose. The ordinances also contain provisions, which, among other items, restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amounts and certain financial ratios are met.

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

9. Long-Term Obligations, continued

Revenue Leases

During the year ended June 30, 2016, HWEA entered into an agreement with the United States Army Corps of Engineers (USACE) for the design and construction of approximately 5.6 miles of 20" ductile iron water main in order to serve the Fort Campbell Army Post with a redundant connection for domestic water supply. In order to help finance the construction project, the City, on behalf of HWEA, entered into a lease agreement with a local bank in which draws could be made from the lease through the end of construction, the aggregate of which could not exceed \$4,838,823. The interest rate on this lease agreement is 4.00%.

This project was finalized and placed into service during the year ended June 30, 2018, and repayment of the lease began. During the period of construction, interest accrued daily on the total advances made, but was not payable until the first day of the month that was at least thirty days after the end of the construction period. Once repayment began, a lump sum payment of \$2.5 million was made, which included accrued but unpaid interest. The remainder of the unpaid principal balance plus interest is payable in 120 equal monthly installments based on a payment schedule that was established at the end of the construction period. Repayment of the amounts associated with this lease will come from payments received from USACE. This lease matures in October 2027.

During the year ended June 30, 2016, HWEA entered into another agreement with USACE for the design and construction of approximately 7.9 miles of 8" natural gas pipeline in order to serve the Fort Campbell Army Post with a redundant connection of natural gas supply. In order to help finance this construction project, the City, on behalf of HWEA, entered into a lease agreement with a local bank in which draws could be made from the lease as construction progressed, the aggregate of which could not exceed \$10,951,730. The interest rate on this lease agreement was 4.50%. During the year ended June 30, 2019, USACE terminated this project and agreed to reimburse HWEA \$2.4 million in costs incurred on the project. Upon notice of termination, HWEA paid off the principal and interest due and set up a receivable for the \$2.4 million reimbursement from USACE.

The outstanding debt related to revenue leases at June 30, 2019 was:

<u>Business-type Activities-HWEA:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance</u>
Planters Bank, Water	2027	4.00%	<u>\$ 1,385,460</u>
	Total		<u>\$ 1,385,460</u>

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations, continued

Revenue Leases, continued

Annual debt service requirements projected to maturity for revenue leases are as follows as of June 30, 2019:

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities Component Units	
	Principal	Interest	Principal	Interest
2020	\$ -	\$ -	\$ 147,892	\$ 54,637
2021	-	-	153,915	48,613
2022	-	-	160,183	42,343
2023	-	-	166,711	35,815
2024	-	-	173,504	29,024
2025-2028	-	-	583,255	44,054
Total	\$ -	\$ -	\$ 1,385,460	\$ 254,486

Defeasance of Debt and Current and Advance Refunding

As noted above, the City and HWEA have issued refunding bonds to defease certain outstanding bonds for the purpose of consolidation and to achieve debt service savings. The proceeds from these refunding bonds have been placed in an irrevocable trust to provide for all future debt payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the City's or HWEA's financial statements. Although defeased, the refunded debt from these earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues. At June 30, 2019, the amount of bonds outstanding that are considered defeased is undeterminable.

Current and advance refundings have resulted in defeasance losses that are being amortized over the life of the refunding bonds. The unamortized losses at June 30, 2019 are shown on the statement of net position as deferred refunding costs under deferred outflows of resources. Amortization on these refundings has been included in interest expense and was \$2,799 for the City and \$64,749 for HWEA for the year ended June 30, 2019.

10. Capital Leases

In July 2015, the City leased a fire truck. The truck is leased at \$111,328 per year for a term of five years at an interest rate of 2.69%. The first annual payment was due in July 2016. The lease expires in July 2020.

In September 2017, the City leased a fire truck. The truck is leased at approximately \$87,000 per year at an interest rate of 1.93%. Interest payments are paid semi-annually, and principal payments are made annually. The first annual payment was due in September 2018. This lease expires in September 2020.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

10. Capital Leases, continued

In March 2018, the City leased a street sweeper. The sweeper is leased at \$56,009 per year at an interest rate of 3.28%. The first annual payment was due in March 2019. This lease expires in March 2023.

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

Equipment under capital leases	\$1,257,253
Less accumulated depreciation	<u>(666,779)</u>
Total	<u>\$ 590,474</u>

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

The City's future minimum lease obligations as of June 30, 2019, were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total Lease Payments</u>	<u>Less Imputed Interest</u>	<u>Present Value of Minimum Lease Payments</u>
2020	\$ 254,024	\$ 15,088	\$ 238,936
2021	253,679	8,974	244,705
2022	56,009	3,547	52,462
2023	<u>56,010</u>	<u>1,803</u>	<u>54,207</u>
Total	<u>\$ 619,722</u>	<u>\$ 29,412</u>	<u>\$ 590,310</u>

The following are capital leases entered into by the City on behalf of component units:

In October 2017, the City, on behalf of Solid Waste, leased two side-load trucks. The vehicles were leased for interest only payments each month at an interest rate of 3.23%. A lump sum principal payment was due at the expiration date in April 2019. There was an option to purchase at any point during the agreement for the purchase price plus accrued interest. This lease was paid in full and the related property was sold in September 2018.

In April 2018, the City, on behalf of Solid Waste, leased three semi-trucks. The vehicles were leased for interest only payments each month at an interest rate of 3.00%. A lump sum principal payment was due at the expiration date in September 2019. There was an option to purchase at any point during the agreement for the purchase price plus accrued interest. This lease was paid in full in May 2019. Two of these trucks were sold and the remaining truck was refinanced/leased as part of another capital lease.

In July 2018, the City, on behalf of Solid Waste, leased four trucks. The vehicles were leased for interest only payments each month at an interest rate of 3.90%. A lump sum principal payment was due at the expiration date in February 2020. There was an option to purchase at any point during the agreement for the purchase price plus accrued interest. This lease was paid in full and the related property was sold in June 2019.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

10. Capital Leases, continued

In October 2018, the City, on behalf of Solid Waste, leased nine trucks. The vehicles are leased for interest only payments each month at an interest rate of 4.15%. A lump sum principal payment is due at the expiration date in April 2020. There is an option to purchase at any point during the agreement for the purchase price plus accrued interest.

In April 2019, the City, on behalf of Solid Waste, leased five semi-trucks. The vehicles are leased for interest only payments each month at an interest rate of 3.98%. A lump sum principal payment is due at the expiration date in November 2020. There is an option to purchase at any point during the agreement for the purchase price plus accrued interest.

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

Equipment under capital leases	\$2,258,598
Less accumulated depreciation	<u>(260,564)</u>
Total	<u>\$1,998,034</u>

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

Solid Waste's future minimum lease obligations as of June 30, 2019, were as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Total Lease</u> <u>Payments</u>	<u>Less Imputed</u> <u>Interest</u>	<u>Present Value</u> <u>of Minimum</u> <u>Lease Payments</u>
2020	\$1,663,068	\$ 82,687	\$1,580,381
2021	<u>716,897</u>	<u>11,680</u>	<u>705,217</u>
Total	<u>\$2,379,965</u>	<u>\$ 94,367</u>	<u>\$2,285,598</u>

11. Lease of Watershed Lakes – Related Party

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

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

11. Lease of Watershed Lakes – Related Party, continued

Stormwater also leases the watershed lake known as Lake Blythe located in Christian County, Kentucky from the City of Hopkinsville. The lease is for Stormwater to use the watershed lake for flood control and water storage activities. The term of this lease is for a period of twenty years beginning August 6, 2009, and ending August 5, 2029. The lessee or lessor may terminate the lease at any time during the lease period with a one-year written notice as to its intent to terminate the lease. The lease shall be automatically extended by a twenty-year period if no notice is given within the one-year time period provided. Stormwater will pay the sum of \$1 per year to the City and further maintain property in the manner stated in the lease. Stormwater will provide insurance for coverage of activities on the premises. Also, Stormwater must honor existing lease agreements running with the premises.

12. Closure and Postclosure Care Costs

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

Solid Waste's estimated landfill closure and postclosure care liability at June 30, 2019 was \$8,705,865. This represents the cumulative amount reported to date based on the use of the capacity of the landfill for areas 6, 7 and 9. As of June 30, 2019, areas 6 and 7 are closed, and area 9 is the vertical expansion, which had capacity used of approximately 54% at June 30, 2019. These amounts are based on what it would cost to perform all closure and postclosure care as estimated by the consulting engineer. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. As of June 30, 2019, the total amount of closure and postclosure costs are estimated to be \$12,558,152, leaving \$3,852,287 remaining to be recognized. The remaining life of the landfill is estimated to be 30.64 years.

The City of Hopkinsville and Solid Waste are required by state and federal laws and regulations to provide assurances that financial resources will be available to provide for landfill closure and postclosure care. Solid Waste is in compliance with these requirements, as determined by the Kentucky Energy and Environment Cabinet, by entering into a performance agreement. At June 30, 2019, \$98,791 was held for closure and postclosure costs and reported in restricted investments on the statement of net position. Solid Waste expects future inflation costs will be paid from these funds combined with 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.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

13. Interfund Receivables and Payables

There were no interfund receivables or payables among the governmental funds at June 30, 2019.

14. Commitments

At June 30, 2019, the City had the following material construction projects underway:

<u>Project</u>	<u>Approx. Cost-to-Date</u>	<u>Estimated Cost to Complete</u>
Fire Dept Training Center Conversion	\$ 370,000	\$ 455,000
WINS Projects	7,585,000	4,460,000
Probation & Parole Rennovation	<u>300,000</u>	<u>695,000</u>
Total	<u>\$ 8,255,000</u>	<u>\$ 5,610,000</u>

At June 30, 2019, HWEA had the following material construction projects underway:

<u>Project</u>	<u>Approx. Cost-to-Date</u>	<u>Estimated Cost to Complete</u>
Water Main Extension – Eagle Way	\$ 19,500	\$ 2,140,000
Locust Grove to I-24 – Phase 4	5,300	3,000,000
Natural Gas Project – Phase 1	1,827,000	-
Oak Grove KY Hwy 911 Project	1,000	75,000
Hammond-Wood Phase 8 Design	1,464,000	695,000
Hammond-Wood Phase 8 Expansion	<u>-</u>	<u>41,380,000</u>
Total	<u>\$ 3,316,800</u>	<u>\$ 47,290,000</u>

At June 30, 2019, Solid Waste had the following material construction projects underway:

<u>Project</u>	<u>Approx. Cost-to-Date</u>	<u>Estimated Cost to Complete</u>
Reverse Osmosis Project	\$ 1,350,000	\$ 25,000
New Shop and Gas Pumps Project	<u>950,000</u>	<u>5,000</u>
Total	<u>\$ 2,300,000</u>	<u>\$ 30,000</u>

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

14. Commitments, continued

At June 30, 2019, Stormwater had the following material construction projects underway:

<u>Project</u>	<u>Approx. Cost-to-Date</u>	<u>Estimated Cost to Complete</u>
Project A	\$ 565,000	\$ 4,435,000
Howell Street Drainage	<u>21,000</u>	<u>95,000</u>
Total	<u>\$ 586,000</u>	<u>\$ 4,530,000</u>

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year end are included within the appropriate fund balances in the governmental funds and are not reported separately on the financial statements. Encumbrances do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Encumbrances are not recorded in the financial statements for proprietary and fiduciary fund types.

The governmental funds had purchase orders outstanding at June 30, 2019 as follows:

General Fund	\$ 369,664
WINS Construction Fund	-
Nonmajor governmental	<u>499,002</u>
Total	<u>\$ 868,666</u>

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

15. 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, 2019, consisted of the following:

	Transfer From:			
<u>Transfer to:</u>	<u>General Fund</u>	<u>WINS Fund</u>	<u>Nonmajor Gov't Fund</u>	<u>Total</u>
General Fund	\$ -	\$ -	\$ -	\$ -
Tie Breaker Fund	100,000	-	-	100,000
WINS Fund	-	-	-	-
Nonmajor Gov't Fund	<u>2,587,244</u>	<u>-</u>	<u>341</u>	<u>2,587,585</u>
Total	<u>\$ 2,687,244</u>	<u>\$ -</u>	<u>\$ 341</u>	<u>\$ 2,687,585</u>

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.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

17. Fund Balance Classification

The composition of the fund balance classifications at June 30, 2019 are as follows:

	<u>Major Fund</u>		<u>Other</u>	<u>Total</u>
<u>Fund balances:</u>	<u>General</u>	<u>WINS</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted:				
Streets and sidewalks	-	-	39,684	39,684
Police incentives	-	-	20,700	20,700
Fire incentives	-	-	26,666	26,666
Urban development block grant	-	-	811,140	811,140
Cemetery trusts	-	-	824,406	824,406
Capital projects	-	4,549,334	1,356,884	5,906,218
	-	4,549,334	3,079,480	7,628,814
Committed:				
Inner city development	242,959	-	-	242,959
Law enforcement	-	-	324,524	324,524
Pension spiking	64,427	-	-	64,427
Capital projects	173,469	-	-	173,469
Capital equipment replacement reserve	829,137	-	-	829,137
	1,309,992	-	324,524	1,634,516
Assigned:				
Major equipment	72,562	-	-	72,562
Capital projects	60,000	-	400,681	460,681
Police services	112,804	-	-	112,804
Fire services	13,250	-	-	13,250
Public works services	30,000	-	-	30,000
Parks and rec services	33,951	-	-	33,951
Community services	47,097	-	-	47,097
Streets and sidewalks	-	-	98,321	98,321
	369,664	-	499,002	868,666
Unassigned	9,850,416	-	-	9,850,416
Total fund balances	\$ 11,530,072	\$ 4,549,334	\$ 3,903,006	\$ 19,982,412

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

18. Risk Management

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

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

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

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, 2019, the claims liability was \$74,074 (a current liability to be paid with current assets). Changes in the claims liability during the last two years are as follows:

	<u>Balance at Beginning of Fiscal Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at End of Fiscal Year</u>
2017-2018	\$ 61,601	\$2,705,646	\$2,541,069	\$ 226,178
2018-2019	\$ 226,178	\$2,327,212	\$2,479,316	\$ 74,074

HWEA is also self-insured for employee health care coverage. HWEA's health insurance premiums are composed of a fixed and a variable portion. The variable portion is based on actual claims experienced during the year and fluctuates each month based on claims. Premiums accrued for health insurance are based on the year-to-date claims experience of HWEA. At June 30, 2019, the claims liability was \$90,528.

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>
2017-2018	\$ 53,347	\$ 403,439	\$ 392,502	\$ 64,284
2018-2019	\$ 64,284	\$ 587,184	\$ 560,940	\$ 90,528

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

19. Related Party Transactions

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

HWEA provides billing and cash collection services and leachate purification services for Solid Waste. HWEA had billed customers on behalf of Solid Waste \$272,120 as of June 30, 2019; and this is included in accounts receivable in the accompanying statements of net position. For the year ended June 30, 2019, Solid Waste's total expense (HWEA's total revenue) for billing and collection services was \$84,744. For the year ended June 30, 2019, the Solid Waste's total expense (HWEA's total revenue) for leachate purification services was \$58,889. At June 30, 2019, Solid Waste's accounts payable (HWEA's accounts receivable) for these services was \$21,384.

The City assesses a percentage of Solid Waste revenue as payment in lieu of taxes. For the year ended June 30, 2019, Solid Waste's total expense (the City's total revenue) for payment in lieu of taxes was \$410,239. At June 30, 2019, Solid Waste's accounts payable (the City's accounts receivable) for these payments was \$37,475.

Stormwater has contracted services with the City for bookkeeping services to be done by the City's Finance Department for \$850 each month. For the year ended June 30, 2019, Stormwater's total expense (the City's total revenue) for these services was \$10,200.

Stormwater has contracted services with Community and Development Services for administration services and code enforcement for \$16,666 per month. Stormwater's total expense for these services was \$200,000 for the year ended June 30, 2019.

Stormwater has contracted services with HWEA for utility billing and cash collection services. For the year ended June 30, 2019, Stormwater's total expense (HWEA's total revenue) for these services was \$78,861. At June 30, 2019, Stormwater's accounts payable (HWEA's accounts receivable) for these services was \$6,522.

For the year ended June 30, 2019, the City paid approximately \$1,274,364 and \$1,672,473 for salaries and benefits on behalf of two joint ventures, Hopkinsville-Christian County Emergency Communications Center and Hopkinsville-Christian County Ambulance Service District, respectively. These amounts were reimbursed by the joint ventures.

20. 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

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

20. Claims and Judgments, continued

cannot be reasonably estimated. Furthermore, management believes that any financial responsibility that may be incurred in settlement of such claims and lawsuits would not be material to the City's financial position.

21. 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.

In a previous year, the City was awarded an Economic Initiative Grant from Housing and Urban Development ("HUD"), the proceeds of which were used to fund the construction of natural gas pipelines at the industrial mega site in Christian County, Kentucky. Since the project is not yet in service, the costs totaling \$3,985,399, as funded by the HUD grant, have been recorded as construction in progress on the City's statement of net position. Once the project is in service, the operation of the gas lines will be the responsibility of the City's component unit, HWEA; therefore, both the City and HWEA consider it appropriate to transfer the construction in progress costs from the City to HWEA so that HWEA can record the costs on their statement of net position. However, in order to transfer these costs, the Hopkinsville City Council will have to pass a municipal order to initiate the transfer, at which time HWEA's Board will have to accept the transfer. As of the date of this report, this approval process is currently underway and has not yet been finalized.

The City has been notified that it has received various grants for construction projects. These grants also require that the City match part of the proceeds.

The City does not plan to issue any new debt in the next fiscal year. The City has agreed to loan the Boys and Girls Club \$155,000 from the UDAG fund to cover pledges that have been made over the next three years for the construction of a kitchen. Of the \$155,000 pledged, \$150,000 is a pledge from the Hopkinsville Rotary Club that will be paid \$50,000 a year.

22. Subsequent Events

Subsequent to the year ended June 30, 2019, the City annexed 34.348 acres known as the Windmill Farms subdivision into the City. The City also began construction on a pedestrian bridge over Country Club and Lafayette Road as part of the Greenway expansion, and construction was completed on the Joe Mumford Park and the Probation and Parole Remodeling project. Also, in January 2020, Mayor Carter Hendricks resigned from office; City Council elected Wendell Lynch to serve as interim mayor until the November general election.

Subsequent to the year ended June 30, 2019, HWEA purged and commissioned Phase I of the natural gas pipeline and entered into an agreement with Clarksville Gas to supply the pipeline with natural gas. As a result, the natural gas main is now active and ready to provide

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

22. Subsequent Events, continued

service to customers along the US41A corridor, which will impact HWEA's natural gas revenues for the coming years. Also subsequent to the year ended June 30, 2019, HWEA's Board approved a change order totaling \$508,500 for the Hammond Wood Waste Water Treatment Plant renovation/expansion, a resolution to be signed by the City of Hopkinsville's mayor relating to a \$7.5 million KIA loan for Phase 8 of the Hammond Wood project, and a contract of \$400,000 for the purchase of 1.16 acres at South Clay Street.

Subsequent to the year ended June 30, 2019, the City, on behalf of Solid Waste, entered into three capital lease agreements for trucks. These leases totaled \$2,870,000 and expire from December 2020 to May 2021.

Subsequent to the year ended June 30, 2019, Stormwater transferred from their operating account \$1,500,000 into restricted funds for the South Fork Major River Flooding Project and \$500,000 into restricted funds for Major and Remedial Projects.

Also subsequent to the year ended June 30, 2019, there was the outbreak of the novel coronavirus (COVID-19) which has resulted in the closing of many businesses. The effect of the COVID-19 virus on payroll tax receipts is not known at this time. However, it is likely the current budget, and possibly the next year's budget, will need to be amended in order to use prior year revenues.

Management has evaluated subsequent events through April 13, 2020, the date on which the financial statements were available to be issued.

23. Implementation of GASB Pronouncements

A. Accounting Pronouncements Adopted during the Fiscal Year ended June 30, 2019

The financial statements of the City are prepared in conformity with the accounting principles generally accepted in the United States of America as applied to government units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

During the year ended June 30, 2019, the City adopted the following GASB pronouncements:

- Statement No. 83: *Certain Asset Retirement Obligations*
- Statement No. 88: *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

The impact of the implementation of GASB Statement No. 88 was discussed in Note W. GASB Statement No. 83 did not have an impact on financial reporting at this time.

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

23. Implementation of GASB Pronouncements, continued

B. Future Implementation of GASB Pronouncements

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

- Statement No. 84: *Fiduciary Activities* (FY 2020)
- Statement No. 87: *Leases* (FY 2021)
- Statement No. 90: *Majority Equity Interests* (FY 2020)
- Statement No. 91: *Conduit Debt Obligations* (FY 2022)

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Nonhazardous:</u>					
City's proportion of the net pension liability	0.154914%	0.157111%	0.147963%	0.146015%	0.143192%
City's proportionate share of the net pension liability	\$ 9,434,735	\$ 9,196,190	\$ 7,285,140	\$ 6,277,960	\$ 4,646,000
City's covered payroll	\$ 4,064,379	\$ 4,022,388	\$ 3,664,551	\$ 3,410,997	\$ 3,282,128
City's proportionate share of the net pension liability as a percentage of its covered payroll	232.13%	228.63%	198.80%	184.05%	141.55%
Total pension plan's fiduciary net position	\$ 7,018,963,000	\$ 6,687,237,095	\$ 6,141,394,419	\$ 6,440,799,856	\$ 6,528,146,353
Total pension plan's pension liability	\$ 13,109,268,000	\$ 12,540,544,538	\$ 11,065,012,656	\$ 10,740,325,421	\$ 9,772,522,616
Total pension plan fiduciary net position as a percentage of the total pension liability	53.54%	53.32%	55.50%	59.97%	66.80%
<u>Hazardous:</u>					
City's proportion of the net pension liability	1.601529%	1.689418%	1.628784%	1.648732%	1.659682%
City's proportionate share of the net pension liability	\$ 38,732,289	\$ 37,796,986	\$ 27,948,983	\$ 25,309,788	\$ 19,946,000
City's covered payroll	\$ 9,209,140	\$ 9,489,583	\$ 8,647,767	\$ 8,431,262	\$ 8,400,784
City's proportionate share of the net pension liability as a percentage of its covered payroll	420.59%	398.30%	323.19%	300.19%	237.43%
Total pension plan's fiduciary net position	\$ 2,348,337,000	\$ 2,217,996,136	\$ 2,010,174,047	\$ 2,078,201,667	\$ 2,087,002,261
Total pension plan's pension liability	\$ 4,766,794,000	\$ 4,455,274,669	\$ 3,726,115,488	\$ 3,613,307,547	\$ 3,288,825,753
Total pension plan fiduciary net position as a percentage of the total pension liability	49.26%	49.78%	53.95%	57.52%	63.46%

Note: This schedule is intended to present a ten-year trend. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until ten years of information is available.

Note: Please read Note 6 in the notes to the basic financial statements regarding detailed information on the City's pension plans. The County Employees Retirement Systems' measurement date is twelve months prior to the City's financial statements; the 2019 measurement date is June 30, 2018, and the 2018 measurement date is June 30, 2017.

City of Hopkinsville, Kentucky
Schedule of Required Supplementary Information
County Employees Retirement Systems (CERS)
Schedule of Component Units' Proportionate Share of the Net Pension Liability
For the Years Ended June 30,

	2019	2018	2017	2016	2015
HWEA:					
<u>Nonhazardous:</u>					
HWEA's proportion of the net pension liability	0.130222%	0.136035%	0.129211%	0.118190%	0.114295%
HWEA's proportionate share of the net pension liability	\$ 7,930,917	\$ 7,962,547	\$ 6,361,838	\$ 5,081,523	\$ 3,708,000
HWEA's covered payroll	\$ 3,256,186	\$ 3,355,136	\$ 3,131,198	\$ 2,766,612	\$ 2,621,446
HWEA's proportionate share of the net pension liability as a percentage of its covered payroll	243.56%	237.32%	203.18%	183.67%	141.45%
Total pension plan's fiduciary net position	\$ 7,018,963,000	\$ 6,687,237,095	\$ 6,141,394,419	\$ 6,440,799,856	\$ 6,528,146,353
Total pension plan's pension liability	\$ 13,109,268,000	\$ 12,540,544,538	\$ 11,065,012,656	\$ 10,740,325,421	\$ 9,772,522,616
Total pension plan fiduciary net position as a percentage of the total pension liability	53.54%	53.32%	55.50%	59.97%	66.80%
Solid Waste:					
<u>Nonhazardous:</u>					
Solid Waste's proportion of the net pension liability	0.094047%	0.088442%	0.076398%	0.073008%	0.070445%
Solid Waste's proportionate share of the net pension liability	\$ 5,727,749	\$ 5,176,782	\$ 3,761,528	\$ 3,138,976	\$ 2,286,000
Solid Waste's covered payroll	\$ 2,339,156	\$ 2,161,508	\$ 1,822,532	\$ 1,688,607	\$ 1,610,274
Solid Waste's proportionate share of the net pension liability as a percentage of its covered payroll	244.86%	239.50%	206.39%	185.89%	141.96%
Total pension plan's fiduciary net position	\$ 7,018,963,000	\$ 6,687,237,095	\$ 6,141,394,419	\$ 6,440,799,856	\$ 6,528,146,353
Total pension plan's pension liability	\$ 13,109,268,000	\$ 12,540,544,538	\$ 11,065,012,656	\$ 10,740,325,421	\$ 9,772,522,616
Total pension plan fiduciary net position as a percentage of the total pension liability	53.54%	53.32%	55.50%	59.97%	66.80%

Note: This schedule is intended to present a ten-year trend. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until ten years of information is available.

Note: Please read Note 6 in the notes to the basic financial statements regarding detailed information on HWEA's and Solid Waste's pension plans. The County Employees Retirement Systems' measurement date is twelve months prior to the HWEA's and Solid Waste's financial statements; the 2019 measurement date is June 30, 2018, and the 2018 measurement date is June 30, 2017.

City of Hopkinsville, Kentucky
Schedule of Required Supplementary Information
County Employees Retirement Systems (CERS)
Schedule of City of Hopkinsville's Pension Contributions
For the Years Ended June 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Nonhazardous:</u>						
Statutorily required contributions	\$ 665,352	\$ 554,999	\$ 714,562	\$ 602,161	\$ 602,723	\$ 620,548
Contributions in relation to the statutorily required contributions	<u>(665,352)</u>	<u>(554,999)</u>	<u>(714,562)</u>	<u>(602,161)</u>	<u>(602,723)</u>	<u>(620,548)</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's contributions as a percentage of statutorily required contribution for pension	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
City's covered payroll	\$ 4,448,052	\$ 4,064,379	\$ 4,022,388	\$ 3,664,551	\$ 3,410,997	\$ 3,282,128
Contributions as a percentage of covered payroll	14.96%	13.66%	17.76%	16.43%	17.67%	18.91%
<u>Hazardous:</u>						
Statutorily required contributions	\$ 2,179,861	\$ 2,111,018	\$ 2,880,492	\$ 2,790,174	\$ 2,892,766	\$ 3,000,986
Contributions in relation to the statutorily required contributions	<u>(2,179,861)</u>	<u>(2,111,018)</u>	<u>(2,880,492)</u>	<u>(2,790,174)</u>	<u>(2,892,766)</u>	<u>(3,000,986)</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's contributions as a percentage of statutorily required contribution for pension	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
City's covered payroll	\$ 9,258,347	\$ 9,209,140	\$ 9,489,583	\$ 8,647,767	\$ 8,431,262	\$ 8,400,784
Contributions as a percentage of covered payroll	23.54%	22.92%	30.35%	32.26%	34.31%	35.72%

Note: This schedule is intended to present a ten-year trend. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until ten years of information is available.

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

City of Hopkinsville, Kentucky
Schedule of Required Supplementary Information
County Employees Retirement Systems (CERS)
Schedule of Component Units' Pension Contributions
For the Years Ended June 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
HWEA:						
<u>Nonhazardous:</u>						
HWEA's statutorily required contributions	\$ 535,347	\$ 464,785	\$ 464,029	\$ 394,384	\$ 365,433	\$ 371,486
HWEA's contributions in relation to the statutorily required contributions	<u>(535,347)</u>	<u>(464,785)</u>	<u>(464,029)</u>	<u>(394,384)</u>	<u>(365,433)</u>	<u>(371,486)</u>
HWEA's annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
HWEA's contributions as a percentage of statutorily required contribution for pension	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
HWEA's covered payroll	\$ 3,299,769	\$ 3,256,186	\$ 3,355,136	\$ 3,131,198	\$ 2,766,612	\$ 2,621,446
HWEA's contributions as a percentage of covered payroll	16.22%	14.27%	13.83%	12.60%	13.21%	14.17%
Solid Waste:						
<u>Nonhazardous:</u>						
Solid Waste's statutorily required contributions	\$ 402,984	\$ 338,710	\$ 405,369	\$ 320,925	\$ 310,637	\$ 305,286
Solid Waste's contributions in relation to the statutorily required contributions	<u>(402,984)</u>	<u>(338,710)</u>	<u>(405,369)</u>	<u>(320,925)</u>	<u>(310,637)</u>	<u>(305,286)</u>
Solid Waste's annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Solid Waste's contributions as a percentage of statutorily required contribution for pension	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Solid Waste's covered payroll	\$ 2,484,490	\$ 2,339,156	\$ 2,161,508	\$ 1,822,532	\$ 1,688,607	\$ 1,610,274
Solid Waste's contributions as a percentage of covered payroll	16.22%	14.48%	18.75%	17.61%	18.40%	18.96%

Note: This schedule is intended to present a ten-year trend. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until ten years of information is available.

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability					
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest cost	103,866	120,673	168,334	212,523	267,915
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(82,327)	26,565	(734,902)	(748,273)	(71,532)
Changes of assumptions	(344,703)	154,101	(100,401)	(235,376)	1,026,854
Benefit payments	(267,955)	(266,054)	(315,549)	(354,942)	(399,589)
Other	-	-	-	-	-
Net change in total pension liability	<u>(591,119)</u>	<u>35,285</u>	<u>(982,518)</u>	<u>(1,126,068)</u>	<u>823,648</u>
Total pension liability-beginning	<u>3,432,042</u>	<u>3,396,757</u>	<u>4,379,275</u>	<u>5,505,343</u>	<u>4,681,695</u>
Total pension liability-ending	<u><u>\$2,840,923</u></u>	<u><u>\$3,432,042</u></u>	<u><u>\$3,396,757</u></u>	<u><u>\$4,379,275</u></u>	<u><u>\$5,505,343</u></u>
Plan Fiduciary Net Position					
Contributions-employer	\$ 285,000	\$ 325,000	\$ 375,000	\$ 399,744	\$ 400,000
Contributions-employee	-	-	-	-	-
Net investment income	12,238	10,324	11,640	13,081	31,039
Benefit payments	(267,955)	(266,054)	(315,549)	(354,942)	(399,589)
Administration expenses	(8,444)	(21,933)	(7,162)	(13,440)	(6,405)
Other	-	-	-	-	-
Net change in plan fiduciary net position	<u>20,839</u>	<u>47,337</u>	<u>63,929</u>	<u>44,443</u>	<u>25,045</u>
Plan fiduciary net position-beginning	<u>1,170,254</u>	<u>1,122,917</u>	<u>1,058,988</u>	<u>1,014,545</u>	<u>989,500</u>
Plan fiduciary net position-ending	<u><u>\$1,191,093</u></u>	<u><u>\$1,170,254</u></u>	<u><u>\$1,122,917</u></u>	<u><u>\$1,058,988</u></u>	<u><u>\$1,014,545</u></u>
Net Pension Liability	<u><u>\$1,649,830</u></u>	<u><u>\$2,261,788</u></u>	<u><u>\$2,273,840</u></u>	<u><u>\$3,320,287</u></u>	<u><u>\$4,490,798</u></u>
Plan fiduciary net position as a percentage of the total pension liability	41.93%	34.10%	33.06%	24.18%	18.43%
Covered-employee payroll	-	-	-	-	-
City's net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A

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

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 488,532	\$497,550	\$731,484	\$989,356	\$851,707
Contributions in relation to the actuarially determined contribution	<u>285,000</u>	<u>325,000</u>	<u>375,000</u>	<u>399,744</u>	<u>400,000</u>
Contribution deficiency (excess)	<u>\$ 203,532</u>	<u>\$172,550</u>	<u>\$356,484</u>	<u>\$589,612</u>	<u>\$451,707</u>
Covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A

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

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	0.37%	1.07%	1.33%	1.59%	3.92%

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

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

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

	<u>2019</u>	<u>2018</u>
<u>Nonhazardous:</u>		
City's proportion of the net OPEB liability	0.154908%	0.157111%
City's proportionate share of the net OPEB liability	\$ 2,750,361	\$ 3,158,469
City's covered payroll	\$ 4,064,379	\$ 4,022,388
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	67.67%	78.52%
Total plan fiduciary net position	\$ 2,414,126,000	\$ 2,212,535,662
Total OPEB liability	\$ 4,189,606,000	\$ 4,222,877,716
Total plan fiduciary net position as a percentage of the total OPEB liability	57.62%	52.39%
<u>Hazardous:</u>		
City's proportion of the net OPEB liability	1.601619%	1.689418%
City's proportionate share of the net OPEB liability	\$ 11,418,894	\$ 13,965,938
City's covered payroll	\$ 9,209,140	\$ 9,489,583
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	124.00%	147.17%
Total plan fiduciary net position	\$ 1,280,982,000	\$ 1,189,001,387
Total OPEB liability	\$ 1,993,941,000	\$ 2,015,672,964
Total plan fiduciary net position as a percentage of the total OPEB liability	64.24%	58.99%

Note: This schedule is intended to present a ten-year trend. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until ten years of information is available.

Note: Please read Note 7 in the notes to the basic financial statements regarding detailed information on City's OPEB plan. The County Employees Retirement Systems' measurement date is twelve months prior to City's financial statements; the 2019 measurement date is June 30, 2018, and the 2018 measurement date is June 30, 2017.

City of Hopkinsville, Kentucky
Schedule of Required Supplementary Information
County Employees Retirement Systems (CERS)
Schedule of Component Units' Proportionate Share of the Net OPEB Liability
For the Years Ended June 30,

	<u>2019</u>	<u>2018</u>
HWEA:		
<u>Nonhazardous:</u>		
HWEA's proportion of the net OPEB liability	0.130217%	0.136035%
HWEA's proportionate share of the net OPEB liability	\$ 2,311,977	\$ 2,734,769
HWEA's covered payroll	\$ 3,256,186	\$ 3,355,136
HWEA's proportionate share of the net OPEB liability as a percentage of its covered payroll	71.00%	81.51%
Total plan fiduciary net position	\$ 2,414,126,000	\$ 2,212,535,662
Total OPEB liability	\$ 4,189,606,000	\$ 4,222,877,716
Total plan fiduciary net position as a percentage of the total OPEB liability	57.62%	52.39%
Solid Waste:		
<u>Nonhazardous:</u>		
Solid Waste's proportion of the net OPEB liability	0.094044%	0.088442%
Solid Waste's proportionate share of the net OPEB liability	\$ 1,669,733	\$ 1,777,987
Solid Waste's covered payroll	\$ 2,339,156	\$ 2,161,508
Solid Waste's proportionate share of the net OPEB liability as a percentage of its covered payroll	71.38%	82.26%
Total plan fiduciary net position	\$ 2,414,126,000	\$ 2,212,535,662
Total OPEB liability	\$ 4,189,606,000	\$ 4,222,877,716
Total plan fiduciary net position as a percentage of the total OPEB liability	57.62%	52.39%

Note: This schedule is intended to present a ten-year trend. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until ten years of information is available.

Note: Please read Note 7 in the notes to financial statements regarding detailed information on HWEA's and Solid Waste's OPEB plans. The County Employees Retirement Systems' measurement date is twelve months prior to HWEA's and Solid Waste's financial statements; the 2019 measurement date is June 30, 2018, and the 2018 measurement date is June 30, 2017.

City of Hopkinsville, Kentucky
Schedule of Required Supplementary Information
County Employees Retirement Systems (CERS)
Schedule of City of Hopkinsville's OPEB Contributions
For the Year Ended June 30,

	<u>2019</u>	<u>2018</u>
<u>Nonhazardous:</u>		
Statutorily required contributions	\$ 215,768	\$ 185,000
Contributions in relation to the statutorily required contributions	<u>(215,768)</u>	<u>(185,000)</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's contributions as a percentage of statutorily required contribution for OPEB	100.00%	100.00%
City's covered payroll	\$ 4,448,052	\$ 4,064,379
Contributions as a percentage of covered payroll	4.85%	4.55%
<u>Hazardous:</u>		
Statutorily required contributions	\$ 917,698	\$ 703,673
Contributions in relation to the statutorily required contributions	<u>(917,698)</u>	<u>(703,673)</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's contributions as a percentage of statutorily required contribution for OPEB	100.00%	100.00%
City's covered payroll	\$ 9,258,347	\$ 9,209,140
Contributions as a percentage of covered payroll	9.91%	7.64%

Note: This schedule is intended to present a ten-year trend. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until ten years of information is available.

Note: Please read Note 7 in the notes to the basic financial statements regarding detailed information on the City's OPEB plan.

City of Hopkinsville, Kentucky
Schedule of Required Supplementary Information
County Employees Retirement Systems (CERS)
Schedule of Component Units' OPEB Contributions
For the Years Ended June 30,

	<u>2019</u>	<u>2018</u>
HWEA:		
<u>Nonhazardous:</u>		
HWEA's statutorily required contributions	\$ 173,608	\$ 154,929
HWEA's contributions in relation to the statutorily required contributions	<u>(173,608)</u>	<u>(154,929)</u>
HWEA's annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
HWEA's contributions as a percentage of statutorily required contribution for OPEB	100.00%	100.00%
HWEA's covered payroll	\$ 3,299,769	\$ 3,256,186
HWEA's contributions as a percentage of covered payroll	5.26%	4.76%

Solid Waste:

Nonhazardous:

Solid Waste's statutorily required contributions	\$ 130,684	\$ 109,940
Solid Waste's contributions in relation to the statutorily required contributions	<u>(130,684)</u>	<u>(109,940)</u>
Solid Waste's annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Solid Waste's contributions as a percentage of statutorily required contribution for OPEB	100.00%	100.00%
Solid Waste's covered payroll	\$ 2,484,490	\$ 2,339,156
Solid Waste's contributions as a percentage of covered payroll	5.26%	4.70%

Note: This schedule is intended to present a ten-year trend. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until ten years of information is available.

Note: Please read Note 7 in the notes to financial statements regarding detailed information on the City's OPEB plan.

City of Hopkinsville, Kentucky
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (See Note A)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 5,600,000	\$ 5,600,000	\$ 5,721,999	\$ 121,999
Licenses and permits	24,671,225	24,982,300	25,098,628	116,328
Fines and forfeits	77,500	77,500	94,383	16,883
Intergovernmental	3,374,199	3,514,491	3,499,167	(15,324)
Charges for services	251,600	251,600	274,677	23,077
Interest	175,000	275,000	281,037	6,037
Other revenues	1,152,305	1,187,305	1,124,075	(63,230)
Total Revenues	35,301,829	35,888,196	36,093,966	205,770
EXPENDITURES				
Current:				
General government:				
Administrative	1,788,260	1,888,261	1,806,687	81,574
Tax department	854,885	772,887	634,813	138,074
Information technology	975,887	927,085	794,055	133,030
Legislative	351,021	351,021	336,844	14,177
Public safety:				
Police	8,000,150	7,947,150	7,610,431	336,719
Emergency communications	1,313,525	1,313,525	1,274,364	39,161
Fire	8,227,329	8,185,329	7,565,476	619,853
Other	1,140,636	1,140,636	1,140,636	-
Public works:				
Administrative	299,165	268,165	261,385	6,780
Street	2,018,280	1,956,280	1,955,586	694
Service center	479,476	478,476	447,468	31,008
Other	406,000	426,000	419,148	6,852
Community development	3,954,786	4,236,785	4,175,467	61,318
Parks and recreation	1,476,733	1,489,180	1,403,647	85,533
Debt service:				
Principal	1,318,296	1,318,296	1,307,917	10,379
Interest and finance charges	825,828	825,828	825,828	-
Capital outlays	-	384,853	384,853	-
Total Expenditures	33,430,257	33,909,757	32,344,605	1,565,152
Excess of revenues over (under) expenditures	1,871,572	1,978,439	3,749,361	1,770,922
OTHER FINANCING SOURCES (USES)				
Transfers in	548,163	548,163	548,163	-
Transfers out	(2,419,735)	(3,915,922)	(4,369,294)	(453,372)
Total Other Financing Sources (Uses)	(1,871,572)	(3,367,759)	(3,821,131)	(453,372)
Net change in fund balance	-	(1,389,320)	(71,770)	1,317,550
Fund balance, beginning of year	12,096,114	12,096,114	12,096,114	-
Fund balance, end of year	\$ 12,096,114	\$ 10,706,794	\$ 12,024,344	\$ 1,317,550

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (RSI)
ON BUDGETARY ACCOUNTING AND CONTROL
For the Year Ended June 30, 2019

Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting:

Encumbrance accounting, under which purchase orders are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year end do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

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

A reconciliation of resultant basis, timing, perspective, and entity differences in the excess of expenditures and other financing uses over revenues and other financing sources for the year ended June 30, 2019 of the General Fund is presented below.

Excess (deficit) of revenues and other financing sources over (under) expenditures and other financing uses (budgetary basis)	\$ (71,770)
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Adjustments:

To adjust expenditures for salary accruals	(8,618)
To adjust expenditures for payable accruals	21,927
To adjust revenues for tax and license accruals	<u>(455,794)</u>

Excess of revenues and other financing sources over (under) expenditures and other financing uses (GAAP basis)	<u><u>\$ (514,255)</u></u>
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Note: See Note A on the following page as an aid in the reconciliation of the Budgetary Comparison Schedule to the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.

City of Hopkinsville, Kentucky
Note to Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2019

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

	General Fund (Budgetary)	Budgetary to GAAP Adjustments *	Special Revenue Funds	Total
REVENUES				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 36,093,966	\$ 36,093,966	\$ -	\$ 36,093,966
Adjustments:				
The City budgets for receivables on the cash basis, rather than on the modified accrual basis	-	(455,794)	-	(455,794)
Budgetary Special Revenue Funds are consolidated into the General Fund, required for GAAP reporting	-	-	41,512	41,512
Total revenues as reported on the budgetary comparison schedule	<u>36,093,966</u>	<u>35,638,172</u>	<u>41,512</u>	<u>35,679,684</u> ^
EXPENDITURES				
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	(32,344,605)	(32,344,605)	-	(32,344,605)
Adjustments:				
The City budgets for payables on the cash basis, rather than on the modified accrual basis	-	21,927	-	21,927
The City budgets for payroll on the cash basis, rather than on the modified accrual basis	-	(8,618)	-	(8,618)
Budgetary Special Revenue Funds are consolidated into the General Fund, required for GAAP reporting	-	-	(4,283,055)	(4,283,055)
Total expenditures as reported on the budgetary comparison schedule	<u>(32,344,605)</u>	<u>(32,331,296)</u>	<u>(4,283,055)</u>	<u>(36,614,351)</u> ^
OTHER FINANCING SOURCES (USES)				
Transfers in	548,163	548,163	-	548,163
Transfers out	(4,369,294)	(4,369,294)	1,133,887	(3,235,407)
Issuance of long-term debt	-	-	3,055,869	3,055,869
Total other financing sources (uses)	<u>(3,821,131)</u>	<u>(3,821,131)</u>	<u>4,189,756</u>	<u>368,625</u> ^
Excess of revenues and other financing sources over/ (under) expenditures and other financing uses	<u>\$ (71,770)</u>	<u>\$ (514,255)</u> **	<u>\$ (51,787)</u>	<u>\$ (566,042)</u> ^
Reclassifications:				
Budgetary Special Revenue Funds are consolidated into the General Fund, required for GAAP reporting	<u>\$ (1,133,887)</u>	<u>\$ -</u>	<u>\$ 1,133,887</u>	<u>\$ -</u>

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

+ As reported on the budgetary comparison schedule

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

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

City of Hopkinsville, Kentucky
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
ASSETS				
Pooled cash and cash equivalents	\$ 618,049	\$ 886,825	\$ -	\$ 1,504,874
Non-pooled cash and cash equivalents	228,705	668,715	80,379	977,799
Investments	233,509	-	403,599	637,108
Loans receivable	584,225	-	-	584,225
Other receivables	<u>199,000</u>	<u>-</u>	<u>-</u>	<u>199,000</u>
Total assets	<u>\$ 1,863,488</u>	<u>\$ 1,555,540</u>	<u>\$ 483,978</u>	<u>\$ 3,903,006</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	1,440,643	1,154,859	483,978	3,079,480
Committed	324,524	-	-	324,524
Assigned	98,321	400,681	-	499,002
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,863,488</u>	<u>1,555,540</u>	<u>483,978</u>	<u>3,903,006</u>
Total liabilities and fund balances	<u>\$ 1,863,488</u>	<u>\$ 1,555,540</u>	<u>\$ 483,978</u>	<u>\$ 3,903,006</u>

City of Hopkinsville, Kentucky
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	\$ 1,516,085	\$ -	\$ -	\$ 1,516,085
Investment income (loss)	23,147	9,052	29,740	61,939
Other revenue	<u>72,313</u>	<u>25,495</u>	<u>12,800</u>	<u>110,608</u>
Total revenues	<u>1,611,545</u>	<u>34,547</u>	<u>42,540</u>	<u>1,688,632</u>
EXPENDITURES				
Current:				
General government	12,273	71	-	12,344
Public safety	728,976	33,299	-	762,275
Public works	75,522	4,219	-	79,741
Community development	127,647	53,061	-	180,708
Parks and recreation	-	-	-	-
Debt Service:				
Principal	75,000	233,690	-	308,690
Interest	29,253	20,713	-	49,966
Expenditures	-	50,061	-	50,061
Capital outlay	<u>646,369</u>	<u>2,698,694</u>	<u>-</u>	<u>3,345,063</u>
Total expenditures	<u>1,695,040</u>	<u>3,093,808</u>	<u>-</u>	<u>4,788,848</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(83,495)</u>	<u>(3,059,261)</u>	<u>42,540</u>	<u>(3,100,216)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	341	2,587,244	-	2,587,585
Transfers out	(341)	-	-	(341)
Issuance of debt	<u>-</u>	<u>995,000</u>	<u>-</u>	<u>995,000</u>
Total other financing sources (uses)	<u>-</u>	<u>3,582,244</u>	<u>-</u>	<u>3,582,244</u>
Net change in fund balances	(83,495)	522,983	42,540	482,028
Fund balances, beginning of year	<u>1,946,983</u>	<u>1,032,557</u>	<u>441,438</u>	<u>3,420,978</u>
Fund balances, end of year	<u>\$ 1,863,488</u>	<u>\$ 1,555,540</u>	<u>\$ 483,978</u>	<u>\$ 3,903,006</u>

City of Hopkinsville, Kentucky
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2019

	Municipal Road Aid	Community Development Block Grant	Police Incentive	Fire Incentive	Urban Development Action Grant	Drug Enforcement	Expendable Trust	Grants	Total Nonmajor Special Revenue Funds
ASSETS									
Pooled cash and cash equivalents	\$ 138,005	\$ -	\$ 20,700	\$ 26,666	\$ 226,915	\$ 202,738	\$ -	\$ 3,025	\$ 618,049
Non-pooled cash and cash equivalents	-	-	-	-	-	121,786	106,919	-	228,705
Investments	-	-	-	-	-	-	233,509	-	233,509
Loans receivable	-	-	-	-	584,225	-	-	-	584,225
Other receivables	-	-	-	-	-	-	-	199,000	199,000
Total assets	<u>\$ 138,005</u>	<u>\$ -</u>	<u>\$ 20,700</u>	<u>\$ 26,666</u>	<u>\$ 811,140</u>	<u>\$ 324,524</u>	<u>\$ 340,428</u>	<u>\$ 202,025</u>	<u>\$ 1,863,488</u>
LIABILITIES AND FUND BALANCES									
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-	-	-	-	-	-
FUND BALANCES									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	39,684	-	20,700	26,666	811,140	-	340,428	202,025	1,440,643
Committed	-	-	-	-	-	324,524	-	-	324,524
Assigned	98,321	-	-	-	-	-	-	-	98,321
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	<u>138,005</u>	<u>-</u>	<u>20,700</u>	<u>26,666</u>	<u>811,140</u>	<u>324,524</u>	<u>340,428</u>	<u>202,025</u>	<u>1,863,488</u>
Total liabilities and fund balances	<u>\$ 138,005</u>	<u>\$ -</u>	<u>\$ 20,700</u>	<u>\$ 26,666</u>	<u>\$ 811,140</u>	<u>\$ 324,524</u>	<u>\$ 340,428</u>	<u>\$ 202,025</u>	<u>\$ 1,863,488</u>

City of Hopkinsville, Kentucky
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2019

	Municipal Road Aid	Community Development Block Grant	Police Incentive	Fire Incentive	Urban Development Action Grant	Drug Enforcement	Expendable Trust	Grants	Total Nonmajor Special Revenue Funds
REVENUES									
Intergovernmental	\$ 649,651	\$ 245,125	\$ 255,005	\$ 326,342	\$ -	\$ -	\$ -	\$ 39,962	\$ 1,516,085
Investment income (loss)	1,726	-	-	-	6	4,022	17,393	-	23,147
Other revenue	-	-	-	-	-	72,313	-	-	72,313
Total revenues	<u>651,377</u>	<u>245,125</u>	<u>255,005</u>	<u>326,342</u>	<u>6</u>	<u>76,335</u>	<u>17,393</u>	<u>39,962</u>	<u>1,611,545</u>
EXPENDITURES									
General government	-	-	-	-	-	-	12,273	-	12,273
Public safety	-	-	257,308	324,031	-	118,651	-	28,986	728,976
Public works	75,400	-	-	-	-	-	122	-	75,522
Community development	-	120,872	-	-	-	-	-	6,775	127,647
Parks and recreation	-	-	-	-	-	-	-	-	-
Debt Service:									
Principal	-	75,000	-	-	-	-	-	-	75,000
Interest	-	29,253	-	-	-	-	-	-	29,253
Expenditures	-	-	-	-	-	-	-	-	-
Capital outlay	<u>608,123</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,246</u>	<u>646,369</u>
Total expenditures	<u>683,523</u>	<u>245,125</u>	<u>257,308</u>	<u>324,031</u>	<u>-</u>	<u>118,651</u>	<u>12,395</u>	<u>54,007</u>	<u>1,695,040</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(32,146)</u>	<u>-</u>	<u>(2,303)</u>	<u>2,311</u>	<u>6</u>	<u>(42,316)</u>	<u>4,998</u>	<u>(14,045)</u>	<u>(83,495)</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	-	-	341	-	341
Transfer out	-	-	-	-	-	-	(341)	-	(341)
Issuance of debt	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(32,146)	-	(2,303)	2,311	6	(42,316)	4,998	(14,045)	(83,495)
Fund balances, beginning of year	<u>170,151</u>	<u>-</u>	<u>23,003</u>	<u>24,355</u>	<u>811,134</u>	<u>366,840</u>	<u>335,430</u>	<u>216,070</u>	<u>1,946,983</u>
Fund balances, end of year	<u>\$ 138,005</u>	<u>\$ -</u>	<u>\$ 20,700</u>	<u>\$ 26,666</u>	<u>\$ 811,140</u>	<u>\$ 324,524</u>	<u>\$ 340,428</u>	<u>\$ 202,025</u>	<u>\$ 1,863,488</u>

City of Hopkinsville, Kentucky
Budgetary Comparison Schedule
Municipal Road Aid Special Revenue Fund
For the Year Ended June 30, 2019

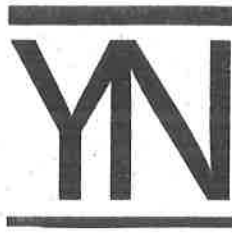
	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 644,000	\$ 644,000	\$ 649,651	\$ 5,651
Interest	<u>5,000</u>	<u>5,000</u>	<u>1,726</u>	<u>(3,274)</u>
Total Revenues	<u>649,000</u>	<u>649,000</u>	<u>651,377</u>	<u>2,377</u>
EXPENDITURES				
Public works	649,000	75,400	75,400	-
Capital outlay	<u>-</u>	<u>573,600</u>	<u>608,123</u>	<u>(34,523)</u>
Total expenditures	<u>649,000</u>	<u>649,000</u>	<u>683,523</u>	<u>(34,523)</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(32,146)</u>	<u>(32,146)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	(32,146)	(32,146)
Fund balance, beginning of year	<u>170,151</u>	<u>170,151</u>	<u>170,151</u>	<u>-</u>
Fund balance, end of year	<u>\$ 170,151</u>	<u>\$ 170,151</u>	<u>\$ 138,005</u>	<u>\$ (32,146)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses (budgetary basis)			\$ (32,146)	
Adjustments:				
To adjust expenditures for payable accruals			<u>-</u>	
Excess of revenues and other financing sources over (under) expenditures and other financing uses (GAAP basis)			<u>\$ (32,146)</u>	

City of Hopkinsville, Kentucky
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2019

	Capital Fund	Section 108 CDBG Loan Fund	City Hall/PD Construction Fund	Probation & Parole Remodel Fund	Total Nonmajor Capital Projects Funds
ASSETS					
Pooled cash and cash equivalents	\$ 886,825	\$ -	\$ -	\$ -	\$ 886,825
Non-pooled cash and cash equivalents	<u>-</u>	<u>-</u>	<u>-</u>	<u>668,715</u>	<u>668,715</u>
Total assets	<u>\$ 886,825</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 668,715</u>	<u>\$ 1,555,540</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	486,144	-	-	668,715	1,154,859
Committed	-	-	-	-	-
Assigned	400,681	-	-	-	400,681
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>886,825</u>	<u>-</u>	<u>-</u>	<u>668,715</u>	<u>1,555,540</u>
Total liabilities and fund balances	<u>\$ 886,825</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 668,715</u>	<u>\$ 1,555,540</u>

City of Hopkinsville, Kentucky
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended June 30, 2019

	Capital Fund	Section 108 CDBG Loan Fund	City Hall/PD Construction Fund	Probation & Parole Remodel Fund	Total Nonmajor Capital Projects Funds
REVENUES					
Investment income	\$ -	\$ 1,435	\$ -	\$ 7,617	\$ 9,052
Other revenue	25,495	-	-	-	25,495
Total revenues	25,495	1,435	-	7,617	34,547
EXPENDITURES					
General government	-	-	71	-	71
Public safety	33,299	-	-	-	33,299
Public works	1,962	-	-	2,257	4,219
Community development	53,061	-	-	-	53,061
Parks and recreation	-	-	-	-	-
Debt service:					
Principal	233,690	-	-	-	233,690
Interest	20,713	-	-	-	20,713
Expenditures	-	-	-	50,061	50,061
Capital outlay	2,204,433	184,061	28,616	281,584	2,698,694
Total expenditures	2,547,158	184,061	28,687	333,902	3,093,808
Excess (deficiency) of revenues over (under) expenditures	(2,521,663)	(182,626)	(28,687)	(326,285)	(3,059,261)
OTHER FINANCING SOURCES (USES)					
Transfers in	2,587,244	-	-	-	2,587,244
Transfers out	-	-	-	-	-
Issuance of debt	-	-	-	995,000	995,000
Total other financing sources (uses)	2,587,244	-	-	995,000	3,582,244
Net change in fund balances	65,581	(182,626)	(28,687)	668,715	522,983
Fund balances, beginning of year	821,244	182,626	28,687	-	1,032,557
Fund balances, end of year	\$ 886,825	\$ -	\$ -	\$ 668,715	\$ 1,555,540



YORK, NEEL & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hopkinsville, Kentucky, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Hopkinsville, Kentucky's basic financial statements, and have issued our report thereon dated April 13, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

York, Neel & Associates, LLP
Hopkinsville, Kentucky
April 13, 2020