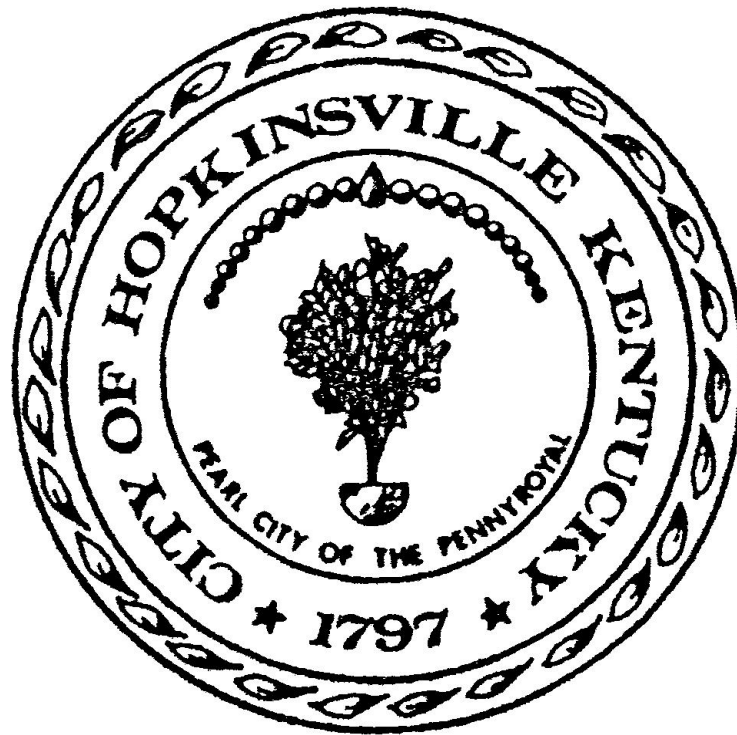


**CITY OF HOPKINSVILLE, KENTUCKY  
FINANCIAL STATEMENTS**



**For the Year Ended  
June 30, 2020**

**CITY OF HOPKINSVILLE  
HOPKINSVILLE, KENTUCKY**

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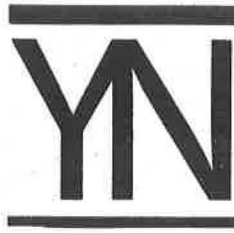
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**YORK, NEEL & ASSOCIATES, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

## **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, 2020, 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

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, 2020, 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 on pages 4-17, pension schedules on pages 114-120, OPEB schedules on pages 121-124, and budgetary comparison information on pages 125-127, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 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.

*Ysabel + Associates, LLP*

Hopkinsville, Kentucky  
December 30, 2020

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



**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 the fiscal year ended June 30, 2020. 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.

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**FINANCIAL HIGHLIGHTS**

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- The City's liabilities and deferred inflows exceeded assets and deferred outflows at the close of the fiscal year ended June 30, 2020 by (\$25.0) million (net position). This amount includes \$3.7 million that is restricted to specific projects by laws, regulations, or contractual agreements. A deficit total of (\$53.5) million was in unrestricted due to GASB No. 68, *Accounting and Financial Reporting for Pensions*, which was implemented in the fiscal year ended June 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 June 30, 2018.
- The City's total net position (deficit) decreased (\$10.0) million this year, primarily due to changes in the net pension and OPEB liabilities and the related deferred outflows and inflows, and the transfer of natural gas lines to a component unit (special item). Net position (deficit) of governmental activities decreased (\$10.0) million, and net position of business-type activities decreased by (\$83) thousand.
- As of June 30, 2020, the City's governmental funds reported combined ending fund balances of \$17.1 million, a decrease of \$2.9 million from the prior year. Approximately \$10.1 million, 59.10% of this total amount, is unassigned and available for spending.
- The City's governmental activities total debt decreased by a net amount of \$3.5 million. Debt increases included \$3.3 million for new capital leases on behalf of a component unit. Debt decreases included \$1.7 million due to the repayment of debt by the City and \$5.1 million due to the component units' repayment of debt.

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**OVERVIEW OF FINANCIAL STATEMENTS**

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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**

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**OVERVIEW OF FINANCIAL STATEMENTS, continued**

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**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**

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**OVERVIEW OF FINANCIAL STATEMENTS, continued**

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**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 thirteen (13) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the WINS Construction Fund, which are considered to be major funds. Data from the other eleven (11) 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, sewerage, and natural gas services, solid waste services, and stormwater utility services.

**CITY OF HOPKINSVILLE, KENTUCKY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**OVERVIEW OF FINANCIAL STATEMENTS, continued**

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**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 33-113 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 128-131 and 133-134 of this report.

**CITY OF HOPKINSVILLE, KENTUCKY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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As previously indicated, net position may serve over time as a useful indicator of the City's financial position. As of June 30, 2020, the City as a whole had assets and deferred outflows less than liabilities and deferred inflows by (\$25.0) million, a decrease of (\$10.0) 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 June 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 June 30, 2018. Of the (\$25.0) million, \$24.7 million was net investment in capital assets, \$3.7 million was restricted, and (\$53.5) million was unrestricted. Net position (deficit) of governmental activities total (\$27.7) million, with \$22.2 million as net investment in capital assets, \$3.7 million as restricted, and (\$53.7) million as unrestricted. The net position of the City's business-type activities total \$2.7 million. Of that net position total, \$2.5 million was net investment in capital assets with an unrestricted fund balance of \$150 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 ended June 30, 2020, 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**

---

The following table provides a summary of the City's net position (deficit) as of June 30, 2020, as compared to the prior year as of June 30, 2019.

**City of Hopkinsville Net Position (Deficit)**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 49,676,023	\$ 54,726,081	\$ 150,237	\$ 145,266	\$ 49,826,260	\$ 54,871,347
Capital assets	<u>44,558,634</u>	<u>46,823,991</u>	<u>2,541,449</u>	<u>2,646,972</u>	<u>47,100,083</u>	<u>49,470,963</u>
Total assets	<u>\$ 94,234,657</u>	<u>\$101,550,072</u>	<u>\$ 2,691,686</u>	<u>\$ 2,792,238</u>	<u>\$ 96,926,343</u>	<u>\$104,342,310</u>
Deferred outflows of resources	<u>\$ 17,755,276</u>	<u>\$ 19,001,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,755,276</u>	<u>\$ 19,001,741</u>
Long-term liabilities	\$130,436,044	\$130,126,603	\$ -	\$ -	\$130,436,044	\$130,126,603
Other liabilities	<u>1,507,265</u>	<u>1,028,647</u>	<u>-</u>	<u>17,958</u>	<u>1,507,265</u>	<u>1,046,605</u>
Total liabilities	<u>\$131,943,309</u>	<u>\$131,155,250</u>	<u>\$ -</u>	<u>\$ 17,958</u>	<u>\$131,943,309</u>	<u>\$131,173,208</u>
Deferred inflows of resources	<u>\$ 7,787,499</u>	<u>\$ 7,180,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,787,499</u>	<u>\$ 7,180,424</u>
Net position:						
Net investment in						
capital assets	\$ 22,187,735	\$ 25,698,569	\$ 2,541,449	\$ 2,646,972	\$ 24,729,184	\$ 28,345,541
Restricted	3,726,453	6,136,012	-	-	3,726,453	6,136,012
Unrestricted (deficit)	<u>(53,655,063)</u>	<u>(49,618,442)</u>	<u>150,237</u>	<u>127,308</u>	<u>(53,504,826)</u>	<u>(49,491,134)</u>
Total net position (deficit)	<u>\$(27,740,875)</u>	<u>\$(17,783,861)</u>	<u>\$ 2,691,686</u>	<u>\$ 2,774,280</u>	<u>\$(25,049,189)</u>	<u>\$(15,009,581)</u>

**CITY OF HOPKINSVILLE, KENTUCKY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**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, 2020 as compared to the prior year ended June 30, 2019. Governmental activities decreased the City's net position by (\$10.0) million, while business-type activities decreased the City's net position by (\$83) thousand.

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services and sales	\$ 1,738,393	\$ 2,250,876	\$ 150,843	\$ 277,428	\$ 1,889,236	\$ 2,528,304
Operating grants and contributions	6,059,248	5,559,973	-	-	6,059,248	5,559,973
Capital grants and contributions	1,076,504	288,468	-	-	1,076,504	288,468
General revenues:						
Property taxes	5,620,347	5,509,894	-	-	5,620,347	5,509,894
Occupational taxes	16,269,144	17,097,971	-	-	16,269,144	17,097,971
Insurance premium tax	4,970,019	4,856,576	-	-	4,970,019	4,856,576
Franchise tax	389,602	413,181	-	-	389,602	413,181
Transient room tax	676,721	832,011	-	-	676,721	832,011
Payment in lieu of taxes	678,602	696,082	-	-	678,602	696,082
Investment income	355,099	506,712	669	1,528	355,768	508,240
Gain on sale of capital assets	-	-	-	-	-	-
Miscellaneous	53,923	42,315	-	-	53,923	42,315
Total revenues	<u>\$ 37,887,602</u>	<u>\$ 38,054,059</u>	<u>\$ 151,512</u>	<u>\$ 278,956</u>	<u>\$ 38,039,114</u>	<u>\$ 38,333,015</u>
Expenses:						
General government	\$ 4,459,753	\$ 4,678,189	\$ -	\$ -	\$ 4,459,753	\$ 4,678,189
Public safety	24,835,700	23,771,587	-	-	24,835,700	23,771,587
Public works	4,904,383	4,766,064	-	-	4,904,383	4,766,064
Community development	6,387,764	7,465,036	-	-	6,387,764	7,465,036
Parks and recreation	2,236,321	1,675,315	-	-	2,236,321	1,675,315
Interest on long-term debt	920,695	1,099,438	-	-	920,695	1,099,438
Tie Breaker Family Aquatic	-	-	334,106	508,088	334,106	508,088
Total expenses	<u>\$ 43,744,616</u>	<u>\$ 43,455,629</u>	<u>\$ 334,106</u>	<u>\$ 508,088</u>	<u>\$ 44,078,722</u>	<u>\$ 43,963,717</u>
Excess (deficiency) before special item and transfers	\$ (5,857,014)	\$ (5,401,570)	\$ (182,594)	\$ (229,132)	\$ (6,039,608)	\$ (5,630,702)
Special item	(4,000,000)	-	-	-	(4,000,000)	-
Transfers	(100,000)	(100,000)	100,000	100,000	-	-
Increase (decrease) in net position (deficit)	(9,957,014)	(5,501,570)	(82,594)	(129,132)	(10,039,608)	(5,630,702)
Net position (deficit), beginning	(17,783,861)	(12,282,291)	2,774,280	2,903,412	(15,009,581)	(9,378,879)
Net position (deficit), ending	<u><u>\$ (27,740,875)</u></u>	<u><u>\$ (17,783,861)</u></u>	<u><u>\$ 2,691,686</u></u>	<u><u>\$ 2,774,280</u></u>	<u><u>\$ (25,049,189)</u></u>	<u><u>\$ (15,009,581)</u></u>

**CITY OF HOPKINSVILLE, KENTUCKY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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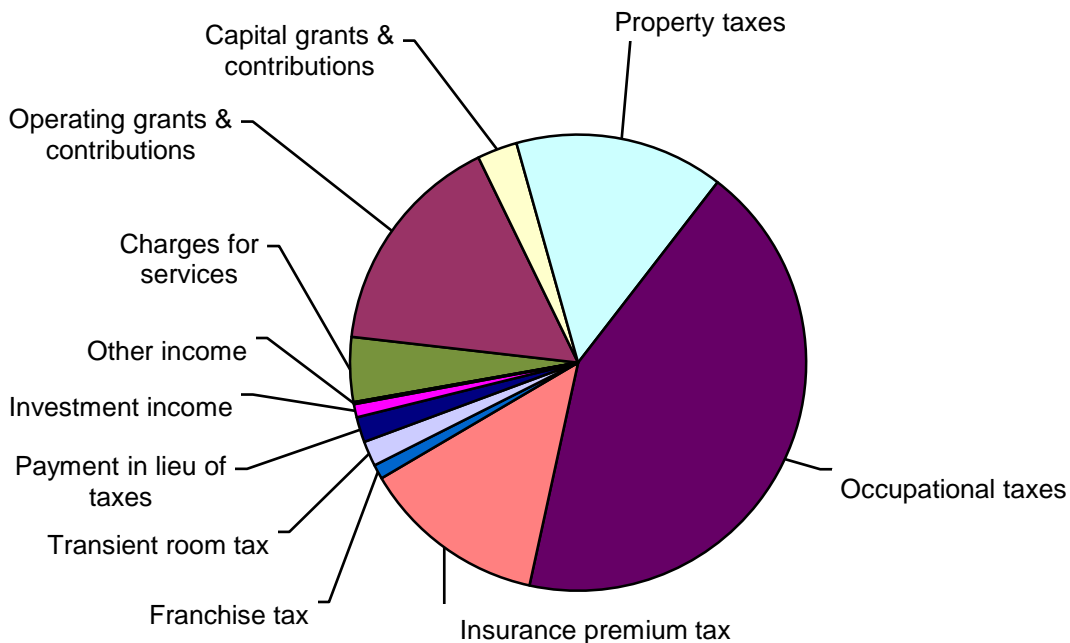
**GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued**

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**Governmental Activities**

Total revenues for the City's governmental activities total \$37.9 million for the year ended June 30, 2020, compared to \$38.1 million last year. This decrease in revenues is attributable to the shut-down of several employers during the COVID pandemic. Occupational taxes total \$16.3 million or 42.94% of total revenue. The second largest category of government revenues, operating grants and contributions, accounts for \$6.1 million or 15.99% of revenue. The third largest category of government revenues, property taxes, accounts for \$5.6 million or 14.83% of total revenues. Insurance premium tax totals \$5.0 million or 13.12% of total revenue. Miscellaneous sources account for \$54 thousand or less than 0.01% of total revenues.

**Revenue by Source – Governmental Activities**



For the fiscal year ended June 30, 2020, total expenses of the City's governmental activities total \$43.7 million, compared to \$43.5 million last year. Public Safety expenses total \$24.8 million and account for 56.77% of total expenses. The second largest category of expenses, Community Development, totals \$6.4 million and accounts for 14.60% of expenses. Public Works is the next largest category and totals \$4.9 million or 11.21% of expenses. General Government totals \$4.5 million or 10.20% of expenses.



**CITY OF HOPKINSVILLE, KENTUCKY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

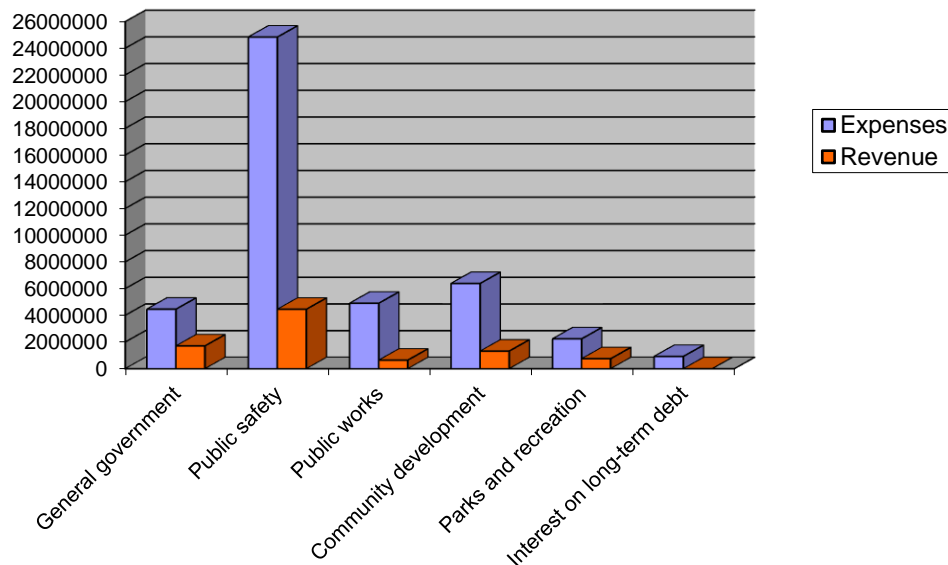
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**GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued**

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**Governmental Activities, continued**

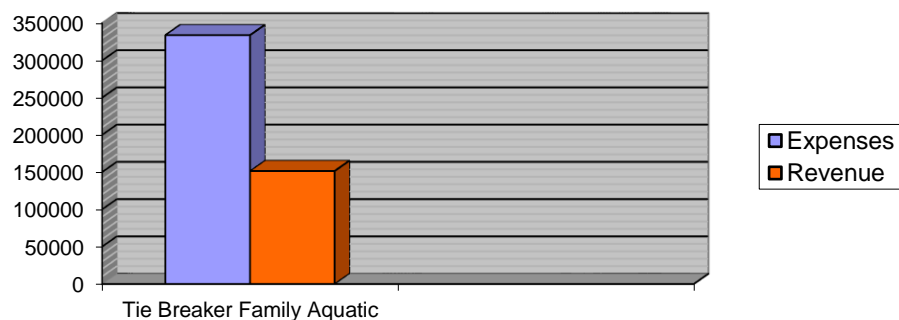
**Expenses and Program Revenues – Governmental Activities**



**Business-Type Activities**

Revenues for business-type activities total \$152 thousand this fiscal year compared to \$279 thousand last year. Of this total, \$151 thousand or 99.56% was from charges for services and sales. Expenses for business-type activities total \$334 thousand. The only program in the business-type activities was the operation of the Tie Breaker Family Aquatic Park, which accounts for 100.00% of business-type expenses. The \$127 thousand decrease in revenues is due to the park being closed in 2020 because of COVID-19.

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



**CITY OF HOPKINSVILLE, KENTUCKY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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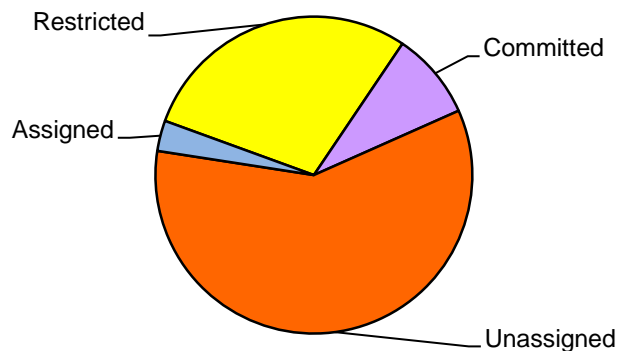
**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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**Governmental Funds**

At the end of the current fiscal year, the City governmental funds reported combined ending fund balances of \$17.1 million, a decrease of \$2.9 million from the prior year. Approximately 59.10% of the total amount of governmental fund balance, \$10.1 million, is unassigned fund balance, which is available for spending at the government's discretion. Approximately 28.89%, \$4.9 million, is restricted fund balance. Approximately 3.11%, \$531 thousand, has been encumbered or is assigned. The remainder of fund balance, \$1.5 million, is committed to indicate it is not available for new spending.

**Ending Fund Balances – Governmental Funds**



The General Fund is the chief operating fund of the City. At the end the fiscal year ended June 30, 2020, the total fund balance in the General Fund was \$11.6 million, which represents an increase of \$46 thousand from the prior year. Of the total fund balance in the General Fund, unassigned fund balance was \$10.1 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 27.21% of total general fund expenditures of \$37.1 million, and total fund balance represents 31.19% of total general fund expenditures.

Taxes in the General Fund increased \$141 thousand, which represents a 2.29% 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 decreased \$626 thousand, which represents a 2.54% decrease over the prior year and indicates the reduction in payroll taxes collected due to the shutdown of various employers in the last quarter of the fiscal year end because of the COVID-19 pandemic. The unemployment rate for Hopkinsville increased from 7.1% to 7.2% from June 30, 2019 to June 30, 2020.

General government expenditures in the General Fund decreased \$203 thousand; public safety expenditures increased \$605 thousand; and public works increased \$452 thousand. Community development expenditures in the General Fund decreased \$489 thousand, and parks and recreation expenditures increased \$53 thousand.

**CITY OF HOPKINSVILLE, KENTUCKY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**FINANCIAL ANALYSIS OF THE CITY'S FUNDS, continued**

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**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, 2020, which is the same amount as last year.

The Tie Breaker Family Aquatic Park has total net position of \$2.7 million, representing a decrease of (\$83) thousand from prior year. Of the total net position, \$2.5 million was net investment in capital assets and \$150 thousand was unrestricted. This decrease is primarily the result of events and programs described within the analysis of the City's business-type activities.

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**GENERAL FUND BUDGETARY HIGHLIGHTS**

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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 \$643 thousand or 1.87% during the year. The changes in appropriations can be briefly summarized as follows:

- \$ 58,600 increase in general administrative
- \$ - no change in tax department
- \$ (156,310) decrease in information technology
- \$ 10,000 increase in legislative
- \$ (121,724) decrease in police
- \$ - no change in emergency communications
- \$ (168,555) decrease in fire
- \$ 300,000 increase in EMS (established dept. during the year)
- \$ - no change in other public safety
- \$ - no change in public works administrative
- \$ 248,287 increase in street
- \$ - no change in service center
- \$ - no change in other public works
- \$ 27,667 increase in community development
- \$ - no change in parks and recreation
- \$ - no change in debt service principal
- \$ - no change in interest and finance charges
- \$ 444,771 increase in capital outlays

The net increase to appropriations of \$643 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.

**CITY OF HOPKINSVILLE, KENTUCKY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**GENERAL FUND BUDGETARY HIGHLIGHTS, continued**

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Differences between the final appropriations budget and the actual appropriations resulted in a \$1.9 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 125-127.

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**CAPITAL ASSETS**

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The City's total investment in capital assets is \$47.1 million (net of accumulated depreciation) as of June 30, 2020, which represents a decrease of \$2.4 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 \$44.6 million, a decrease of (\$2.3) million. For business-type activities, investment in capital assets totaled \$2.5 million, a decrease of (\$106) thousand.

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 2,200,850	\$ 2,200,850	\$ -	\$ -	\$ 2,200,850	\$ 2,200,850
Construction in progress	2,762,580	5,300,081	-	-	2,762,580	5,300,081
Buildings and improvements	22,266,454	20,560,089	2,526,643	2,622,820	24,793,097	23,182,909
Equipment	3,025,553	3,009,861	14,806	24,152	3,040,359	3,034,013
Infrastructure	6,392,907	6,764,434	-	-	6,392,907	6,764,434
Land improvements	5,499,504	5,990,363	-	-	5,499,504	5,990,363
Vehicles	<u>2,410,786</u>	<u>2,998,313</u>	<u>-</u>	<u>-</u>	<u>2,410,786</u>	<u>2,998,313</u>
Total	<u>\$44,558,634</u>	<u>\$46,823,991</u>	<u>\$2,541,449</u>	<u>\$ 2,646,972</u>	<u>\$47,100,083</u>	<u>\$49,470,963</u>

Additional information on City capital assets can be found in Note 4 in the footnotes at pages 55-58.

**CITY OF HOPKINSVILLE, KENTUCKY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**DEBT ADMINISTRATION**

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At June 30, 2020, the City had \$51.2 million in outstanding notes and bonds compared to \$54.8 million at June 30, 2019, a net decrease of \$3.5 million. The City issued no new bonds in the current year. The City, on behalf of one component unit, entered into multiple capital leases for various solid waste trucks of \$3.3 million. The following table illustrates the changes in outstanding notes, bonds and capital leases:

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
General obligation bonds & leases	\$ 47,121,500	\$ 50,886,662
Capital leases	3,197,070	2,875,908
Note payable	<u>900,000</u>	<u>975,000</u>
Total	<u>\$51,218,570</u>	<u>\$54,737,570</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 \$212,038,398. The City's latest bond rating is AA-.

Additional information on the City's long-term debt can be found in Note 8 in the footnotes at pages 89-101.

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**ECONOMIC FACTORS**

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**Unemployment Rate**

The unemployment rate for the City of Hopkinsville (Christian County) as of June 2020 was 7.2%. This rate compares unfavorably to the state unemployment rate of 4.4%, but compares favorably to the federal unemployment rate of 11.1%.

**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 2019-2020 budget for the City of Hopkinsville was prepared. The beginning general fund balance for fiscal year 2019-2020 was \$11.5 million, and there is an ending fund balance of \$11.6 million. At the present time, the City is in good financial condition.

**CITY OF HOPKINSVILLE, KENTUCKY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**REQUESTS FOR INFORMATION**

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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.

## **BASIC FINANCIAL STATEMENTS**

**City of Hopkinsville, Kentucky**  
**Statement of Net Position**  
**June 30, 2020**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Pooled cash and cash equivalents	\$ 11,148,571	\$ -	\$ 11,148,571	\$ -
Non-pooled cash and cash equivalents	883,002	150,237	1,033,239	12,248,396
Investments	38,853	-	38,853	-
Accounts receivable	-	-	-	1,926,744
Taxes receivable	2,833,135	-	2,833,135	-
Inventory	-	-	-	262,104
Prepaid items	-	-	-	30,242
Accrued interest on note receivable	-	-	-	283
Other current assets	-	-	-	21,860
Notes receivable	515,950	-	515,950	113,065
Other receivables	131,472	-	131,472	2,200,023
Due from component unit	33,201	-	33,201	-
Restricted assets:				
Due from Component Units:				
Due within one year	4,448,933	-	4,448,933	-
Due beyond one year	26,010,010	-	26,010,010	-
Temporarily restricted:				
Cash and cash equivalents	2,864,682	-	2,864,682	2,704,104
Investments	261,359	-	261,359	101,125
Permanently restricted assets:				
Cash and cash equivalents	86,076	-	86,076	-
Investments	420,779	-	420,779	-
Capital Assets:				
Land and construction in progress	4,963,430	-	4,963,430	7,551,263
Capital assets, net of accumulated depreciation	39,595,204	2,541,449	42,136,653	120,356,192
Total capital assets	44,558,634	2,541,449	47,100,083	127,907,455
Total assets	94,234,657	2,691,686	96,926,343	147,515,401
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows from pension	12,235,398	-	12,235,398	3,970,515
Deferred outflows from OPEB	5,479,058	-	5,479,058	1,566,969
Deferred refunding costs	40,820	-	40,820	361,852
Total deferred outflows of resources	17,755,276	-	17,755,276	5,899,336
 Total assets and deferred outflows of resources	 \$ 111,989,933	 \$ 2,691,686	 \$ 114,681,619	 \$ 153,414,737

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, 2020**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
Accounts payable	\$ 335,598	\$ -	\$ 335,598	\$ 787,119
Accrued salaries	619,274	-	619,274	226,410
Claims payable	304,463	-	304,463	-
Accrued interest	246,930	-	246,930	259,997
Transient bond deposits	1,000	-	1,000	-
Construction contracts payable	-	-	-	654,429
Customer deposits	-	-	-	115,723
Due to primary government:				
Due within one year	-	-	-	4,448,933
Due beyond one year	-	-	-	17,945,950
Noncurrent liabilities:				
Due within one year	5,863,638	-	5,863,638	2,905,808
Due beyond one year	122,870,771	-	122,870,771	66,557,131
Compensated absences:				
Due within one year	68,065	-	68,065	363,841
Due beyond one year	1,633,570	-	1,633,570	799,319
Total liabilities	<u>131,943,309</u>	<u>-</u>	<u>131,943,309</u>	<u>95,064,660</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - USACE	-	-	-	4,456,285
Deferred inflows from pension	3,246,626	-	3,246,626	753,643
Deferred inflows from OPEB	4,540,873	-	4,540,873	1,442,862
Total deferred inflows of resources	<u>7,787,499</u>	<u>-</u>	<u>7,787,499</u>	<u>6,652,790</u>
<b>NET POSITION</b>				
Net investment in capital assets	22,187,735	2,541,449	24,729,184	59,274,332
Restricted:				
Capital projects	2,847,788	-	2,847,788	-
Debt reserves	-	-	-	2,116,918
Perpetual care:				
Expendable	371,810	-	371,810	-
Nonexpendable	506,855	-	506,855	-
Unrestricted (deficit)	<u>(53,655,063)</u>	<u>150,237</u>	<u>(53,504,826)</u>	<u>(9,693,963)</u>
Total net position (deficit)	<u>(27,740,875)</u>	<u>2,691,686</u>	<u>(25,049,189)</u>	<u>51,697,287</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 111,989,933</u>	 <u>\$ 2,691,686</u>	 <u>\$ 114,681,619</u>	 <u>\$ 153,414,737</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, 2020**

	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	
<b>PRIMARY GOVERNMENT</b>								
Governmental activities:								
General government	\$ (4,459,753)	\$ 1,402,817	\$ 306,226	\$ -	\$ (2,750,710)	\$ -	\$ (2,750,710)	\$ -
Public safety	(24,835,700)	136,436	4,258,836	58,704	(20,381,724)	-	(20,381,724)	-
Public works	(4,904,383)	-	643,002	-	(4,261,381)	-	(4,261,381)	-
Community development	(6,387,764)	-	312,618	1,006,808	(5,068,338)	-	(5,068,338)	-
Parks and recreation	(2,236,321)	199,140	538,566	10,992	(1,487,623)	-	(1,487,623)	-
Interest on long-term debt	(920,695)	-	-	-	(920,695)	-	(920,695)	-
Total governmental activities	(43,744,616)	1,738,393	6,059,248	1,076,504	(34,870,471)	-	(34,870,471)	-
Business-type activities:								
Tie Breaker Family Aquatic	(334,106)	150,843	-	-	-	(183,263)	(183,263)	-
Total business-type activities	(334,106)	150,843	-	-	-	(183,263)	(183,263)	-
Total - primary government	\$ (44,078,722)	\$ 1,889,236	\$ 6,059,248	\$ 1,076,504	(34,870,471)	(183,263)	(35,053,734)	-
<b>COMPONENT UNITS</b>								
Hopkinsville Water Environment Authority	\$ (17,832,468)	\$ 18,296,307	\$ -	\$ 158,109	-	-	-	621,948
Hopkinsville Solid Waste Enterprise	(9,546,109)	8,225,821	-	-	-	-	-	(1,320,288)
Hopkinsville Surface and Stormwater Utility	(1,002,157)	1,223,592	-	383,446	-	-	-	604,881
Total - component units	\$ (28,380,734)	\$ 27,745,720	\$ -	\$ 541,555	-	-	-	(93,459)
<b>GENERAL REVENUES</b>								
Property taxes					5,620,347	-	5,620,347	-
Occupational taxes					16,269,144	-	16,269,144	-
Insurance premium tax					4,970,019	-	4,970,019	-
Franchise tax					389,602	-	389,602	-
Transient room tax					676,721	-	676,721	-
Payment in lieu of taxes					678,602	-	678,602	-
Investment income					355,099	669	355,768	341,409
Gain on sale of capital assets					-	-	-	-
Miscellaneous					53,923	-	53,923	307,238
Total general revenues					29,013,457	669	29,014,126	648,647
Special item					(4,000,000)	-	(4,000,000)	4,000,000
Transfers					(100,000)	100,000	-	-
Total general revenues, special item, and transfers					24,913,457	100,669	25,014,126	4,648,647
Change in net position					(9,957,014)	(82,594)	(10,039,608)	4,555,188
Net position (deficit), beginning of year					(17,783,861)	2,774,280	(15,009,581)	47,142,099
Net position (deficit), end of year					\$ (27,740,875)	\$ 2,691,686	\$ (25,049,189)	\$ 51,697,287

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

**City of Hopkinsville, Kentucky**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

	General	WINS Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Pooled cash and cash equivalents	\$ 9,866,544	\$ -	\$ 1,282,027	\$ 11,148,571
Non-pooled cash and cash equivalents	378	2,577,064	522,616	3,100,058
Investments	38,853	-	682,138	720,991
Taxes receivable	2,388,649	-	-	2,388,649
Loans receivable	-	-	515,949	515,949
Due from component unit	33,201	-	-	33,201
Other receivables	-	-	131,472	131,472
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 12,327,625</u>	<u>\$ 2,577,064</u>	<u>\$ 3,134,202</u>	<u>\$ 18,038,891</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 131,267	\$ 153,438	\$ 50,892	\$ 335,597
Accrued salaries	619,274	-	-	619,274
Transient bond deposits	1,000	-	-	1,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>751,541</u>	<u>153,438</u>	<u>50,892</u>	<u>955,871</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	-	2,423,626	2,512,219	4,935,845
Committed	1,153,477	-	366,091	1,519,568
Assigned	326,146	-	205,000	531,146
Unassigned	10,096,461	-	-	10,096,461
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances	<u>11,576,084</u>	<u>2,423,626</u>	<u>3,083,310</u>	<u>17,083,020</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and fund balances	<u>\$ 12,327,625</u>	<u>\$ 2,577,064</u>	<u>\$ 3,134,202</u>	<u>\$ 18,038,891</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, 2020**

Total fund balance - total governmental funds	\$ 17,083,020
Amounts reported for governmental activities in the statement of net position are different because:	
Taxes receivable based on availability criteria; \$57,734 property taxes, \$368,666 insurance premium taxes, and \$18,086 franchise taxes.	444,486
Deferred outflows of resources - bond refinancing charges, amortizable over life of debt	40,820
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 & 8 to financial statements for detail.	8,988,772
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 & 8 to financial statements for detail.	938,185
Capital assets of \$84,067,519, net of accumulated depreciation of (\$39,508,885), are not financial resources and, therefore, are not reported in the funds. See note 4 to financial statements for detail.	44,558,634
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 \$429,239 are included in governmental activities in the statement of net position.	429,239
Long-term liabilities are not due and payable in the current period and are not reported in the funds. See note 8 to financial statements for detail.	(130,436,044)
Receivables from component units for long-term debt where the City is contingently liable are not reported in the funds.	30,458,943
Accrued interest payable	<u>(246,930)</u>
Net position of governmental activities	<u>\$ (27,740,875)</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, 2020**

	General	WINS Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 6,297,433	\$ -	\$ -	\$ 6,297,433
Licenses and permits	23,988,148	-	-	23,988,148
Fines and forfeitures	136,436	-	-	136,436
Intergovernmental	3,383,280	-	2,254,732	5,638,012
Investment income	198,788	70,175	75,580	344,543
Donations	10,550	-	-	10,550
Other revenue	1,665,235	-	135,709	1,800,944
Total revenues	<u>35,679,870</u>	<u>70,175</u>	<u>2,466,021</u>	<u>38,216,066</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,673,795	-	27,149	3,700,944
Public safety	17,340,930	-	699,159	18,040,089
Public works	6,588,238	-	153,950	6,742,188
Community development	5,253,512	34,353	704,944	5,992,809
Parks and recreation	1,467,416	-	-	1,467,416
Debt service:				
Principal	1,430,000	-	313,936	1,743,936
Interest	889,823	-	42,929	932,752
Expenditures	-	-	-	-
Capital outlay	465,956	2,161,530	2,858,872	5,486,358
Total expenditures	<u>37,109,670</u>	<u>2,195,883</u>	<u>4,800,939</u>	<u>44,106,492</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,429,800)</u>	<u>(2,125,708)</u>	<u>(2,334,918)</u>	<u>(5,890,426)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	-	-	1,516,158	1,516,158
Transfers to other funds	(1,865,222)	-	(936)	(1,866,158)
Premium (discount) on bond issue	-	-	-	-
Issuance of long-term debt	3,341,034	-	-	3,341,034
Total other financing sources (uses)	<u>1,475,812</u>	<u>-</u>	<u>1,515,222</u>	<u>2,991,034</u>
Net change in fund balances	46,012	(2,125,708)	(819,696)	(2,899,392)
Fund balances, beginning of year	<u>11,530,072</u>	<u>4,549,334</u>	<u>3,903,006</u>	<u>19,982,412</u>
Fund balances, end of year	<u>\$ 11,576,084</u>	<u>\$ 2,423,626</u>	<u>\$ 3,083,310</u>	<u>\$ 17,083,020</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, 2020**

Net change in fund balances - total governmental funds	\$ (2,899,392)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$5,486,358 exceeded depreciation of (\$3,750,569) in the current period.	1,735,789
Issuance of debt is revenue in the governmental funds, but the debt increases long-term liabilities in the statement of net position.	(3,341,034)
Debt issued on behalf of component units is an expense in the governmental funds, but the debt to be paid by the component units is a receivable in the statement of net position	3,341,034
Certain imposed nonexchange revenues were not recognized in the governmental funds because they were not available at June 30, 2020. The change in this account balance is a reconciling item for this statement.	(338,621)
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 \$111,348 is reported with governmental activities.	111,348
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,743,936
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.	(7,316,411)
The special item related to the transfer of natural gas lines to a component unit did not require the use of current financial resources and was not reported as an expenditure in the governmental funds.	(4,000,000)
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 decrease in compensated absences of \$995,424, decrease in accrued interest payable of \$10,451, amortization of deferred charges of (\$2,799), amortization of debt premium/(discount) net of \$4,405, and other adjustments (\$1,144)	<u>1,006,337</u>
Change in net position of governmental activities	<u>\$ (9,957,014)</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, 2020**

	Business-type Activities <u>Enterprise Fund</u> Tie Breaker <u>Family Aquatic</u>	Governmental Activities Internal Service <u>Fund</u>
<b>ASSETS</b>		
Current assets:		
Pooled cash and cash equivalents	\$ -	\$ -
Non-pooled cash and cash equivalents	150,237	733,702
Prepaid expenses	<u>-</u>	<u>-</u>
Total current assets	<u>150,237</u>	<u>733,702</u>
Noncurrent assets:		
Capital assets:		
Land and construction in progress	-	-
Capital assets, net of accumulated depreciation	<u>2,541,449</u>	<u>-</u>
Total noncurrent assets	<u>2,541,449</u>	<u>-</u>
Total assets	<u>\$ 2,691,686</u>	<u>\$ 733,702</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ -	\$ -
Incurred, not yet reported	<u>-</u>	<u>304,463</u>
Total current liabilities	<u>-</u>	<u>304,463</u>
Noncurrent liabilities:		
Total noncurrent liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>304,463</u>
<b>NET POSITION</b>		
Net investment in capital assets	2,541,449	-
Unrestricted	<u>150,237</u>	<u>429,239</u>
Total net position	<u>2,691,686</u>	<u>429,239</u>
Total liabilities and net position	<u>\$ 2,691,686</u>	<u>\$ 733,702</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, 2020**

	Business-type Activities Enterprise Fund <u>Tie Breaker Family Aquatic</u>	Governmental Activities Internal Service <u>Fund</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 150,843	\$ -
Employee contributions	-	473,063
Employer contributions	<u>-</u>	<u>1,993,099</u>
Total operating revenues	<u>150,843</u>	<u>2,466,162</u>
<b>OPERATING EXPENSES</b>		
Management contract	130,379	-
Maintenance	4,759	-
Marketing	20,418	-
Operations	8,299	-
Supplies	7,290	-
Utilities	57,438	-
Depreciation	105,523	-
Administrative	-	201,464
Claims expense	<u>-</u>	<u>2,413,906</u>
Total operating expenses	<u>334,106</u>	<u>2,615,370</u>
Operating income (loss)	<u>(183,263)</u>	<u>(149,208)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	669	10,556
Gain (loss) on sale of equipment	<u>-</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>669</u>	<u>10,556</u>
Income (loss) before transfers	<u>(182,594)</u>	<u>(138,652)</u>
Transfers in	100,000	250,000
Transfers out	<u>-</u>	<u>-</u>
Total transfers	<u>100,000</u>	<u>250,000</u>
Change in net position	(82,594)	111,348
Net position, beginning of year	<u>2,774,280</u>	<u>317,891</u>
Net position, end of year	<u><u>\$ 2,691,686</u></u>	<u><u>\$ 429,239</u></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, 2020**

	Business-type Activities Enterprise Fund Tie Breaker Family Aquatic	Governmental Activities Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 150,843	\$ -
Cash receipts from employees/employer	-	2,466,162
Cash payments to suppliers	(246,541)	(201,464)
Cash payments for claims	-	(2,183,517)
Net cash provided by (used in) operating activities	(95,698)	81,181
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers in	100,000	250,000
Transfers out	-	-
Net cash provided by (used in) noncapital financing activities	100,000	250,000
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from sale of capital assets	-	-
Payments for capital acquisitions	-	-
Net cash provided by (used in) capital and related financing activities	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest earned on investments	669	10,556
Net cash provided by (used in) investing activities	669	10,556
Net increase (decrease) in cash and cash equivalents	4,971	341,737
Cash and cash equivalents, beginning of year	145,266	391,965
Cash and cash equivalents, end of year	\$ 150,237	\$ 733,702
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (183,263)	\$ (149,208)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	105,523	-
Increase (decrease) in liabilities:		
Accounts payable	(17,958)	-
Accrued liabilities	-	230,389
Net cash provided by (used in) operating activities	\$ (95,698)	\$ 81,181

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, 2020**

**ASSETS**

Cash and cash equivalents	\$ 331,988
Investments, at fair value	<u>844,805</u>
Total assets	<u><u>\$ 1,176,793</u></u>

**LIABILITIES**

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

**NET POSITION**

Net position restricted for pensions	<u><u>\$ 1,176,793</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, 2020**

**ADDITIONS**

Contributions:

Employer	\$ 285,000
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Investment earnings:

Net increase (decrease) in fair value investments	32,811
Interest and dividends	<u>23,206</u>
Net investment earnings	<u>56,017</u>

Total additions	341,017
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**DEDUCTIONS**

Benefits paid	240,460
Administrative expenses	<u>10,163</u>

Total deductions	<u>250,623</u>
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Net increase (decrease) in net position	90,394
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Net position, beginning of year	<u>1,086,399</u>
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Net position, end of year	<u><u>\$ 1,176,793</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, 2020**

	Major			
	Hopkinsville Water Environment Authority	Hopkinsville Solid Waste Enterprise	Hopkinsville Surface and Stormwater Utility	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,604,789	\$ 1,484,051	\$ 2,159,556	\$ 12,248,396
Accounts receivable	1,196,160	632,391	98,193	1,926,744
Inventory	262,104	-	-	262,104
Prepaid insurance	30,242	-	-	30,242
Accrued interest on note receivable	283	-	-	283
Other current assets	-	21,860	-	21,860
Notes receivable	113,065	-	-	113,065
Other receivables	1,797,924	-	402,099	2,200,023
Restricted assets:				
Cash and cash equivalents	2,116,918	587,186	-	2,704,104
Investments	-	101,125	-	101,125
Capital assets, net of depreciation:				
Land and construction in progress	5,279,058	660,684	1,611,521	7,551,263
Depreciable capital assets	104,653,000	8,730,867	6,972,325	120,356,192
Net capital assets	<u>109,932,058</u>	<u>9,391,551</u>	<u>8,583,846</u>	<u>127,907,455</u>
Total assets	<u>124,053,543</u>	<u>12,218,164</u>	<u>11,243,694</u>	<u>147,515,401</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows from pension	2,149,328	1,821,187	-	3,970,515
Deferred outflows from OPEB	845,730	721,239	-	1,566,969
Deferred refunding costs	<u>361,852</u>	<u>-</u>	<u>-</u>	<u>361,852</u>
Total deferred outflows of resources	<u>3,356,910</u>	<u>2,542,426</u>	<u>-</u>	<u>5,899,336</u>
Total assets and deferred outflows of resources	<u>\$ 127,410,453</u>	<u>\$ 14,760,590</u>	<u>\$ 11,243,694</u>	<u>\$ 153,414,737</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, 2020**

	Major			
	Hopkinsville Water Environment Authority	Hopkinsville Solid Waste Enterprise	Hopkinsville Surface and Stormwater Utility	Total
<b>LIABILITIES</b>				
Accounts payable	\$ 212,351	\$ 323,850	\$ 250,918	\$ 787,119
Accrued salaries	107,260	119,150	-	226,410
Accrued interest	213,905	-	46,092	259,997
Construction contracts payable	654,429	-	-	654,429
Customer deposits	115,723	-	-	115,723
Accrued compensated absences, current portion	267,654	96,187	-	363,841
Current portion of long-term debt	2,766,752	139,056	-	2,905,808
Payable to City of Hopkinsville, current portion	1,775,000	2,498,933	175,000	4,448,933
Long-term liabilities:				
Compensated absences, net of current portion	254,261	545,058	-	799,319
Revenue bonds payable, net of current portion	1,825,000	-	-	1,825,000
KIA - loans payable, net of current portion	36,353,102	-	-	36,353,102
Notes payable, net of current portion	-	405,468	-	405,468
Payable to City of Hopkinsville, net of current portion	13,981,102	477,321	3,487,527	17,945,950
Net pension liability	9,202,598	6,865,166	-	16,067,764
Net OPEB liability	2,200,233	1,641,504	-	3,841,737
Accrued landfill closure costs	-	8,064,060	-	8,064,060
Total liabilities	<u>69,929,370</u>	<u>21,175,753</u>	<u>3,959,537</u>	<u>95,064,660</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - USACE	4,456,285	-	-	4,456,285
Deferred inflows from pension	482,182	271,461	-	753,643
Deferred inflows from OPEB	<u>858,050</u>	<u>584,812</u>	<u>-</u>	<u>1,442,862</u>
Total deferred inflows of resources	<u>5,796,517</u>	<u>856,273</u>	<u>-</u>	<u>6,652,790</u>
<b>NET POSITION</b>				
Net investment in capital assets	48,482,240	5,870,773	4,921,319	59,274,332
Restricted:				
Debt reserves	2,116,918	-	-	2,116,918
Unrestricted (deficit)	<u>1,085,408</u>	<u>(13,142,209)</u>	<u>2,362,838</u>	<u>(9,693,963)</u>
Total net position (deficit)	<u>51,684,566</u>	<u>(7,271,436)</u>	<u>7,284,157</u>	<u>51,697,287</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 127,410,453</u>	<u>\$ 14,760,590</u>	<u>\$ 11,243,694</u>	<u>\$ 153,414,737</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, 2020**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Hopkinsville Water Environment Authority	Hopkinsville Solid Waste Enterprise	Hopkinsville Surface and Stormwater Utility	Total
	Expenses							
<b>COMPONENT UNITS</b>								
Hopkinsville Water Environment Authority	\$ (17,832,468)	\$ 18,296,307	\$ -	\$ 158,109	\$ 621,948	\$ -	\$ -	\$ 621,948
Hopkinsville Solid Waste Enterprise	(9,546,109)	8,225,821	-	-	-	(1,320,288)	-	(1,320,288)
Hopkinsville Surface and Stormwater Utility	<u>(1,002,157)</u>	<u>1,223,592</u>	<u>-</u>	<u>383,446</u>	<u>-</u>	<u>-</u>	<u>604,881</u>	<u>604,881</u>
Total component units	<u>\$ (28,380,734)</u>	<u>\$ 27,745,720</u>	<u>\$ -</u>	<u>\$ 541,555</u>	<u>621,948</u>	<u>(1,320,288)</u>	<u>604,881</u>	<u>(93,459)</u>
<b>GENERAL REVENUES:</b>								
Investment income					264,256	38,854	38,299	341,409
Gain on sale of capital assets					-	-	-	-
Miscellaneous					<u>291,674</u>	<u>15,564</u>	<u>-</u>	<u>307,238</u>
Total general revenues					<u>555,930</u>	<u>54,418</u>	<u>38,299</u>	<u>648,647</u>
Special item					<u>4,000,000</u>	<u>-</u>	<u>-</u>	<u>4,000,000</u>
Change in net position					5,177,878	(1,265,870)	643,180	4,555,188
Net position (deficit), beginning of year					<u>46,506,688</u>	<u>(6,005,566)</u>	<u>6,640,977</u>	<u>47,142,099</u>
Net position (deficit), end of year					<u>\$ 51,684,566</u>	<u>\$ (7,271,436)</u>	<u>\$ 7,284,157</u>	<u>\$ 51,697,287</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, as well as natural gas services to customers along the US41 corridor. The City's governing body appoints HWEA's governing board. The City's governing body also approves the rates for user charges and bond issuance authorizations. The legal liability for the general obligation portion of HWEA's debt remains with the government. HWEA is presented as a proprietary fund type. Complete financial statements for this individual component unit may be obtained at the entity's administrative office located at 401 East 9<sup>th</sup> Street, Hopkinsville, Kentucky 42240.

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

**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, 2020:

<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	866,331
Hopkinsville-Christian County Public Library	350,170

**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, 2020:



**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	\$ 36,100
Hopkinsville-Christian County Convention & Visitor's Bureau	46,968
Hopkinsville-Christian County Economic Development Council	173,850
Hopkinsville-Christian County Community Development Services	506,701
Museums of Historic Hopkinsville-Christian County	38,162

**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. The following lists these related organizations with the amount of City funding for the year ended June 30, 2020:

<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

**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**

to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from general revenues of the City.

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

**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 incentives.

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

*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.

*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 and 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.

*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/healthcare plan.

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

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

**C. Fund Accounting, continued**

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City for individuals, private organizations or other governments, and are therefore not available to support the City's own programs. The City has one fiduciary fund, the 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 measurement focus although internal activity is not eliminated in these statements. All assets and all liabilities associated with the operation of the City are included on the statement of net position.

**Fund Financial Statements**

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

This approach differs from the manner in which 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.

**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**

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 Intergovernmental	Licenses and permits

**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 notes receivable and intergovernmental receivables.

**H. Inventory**

Inventory of HWEA 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, 2020.

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 did not issue any new bonds during the year ended June 30, 2020.

**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 \$53,504,826 at June 30, 2020. 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.

Solid Waste had deficit unrestricted net position of \$13,142,209 at June 30, 2020. This deficit is primarily due to the accrual of landfill closure/post-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.
- 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.

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

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

**S. Fund Balance, continued**

- 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 uses 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.

**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.

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

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

**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. Restatement – Accrued Landfill Closure/Post-Closure Liability**

The City, on behalf of Solid Waste, is responsible for the landfill closure/post-closure liability once the landfill is closed. This long-term liability had previously been reported only by Solid Waste. The City determined during the year ended June 30, 2020, that this liability should also be reflected as a long-term liability of the City with an offsetting receivable due from the component unit, Solid Waste, for the same amount. Therefore, the long-term liability and the receivable from the component unit are both reported on the statement of net position. For comparison purposes in the MD&A and supplementary information, the City has restated the long-term liabilities and receivable from component unit for the accrued landfill closure/post-closure liability as of June 30, 2019. The additional liability and receivable at June 30, 2019 was \$8,705,865; there was no effect on net income or net position.

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

**2. Deposits and Investments**

**A. Deposits**

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.

**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, 2020, the City did not have any deposited funds exposed to custodial credit risk.

As of June 30, 2020, 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, 2020, none of the City's or Solid Waste'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, 2020:

	<u>Fair Value/ Carrying Value</u>	<u>Average Credit Rating</u>	<u>Average Maturity</u>
<u>Types of Investments:</u>			
<b>Primary Government:</b>			
Certificates of deposits	\$ 38,853	N/A	1.20 Years
Mutual funds	<u>682,138</u>	N/A	N/A
Total primary government investments	<u>\$ 720,991</u>		
<b>Pension Trust Fund:</b>			
Certificates of deposits	\$ 528,155	N/A	2.59 Years
Municipal bonds	<u>316,650</u>	AA/AAA	4.40 Years
Total pension trust fund investments	<u>\$ 844,805</u>		

The investments for Solid Waste consisted of the following as of June 30, 2020:

	<u>Fair Value/ Carrying Value</u>	<u>Average Credit Rating</u>	<u>Average Maturity</u>
<u>Types of Investments:</u>			
Certificates of deposits	\$ <u>101,125</u>	N/A	1 Year
Total Solid Waste investments	<u>\$ 101,125</u>		

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



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

**2. Deposits and Investments, continued**

**B. Investments, continued**

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, 2020:

<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>				
<b>Primary Government:</b>				
Certificates of deposits	\$ 38,853	\$ -	\$ 38,853	\$ -
Mutual funds	<u>682,138</u>	<u>682,138</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 720,991</u>	<u>\$ 682,138</u>	<u>\$ 38,853</u>	<u>\$ -</u>
<b>Pension Trust Fund:</b>				
Certificates of deposits	\$ 528,155	\$ -	\$ 528,155	\$ -
Municipal bonds	<u>316,650</u>	<u>316,650</u>	<u>-</u>	<u>-</u>
Total pension trust fund	<u>\$ 844,805</u>	<u>\$ 316,650</u>	<u>\$ 528,155</u>	<u>\$ -</u>

Solid Waste has the following fair value measurements as of June 30, 2020:

<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>				
Certificates of deposits	\$ 101,125	\$ -	\$ 101,125	\$ -
Total Solid Waste	<u>\$ 101,125</u>	<u>\$ -</u>	<u>\$ 101,125</u>	<u>\$ -</u>

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

**2. Deposits and Investments, continued**

**C. Restricted Assets**

Debt issued in the City's name on behalf of component units and the accrued landfill closure/post-closure costs liability are 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, 2020:

<u>Due from Component Units:</u>	
Hopkinsville Water Environment Authority	\$ 15,756,102
Hopkinsville Solid Waste Enterprise	11,040,314
Hopkinsville Surface & Stormwater Utility	<u>3,662,527</u>
Total - due from component units	<u>\$ 30,458,943</u>
<u>Temporarily restricted:</u>	
Debt proceeds in checking	\$ 2,754,231
Money market funds, expendable trust	110,451
Investments, expendable trust	<u>261,359</u>
Total	<u>\$ 3,126,041</u>
<u>Permanently restricted:</u>	
Money market funds, non-expendable trust	\$ 86,076
Investments, non-expendable trust	<u>420,779</u>
Total	<u>\$ 506,855</u>

The balances of HWEA's restricted asset accounts are as follows as of June 30, 2020:

Equipment maintenance and replacement	<u>\$ 2,116,918</u>
Total restricted assets	<u>\$ 2,116,918</u>

The equipment maintenance and replacement fund includes funds set aside to meet reserve requirements associated with loans with the Kentucky Infrastructure Authority.

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

**2. Deposits and Investments, continued**

**C. Restricted Assets, continued**

The balances of Solid Waste's restricted asset accounts are as follows as of June 30, 2020:

Landfill closure costs, cash	\$ 161,573
Capital equipment reserve, cash	425,613
Landfill closure costs, investments	<u>101,125</u>
 Total restricted assets	 <u><u>\$ 688,311</u></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, 2020, was \$.239 real and \$.251 personal per \$100, which means that the City has a tax margin of approximately \$1.261 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.

**B. Accounts Receivable**

HWEA's net customer receivables include the following as of June 30, 2020:

Customer accounts receivable	\$ 1,148,943
Allowance for uncollectible accounts	-
Miscellaneous receivables	<u>47,217</u>
 Total customer receivables - HWEA	 <u><u>\$ 1,196,160</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 \$67,624 for the year ended June 30, 2020.

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

**3. Receivables, continued**

**B. Accounts Receivable, continued**

Solid Waste's net customer receivables include the following as of June 30, 2020:

Customer accounts receivable	\$ 636,294
Allowance for uncollectible accounts	<u>(3,903)</u>
Total customer receivables - Solid Waste	<u>\$ 632,391</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 (income) was \$(812) for the year ended June 30, 2020.

Stormwater's net customer receivables include the following as of June 30, 2020:

Customer accounts receivable	\$ 103,361
Allowance for uncollectible accounts	<u>(5,168)</u>
Total customer receivables - Stormwater	<u>\$ 98,193</u>

The allowance for uncollectible accounts is based on collection rates of similar organizations in the industry. Bad debt expense was \$689 for the year ended June 30, 2020.

**C. Other Receivables/Deferred Revenues**

HWEA has a note receivable from the Hopkinsville Industrial Foundation for the installation of sewer lines in the industrial park, due in semi-annual installments including interest at 1.0%, due April 2027. The balance of this receivable was \$113,065 at June 30, 2020.

During the year ended June 30, 2015, HWEA entered into an agreement with the U.S. Army Corps of Engineers (USACE) to design and construct a water line to serve the Fort Campbell Army Post with a redundant connection for domestic water. This construction project was to be financed with loans from a local bank; but, once complete, HWEA was to be reimbursed for the full amount of the project over a ten-year period by USACE. As a result of this arrangement, HWEA recorded a separate receivable (with deferred revenue offsetting the receivable) for the amount of funds drawn. 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

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

**3. Receivables, continued**

**C. Other Receivables/Deferred Revenues, continued**

balance of this other receivable was \$1,797,924 at June 30, 2020. 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, 2020, \$143,588 was amortized to miscellaneous income. The balance of this deferred revenue account was \$4,456,285 at June 30, 2020.

Stormwater had grants receivable related to stormwater projects of \$402,099 at June 30, 2020.

**4. Capital Assets**

A summary of City governmental activities property, plant and equipment activity for the year ended June 30, 2020, is as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
<b><u>Governmental Activities</u></b>				
Capital Assets Not Being Depreciated:				
Land	\$ 2,200,850	\$ -	\$ -	\$ 2,200,850
Construction in Progress	5,300,081	2,006,434	4,543,935	2,762,580
Total Capital Assets Not Being Depreciated	<u>7,500,931</u>	<u>2,006,434</u>	<u>4,543,935</u>	<u>4,963,430</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	27,069,495	2,471,666	300,081	29,241,080
Equipment	8,897,174	629,313	917,358	8,609,129
Infrastructure	22,332,190	473,442	-	22,805,632
Land Improvements	10,347,961	83,698	-	10,431,659
Vehicles	7,829,479	380,344	193,234	8,016,589
Total Capital Assets Being Depreciated	<u>76,476,299</u>	<u>4,038,463</u>	<u>1,410,673</u>	<u>79,104,089</u>
Less Accumulated Depreciation:				
Buildings and Improvements	6,509,406	754,457	289,237	6,974,626
Equipment	5,887,313	610,340	914,077	5,583,576
Infrastructure	15,567,756	844,969	-	16,412,725
Land Improvements	4,357,598	574,557	-	4,932,155
Vehicles	4,831,166	966,246	191,609	5,605,803
Total Accumulated Depreciation	<u>37,153,239</u>	<u>3,750,569</u>	<u>1,394,923</u>	<u>39,508,885</u>
Total	<u>\$ 46,823,991</u>	<u>\$ 2,294,328</u>	<u>\$ 4,559,685</u>	<u>\$ 44,558,634</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.

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

**4. Capital Assets, continued**

Depreciation expense charged to governmental activities for the year ended June 30, 2020 was as follows:

General Government	\$ 405,401
Public Safety	1,253,192
Public Works	1,107,006
Community Development	409,560
Parks and Recreation	<u>575,410</u>
 Total depreciation expense	 <u><b>\$3,750,569</b></u>

A summary of City business-type activities property, plant and equipment activity for the year ended June 30, 2020, is as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
<b><u>Business-type Activities</u></b>				
Capital Assets Not Being Depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
 Capital Assets Being Depreciated:				
Buildings and Improvements	3,792,630	-	-	3,792,630
Equipment	<u>371,779</u>	<u>-</u>	<u>-</u>	<u>371,779</u>
Total Capital Assets Being Depreciated	<u>4,164,409</u>	<u>-</u>	<u>-</u>	<u>4,164,409</u>
 Less Accumulated Depreciation:				
Buildings and Improvements	1,169,810	96,177	-	1,265,987
Equipment	<u>347,627</u>	<u>9,346</u>	<u>-</u>	<u>356,973</u>
Total Accumulated Depreciation	<u>1,517,437</u>	<u>105,523</u>	<u>-</u>	<u>1,622,960</u>
 Total	 <u>\$ 2,646,972</u>	 <u>\$ (105,523)</u>	 <u>\$ -</u>	 <u>\$ 2,541,449</u>

Depreciation expense charged to business-type activities for the year ended June 30, 2020 was \$105,523.

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

**4. Capital Assets, continued**

A summary of HWEA's business-type activities property, plant and equipment activity for the year ended June 30, 2020, is as follows:

<b>Business-type Activities:</b>	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital Assets Not Being Depreciated:				
Land	\$ 1,571,840	\$ -	\$ -	\$ 1,571,840
Construction in Progress	3,317,054	2,345,997	1,955,833	3,707,218
Total Capital Assets Not Being Depreciated	<u>4,888,894</u>	<u>2,345,997</u>	<u>1,955,833</u>	<u>5,279,058</u>
Capital Assets Being Depreciated:				
Structures and Improvements	173,350,391	7,192,192	134,371	180,408,212
Equipment	10,174,801	406,610	15,369	10,566,042
Vehicles	1,386,171	343,143	305,348	1,423,966
Total Capital Assets Being Depreciated	<u>184,911,363</u>	<u>7,941,945</u>	<u>455,088</u>	<u>192,398,220</u>
Less Accumulated Depreciation:				
Structures and Improvements	73,213,832	4,408,236	70,550	77,551,518
Equipment	9,049,031	236,767	10,823	9,274,975
Vehicles	709,087	302,227	92,587	918,727
Total Accumulated Depreciation	<u>82,971,950</u>	<u>4,947,230</u>	<u>173,960</u>	<u>87,745,220</u>
Total	<u>\$ 106,828,307</u>	<u>\$ 5,340,712</u>	<u>\$ 2,236,961</u>	<u>\$ 109,932,058</u>

Depreciation expense for HWEA for the year ended June 30, 2020 was \$4,947,230.

A summary of Solid Waste business-type activities property, plant and equipment activity for the year ended June 30, 2020, is as follows:

<b>Business-type Activities</b>	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital Assets Not Being Depreciated:				
Land	\$ 615,582	\$ -	\$ -	\$ 615,582
Construction in Progress	2,305,709	45,102	2,305,709	45,102
Total Capital Assets Not Being Depreciated	<u>2,921,291</u>	<u>45,102</u>	<u>2,305,709</u>	<u>660,684</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	728,179	2,305,709	-	3,033,888
Equipment	9,417,551	4,012,841	3,402,181	10,028,211
Land Improvements	2,073,672	-	-	2,073,672
Total Capital Assets Being Depreciated	<u>12,219,402</u>	<u>6,318,550</u>	<u>3,402,181</u>	<u>15,135,771</u>
Less Accumulated Depreciation:				
Buildings and Improvements	125,743	106,500	-	232,243
Equipment	4,338,307	1,271,240	666,893	4,942,654
Land Improvements	1,091,443	138,564	-	1,230,007
Total Accumulated Depreciation	<u>5,555,493</u>	<u>1,516,304</u>	<u>666,893</u>	<u>6,404,904</u>
Total	<u>\$ 9,585,200</u>	<u>\$ 4,847,348</u>	<u>\$ 5,040,997</u>	<u>\$ 9,391,551</u>

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

**4. Capital Assets, continued**

Depreciation expense for Solid Waste for the year ended June 30, 2020 was \$1,516,304.

A summary of Stormwater business-type activities property, plant and equipment activity for the year ended June 30, 2020, is as follows:

<b><u>Business-type Activities</u></b>	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital Assets Not Being Depreciated:				
Land	\$ 908,283	\$ -	\$ -	\$ 908,283
Construction in Progress	640,886	138,598	76,246	703,238
Total Capital Assets Not Being Depreciated	<u>1,549,169</u>	<u>138,598</u>	<u>76,246</u>	<u>1,611,521</u>
Capital Assets Being Depreciated:				
Infrastructure	8,514,628	573,539	-	9,088,167
Less Accumulated Depreciation:				
Infrastructure	<u>1,775,257</u>	<u>340,585</u>	<u>-</u>	<u>2,115,842</u>
Total	<u>\$ 8,288,540</u>	<u>\$ 371,552</u>	<u>\$ 76,246</u>	<u>\$ 8,583,846</u>

Depreciation expense for Stormwater for the year ended June 30, 2020 was \$340,585.

**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 and Other Postemployment Benefits Plan**

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.



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

**6. Defined Benefit Pension Plans and Other Postemployment Benefits Plan, continued**

**A. County Employees Retirement Systems**

General Information:

Employees of the City, as well as employees of HWEA and Solid Waste, participate in the County Employees Retirement System (CERS), which consists of two plans: Non-Hazardous and Hazardous (although HWEA and Solid Waste have no employees under the Hazardous plan). Each plan is a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky Retirement System (KRS), a component unit of the Commonwealth of Kentucky. The plans provide for retirement, disability, and death benefits to plan members. Retirement benefits may also be extended to beneficiaries of plan members under certain circumstances. Employer contribution rates for CERS are determined by the Board of KRS without further legislative review. Employee contribution rates are set by statute and may be changed only by the Kentucky General Assembly.

Under the provisions of Kentucky Revised Statute Section 61.645, the KRS Board administers Kentucky Employee Retirement System (KERS), CERS, and State Police Retirement System (SPRS) in accordance with the provisions of Kentucky Revised Statute Sections 16.555, 61.570, and 78.630. KRS' assets are segregated by plan, where each system's assets are used only for the payment of benefits to the members of that plan, and a pro rata share of administrative costs.

Under the provisions of Kentucky Revised Statute Section 61.701, the KRS Board also administers the KRS Insurance Fund. 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: (1) KERS; (2) CERS; and (3) SPRS. The assets of the Insurance Fund are segregated by plan.

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](http://www.kyret.ky.gov).

Schedules pertaining to the City's and its component units' proportionate share of the CERS net pension and net OPEB liabilities are located at pages 114-115 and pages 121-122.

Basis of Accounting:

KRS' combining financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Premium payments are recognized when due and payable in accordance with the terms of the plan. Administrative and investment expenses are recognized when incurred. The net position represents the

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

**6. Defined Benefit Pension Plans and Other Postemployment Benefits Plan, continued**

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

Basis of Accounting, continued:

funds KRS has accumulated thus far to pay pension benefits for retirees, active and inactive members, and health care premiums for current and future employees.

Method Used to Value Investments:

Investments are recorded at fair value. Fair value is the price that would be received upon selling an asset or the amount paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments are reported at cost, which approximates fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the dividend date. Gain (loss) on investments includes KRS' gains and losses on investments bought and sold as well as held during the fiscal year. Investment returns are recorded in all plans net of investment fees.

Pension Benefits Provided:

The information below summarizes the major pension benefit provisions of CERS (nonhazardous and hazardous). It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

Members may qualify for either a reduced benefit or an unreduced benefit. 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.

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

**6. Defined Benefit Pension Plans and Other Postemployment Benefits Plan, continued**

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

Pension Benefits Provided, continued:

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.

OPEB Benefits Provided:

The information below summarizes the major OPEB benefit provisions of CERS (nonhazardous and hazardous). It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

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 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.

Other Benefits Provided:

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5%.

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

**6. Defined Benefit Pension Plans and Other Postemployment Benefits Plan, continued**

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

Other Benefits Provided, continued:

However, the General Assembly has the authority to reduce, increase, suspend, or eliminate the COLA in the future. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

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 annual creditable compensation 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 an actuarially determined rate determined by Statute. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the KRS Board on the basis of the last annual valuation preceding July 1 of a new biennium. The KRS Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS Board.

For the fiscal year ended June 30, 2020, participating employers contributed 24.06% for non-hazardous members (19.30% allocated to pension and 4.76% allocated to OPEB) and 39.58% for hazardous members (30.06% allocated to pension and 9.52% allocated to OPEB), as set by KRS, of each employee's creditable compensation. These percentages are inclusive of both pension and insurance payments for employers. Administrative costs of KRS are financed through employer contributions and investment earnings.

For the year ended June 30, 2020, total employer contributions for the City were \$4,568,712 based on a rate of 24.06% for non-hazardous and 39.58% for hazardous members through covered payroll. The total contribution rate of 24.06% for non-hazardous consists of 19.30% or \$837,958 for pension benefits and 4.76% or \$206,667 for insurance benefits. The total contribution rate of 39.58% for hazardous consists of 30.06% or \$2,676,454 for pension benefits and 9.52% or \$847,633 for insurance benefits. The total City contribution for 2020 for pension benefits was \$3,514,412, and the total City contribution for 2020 for insurance benefits was \$1,054,300. The insurance benefits do not include the implicit subsidy reported in the amount of \$58,288 or \$8,151 for non-hazardous and hazardous, respectively.

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

**6. Defined Benefit Pension Plans and Other Postemployment Benefits Plan, continued**

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

Contributions, continued:

HWEA's contributions for pension benefits for 2020 were \$725,770 for non-hazardous employees, and contributions for insurance benefits for 2020 were \$178,998 for non-hazardous employees. The insurance benefits do not include the implicit subsidy reported in the amount of \$47,243. Solid Waste's contributions for pension benefits for 2020 were \$483,540 for non-hazardous employees, and contributions for insurance benefits for 2020 were \$119,257 for non-hazardous employees. The insurance benefits do not include the implicit subsidy reported in the amount of \$35,246. 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 pension and OPEB contributions by the City and its component units are located at pages 116-117 and pages 123-124.

Actuarial Assumptions and Other Inputs - Pension:

The total pension liability (TPL), net pension liability, and sensitivity information as of June 30, 2019 were based on an actuarial valuation date of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the measurement date at June 30, 2019, using generally accepted actuarial principles.

There were no changes in plan provisions since June 30, 2018. However, new actuarial assumptions were adopted since the June 30, 2018 valuation. These assumptions are documented in the report titled *Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ended June 30, 2018*. The TPL as of June 30, 2019 was determined using the updated assumptions.

The actuarially determined contribution rates effective for fiscal year ended June 30, 2019 that are documented earlier in Note 6 were calculated as of June 30, 2017. Based on the June 30, 2017 actuarial valuation report, the actuarial methods and assumptions used to calculate these contribution rates are as follows:

Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	20.00% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method:	Level Percent of Pay
Amortization Period:	26 Years, Closed

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

**6. Defined Benefit Pension Plans and Other Postemployment Benefits Plan, continued**

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

Actuarial Assumptions and Other Inputs - Pension, continued:

Payroll Growth Rate:	2.00%
Investment Return:	6.25%
Inflation:	2.30%
Salary Increases:	3.30 to 11.55%, varies by service
Mortality:	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

Discount Rate Assumptions - Pension:

A single discount rate of 6.25% was used for both the non-hazardous and hazardous plans to measure the total pension liability for the fiscal year ended June 30, 2019. This single discount rate was based on the expected rate of return on pension plan investments. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability. The projection of cash flows used to determine the single discount rate assumes that the required employer contributions will be received each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018).

Investment Return Assumption - Pension:

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of return 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. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous plans.

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

**6. Defined Benefit Pension Plans and Other Postemployment Benefits Plan, continued**

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

Investment Return Assumption - Pension, continued:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
<b>Growth:</b>	<b>62.50%</b>	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
<b>Liquidity:</b>	<b>14.50%</b>	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
<b>Diversifying Strategies:</b>	<b>23.00%</b>	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%

Sensitivity Analysis - Pension:

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>
<b><u>City of Hopkinsville:</u></b>			
<b><u>CERS Nonhazardous:</u></b>			
Discount rate	5.25%	6.25%	7.25%
Proportionate Share NPL	<u>\$14,200,906</u>	<u>\$11,354,217</u>	<u>\$8,981,530</u>
<b><u>CERS Hazardous:</u></b>			
Discount rate	5.25%	6.25%	7.25%
Proportionate Share NPL	<u>\$53,137,869</u>	<u>\$42,502,665</u>	<u>\$33,783,333</u>

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

**6. Defined Benefit Pension Plans and Other Postemployment Benefits Plan, continued**

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

Sensitivity Analysis - Pension, continued:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
<b><u>Component Units:</u></b>			
HWEA:			
<u>CERS Nonhazardous:</u>			
Discount rate	5.25%	6.25%	7.25%
Proportionate Share NPL	<u>\$11,509,839</u>	<u>\$9,202,598</u>	<u>\$7,279,534</u>
Solid Waste:			
<u>CERS Nonhazardous:</u>			
Discount rate	5.25%	6.25%	7.25%
Proportionate Share NPL	<u>\$8,586,375</u>	<u>\$6,865,166</u>	<u>\$5,430,555</u>

Employer's Portion of the Collective Net Pension Liability:

The City's proportionate share of the net pension liability is approximately 0.16% and 1.54% 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 0.10% for nonhazardous pensions. The net pension liability was distributed based on 2019 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, 2020, included in noncurrent liabilities, due after one year:

	<u>Net Pension Liability</u>
<b>City of Hopkinsville:</b>	
CERS:	
Nonhazardous	\$ 11,354,217
Hazardous	<u>42,502,665</u>
Total City of Hopkinsville	<u>\$ 53,856,882</u>
<b>Component Units:</b>	
HWEA	<u>\$ 9,202,598</u>
Solid Waste	<u>\$ 6,865,166</u>



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

**6. Defined Benefit Pension Plans and Other Postemployment Benefits Plan, continued**

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

Measurement Date - Pension:

The total pension liability, net pension liability, and sensitivity information as of June 30, 2019 were based on an actuarial valuation date of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the measurement date at June 30, 2019, using generally accepted actuarial principles.

Changes Since Measurement Date - Pension:

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 \$10,177,898 in CERS pension expense, which consisted of \$2,171,576 for nonhazardous pensions and \$8,006,322 for hazardous pensions. For the year ended June 30, 2019, HWEA was allocated \$1,664,923 in CERS pension expense for nonhazardous pensions, and Solid Waste was allocated \$1,491,664 in CERS pension expense for nonhazardous pensions.

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.

Differences between expected and actual experience and changes in assumptions are recognized in pension expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of employees who are provided with pensions (active employees and inactive members) determined as of the beginning of the measurement period. Differences between projected and actual earnings on pension plan investments should be recognized in pension expense using a systematic and rational method over a closed five-year period. For this purpose, deferred outflows and inflows of resources are recognized in the pension expense as a level dollar amount over the closed period.

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

**6. Defined Benefit Pension Plans and Other Postemployment Benefits Plan, continued**

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

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

Deferred outflows and inflows of resources as of the measurement date include the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>City of Hopkinsville:</u>		
Differences between expected and actual liability experience:		
Nonhazardous	\$ 289,907	\$ 47,974
Hazardous	<u>1,805,839</u>	<u>-</u>
	<u>2,095,746</u>	<u>47,974</u>
Differences between projected and actual earnings on pension plan investments:		
Nonhazardous	217,956	400,991
Hazardous	<u>653,832</u>	<u>1,255,356</u>
	<u>871,788</u>	<u>1,656,347</u>
Effects of change in assumptions:		
Nonhazardous	1,149,176	-
Hazardous	<u>4,125,699</u>	<u>-</u>
	<u>5,274,875</u>	<u>-</u>
Changes in proportion and differences between employer contributions and proportionate share of plan contributions:		
Nonhazardous	325,342	44,322
Hazardous	<u>126,304</u>	<u>1,490,681</u>
	<u>451,646</u>	<u>1,535,003</u>
City contributions subsequent to the measurement date of June 30, 2019:		
Nonhazardous	837,958	-
Hazardous	<u>2,676,454</u>	<u>-</u>
	<u>3,514,412</u>	<u>-</u>
Total	<u>\$ 12,208,467</u>	<u>\$ 3,239,324</u>

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

**6. Defined Benefit Pension Plans and Other Postemployment Benefits Plan, continued**

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

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

The \$3,514,412 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date of June 30, 2019, will be recognized as a reduction of the net pension liability in the following measurement period. The remainder of deferred outflows and deferred inflows of resources will be amortized as follows (any positive amounts will increase pension expense while any negative amounts will decrease pension expense):

Year ending June 30:

2020	\$ 3,858,257
2021	1,097,034
2022	448,146
2023	51,294
2024	-
	<u>\$ 5,454,731</u>

For HWEA, deferred outflows and inflows of resources as of the measurement date include the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual liability experience	\$ 234,970	\$ 38,883
Differences between projected and actual earnings on pension plan investments	176,654	325,004
Effects of change in assumptions	931,407	-
Changes in proportion and differences between employer contributions and proportionate share of plan contributions	80,527	118,295
HWEA contributions subsequent to the measurement date of June 30, 2019	<u>725,770</u>	<u>-</u>
Total	<u>\$ 2,149,328</u>	<u>\$ 482,182</u>

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

**6. Defined Benefit Pension Plans and Other Postemployment Benefits Plan, continued**

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

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

The \$725,770 reported as deferred outflows of resources related to pensions resulting from HWEA's contributions subsequent to the measurement date of June 30, 2019, will be recognized as a reduction of the net pension liability in the following measurement period. The remainder of deferred outflows and deferred inflows of resources will be amortized as follows (any positive amounts will increase pension expense while any negative amounts will decrease pension expense):

Year ending June 30:

2020	\$ 620,872
2021	210,374
2022	99,606
2023	10,524
2024	-
	<u>\$ 941,376</u>

For Solid Waste, deferred outflows and inflows of resources as of the measurement date include the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual liability experience	\$ 175,288	\$ 29,007
Differences between projected and actual earnings on pension plan investments	131,784	242,454
Effects of change in assumptions	694,833	-
Changes in proportion and differences between employer contributions and proportionate shares of plan contributions	335,742	-
Solid Waste contributions subsequent to the measurement date of June 30, 2019	<u>483,540</u>	<u>-</u>
Total	<u>\$ 1,821,187</u>	<u>\$ 271,461</u>

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

**6. Defined Benefit Pension Plans and Other Postemployment Benefits Plan, continued**

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

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

The \$483,540 reported as deferred outflows of resources related to pensions resulting from Solid Waste's contributions subsequent to the measurement date of June 30, 2019, will be recognized as a reduction of the net pension liability in the following measurement period. The remainder of deferred outflows and deferred inflows of resources will be amortized as follows (any positive amounts will increase pension expense while any negative amounts will decrease pension expense):

Year ending June 30:

2020	\$ 693,438
2021	270,688
2022	94,208
2023	7,852
2024	-
	<u>\$ 1,066,186</u>

Pension Plan Fiduciary Net Position:

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

Actuarial Assumptions and Other Inputs - OPEB:

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2019 were based on an actuarial valuation date of June 30, 2018. The total OPEB liability was rolled-forward from the valuation date to the measurement date at June 30, 2019, using generally accepted actuarial principles.

There were no changes in plan provisions since June 30, 2018. However, new actuarial assumptions were adopted since the June 30, 2018 valuation. These assumptions are documented in the report titled *Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ended June 30, 2018*. The total OPEB liability as of June 30, 2019 was determined using the updated assumptions.

The actuarially determined contribution rates effective for fiscal year ended June 30, 2019 that are documented earlier in Note 6 were calculated as of June 30, 2017. Based on the June 30, 2017 actuarial valuation report, the actuarial methods and assumptions used to calculate these contribution rates are as follows:

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

**6. Defined Benefit Pension Plans and Other Postemployment Benefits Plan, continued**

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

Actuarial Assumptions and Other Inputs - OPEB, continued:

Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	20.00% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method:	Level Percent of Pay
Amortization Period:	26 Years, Closed
Payroll Growth Rate:	2.00%
Investment Return:	6.25%
Inflation:	2.30%
Salary Increases:	3.30% to 11.55%, varies by service
Mortality:	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)
Healthcare Trend Rates (Pre-65):	Initial trend starting at 7.25% on January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Healthcare Trend Rates (Post-65):	Initial trend starting at 5.10% on January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.
Phase-in Provision:	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 that was enacted in 2018.

Implicit Employer Subsidy for Non-Medicare Retirees - OPEB:

KRS pays fully insured premiums for Kentucky Health Plan. The premiums are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. The liability associated with this implicit subsidy is required to be included in the calculation of the total OPEB liability.

Discount Rate Assumptions - OPEB:

Discount rates of 5.68% and 5.69% were used for the non-hazardous and hazardous plans, respectively, to measure the total OPEB liability for the fiscal year ended June 30, 2019. This discount rates were based on the expected rate of return on pension plan investments of 6.25% and a municipal bond rate of 3.13%, as reported in Fidelity Index's *20-Year Municipal GO AA Index* as of June 28, 2019. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance

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

**6. Defined Benefit Pension Plans and Other Postemployment Benefits Plan, continued**

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

Discount Rate Assumptions - OPEB, continued:

plan investments was applied to all periods of the projected benefit payments paid from the retirement plan. However, the cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The projection of cash flows used to determine the discount rates assumes that the required employer contributions will be received each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018).

Investment Return Assumption - OPEB:

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of return 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. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous plans.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
<b>Growth:</b>	<b>62.50%</b>	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
<b>Liquidity:</b>	<b>14.50%</b>	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
<b>Diversifying Strategies:</b>	<b>23.00%</b>	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%

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

**6. Defined Benefit Pension Plans and Other Postemployment Benefits Plan, continued**

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

Sensitivity analysis - OPEB:

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 5.68% for nonhazardous and 5.69% 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>
<b><u>City of Hopkinsville:</u></b>						
<u>Nonhazardous:</u>						
Discount rate				4.68%	5.68%	6.68%
Proportionate Liability	Share	OPEB		<u>\$3,636,526</u>	<u>\$2,714,658</u>	<u>\$1,955,101</u>
<u>Hazardous:</u>						
Discount rate				4.69%	5.69%	6.69%
Proportionate Liability	Share	OPEB		<u>\$15,879,857</u>	<u>\$11,381,766</u>	<u>\$7,730,623</u>
<b><u>Component Units:</u></b>						
<u>HWEA:</u>						
<u>Nonhazardous:</u>						
Discount rate				4.68%	5.68%	6.68%
Proportionate Liability	Share	OPEB		<u>\$2,947,407</u>	<u>\$2,200,233</u>	<u>\$1,584,612</u>
<u>Solid Waste:</u>						
<u>Nonhazardous:</u>						
Discount rate				4.68%	5.68%	6.68%
Proportionate Liability	Share	OPEB		<u>\$2,198,940</u>	<u>\$1,641,504</u>	<u>\$1,182,214</u>



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

**6. Defined Benefit Pension Plans and Other Postemployment Benefits Plan, continued**

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

Sensitivity analysis - OPEB, 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:

			1%	Current Healthcare Cost Trend Rate	1%
			<u>Decrease</u>		<u>Increase</u>
<b><u>City of Hopkinsville:</u></b>					
<u>Nonhazardous:</u>					
Proportionate Liability	Share	OPEB	<u>\$2,018,905</u>	<u>\$2,714,658</u>	<u>\$3,558,342</u>
<u>Hazardous:</u>					
Proportionate Liability	Share	OPEB	<u>\$7,919,605</u>	<u>\$11,381,766</u>	<u>\$15,605,415</u>
<b><u>Component Units:</u></b>					
<u>HWEA:</u>					
<u>Nonhazardous:</u>					
Proportionate Liability	Share	OPEB	<u>\$1,636,324</u>	<u>\$2,200,233</u>	<u>\$2,884,038</u>
<u>Solid Waste:</u>					
<u>Nonhazardous:</u>					
Proportionate Liability	Share	OPEB	<u>\$1,220,794</u>	<u>\$1,641,504</u>	<u>\$2,151,663</u>

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

**6. Defined Benefit Pension Plans and Other Postemployment Benefits Plan, continued**

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

Employer's Portion of the Collective OPEB Liability:

The City's proportionate share of the net OPEB liability is approximately 0.16% and 1.54% 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 0.10% for nonhazardous pensions. The net OPEB liability was distributed based on 2019 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, 2020, included in noncurrent liabilities, due after one year:

	<u>Net OPEB Liability</u>
<b>City of Hopkinsville:</b>	
CERS:	
Nonhazardous	\$ 2,714,658
Hazardous	<u>11,381,766</u>
Total City of Hopkinsville	<u>\$ 14,096,424</u>
<b>Component Units:</b>	
HWEA	<u>\$ 2,200,233</u>
Solid Waste	<u>\$ 1,641,504</u>

Measurement Date - OPEB:

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2019 were based on an actuarial valuation date of June 30, 2018. The total OPEB liability was rolled-forward from the valuation date to the measurement date at June 30, 2019, using generally accepted actuarial principles.

Changes Since Measurement Date - OPEB:

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 \$1,845,487 in CERS OPEB expense, which consisted of \$304,877 for nonhazardous pensions and \$1,540,610 for hazardous pensions. For the year ended June 30, 2019, HWEA was allocated \$223,205 in CERS OPEB expense for nonhazardous pensions, and Solid Waste was allocated \$201,779 in CERS OPEB expense for nonhazardous pensions.

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

**6. Defined Benefit Pension Plans and Other Postemployment Benefits Plan, continued**

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

Deferred Outflows of Resources and Deferred Inflows of Resources - OPEB:

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.

Differences between expected and actual experience and changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of employees who are provided with OPEB through the OPEB plan (active employees and inactive members) determined as of the beginning of the measurement period. Differences between projected and actual earnings on OPEB plan investments should be recognized in OPEB expense using a systematic and rational method over a closed five-year period. For this purpose, deferred outflows and inflows of resources are recognized in the OPEB expense as a level dollar amount over the closed period.

The City reported deferred outflows and inflows of resources as of the measurement date from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>City of Hopkinsville:</u>		
Difference between expected and actual liability experience:		
Nonhazardous	\$ -	\$ 819,075
Hazardous	<u>-</u>	<u>2,117,380</u>
	<u>-</u>	<u>2,936,455</u>
Difference between projected and actual earnings on OPEB plan investments:		
Nonhazardous	17,881	138,454
Hazardous	<u>77,777</u>	<u>732,155</u>
	<u>95,658</u>	<u>870,609</u>
Change in assumptions:		
Nonhazardous	803,293	5,372
Hazardous	<u>3,439,519</u>	<u>21,550</u>
	<u>4,242,812</u>	<u>26,922</u>

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

**6. Defined Benefit Pension Plans and Other Postemployment Benefits Plan, continued**

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>City of Hopkinsville, continued:</u>		
Changes in proportion and differences between employer contributions and proportionate shares of plan contributions:		
Nonhazardous	\$ 86,288	\$ 38,306
Hazardous	-	668,581
	<u>86,288</u>	<u>706,887</u>
City contributions subsequent to the measurement date of June 30, 2019:		
Nonhazardous	206,667	-
Hazardous	<u>847,633</u>	-
	<u>1,054,300</u>	-
 Total	 <u>\$ 5,479,058</u>	 <u>\$4,540,873</u>

Deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date of \$1,054,300, will be recognized as a reduction of the net OPEB liability in the following measurement period. The remainder of deferred outflows and deferred inflows of resources are amortized as follows (any positive amount will increase pension expense while any negative amounts will decrease pension expense):

Year ending June 30:

2020	\$ 485,678
2021	(119,657)
2022	(379,792)
2023	(57,636)
2024	(39,714)
Thereafter	<u>(4,994)</u>
	<u>\$ (116,115)</u>

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

**6. Defined Benefit Pension Plans and Other Postemployment Benefits Plan, continued**

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

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

HWEA reported deferred outflows and inflows of resources as of the measurement date from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>HWEA:</u>		
Difference between expected and actual liability experience	\$ -	\$ 663,861
Difference between projected and actual earnings on OPEB plan investments	14,493	112,217
Change in assumptions	651,069	4,354
Change in proportion and differences between employer contributions and proportionate shares of plan contributions	1,170	77,618
HWEA contributions subsequent to the measurement date of June 30, 2019	<u>178,998</u>	<u>-</u>
Total	<u>\$ 845,730</u>	<u>\$ 858,050</u>

Deferred outflows of resources resulting from HWEA's employer contributions subsequent to the measurement date of \$178,998 will be recognized as a reduction of net OPEB liability in the following measurement period. The remainder of deferred outflows and deferred inflows of resources are amortized as follows (any positive amount will increase pension expense while any negative amounts will decrease pension expense):

Year ending June 30:

2020	\$ (34,486)
2021	(34,486)
2022	(3,415)
2023	(62,892)
2024	(48,469)
Thereafter	<u>(7,570)</u>
	<u>\$ (191,318)</u>

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

**6. Defined Benefit Pension Plans and Other Postemployment Benefits Plan, continued**

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

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

Solid Waste reported deferred outflows and inflows of resources as of the measurement date from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Solid Waste:</u>		
Difference between expected and actual liability experience	\$ -	\$ 495,280
Difference between projected and actual earnings on OPEB plan investments	10,812	83,721
Change in assumptions	485,736	3,248
Change in proportion and differences between employer contributions and proportionate shares of plan contributions	105,434	2,563
Solid Waste contributions subsequent to the measurement date of June 30, 2019	<u>119,257</u>	<u>-</u>
Total	<u>\$ 721,239</u>	<u>\$ 584,812</u>

Deferred outflows of resources resulting from Solid Waste's employer contributions subsequent to the measurement date of \$119,257 will be recognized as a reduction of net OPEB liability in the following measurement period. The remainder of deferred outflows and deferred inflows of resources are amortized as follows (any positive amount will increase pension expense while any negative amounts will decrease pension expense):

Year ending June 30:

2020	\$ 9,527
2021	9,527
2022	32,707
2023	(11,750)
2024	(19,536)
Thereafter	<u>(3,305)</u>
	<u>\$ 17,170</u>

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

**6. Defined Benefit Pension Plans and Other Postemployment Benefits Plan, continued**

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

OPEB Plan Fiduciary Net Position:

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued OPEB 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/widowers 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 118-120.

Plan Membership:

As of June 30, 2020, PFPF had fifteen members, all of whom are inactive participants (retirees and beneficiaries) receiving benefits.

Benefits Provided:

At his/her 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 and Other Postemployment Benefits Plan, continued**

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

Benefits Provided, continued:

A member who terminated his/her service either by resignation or dismissal before he/she was eligible for normal retirement would have received a refund of his/her 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 have received a monthly pension equal to no more than 50% of his/her salary. The pension would be paid during his/her disability until he/she had recovered and returned to active duty. A member retiring due to total and permanent disability would have received a monthly pension equal to 50% of his/her 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) Non-occupational – 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 and Other Postemployment Benefits Plan, 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/widower 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, 2020.

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, 2020, 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 119.

Net Pension Liability:

The City's net pension liability (asset) was measured as of January 1, 2020, and the total net pension liability (asset) was determined by an actuarial valuation as of that date.

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

**6. Defined Benefit Pension Plans and Other Postemployment Benefits Plan, continued**

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

Net Pension Liability, continued:

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>
Balances – June 30, 2019	\$ 2,840,923	\$ 1,191,093	\$1,649,830
Changes for the Year:			
Service cost	-	-	-
Interest expense	98,437	-	98,437
Benefit changes	-	-	-
Liability losses (gains)	(71,380)	-	(71,380)
Changes of assumptions	137,014	-	137,014
Contributions – City	-	285,000	(285,000)
Contributions – Employees	-	-	-
Net investment income	-	47,206	(47,206)
Benefits paid	(252,195)	(252,195)	-
Plan administration expenses	-	(16,778)	16,778
Net changes	<u>(88,124)</u>	<u>63,233</u>	<u>(151,357)</u>
Balances – June 30, 2020	<u>\$ 2,752,799</u>	<u>\$ 1,254,326</u>	<u>\$1,498,473</u>

Also see the Schedule of Changes in the Net Pension Liability and Related Ratios for the PFPF that is located at page 118.

Actuarial Assumptions and Other Inputs:

The total pension liability as of the January 1, 2020, 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	1.75% per annum – based on 10-year COLA experience.
Retiree Joint and Survivor Percentage	Actual contingent annuitant benefit divided by Current Retiree Monthly Annuity.
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 and Other Postemployment Benefits Plan, 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 – 3.26% 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:

The discount rate was previously 3.64%, whereas the current discount rate is 3.26%. This change was in recognition of the 20-Year High Grade Bond Rate Environment as of the valuation date.

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

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

**6. Defined Benefit Pension Plans and Other Postemployment Benefits Plan, continued**

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

Sensitivity Analysis:

The following presents the net pension liability (asset) of the City calculated using the discount rate of 3.26%, as well as the net pension liability (asset) if calculated using a discount rate that is 1 percentage point lower (2.26%) or 1 percentage point higher (4.26%) than the current rate:

	1% Decrease <u>(2.26%)</u>	Current Rate <u>(3.26%)</u>	1% Increase <u>(4.26%)</u>
Net Pension Liability	<u>\$1,747,295</u>	<u>\$1,498,473</u>	<u>\$1,284,049</u>

The components of the net pension liability of the Policemen's and Firefighter's Pension Fund at June 30, 2020, were as follows:

Total Pension Liability	\$ 2,752,799*
Plan Fiduciary Net Position	<u>(1,254,326)</u>
City's Net Pension Liability	<u>\$ 1,498,473</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	45.57%

\*Assumes 1.75% per annum COLAs.

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

For the year ended June 30, 2020, the City recognized pension expense of \$158,704 for the Policemen's and Firefighter's Pension Fund. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to PFPF from the following sources:

	<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>26,931</u>	<u>7,302</u>
Total	<u>\$ 26,931</u>	<u>\$ 7,302</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 active and inactive members.

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

**6. Defined Benefit Pension Plans and Other Postemployment Benefits Plan, continued**

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

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

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:	
2021	\$ 11,980
2022	7,293
2023	2,180
2024	(1,824)
2025	-
	<u>\$ 19,629</u>

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

**C. Pension and OPEB Expense**

For the year ended June 30, 2020, total pension expense for the City was as follows:

CERS – Nonhazardous employees	\$ 2,171,576
CERS – Hazardous employees	8,006,322
PFPF	158,704
Total pension expense	<u>\$10,336,602</u>

For the year ended June 30, 2020, total OPEB expense for the City was as follows:

CERS – Nonhazardous employees	\$ 304,877
CERS – Hazardous employees	1,540,610
Total pension expense	<u>\$ 1,845,487</u>

**7. 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.

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

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

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 in pension expense in future years.

The deferred outflows of resources for HWEA include deferred charges on various debt refundings and deferred outflows relating to HWEA's 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**

**8. 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, 2020, the following changes occurred in long-term liabilities:

	Principal Outstanding July 1, 2019	Additions	Reductions	Principal Outstanding June 30, 2020	Due Within One Year
<b><u>Governmental Activities:</u></b>					
Capital Leases-City	\$ 590,310	\$ -	\$ 238,936	\$ 351,374	\$ 244,705
Capital Leases-					
on behalf of component units	2,285,598	3,341,034	2,780,936	2,845,696	2,370,600
General Obligation Leases-					
on behalf of component units	412,500	-	284,167	128,333	128,333
General Obligation Bonds-City	28,970,000	-	1,430,000	27,540,000	1,095,000
General Obligation Bonds-					
on behalf of component units	20,355,000	-	1,880,000	18,475,000	1,950,000
Notes Payable-City	975,000	-	75,000	900,000	75,000
Plus: Unamortized Premium-City	87,377	-	6,927	80,450	-
Plus: Unamortized Premium-					
on behalf of component units	1,118,038	-	167,103	950,935	-
Less: Unamortized Discount-City	(50,659)	-	(2,522)	(48,137)	-
Less: Unamortized Discount-					
on behalf of component units	(5,594)	-	(513)	(5,081)	-
Total long-term debt	54,737,570	3,341,034	6,860,034	51,218,570	5,863,638
Compensated Absences	2,697,059	-	995,424	1,701,635	68,065*
Net Pension Liability (PFPF)	1,649,830	-	151,357	1,498,473	-
Net Pension Liability (CERS)	48,167,024	8,535,071	2,845,213	53,856,882	-
Net OPEB Liability (CERS)	14,169,255	1,060,634	1,133,465	14,096,424	-
Accrued landfill closure/post-closure					
costs, on behalf of component units	8,705,865	-	641,805	8,064,060	-
Total Governmental Activities	\$ 130,126,603	\$ 12,936,739	\$ 12,627,298	\$ 130,436,044	\$ 5,931,703

\*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**

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

	Principal Outstanding July 1, 2019	Additions	Reductions	Principal Outstanding June 30, 2020	Due Within One Year
<b><u>Business-type Activities-HWEA:</u></b>					
Revenue Bonds	\$ 2,359,000	\$ -	\$ 261,500	\$ 2,097,500	\$ 272,500
Notes Payable-KIA loans	40,073,915	1,411,706	2,638,267	38,847,354	2,494,252
Revenue Leases	1,385,460	-	1,385,460	-	-
Payable to City of Hopkinsville:					
General Obligation Bonds	16,530,000	-	1,710,000	14,820,000	1,775,000
Plus: Unamortized Premium	1,104,055	-	162,872	941,183	-
Less: Unamortized Discount	(5,594)	-	(513)	(5,081)	-
Total long-term debt	61,446,836	1,411,706	6,157,586	56,700,956	4,541,752
Compensated Absences	449,289	297,341	224,715	521,915	267,654*
Net Pension Liability (CERS)	7,930,917	1,807,028	535,347	9,202,598	-
Net OPEB Liability (CERS)	2,311,977	61,864	173,608	2,200,233	-
Total Business-type Activities-HWEA	<u>\$ 72,139,019</u>	<u>\$ 3,577,939</u>	<u>\$ 7,091,256</u>	<u>\$ 68,625,702</u>	<u>\$ 4,809,406</u>
<b><u>Business-type Activities-Solid Waste:</u></b>					
Notes Payable	\$ 688,997	\$ -	\$ 144,473	\$ 544,524	\$ 139,056
Payable to City of Hopkinsville:					
Capital Vehicle Leases	2,285,598	3,341,034	2,780,936	2,845,696	2,370,600
General Obligation Leases	412,500	-	284,167	128,333	128,333
Plus: Unamortized Premium	6,038	-	3,813	2,225	-
Total long-term debt	3,393,133	3,341,034	3,213,389	3,520,778	2,637,989
Compensated Absences	541,199	100,046	-	641,245	96,187*
Net Pension Liability (CERS)	5,727,749	1,540,401	402,984	6,865,166	-
Net OPEB Liability (CERS)	1,669,733	102,455	130,684	1,641,504	-
Accrued Landfill Closure/Post-Closure Costs, payable to City	8,705,865	-	641,805	8,064,060	-
Total Business-type Activities-Solid Waste	<u>\$ 20,037,679</u>	<u>\$ 5,083,936</u>	<u>\$ 4,388,862</u>	<u>\$ 20,732,753</u>	<u>\$ 2,734,176</u>
<b><u>Business-type Activities-Stormwater:</u></b>					
Payable to City of Hopkinsville:					
General obligation bonds	\$ 3,825,000	\$ -	\$ 170,000	\$ 3,655,000	\$ 175,000
Plus: Unamortized Premium	7,945	-	418	7,527	-
Total Business-type Activities-Stormwater	<u>\$ 3,832,945</u>	<u>\$ -</u>	<u>\$ 170,418</u>	<u>\$ 3,662,527</u>	<u>\$ 175,000</u>
Total Business-type Activities-Component Units	<u>\$ 96,009,643</u>	<u>\$ 8,661,875</u>	<u>\$ 11,650,536</u>	<u>\$ 93,020,982</u>	<u>\$ 7,718,582</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**

**8. 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 9 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, 2020, 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 had a variable interest rate and matured 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, 2020, 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%	\$ 128,333
Plus: Unamortized bond premium			2,225
	Total		<u>\$ 130,558</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%	\$ 128,333
Plus: Unamortized bond premium			2,225
	Total		<u>\$ 130,558</u>

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

**8. 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, 2020:

<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>
2021	\$ 128,333	\$ 5,717	\$ 128,333	\$ 5,717
Total	\$ 128,333**	\$ 5,717**	\$ 128,333	\$ 5,717

\*\* Governmental activities' debt service requirements include component units' 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, 2020, was:

<u>Governmental Activities:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance</u>
Section 108 Guaranteed Loan - \$1,500,000	2031	2.50%	\$ 900,000
Total			\$ 900,000

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

**8. 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 Phase III - \$834,891	2021	3.8%	\$ 29,428
KIA Fund B Water Plant - \$5,000,000	2026	1.9%	1,238,729
KIA Fund A Phase IV - \$4,583,635	2026	1.0%	1,388,868
KIA Fund A Phase V - \$2,469,924	2027	1.0%	923,524
KIA Fund F Drinking Water - \$1,513,593	2028	1.0%	641,885
KIA Fund F Water - \$3,887,432	2028	3.0%	1,895,047
KIA Fund F Water - \$8,800,000	2032	1.0%	5,703,868
KIA Fund A Sewer - \$483,710	2033	2.0%	335,812
KIA Fund A Sewer - \$7,488,282	2034	2.0%	5,545,793
KIA Fund A Sewer - \$7,090,224	2036	2.0%	5,888,514
KIA Fund A Sewer - \$10,354,404	2036	2.0%	9,410,197
KIA Fund A – loan not closed yet			726,900
KIA Fund F – loan not closed yet			<u>5,118,789</u>
	Total		<u>\$ 38,847,354</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>544,524</u>
	Total		<u>\$ 544,524</u>

Annual debt service requirements to maturity for notes payable are as follows as of June 30, 2020:

<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>
2021	\$ 75,000	\$ 26,134	\$ 2,633,308	\$ 603,930
2022	75,000	24,255	2,653,380	553,871
2023	75,000	22,283	2,704,052	503,199
2024	75,000	20,179	2,701,456	451,814
2025	75,000	17,978	2,640,284	404,568
2026-2030	375,000	55,421	10,675,083	1,386,165
2031-2035	150,000	5,153	8,124,375	526,357
2036-2037	<u>-</u>	<u>-</u>	<u>7,259,940</u>	<u>26,233</u>
Total	<u>\$ 900,000</u>	<u>\$ 171,403</u>	<u>\$ 39,391,878</u>	<u>\$ 4,456,137</u>

As of June 30, 2020, HWEA has pledged future revenues of the water and sewer system to repay \$38,847,354 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**

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

**Notes Payable, continued**

expected to require approximately 16.54% of such net revenues (based on principal and interest payments for the year ending June 30, 2021, as a percentage of net system revenues for the year ended June 30, 2020, which totaled \$18,587,981). Principal and interest paid for the year ended June 30, 2020, was \$3,363,266. As of June 30, 2020, pledged future revenues totaled \$43,252,382, which was the amount of the remaining principal and interest payments on these KIA loans.

KIA requires that HWEA establish a maintenance and replacement reserve account to deposit funds that are to be used specifically for extraordinary maintenance expenses related to projects funded by KIA or for the unbudgeted costs of replacing worn or obsolete portions of such projects. For the year ended June 30, 2020, HWEA has set aside \$2,116,918 to meet these reserve requirements, which is reported as restricted assets on the Statement of Net Position.

In the event of default by HWEA, KIA may, without any further demand or notice, take one or any combination of the following remedial steps: 1) declare all payments immediately due and payable; 2) exercise all the rights and remedies available to KIA; 3) take whatever action may appear necessary or desirable to enforce its rights; and 4) submit a formal referral to the appropriate federal agency as required.

Events of default include any one or more of the following: 1) failure by HWEA to pay specified payments at specified times; 2) failure by HWEA to observe or perform any covenant, condition or agreement; 3) the dissolution or liquidation of HWEA or the voluntary initiation by HWEA of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt, or any other form of debtor relief; and 4) a default by HWEA under the provisions of any agreements relating its debt obligations.

**General Obligation Bonds**

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

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.

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

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

**General Obligation Bonds, continued**

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 previous 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.

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

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

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

**General Obligation Bonds, continued**

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, 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.

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

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

**General Obligation Bonds, continued**

The outstanding debt related to general obligation bonds at June 30, 2020, 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%	\$ 2,460,000
US Bank National Association GO, 2011 Series B - \$7,220,000	2037	2%-3.75%	6,770,000
US Bank National Association GO, 2013 Series C - \$3,965,000	2038	2%-3.75%	3,435,000
US Bank National Association GO, 2014 Series A - \$2,545,000	2034	2%-3.25%	875,000
US Bank National Association GO, 2016 Series - \$2,970,000	2038	2%-3.00%	2,730,000
US Bank National Association GO, 2017 Series - \$7,335,000	2042	2%-3.25%	6,910,000
US Bank National Association GO, 2018 Series - \$3,500,000	2044	3%-3.625%	3,405,000
US Bank National Association GO, 2019 Series - \$995,000	2039	2%-3.50%	<u>955,000</u>
Bonds issued directly to the City			<u>\$ 27,540,000</u>

<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%	\$ 2,690,000
US Bank National Association GO, 2014 Series B - \$1,700,000	2038	1.50%-6.625%	1,570,000
US Bank National Association GO, 2014 Series C - \$1,620,000	2029	1.10%-3.25%	1,025,000
US Bank National Association GO, 2015 Series A - \$15,710,000	2026	4.00%	9,535,000
US Bank National Association GO, 2013 Series A - \$4,635,000	2038	2.00%	<u>3,655,000</u>
Bonds issued on behalf of component units			<u>18,475,000</u>

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

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

**General Obligation Bonds, continued**

Total bonds issued in the City's name	\$ 46,015,000
Plus: Unamortized bond premium	1,029,160
Less: Unamortized bond discount	<u>(53,217)</u>

Total \$ 46,990,943

<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%	\$ 2,690,000
Due to City of Hopkinsville, US Bank	2038	1.50%-6.625%	1,570,000
Due to City of Hopkinsville, US Bank	2029	1.10%-3.25%	1,025,000
Due to City of Hopkinsville, US Bank	2026	4.00%	<u>9,535,000</u>

14,820,000

Plus: Unamortized bond premium	941,183
Less: Unamortized bond discount	<u>(5,081)</u>

Total \$ 15,756,102

<u>Business-type Activities-Stormwater:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance</u>
Due to City of Hopkinsville, US Bank	2038	2.00%	\$ 3,655,000
Plus: Unamortized bond premium			<u>7,527</u>

Total \$ 3,662,527

Annual debt service requirements to maturity for general obligation bonds are as follows as of June 30, 2020:

<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>
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	3,465,000	1,108,089	2,255,000	359,094
2026-2030	11,180,000	3,879,542	4,565,000	1,016,255
2031-2035	10,105,000	2,501,655	2,400,000	452,024
2036-2040	6,520,000	810,782	1,025,000	68,176
2041-2045	<u>1,975,000</u>	<u>116,369</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 46,015,000**</u>	<u>\$13,945,031**</u>	<u>\$ 18,475,000</u>	<u>\$ 4,131,373</u>

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



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

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

**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.

Revenue bonds are direct obligations and pledge the income derived from the acquired assets and other sources to pay debt service. Revenue bonds outstanding at June 30, 2020 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%-4.90%	\$ 95,000
Series 2010B - \$3,588,000	2030	3.20%-4.40%	<u>2,002,500</u>
	Total		<u>\$ 2,097,500</u>

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

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

**Revenue Bonds, continued**

Annual debt service requirements projected to maturity for revenue bonds are as follows as of June 30, 2020:

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities Component Units	
	Principal	Interest	Principal	Interest
2021	\$ -	\$ -	\$ 272,500	\$ 90,039
2022	-	-	185,000	77,929
2023	-	-	192,500	70,159
2024	-	-	198,500	62,074
2025	-	-	205,000	53,737
2026-2030	-	-	1,044,000	129,586
Total	\$ -	\$ -	\$ 2,097,500	\$ 483,524

As of June 30, 2020, HWEA has pledged future revenues to repay \$2,097,500 in total revenue bonds. Principal and interest on these bonds are payable through 2030, solely from net revenues. Annual principal and interest on these bonds are expected to require approximately 1.95% of such net revenues (based on principal and interest payments for the year ending June 30, 2021, as a percentage of net system revenues for the year ended June 30, 2020, which totaled \$18,587,981). Principal and interest paid for the year ended June 30, 2020, was \$362,841. As of June 30, 2020, pledged future revenues totaled \$2,581,024 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.

**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 was 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

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

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

**Revenue Leases, continued**

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 was 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 was to come from payments received from USACE. This lease was scheduled to mature in October 2027, but HWEA paid this lease off early during the year ended June 30, 2020.

There were no balances owed on revenue leases as of June 30, 2020.

**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, 2020, 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, 2020 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, 2020.

**9. 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 \$86,342 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.

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.

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

**9. Capital Leases, continued**

The following is an analysis of the leased assets included in the City's capital assets:

Equipment under capital leases	\$1,257,253
Less accumulated depreciation	<u>(918,229)</u>
Total	<u>\$ 339,024</u>

Amortization of leased equipment is included in depreciation expense.

The City's future minimum lease obligations as of June 30, 2020, 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>
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>\$ 365,698</u>	<u>\$ 14,324</u>	<u>\$ 351,374</u>

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

In October 2018, the City, on behalf of Solid Waste, leased nine trucks. The vehicles were leased for interest only payments each month at an interest rate of 4.15%. A lump sum principal payment was due at the expiration date in April 2020. There was an option to purchase the vehicles 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 November 2019.

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

In July 2019, the City, on behalf of Solid Waste, leased five 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 December 2020. There is an option to purchase the vehicles at any point during the agreement for the purchase price plus accrued interest. This lease was partially paid down and the related property was sold in May 2020. The remaining balance at June 30, 2020 was \$488,400.

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

**9. Capital Leases, continued**

In September 2019, the City, on behalf of Solid Waste, leased five trucks. The vehicles are leased for interest only payments each month at an interest rate of 3.65%. A lump sum principal payment is due at the expiration date in April 2021. There is an option to purchase the vehicles at any point during the agreement for the purchase price plus accrued interest. The outstanding balance at June 30, 2020 was \$1,028,950.

In November 2019, the City, on behalf of Solid Waste, leased five trucks. The vehicles are leased for interest only payments each month at an interest rate of 3.49%. A lump sum principal payment is due at the expiration date in May 2021. There is an option to purchase the vehicles at any point during the agreement for the purchase price plus accrued interest. The outstanding balance at June 30, 2020 was \$853,250.

In April 2020, the City, on behalf of Solid Waste, leased four trucks. The vehicles are leased for interest only payments each month at an interest rate of 2.52%. A lump sum principal payment is due at the expiration date in October 2021. There is an option to purchase the vehicles at any point during the agreement for the purchase price plus accrued interest. The outstanding balance at June 30, 2020 was \$475,096.

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

Equipment under capital leases	\$2,845,696
Less accumulated depreciation	<u>(238,355)</u>
Total	<u>\$2,607,341</u>

Amortization of leased equipment is included in depreciation expense.

Solid Waste's future minimum lease obligations as of June 30, 2020, 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>
2021	\$2,454,952	\$ 84,352	\$2,370,600
2022	<u>480,085</u>	<u>4,989</u>	<u>475,096</u>
Total	<u>\$2,935,037</u>	<u>\$ 89,341</u>	<u>\$2,845,696</u>

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

**10. Lease of Watershed Lakes – Related Parties**

Stormwater leases the watershed lakes known as Lake Tandy, Lake Morris, and Lake Boxley located in Christian County, Kentucky from 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 the property in the manner stated in the lease. Stormwater will provide insurance for coverage of activities on the premises. Also, Stormwater must honor existing lease agreements running with the premises.

Stormwater 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 the 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.

**11. Closure and Post-closure 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 post-closure 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 post-closure care costs as an operating expense based on landfill capacity used as of the statement of net position date.

The estimated landfill closure and post-closure care liability at June 30, 2020 was \$8,064,060. This represents the cumulative amount reported to date based on the use of the capacity of the landfill. As of June 30, 2020, area 9 of the landfill had capacity used of approximately 78%. These amounts are based on what it would cost to perform all closure and post-closure care as estimated by the consulting engineer. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

**11. Closure and Post-closure Care Costs, continued**

As of June 30, 2020, the total amount of closure and post-closure costs are estimated to be \$10,338,538, leaving \$2,274,478 remaining to be recognized. The remaining life of the landfill is estimated to be 1.56 years. Solid Waste is currently constructing a new cell which will add an estimated 16.40 years to the life of the landfill.

The City 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 post-closure care. The City and Solid Waste are in compliance with these requirements, as determined by the Kentucky Energy and Environment Cabinet, by entering into a performance agreement. At June 30, 2020, \$262,698 was held for closure and post-closure costs and reported in both restricted cash and restricted investments on the statement of net position. The City and Solid Waste expect future inflation costs will be paid from these funds combined with future funding and related investment income. However, if earnings are inadequate or additional post-closure care requirements are determined due to changes in technology, laws, regulations, or other, additional funding would be required.

**12. Interfund Receivables and Payables**

There were no interfund receivables or payables among the governmental funds at June 30, 2020.

**13. Commitments**

At June 30, 2020, the City had the following material construction projects underway:

<u>Project</u>	<u>Approx. Cost-to-Date</u>	<u>Estimated Cost to Complete</u>
Greenway System/Rails to Trails Phase 2	\$ 1,965,000	\$ 5,054,000
WINS Projects - sidewalks	<u>796,000</u>	<u>1,268,000</u>
Total	<u>\$ 2,761,000</u>	<u>\$ 6,322,000</u>

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

**13. Commitments, continued**

At June 30, 2020, 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 Ph 2	\$ 1,545,803	\$ 302,757
Southpark Water Tank Project	4,987	320,093
Locust Grove to I-24 – Phase 4	5,340	3,811,240
Oak Grove Plant Expansion Study	24,300	5,700
Oak Grove Hwy 115/911 Project-Engineering	-	435,798
Hammond-Wood Phase 8 Design	2,126,788	-
Hammond-Wood Phase 8 Expansion	<u>-</u>	<u>41,380,000</u>
Total	<u>\$ 3,707,218</u>	<u>\$ 46,255,588</u>

At June 30, 2020, Solid Waste had the following material construction project underway:

<u>Project</u>	<u>Approx. Cost-to-Date</u>	<u>Estimated Cost to Complete</u>
New Landfill Cell/Expansion	\$ 45,000	\$ 3,400,000

At June 30, 2020, 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 Construction	\$ 667,000	\$ 4,333,000
Country Club/Lafayette Project	<u>36,000</u>	<u>237,000</u>
Total	<u>\$ 703,000</u>	<u>\$ 4,570,000</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.



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

**13. Commitments, continued**

The governmental funds had purchase orders outstanding at June 30, 2020 as follows:

General Fund	\$ 382,049
WINS Construction Fund	-
Nonmajor governmental	<u>205,405</u>
Total	<u>\$ 587,454</u>

**14. 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, 2020, consisted of the following:

Transfer to:	Transfer From:			Total
	General Fund	WINS Fund	Nonmajor Gov't Fund	
General Fund	\$ -	\$ -	\$ -	\$ -
Tie Breaker Fund	100,000	-	-	100,000
Internal Service Fund	250,000	-	-	250,000
WINS Fund	-	-	-	-
Nonmajor Gov't Fund	<u>1,515,222</u>	<u>-</u>	<u>936</u>	<u>1,516,158</u>
Total	<u>\$ 1,865,222</u>	<u>\$ -</u>	<u>\$ 936</u>	<u>\$ 1,866,158</u>

**15. 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**

**16. Fund Balance Classification**

The composition of the fund balance classifications at June 30, 2020 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	-	-	61,282	61,282
Police incentives	-	-	23,669	23,669
Fire incentives	-	-	27,000	27,000
Urban development block grant	-	-	816,207	816,207
Cemetery trusts	-	-	878,665	878,665
Capital projects	-	2,423,626	705,396	3,129,022
	-	2,423,626	2,512,219	4,935,845
Committed:				
Inner city development	187,606	-	-	187,606
Capital projects	78,007	-	-	78,007
Law enforcement	-	-	366,091	366,091
Capital equipment replacement reserve	887,864	-	-	887,864
	1,153,477	-	366,091	1,519,568
Assigned:				
Major equipment	150,772	-	98,520	249,292
Capital projects	22,700	-	44,359	67,059
Police services	23,653	-	-	23,653
Fire services	25,431	-	7,370	32,801
Public works services	23,450	-	-	23,450
Parks and recreation services	5,393	-	-	5,393
Community development services	74,747	-	-	74,747
Streets and sidewalks	-	-	54,751	54,751
	326,146	-	205,000	531,146
Unassigned	10,096,461	-	-	10,096,461
Total fund balances	\$ 11,576,084	\$ 2,423,626	\$ 3,083,310	\$ 17,083,020

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

**17. 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 and dependent coverage and from City contributions for employee coverage. At June 30, 2020, the claims liability was \$304,463 (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>
2018-2019	\$ 226,178	\$2,327,212	\$2,479,316	\$ 74,074
2019-2020	\$ 74,074	\$2,644,295	\$2,413,906	\$ 304,463

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, 2020, the claims liability was \$55,227.

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>
2018-2019	\$ 64,284	\$ 587,184	\$ 560,940	\$ 90,528
2019-2020	\$ 90,528	\$ 253,492	\$ 288,793	\$ 55,227

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

**18. Related Party Transactions**

The following are related party transactions by the City with its three discretely presented component units, 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. Solid Waste had accounts receivable, which were billed by HWEA, of \$288,427 as of June 30, 2020; and this is included in accounts receivable in the accompanying statements of net position. For the year ended June 30, 2020, Solid Waste's total expense (HWEA's total revenue) for billing and collection services was \$88,873. For the year ended June 30, 2020, the Solid Waste's total expense (HWEA's total revenue) for leachate purification services was \$56,472. At June 30, 2020, Solid Waste's accounts payable (HWEA's accounts receivable) for these services was \$20,784.

The City assesses a percentage of Solid Waste revenue as payment in lieu of taxes. For the year ended June 30, 2020, Solid Waste's total expense (the City's total revenue) for payment in lieu of taxes was \$406,691. At June 30, 2020, Solid Waste's accounts payable (the City's accounts receivable) for these payments was \$34,842.

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, 2020, 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, 2020.

Stormwater has contracted services with HWEA for utility billing and cash collection services. For the year ended June 30, 2020, Stormwater's total expense (HWEA's total revenue) for these services was \$79,848. At June 30, 2020, Stormwater's accounts payable (HWEA's accounts receivable) for these services was \$6,886.

For the year ended June 30, 2020, the City paid approximately \$1,249,896 and \$2,012,294 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.

As more fully explained in Note 21, during the year ended June 30, 2020, the City transferred to HWEA natural gas pipelines totaling \$4,000,000.

Related party lease agreements for the watershed lakes are described in Note 10.

Also see related party long-term obligations arrangements in Notes 8, 9, and 11.

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

**19. Claims and Judgments**

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

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

**20. 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.

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. However, there is a possibility that the City will issue a bond on behalf of Stormwater for a large flood control project. The City also plans to enter into various capital leases of equipment on behalf of Solid Waste.

As with virtually all other cities in the United States, the City and its component units are dealing with COVID-19. Management of the City and its component units responded to the COVID-19 pandemic by implementing remote working arrangements for certain employees and by increasing hygiene and infection control processes at its facilities in order to mitigate risks associated with the virus. HWEA and Solid Waste are also following Executive Order 2020-323 from the Governor of the State of Kentucky to suspend the disconnection of services due to nonpayment and to waive the assessment of late payment fees for the duration of the State of Emergency under Executive Order 2020-215. Management continues to utilize the City and its component units' resources (operational, personnel, and financial) in a manner that management believes best serves its citizens, customers, and community as the social, economic, and financial impacts of COVID-19 continue to unfold. As a result of the pandemic, City payroll taxes decreased approximately \$700,000 for the final quarter of the fiscal year ended June 30, 2020, and business licenses decreased an estimated \$500,000 due to the postponement of the due date for business licenses from April 15<sup>th</sup> to July 15<sup>th</sup>. Solid Waste estimates the loss in revenue due to the pandemic to be approximately \$295,000. Management of HWEA and Stormwater believe that operations will continue to not be significantly impacted by COVID-19.

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

**21. Special Item**

In a previous year, the City was awarded an Economic Initiative Grant from the Department of 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. Prior to this project being placed into service, the construction costs, as funded by the HUD grant, were recorded as construction in progress on the City's statement of net position. Since HWEA is responsible for operating the gas lines, both the City and HWEA considered it appropriate to transfer the construction costs from the City to HWEA once the project was complete so that HWEA could record the costs on their statement of net position. During the fiscal year ended June 30, 2020, City Council passed a municipal order to initiate this transfer, and HWEA's Board accepted the transfer, which resulted in the City reducing construction in progress and HWEA recording construction costs of \$4,000,000. This transaction is considered a special item on the Statement of Revenues, Expenses, and Changes in Net Position for both the City and HWEA.

**22. Subsequent Events**

Subsequent to the year ended June 30, 2020, construction of phase two of the Greenway Expansion including a pedestrian bridge over Country Club and Lafayette Road was completed and opened to the public in December 2020. In November 2020, the City offered incentives to Stanly Engineered Fastening for them to build an expansion which will result in an investment of almost \$6.0 million and creating 49 new jobs. City Council allocated \$1.5 million of the \$2.23 million CARES grant it received in August 2020 to be reserved for future pension obligations. They also allocated \$336,000 of the CARES grant to be used as a stimulus program for small businesses located in Hopkinsville. So far, 191 businesses have received a stimulus payment up to \$2,000 from the City.

Subsequent to the year ended June 30, 2020, HWEA purged and commissioned the Phase I natural gas pipeline, which is composed of 6.3 miles of 12" natural gas main along the US41A corridor. HWEA also has an agreement with Clarksville Gas to supply the pipeline with natural gas. As a result, this natural gas main is now active and HWEA continues to connect new customers as needs arise, which will impact natural gas revenues of HWEA for the coming years. Also subsequent to the year ended June 30, 2020, as compensation to the City for use of the City's public rights-of-way, effective July 1, 2020, HWEA began collecting and transferring to the City on a quarterly basis, payments in lieu of taxes equal to 2.00% of the gross revenue from the sale of water and service to customers located within the city limits of Hopkinsville, Kentucky.

Subsequent to the year ended June 30, 2020, the City, on behalf of Solid Waste, entered into two capital lease agreements for trucks. These leases totaled \$2,011,000. Also subsequent to the year ended June 30, 2020, the City, on behalf of Solid Waste, entered into a \$3.4 million financing arrangement with Kentucky Bond Corporation to finance the new cell of the landfill.

A sewer rate increase was set to go into effect on July 1, 2020, but the Board of HWEA agreed to delay the effective date of the increase to January 1, 2021, in order to lessen the financial stress on customers as a result of the COVID-19 pandemic. Per the terms of

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

**22. Subsequent Events, continued**

Executive Order 2020-881 issued by the Governor of the State of Kentucky in October 2020, HWEA is currently working to manage and organize the processing of late fees, develop payment arrangements, and begin the process of disconnecting service for non-payments of customers who are in arrears.

Management has evaluated subsequent events through December 30, 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, 2020**

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, 2020, the City adopted the following GASB pronouncements:

- Statement No. 84: *Fiduciary Activities*
- Statement No. 90: *Majority Equity Interests*

GASB Statement No. 84 and 90 were considered for application of use and determined not to have an impact on financial reporting at this time.

**B. Future Implementation of GASB Pronouncements**

In addition to the pronouncements discussed above, GASB has issued additional guidance for state and local governments that are 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. 87: *Leases* (FY 2022)
- Statement No. 91: *Conduit Debt Obligations* (FY 2022)

**24. Single Audit Act**

Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), requires non-federal entities that expend \$750,000 or more a year in federal awards to have an audit performed in accordance with the provisions of the guidance. The Single Audit report is issued in this report beginning on page 135.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b><u>Nonhazardous:</u></b>						
City's proportion of the net pension liability	0.161441%	0.154914%	0.157111%	0.147963%	0.146015%	0.143192%
City's proportionate share of the net pension liability	\$ 11,354,217	\$ 9,434,735	\$ 9,196,190	\$ 7,285,140	\$ 6,277,960	\$ 4,646,000
City's covered payroll	\$ 4,448,052	\$ 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	255.26%	232.13%	228.63%	198.80%	184.05%	141.55%
Total pension plan's fiduciary net position	\$ 7,159,921,000	\$ 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	\$ 14,192,966,000	\$ 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	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%
<b><u>Hazardous:</u></b>						
City's proportion of the net pension liability	1.538672%	1.601529%	1.689418%	1.628784%	1.648732%	1.659682%
City's proportionate share of the net pension liability	\$ 42,502,665	\$ 38,732,289	\$ 37,796,986	\$ 27,948,983	\$ 25,309,788	\$ 19,946,000
City's covered payroll	\$ 9,258,347	\$ 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	459.07%	420.59%	398.30%	323.19%	300.19%	237.43%
Total pension plan's fiduciary net position	\$ 2,413,708,000	\$ 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	\$ 5,176,003,000	\$ 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	46.63%	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 2020 measurement date is June 30, 2019, and the 2019 measurement date is June 30, 2018.

**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,**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>HWEA:</b>						
<b><u>Nonhazardous:</u></b>						
HWEA's proportion of the net pension liability	0.130848%	0.130222%	0.136035%	0.129211%	0.118190%	0.114295%
HWEA's proportionate share of the net pension liability	\$ 9,202,598	\$ 7,930,917	\$ 7,962,547	\$ 6,361,838	\$ 5,081,523	\$ 3,708,000
HWEA's covered payroll	\$ 3,299,769	\$ 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	278.89%	243.56%	237.32%	203.18%	183.67%	141.45%
Total pension plan's fiduciary net position	\$ 7,159,921,000	\$ 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	\$ 14,192,966,000	\$ 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	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%
<b>Solid Waste:</b>						
<b><u>Nonhazardous:</u></b>						
Solid Waste's proportion of the net pension liability	0.097613%	0.094047%	0.088442%	0.076398%	0.073008%	0.070445%
Solid Waste's proportionate share of the net pension liability	\$ 6,865,166	\$ 5,727,749	\$ 5,176,782	\$ 3,761,528	\$ 3,138,976	\$ 2,286,000
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 proportionate share of the net pension liability as a percentage of its covered payroll	276.32%	244.86%	239.50%	206.39%	185.89%	141.96%
Total pension plan's fiduciary net position	\$ 7,159,921,000	\$ 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	\$ 14,192,966,000	\$ 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	50.45%	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 2020 measurement date is June 30, 2019, and the 2019 measurement date is June 30, 2018.

**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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><u>Nonhazardous:</u></b>							
Statutorily required contributions	\$ 837,958	\$ 665,352	\$ 554,999	\$ 714,562	\$ 602,161	\$ 602,723	\$ 620,548
Contributions in relation to the statutorily required contributions	<u>(837,958)</u>	<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>	<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%	100.00%
City's covered payroll	\$ 4,688,250	\$ 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	17.87%	14.96%	13.66%	17.76%	16.43%	17.67%	18.91%
<b><u>Hazardous:</u></b>							
Statutorily required contributions	\$ 2,676,454	\$ 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>(2,676,454)</u>	<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>	<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%	100.00%
City's covered payroll	\$ 9,193,826	\$ 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	29.11%	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>HWEA:</b>							
<b><u>Nonhazardous:</u></b>							
HWEA's statutorily required contributions	\$ 725,770	\$ 535,347	\$ 464,785	\$ 464,029	\$ 394,384	\$ 365,433	\$ 371,486
HWEA's contributions in relation to the statutorily required contributions	<u>(725,770)</u>	<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>	<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%	100.00%
HWEA's covered payroll	\$ 3,760,467	\$ 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	19.30%	16.22%	14.27%	13.83%	12.60%	13.21%	14.17%
<b>Solid Waste:</b>							
<b><u>Nonhazardous:</u></b>							
Solid Waste's statutorily required contributions	\$ 483,540	\$ 402,984	\$ 338,710	\$ 405,369	\$ 320,925	\$ 310,637	\$ 305,286
Solid Waste's contributions in relation to the statutorily required contributions	<u>(483,540)</u>	<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>	<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%	100.00%
Solid Waste's covered payroll	\$ 2,505,390	\$ 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	19.30%	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total Pension Liability</b>						
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest cost	98,437	103,866	120,673	168,334	212,523	267,915
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(71,380)	(82,327)	26,565	(734,902)	(748,273)	(71,532)
Changes of assumptions	137,014	(344,703)	154,101	(100,401)	(235,376)	1,026,854
Benefit payments	(252,195)	(267,955)	(266,054)	(315,549)	(354,942)	(399,589)
Other	-	-	-	-	-	-
Net change in total pension liability	<u>(88,124)</u>	<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>2,840,923</u>	<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>\$ 2,752,799</u>	<u>\$ 2,840,923</u>	<u>\$ 3,432,042</u>	<u>\$ 3,396,757</u>	<u>\$ 4,379,275</u>	<u>\$ 5,505,343</u>
<b>Plan Fiduciary Net Position</b>						
Contributions-employer	\$ 285,000	\$ 285,000	\$ 325,000	\$ 375,000	\$ 399,744	\$ 400,000
Contributions-employee	-	-	-	-	-	-
Net investment income	47,206	12,238	10,324	11,640	13,081	31,039
Benefit payments	(252,195)	(267,955)	(266,054)	(315,549)	(354,942)	(399,589)
Administration expenses	(16,778)	(8,444)	(21,933)	(7,162)	(13,440)	(6,405)
Other	-	-	-	-	-	-
Net change in plan fiduciary net position	<u>63,233</u>	<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>1,191,093</u>	<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>\$ 1,254,326</u>	<u>\$ 1,191,093</u>	<u>\$ 1,170,254</u>	<u>\$ 1,122,917</u>	<u>\$ 1,058,988</u>	<u>\$ 1,014,545</u>
<b>Net Pension Liability</b>	<u>\$ 1,498,473</u>	<u>\$ 1,649,830</u>	<u>\$ 2,261,788</u>	<u>\$ 2,273,840</u>	<u>\$ 3,320,287</u>	<u>\$ 4,490,798</u>
Plan fiduciary net position as a percentage of the total pension liability	45.57%	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	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarily determined contribution	\$ 360,414	\$ 488,532	\$ 497,550	\$ 731,484	\$ 989,356	\$ 851,707
Contributions in relation to the actuarily determined contribution	<u>285,000</u>	<u>285,000</u>	<u>325,000</u>	<u>375,000</u>	<u>399,744</u>	<u>400,000</u>
Contribution deficiency (excess)	<u>\$ 75,414</u>	<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	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>2020</u>	<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	2.95%	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>2020</u>	<u>2019</u>	<u>2018</u>
<b><u>Nonhazardous:</u></b>			
City's proportion of the net OPEB liability	0.161399%	0.154908%	0.157111%
City's proportionate share of the net OPEB liability	\$ 2,714,658	\$ 2,750,361	\$ 3,158,469
City's covered payroll	\$ 4,448,052	\$ 4,064,379	\$ 4,022,388
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	61.03%	67.67%	78.52%
Total plan fiduciary net position	\$ 2,569,511,000	\$ 2,414,126,000	\$ 2,212,535,662
Total OPEB liability	\$ 4,251,466,000	\$ 4,189,606,000	\$ 4,222,877,716
Total plan fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%	52.39%
<b><u>Hazardous:</u></b>			
City's proportion of the net OPEB liability	1.538368%	1.601619%	1.689418%
City's proportionate share of the net OPEB liability	\$ 11,381,766	\$ 11,418,894	\$ 13,965,938
City's covered payroll	\$ 9,258,347	\$ 9,209,140	\$ 9,489,583
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	122.94%	124.00%	147.17%
Total plan fiduciary net position	\$ 1,340,714,000	\$ 1,280,982,000	\$ 1,189,001,387
Total OPEB liability	\$ 2,080,574,000	\$ 1,993,941,000	\$ 2,015,672,964
Total plan fiduciary net position as a percentage of the total OPEB liability	64.44%	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 6 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 2020 measurement date is June 30, 2019, and the 2019 measurement date is June 30, 2018.



**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>2019</u>	<u>2018</u>
<b>HWEA:</b>			
<b><u>Nonhazardous:</u></b>			
HWEA's proportion of the net OPEB liability	0.130814%	0.130217%	0.136035%
HWEA's proportionate share of the net OPEB liability	\$ 2,200,233	\$ 2,311,977	\$ 2,734,769
HWEA's covered payroll	\$ 3,299,769	\$ 3,256,186	\$ 3,355,136
HWEA's proportionate share of the net OPEB liability as a percentage of its covered payroll	66.68%	71.00%	81.51%
Total plan fiduciary net position	\$ 2,569,511,000	\$ 2,414,126,000	\$ 2,212,535,662
Total OPEB liability	\$ 4,251,466,000	\$ 4,189,606,000	\$ 4,222,877,716
Total plan fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%	52.39%
<b>Solid Waste:</b>			
<b><u>Nonhazardous:</u></b>			
Solid Waste's proportion of the net OPEB liability	0.097595%	0.094044%	0.088442%
Solid Waste's proportionate share of the net OPEB liability	\$ 1,641,504	\$ 1,669,733	\$ 1,777,987
Solid Waste's covered payroll	\$ 2,484,490	\$ 2,339,156	\$ 2,161,508
Solid Waste's proportionate share of the net OPEB liability as a percentage of its covered payroll	66.07%	71.38%	82.26%
Total plan fiduciary net position	\$ 2,569,511,000	\$ 2,414,126,000	\$ 2,212,535,662
Total OPEB liability	\$ 4,251,466,000	\$ 4,189,606,000	\$ 4,222,877,716
Total plan fiduciary net position as a percentage of the total OPEB liability	60.44%	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 6 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 2020 measurement date is June 30, 2019, and the 2019 measurement date is June 30, 2018.

**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>2020</u>	<u>2019</u>	<u>2018</u>
<b><u>Nonhazardous:</u></b>			
Statutorily required contributions	\$ 206,667	\$ 215,768	\$ 185,000
Contributions in relation to the statutorily required contributions	<u>(206,667)</u>	<u>(215,768)</u>	<u>(185,000)</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's contributions as a percentage of statutorily required contribution for OPEB	100.00%	100.00%	100.00%
City's covered payroll	\$ 4,688,250	\$ 4,448,052	\$ 4,064,379
Contributions as a percentage of covered payroll	4.41%	4.85%	4.55%
<b><u>Hazardous:</u></b>			
Statutorily required contributions	\$ 847,633	\$ 917,698	\$ 703,673
Contributions in relation to the statutorily required contributions	<u>(847,633)</u>	<u>(917,698)</u>	<u>(703,673)</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's contributions as a percentage of statutorily required contribution for OPEB	100.00%	100.00%	100.00%
City's covered payroll	\$ 9,193,826	\$ 9,258,347	\$ 9,209,140
Contributions as a percentage of covered payroll	9.22%	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 6 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>2020</u>	<u>2019</u>	<u>2018</u>
<b>HWEA:</b>			
<b><u>Nonhazardous:</u></b>			
HWEA's statutorily required contributions	\$ 178,998	\$ 173,608	\$ 154,929
HWEA's contributions in relation to the statutorily required contributions	<u>(178,998)</u>	<u>(173,608)</u>	<u>(154,929)</u>
HWEA's annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
HWEA's contributions as a percentage of statutorily required contribution for OPEB	100.00%	100.00%	100.00%
HWEA's covered payroll	\$ 3,760,467	\$ 3,299,769	\$ 3,256,186
HWEA's contributions as a percentage of covered payroll	4.76%	5.26%	4.76%
<b>Solid Waste:</b>			
<b><u>Nonhazardous:</u></b>			
Solid Waste's statutorily required contributions	\$ 119,257	\$ 130,684	\$ 109,940
Solid Waste's contributions in relation to the statutorily required contributions	<u>(119,257)</u>	<u>(130,684)</u>	<u>(109,940)</u>
Solid Waste's annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Solid Waste's contributions as a percentage of statutorily required contribution for OPEB	100.00%	100.00%	100.00%
Solid Waste's covered payroll	\$ 2,505,390	\$ 2,484,490	\$ 2,339,156
Solid Waste's contributions as a percentage of covered payroll	4.76%	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 6 in the notes to financial statements regarding detailed information on the HWEA's and Solid Waste's OPEB plan.

**City of Hopkinsville, Kentucky**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with
	Original	Final	(See <b>Note A</b> )	Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 5,685,000	\$ 5,685,000	\$ 5,905,156	\$ 220,156
Licenses and permits	25,008,494	23,706,750	23,844,230	137,480
Fines and forfeits	85,000	85,000	136,436	51,436
Intergovernmental	3,494,357	3,969,357	3,804,446	(164,911)
Charges for services	295,600	295,600	323,567	27,967
Interest	250,000	165,000	195,088	30,088
Other revenues	1,423,587	1,747,607	1,272,978	(474,629)
Total Revenues	36,242,038	35,654,314	35,481,901	(172,413)
<b>EXPENDITURES</b>				
Current:				
General government:				
Administrative	1,789,428	1,848,028	1,769,596	78,432
Tax department	626,814	626,814	537,123	89,691
Information technology	1,058,522	902,212	851,293	50,919
Legislative	355,913	365,913	360,241	5,672
Public safety:				
Police	8,230,657	8,108,933	7,748,423	360,510
Emergency communications	1,328,249	1,328,249	1,284,114	44,135
Fire	8,167,285	7,998,730	7,651,836	346,894
EMS	-	300,000	279,795	20,205
Other	1,175,163	1,175,163	1,151,331	23,832
Public works:				
Administrative	270,701	270,701	258,868	11,833
Street	2,078,494	2,326,781	2,054,417	272,364
Service center	508,580	508,580	483,939	24,641
Other	440,000	440,000	437,335	2,665
Community development	4,364,445	4,392,112	4,142,406	249,706
Parks and recreation	1,704,942	1,704,942	1,408,805	296,137
Debt service:				
Principal	1,430,000	1,430,000	1,430,000	-
Interest and finance charges	889,826	889,826	889,823	3
Capital outlays	-	444,771	444,771	-
Total Expenditures	34,419,019	35,061,755	33,184,116	1,877,639
Excess of revenues over (under) expenditures	1,823,019	592,559	2,297,785	1,705,226
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	550,000	550,000	550,000	-
Transfers out	(2,373,019)	(2,577,001)	(2,622,803)	(45,802)
Total Other Financing Sources (Uses)	(1,823,019)	(2,027,001)	(2,072,803)	(45,802)
Net change in fund balance	-	(1,434,442)	224,982	1,659,424
Fund balance, beginning of year	11,530,072	11,530,072	11,530,072	-
Fund balance, end of year	\$ 11,530,072	\$ 10,095,630	\$ 11,755,054	\$ 1,659,424

**CITY OF HOPKINSVILLE, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**ON BUDGETARY ACCOUNTING AND CONTROL**  
**For the Year Ended June 30, 2020**

**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 net change in fund balance for the year ended June 30, 2020 of the General Fund is presented below.

Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses (budgetary basis)	\$ 224,982
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Adjustments:

To adjust revenues for tax and license accruals	125,229
To adjust expenditures for payable accruals	28,187
To adjust expenditures for salary accruals	<u>(109,127)</u>

Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses (GAAP basis)	<u>\$ 269,271</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 Balances-Governmental Funds.

**City of Hopkinsville, Kentucky**  
**Note to Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2020**

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

	General Fund (Budgetary)	Budgetary to GAAP Adjustments *	Special Revenue Funds	Total
<b>REVENUES</b>				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 35,481,901	\$ 35,481,901	\$ -	\$ 35,481,901
Adjustments:				
The City budgets for receivables on the cash basis, rather than on the modified accrual basis	-	125,229	-	125,229
Budgetary Special Revenue Funds are consolidated into the General Fund, required for GAAP reporting	-	-	72,740	72,740
Total revenues as reported on the budgetary comparison schedule	<u>35,481,901</u>	<u>+</u> <u>35,607,130</u>	<u>72,740</u>	<u>35,679,870</u> ^
<b>EXPENDITURES</b>				
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	(33,184,116)	(33,184,116)	-	(33,184,116)
Adjustments:				
The City budgets for payables on the cash basis, rather than on the modified accrual basis	-	28,187	-	28,187
The City budgets for payroll on the cash basis, rather than on the modified accrual basis	-	(109,127)	-	(109,127)
Budgetary Special Revenue Funds are consolidated into the General Fund, required for GAAP reporting	-	-	(3,844,614)	(3,844,614)
Total expenditures as reported on the budgetary comparison schedule	<u>(33,184,116)</u>	<u>+</u> <u>(33,265,056)</u>	<u>(3,844,614)</u>	<u>(37,109,670)</u> ^
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	550,000	550,000	207,581	757,581
Transfers out	(2,622,803)	(2,622,803)	-	(2,622,803)
Issuance of long-term debt	-	-	3,341,034	3,341,034
Total other financing sources (uses)	<u>(2,072,803)</u>	<u>+</u> <u>(2,072,803)</u>	<u>3,548,615</u>	<u>1,475,812</u> ^
Excess of revenues and other financing sources over/ (under) expenditures and other financing uses	<u>\$ 224,982</u>	<u>+</u> <u>\$ 269,271</u> **	<u>\$ (223,259)</u>	<u>\$ 46,012</u> ^
Reclassifications:				
Budgetary Special Revenue Funds are consolidated into the General Fund, required for GAAP reporting	<u>\$ (207,581)</u>	<u>\$ -</u>	<u>\$ 207,581</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 balances-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, 2020**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Pooled cash and cash equivalents	\$ 758,552	\$ 523,475	\$ -	\$ 1,282,027
Non-pooled cash and cash equivalents	259,373	177,167	86,076	522,616
Investments	261,359	-	420,779	682,138
Loans receivable	515,949	-	-	515,949
Other receivables	<u>131,472</u>	<u>-</u>	<u>-</u>	<u>131,472</u>
Total assets	<u>\$ 1,926,705</u>	<u>\$ 700,642</u>	<u>\$ 506,855</u>	<u>\$ 3,134,202</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	<u>\$ 50,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,892</u>
Total liabilities	<u>50,892</u>	<u>-</u>	<u>-</u>	<u>50,892</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	1,447,601	557,763	506,855	2,512,219
Committed	366,091	-	-	366,091
Assigned	62,121	142,879	-	205,000
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,875,813</u>	<u>700,642</u>	<u>506,855</u>	<u>3,083,310</u>
Total liabilities and fund balances	<u>\$ 1,926,705</u>	<u>\$ 700,642</u>	<u>\$ 506,855</u>	<u>\$ 3,134,202</u>

**City of Hopkinsville, Kentucky**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2020**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Intergovernmental	\$ 2,254,732	\$ -	\$ -	\$ 2,254,732
Investment income (loss)	56,814	6,881	11,885	75,580
Other revenue	<u>70,414</u>	<u>54,303</u>	<u>10,992</u>	<u>135,709</u>
Total revenues	<u>2,381,960</u>	<u>61,184</u>	<u>22,877</u>	<u>2,466,021</u>
<b>EXPENDITURES</b>				
Current:				
General government	12,864	14,285	-	27,149
Public safety	696,168	2,991	-	699,159
Public works	148,531	5,419	-	153,950
Community development	585,569	119,375	-	704,944
Parks and recreation	-	-	-	-
Debt Service:				
Principal	75,000	238,936	-	313,936
Interest	27,821	15,108	-	42,929
Expenditures	-	-	-	-
Capital outlay	<u>1,044,144</u>	<u>1,814,728</u>	<u>-</u>	<u>2,858,872</u>
Total expenditures	<u>2,590,097</u>	<u>2,210,842</u>	<u>-</u>	<u>4,800,939</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(208,137)</u>	<u>(2,149,658)</u>	<u>22,877</u>	<u>(2,334,918)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	221,398	1,294,760	-	1,516,158
Transfers out	(936)	-	-	(936)
Issuance of debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>220,462</u>	<u>1,294,760</u>	<u>-</u>	<u>1,515,222</u>
Net change in fund balances	12,325	(854,898)	22,877	(819,696)
Fund balances, beginning of year	<u>1,863,488</u>	<u>1,555,540</u>	<u>483,978</u>	<u>3,903,006</u>
Fund balances, end of year	<u>\$ 1,875,813</u>	<u>\$ 700,642</u>	<u>\$ 506,855</u>	<u>\$ 3,083,310</u>



**City of Hopkinsville, Kentucky**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2020**

	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
<b>ASSETS</b>									
Pooled cash and cash equivalents	\$ 116,033	\$ -	\$ 23,669	\$ 27,000	\$ 300,258	\$ 217,169	\$ -	\$ 74,423	\$ 758,552
Non-pooled cash and cash equivalents	-	-	-	-	-	148,922	110,451	-	259,373
Investments	-	-	-	-	-	-	261,359	-	261,359
Loans receivable	-	-	-	-	515,949	-	-	-	515,949
Other receivables	-	-	-	-	-	-	-	131,472	131,472
Total assets	<u>\$ 116,033</u>	<u>\$ -</u>	<u>\$ 23,669</u>	<u>\$ 27,000</u>	<u>\$ 816,207</u>	<u>\$ 366,091</u>	<u>\$ 371,810</u>	<u>\$ 205,895</u>	<u>\$ 1,926,705</u>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>LIABILITIES</b>									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,892	\$ 50,892
Total liabilities	-	-	-	-	-	-	-	50,892	50,892
<b>FUND BALANCES</b>									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	61,282	-	23,669	27,000	816,207	-	371,810	147,633	1,447,601
Committed	-	-	-	-	-	366,091	-	-	366,091
Assigned	54,751	-	-	-	-	-	-	7,370	62,121
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	<u>116,033</u>	<u>-</u>	<u>23,669</u>	<u>27,000</u>	<u>816,207</u>	<u>366,091</u>	<u>371,810</u>	<u>155,003</u>	<u>1,875,813</u>
Total liabilities and fund balances	<u>\$ 116,033</u>	<u>\$ -</u>	<u>\$ 23,669</u>	<u>\$ 27,000</u>	<u>\$ 816,207</u>	<u>\$ 366,091</u>	<u>\$ 371,810</u>	<u>\$ 205,895</u>	<u>\$ 1,926,705</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, 2020**

	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
<b>REVENUES</b>									
Intergovernmental	\$ 635,000	\$ 506,932	\$ 268,384	\$ 321,943	\$ -	\$ -	\$ -	\$ 522,473	\$ 2,254,732
Investment income (loss)	738	-	-	-	5,067	2,300	48,709	-	56,814
Other revenue	-	-	-	-	-	70,414	-	-	70,414
Total revenues	<u>635,738</u>	<u>506,932</u>	<u>268,384</u>	<u>321,943</u>	<u>5,067</u>	<u>72,714</u>	<u>48,709</u>	<u>522,473</u>	<u>2,381,960</u>
<b>EXPENDITURES</b>									
General government	-	-	-	-	-	-	12,864	-	12,864
Public safety	-	-	265,415	321,609	-	31,147	-	77,997	696,168
Public works	144,068	-	-	-	-	-	4,463	-	148,531
Community development	-	404,111	-	-	-	-	-	181,458	585,569
Parks and recreation	-	-	-	-	-	-	-	-	-
Debt Service:									
Principal	-	75,000	-	-	-	-	-	-	75,000
Interest	-	27,821	-	-	-	-	-	-	27,821
Expenditures	-	-	-	-	-	-	-	-	-
Capital outlay	<u>513,642</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>530,502</u>	<u>1,044,144</u>
Total expenditures	<u>657,710</u>	<u>506,932</u>	<u>265,415</u>	<u>321,609</u>	<u>-</u>	<u>31,147</u>	<u>17,327</u>	<u>789,957</u>	<u>2,590,097</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(21,972)</u>	<u>-</u>	<u>2,969</u>	<u>334</u>	<u>5,067</u>	<u>41,567</u>	<u>31,382</u>	<u>(267,484)</u>	<u>(208,137)</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	-	-	-	-	-	-	936	220,462	221,398
Transfer out	-	-	-	-	-	-	(936)	-	(936)
Issuance of debt	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>220,462</u>	<u>220,462</u>
Net change in fund balances	(21,972)	-	2,969	334	5,067	41,567	31,382	(47,022)	12,325
Fund balances, beginning 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>
Fund balances, end of year	<u>\$ 116,033</u>	<u>\$ -</u>	<u>\$ 23,669</u>	<u>\$ 27,000</u>	<u>\$ 816,207</u>	<u>\$ 366,091</u>	<u>\$ 371,810</u>	<u>\$ 155,003</u>	<u>\$ 1,875,813</u>

**City of Hopkinsville, Kentucky  
Budgetary Comparison Schedule  
Municipal Road Aid Special Revenue Fund  
For the Year Ended June 30, 2020**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Intergovernmental	\$ 644,000	\$ 644,000	\$ 635,000	\$ (9,000)
Interest	<u>5,000</u>	<u>5,000</u>	<u>738</u>	<u>(4,262)</u>
Total Revenues	<u>649,000</u>	<u>649,000</u>	<u>635,738</u>	<u>(13,262)</u>
<b>EXPENDITURES</b>				
Public works	649,000	135,358	144,068	(8,710)
Capital outlay	<u>-</u>	<u>513,642</u>	<u>513,642</u>	<u>-</u>
Total expenditures	<u>649,000</u>	<u>649,000</u>	<u>657,710</u>	<u>(8,710)</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(21,972)</u>	<u>(21,972)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
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	-	-	(21,972)	(21,972)
Fund balance, beginning of year	<u>138,005</u>	<u>138,005</u>	<u>138,005</u>	<u>-</u>
Fund balance, end of year	<u>\$ 138,005</u>	<u>\$ 138,005</u>	<u>\$ 116,033</u>	<u>\$ (21,972)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses (budgetary basis)			\$ (21,972)	
Adjustments:				
To adjust expenditures for payable accruals			<u>-</u>	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses (GAAP basis)			<u>\$ (21,972)</u>	

**City of Hopkinsville, Kentucky**  
**Combining Balance Sheet**  
**Nonmajor Capital Projects Funds**  
**June 30, 2020**

	Capital Fund	Probation and Parole Remodel Fund	Total Nonmajor Capital Projects Funds
<b>ASSETS</b>			
Pooled cash and cash equivalents	\$ 523,475	\$ -	\$ 523,475
Non-pooled cash and cash equivalents	<u>-</u>	<u>177,167</u>	<u>177,167</u>
Total assets	<u>\$ 523,475</u>	<u>\$ 177,167</u>	<u>\$ 700,642</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	380,596	177,167	557,763
Committed	-	-	-
Assigned	142,879	-	142,879
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>523,475</u>	<u>177,167</u>	<u>700,642</u>
Total liabilities and fund balances	<u>\$ 523,475</u>	<u>\$ 177,167</u>	<u>\$ 700,642</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, 2020**

	Capital Fund	Probation and Parole Remodel Fund	Total Nonmajor Capital Projects Funds
<b>REVENUES</b>			
Investment income (loss)	\$ -	\$ 6,881	\$ 6,881
Other revenue	<u>54,303</u>	<u>-</u>	<u>54,303</u>
Total revenues	<u>54,303</u>	<u>6,881</u>	<u>61,184</u>
<b>EXPENDITURES</b>			
General government	14,285	-	14,285
Public safety	2,991	-	2,991
Public works	5,419	-	5,419
Community development	119,375	-	119,375
Parks and recreation	-	-	-
Debt service:			
Principal	238,936	-	238,936
Interest	15,108	-	15,108
Expenditures	-	-	-
Capital outlay	<u>1,316,299</u>	<u>498,429</u>	<u>1,814,728</u>
Total expenditures	<u>1,712,413</u>	<u>498,429</u>	<u>2,210,842</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,658,110)</u>	<u>(491,548)</u>	<u>(2,149,658)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,294,760	-	1,294,760
Transfers out	-	-	-
Issuance of debt	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>1,294,760</u>	<u>-</u>	<u>1,294,760</u>
Net change in fund balances	(363,350)	(491,548)	(854,898)
Fund balances, beginning of year	<u>886,825</u>	<u>668,715</u>	<u>1,555,540</u>
Fund balances, end of year	<u>\$ 523,475</u>	<u>\$ 177,167</u>	<u>\$ 700,642</u>

## **SINGLE AUDIT SECTION**

**CITY OF HOPKINSVILLE, KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2020**

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grant Identifying Number</u>	<u>Pass-Through to Subrecipients</u>	<u>Federal Expenditures</u>
<b>CDBG - Entitlement Grants Cluster</b>				
<b>Department of Housing and Urban Development</b>				
Community Development Block Grants / Entitlement Grants	14.218	B19MC2-10002	\$ 39,389	\$ 506,932
Total Department of Housing and Urban Development			39,389	506,932
Total CDBG - Entitlement Grants Cluster			\$ 39,389	\$ 506,932
<b>Highway Planning and Construction Cluster</b>				
<b>Department of Transportation</b>				
Recreational Trails Program (Passed through Kentucky Department for Local Government)	20.219	TAP Grant - Greenway Phase II	\$ -	\$ 438,383 *
Recreational Trails Program (Passed through Kentucky Department for Local Government)	20.219	Rails to Trails - Greenway System Phase II	-	14,919 *
Total Department of Transportation			-	453,302
Total Highway Planning and Construction Cluster			\$ -	\$ 453,302
<b>Highway Safety Cluster</b>				
<b>Department of Transportation</b>				
National Priority Safety Programs (Passed through Kentucky Department of Transportation Highway Safety Department)	20.616	Hopkinsville PD M5HVE-20-10 and PT-2020-HY-28	\$ -	\$ 18,377
Total Department of Transportation			-	18,377
Total Highway Safety Cluster			\$ -	\$ 18,377
<b>Department of Homeland Security</b>				
Assistance to Firefighters Grant	97.044	EMW-2018-FO-02775	\$ -	\$ 103,380 *
Total Department of Homeland Security			\$ -	\$ 103,380
<b>United States Department of Justice</b>				
Bulletproof Vest Partnerships Program	16.607		\$ -	\$ 8,280
Total United States Department of Justice			\$ -	\$ 8,280
<b>Department of Housing and Urban Development</b>				
Home Investment Partnership Program (Passed through Kentucky Housing Corporation)	14.239	HR18-0138-01	\$ -	\$ 180,000
Total Department of Housing and Urban Development			\$ -	\$ 180,000
Total Expenditures of Federal Awards			\$ 39,389	\$ 1,270,271

\*Denotes major program

**CITY OF HOPKINSVILLE, KENTUCKY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For The Year Ended June 30, 2020**

**NOTE A - BASIS OF PRESENTATION**

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

**NOTE B - SUBRECIPIENTS**

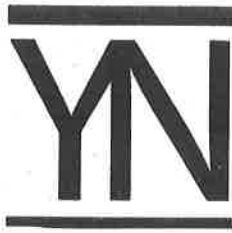
The City of Hopkinsville provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Community Development Block Grant	14.218	<u>\$ 39,389</u>

**NOTE C – INDIRECT COST RATE**

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





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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hopkinsville, Kentucky, as of and for the year ended June 30, 2020, 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 December 30, 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) as a basis for designing 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**

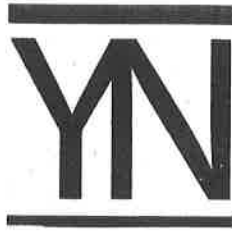
As part of obtaining reasonable assurance about whether the City of Hopkinsville, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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  
December 30, 2020



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

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

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

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

We have audited the City of Hopkinsville, Kentucky's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Hopkinsville, Kentucky's major federal programs for the year ended June 30, 2020. City of Hopkinsville, Kentucky's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Hopkinsville, Kentucky's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Hopkinsville, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the City of Hopkinsville, Kentucky complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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

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

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

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

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

*York, Neel & Associates, LLP*

Hopkinsville, Kentucky  
December 30, 2020

**CITY OF HOPKINSVILLE, KENTUCKY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2020**

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

1. The independent auditors’ report expresses an unmodified opinion on whether the financial statements of the City of Hopkinsville, Kentucky were prepared in accordance with generally accepted accounting principles.
2. No significant deficiencies relating to the audit of the financial statements are reported. No material weaknesses relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of the City of Hopkinsville, Kentucky, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported. No material weaknesses are reported.
5. The auditors’ report on compliance for the major federal award programs for the City of Hopkinsville, Kentucky expresses an unmodified opinion on all major federal programs.
6. There are no findings that are required to be reported in accordance with 2 CFR section 200.516(a) in this schedule.
7. The programs tested as major programs were:

<u>Name</u>	<u>CFDA</u>
Recreational Trails Program	20.219
Assistance to Firefighters Grant	97.044

8. The threshold used for distinguishing between Types A and B programs was \$750,000.
9. The City of Hopkinsville, Kentucky did not qualify to be audited as a low-risk auditee.

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

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

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

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

**CITY OF HOPKINSVILLE, KENTUCKY**  
**SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2019**

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

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

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

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