

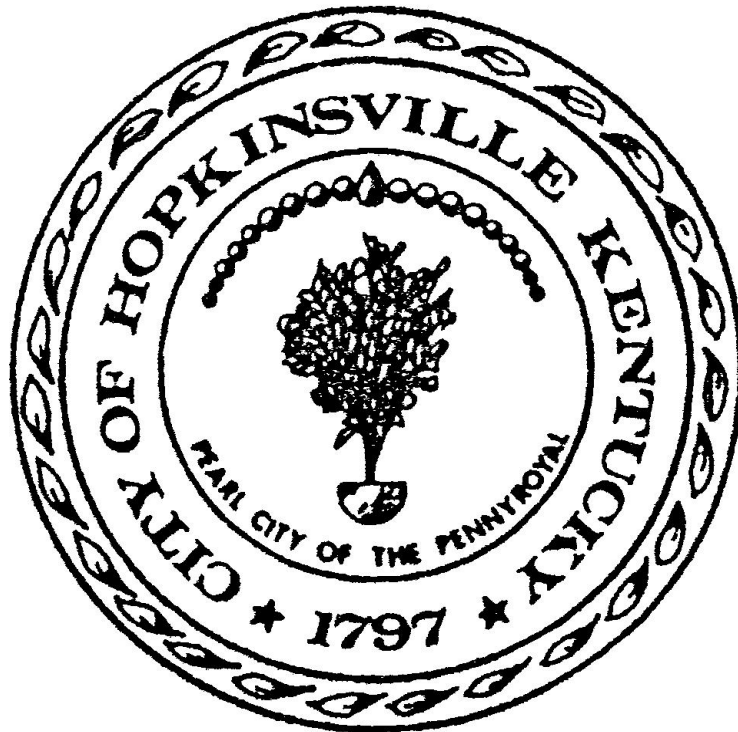
CITY OF HOPKINSVILLE, KENTUCKY

**Annual Comprehensive Financial Report
For the fiscal year ended June 30, 2021**

CITY OF HOPKINSVILLE, KENTUCKY

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For The Fiscal Year Ended June 30, 2021



Issued by the
Department of Finance

ROBERT MARTIN
Chief Financial Officer

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE CITY OF HOPKINSVILLE, KENTUCKY
FOR THE YEAR ENDED JUNE 30, 2021**

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CITY OF HOPKINSVILLE, KENTUCKY
INTRODUCTORY SECTION



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December 30, 2021

Honorable Mayor, Members of City Council, and Citizens of Hopkinsville:

We are pleased to submit the Annual Comprehensive Financial Report of the City of Hopkinsville, Kentucky (City) for the fiscal year ended June 30, 2021.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

To the best of our knowledge and belief, this financial report is complete and reliable in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included in this report.

Kentucky Revised Statute 91A.040 requires an annual audit of each fund of the City by an auditor of public accounts or a certified public accountant. The independent certified public accounting firm of York, Neel & Associates, LLP, has conducted this audit and has issued an unmodified ("clean") opinion of the City of Hopkinsville's financial statements for the year ended June 30, 2021. The independent auditors' report is located at the front of the financial section of this report. In addition to meeting the requirements set forth by state statutes, an audit of federal awards was conducted to meet 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). The independent auditors' report related specifically to the Single Audit is located at the end of this report.

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

THE CITY

The City of Hopkinsville is located in southwest Kentucky near the Tennessee border. The town was settled in 1796 by a North Carolina couple, Bartholomew and Martha Ann Wood.

Hopkinsville, the seat of Christian County, has since grown to a population of 30,546. Located a short drive from Land Between the Lakes; Pennyryle Forest State Resort Park; Nashville, Tennessee; Fort Campbell, Kentucky; and Evansville, Indiana, Hopkinsville has tremendous access to the arts, cultural and sporting events, shopping, and recreational opportunities while maintaining a strong sense of local community.

The City was incorporated in 1797 and operates under a Council-City Administrator form of government. The City Council is made up of the mayor and twelve city council members (one council member from each ward of the City). The City Council sets the policies that govern the City. The City Administrator advises the Council in the formulation of policies and oversees day to day municipal operations.

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

REPORTING ENTITY

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

The City has performed a comprehensive evaluation of its financial reporting entity in accordance with Governmental Accounting Standards Board Statement No. 61, "*The Financial Reporting Entity*", and, based on the foregoing criteria, has included the following separate organizations as discretely presented component units within the City's basic financial statements:

Hopkinsville Water Environment Authority
Hopkinsville Solid Waste Enterprise
Hopkinsville Surface and Stormwater Utility

Various Hopkinsville/Christian County agencies and related organizations providing services within the City do not meet the criteria discussed above and, therefore, are excluded from this report.

ACCOUNTING SYSTEM

The City's accounting system is organized on the basis of separate funds, each of which is considered to be a separate accounting entity. The financial activities of each fund generate a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. Municipal resources are allocated to and accounted for in individual funds based upon the purposes for which they are meant to be spent and the means by which spending activities are controlled.

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

INTERNAL CONTROLS

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

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

As a part of the City's audit, tests were made to determine the adequacy of the internal control structure as well as to determine that the City has complied with applicable laws and regulations. The results of the City's audit for the fiscal year ended June 30, 2021 disclosed no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

BUDGETARY CONTROLS

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

ECONOMIC CONDITION AND OUTLOOK

Despite high unemployment and an increase in demands on social programs, the City of Hopkinsville continues to maintain a positive economic outlook. The City has been able to maintain service levels with minimal tax increases. The last change in the occupational tax rate was a decrease from 2.00% to 1.95% as of January 1, 2011. The unemployment rate in Christian County was 7.5% in June 2021, which was above the state unemployment rate of 4.4%. However, the City continues to be actively involved in promoting economic development.

Economic indicators and trends reflect that the area's economy has remained fairly steady, and the City expects this to continue in the near future. The City's population has slightly increased and the City's general revenues continue to grow. The City's General Fund revenue collections were more than the prior year; however, prior year revenues were lower than usual due to the

fourth quarter of that fiscal year being impacted by the COVID-19 pandemic. Property tax revenue was \$5.8 million, or 3.58% higher than the prior year due to higher collections in the current fiscal year. Occupational tax revenue was \$16.8 million, or 3.16% higher than the prior year due to various employers resuming operations in the current year after shutdowns in the prior year due to the pandemic.

SIGNIFICANT EVENTS AND INITIATIVES

The City, like every other city in the United States, had to continue providing services with fewer resources to our residents during the pandemic. However, despite the challenges faced by the City, there is still much to be proud of in Fiscal Year 2020 - 2021. The City continues to form partnerships with outside federal, state, and local agencies, and with the citizenry itself, to meet its goals and spend its tax dollars wisely. Some of our accomplishments include:

Economic Development

- Offering property tax rebates, payroll tax rebates, and/or upfront cash incentives, to the following businesses for making new or additional industrial investments and/or creating new jobs:
 - Hopkinsville Milling Company
 - Protank and Equipment, LLC
 - Emhart Technologies, LLC dba Stanley Engineered Fasteners
 - Kindred Holdings, LLC
 - Brazeway, LLC
- Receiving a grant in the amount of \$473,850 from the Kentucky Cabinet for Economic Development for the benefit of the Hopkinsville Industrial Foundation for the construction of a speculative building in Commerce Park. The total cost of the building is estimated to be \$3,166,000.
- Creating the City's first Energy Project Assessment District (EPAD) along with adopting a program to advance conservation and efficient use of energy and water resources. Hopkinsville Senior Partners, LLC is the first commercial development to petition the City to levy a special assessment in order to finance the acquisition, construction, and improvement of an energy project with an estimated cost of \$2.2 million.
- Financing the renovation of the south side of the first floor of the Old First City Bank building located at the corner of South Main and 9th Street which will house the Hopkinsville office of the Kentucky Transportation Cabinet's Real ID Program. The cost of the renovation is estimated to be \$330,000.
- Committing to fund \$500,000 for the Interstate 24 Industrial Connector project as an effort to show that the \$25 million project has broad public support should it be selected for funding by the Kentucky Transportation Cabinet.

Quality of Life/Place

- Adopting the Lot Next Door Program where residents pay a nominal fee to take ownership of an abandoned vacant lot that is located next to an occupied residential or commercial property that they own. The lot is transferred to the new owner following a twelve (12) month period during which time the new owner has maintained the property. This program is designed to remove the property from the upkeep of the Public Works Department of the City and to put it back on the tax rolls.
- Administering a grant from the Affordable Housing Trust Fund Program through Kentucky Housing Corporation for the repairs of up to thirteen (13) homeowner occupied residential units located within the Inner-City Residential Enterprise Zone (ICREZ).
- Administering a grant from the Kentucky HOME Investment Partnerships Program through Kentucky Housing Corporation in the amount of \$120,000. The grant allows for up to \$60,000 per home to be used toward the rehabilitation of homeowner occupied residential units located within the ICREZ. Two (2) clients were assisted with demolition and reconstruction of sanitary, safe, and affordable housing.
- Demolishing four (4) unsafe structures.
- Updating the letters sent to residents, rental property owners, churches and civic organizations in order to market the rental rehabilitation program as well as to inform individuals about the Basic Property Maintenance Code. The letter explains how the process works and that it is free to citizens. The semi-annual distribution plan was completed and code officials undertook pro-active enforcement action with respect to life safety violations.
- Leasing through the Hopkinsville-Christian County Landbank Authority three (3) properties to the Hopkinsville Inner City Community Housing Development Organization for development of a two (2) story duplex.
- Starting the construction of Phase II of the West Edmunds Street Townhomes.
- Awarding one (1) project incentive funding in the amount of \$15,000 and private investment of approximately \$36,000 through the Downtown Hopkinsville 50/50 Matching Grant Incentive Program.
- Supporting Christian County Health Department in its efforts to develop a Syringe Service Program in Christian County to prevent and control the spread of communicable diseases associated with injection drug use. This program will help advance the public safety of Christian County.
- Continuing the WINS (Wellness + Infrastructure + Neighborhoods = Success) Program with the following projects:
 - Greenway Expansion – Construction started in January 2020 and was completed in December 2020. The Greenway's pedestrian bridge over Country Club Lane and Lafayette Road is the longest pedestrian bridge in the State of Kentucky.
 - Sidewalks – 30,624 square feet of new or replacement sidewalks were constructed during FY 20-21 at a cost of \$135,168

- Receiving a Land and Water Conservation Fund grant in the amount of \$75,000 for the Pardue Lane Park Pavilions and Playground. Also a State Physical Activity and Nutrition (SPAN) grant was received from the Christian County Health Department to be utilized for trails at the Pardue Lane Park.
- Receiving a 2021 Litter Abatement grant from the State of Kentucky in the amount of \$15,503. A portion of the Grant was used to fund the “Trash for Cash” program in which nonprofit organizations were paid \$75 per mile of trash picked up on City streets.
- Administering the following projects through the Hopkinsville Surface and Stormwater Utility:
 1. A Division of Water grant in the amount of \$142,480 for the implementation of a Watershed Based Plan for the South Fork of Little River. A contract has been executed with Christian County Agricultural Extension Foundation to serve as Watershed Coordinator. This project is underway and the Septic Program has been implemented.
 2. A \$300,000 grant from the Kentucky Transportation Cabinet to improve drainage on 7th Street at South Kentucky Avenue. Construction is completed.
 3. The Hopkinsville Surface and Stormwater Utility funded, along with a contribution from the City, the cleanup of an area known as “the pit” located at the corner of County Club Lane and Lafayette Road. This project has been completed.
 4. Administered contract for updated Master Drainage Plan.
 5. Administered the Design/Engineering Contract for Small Drainage Projects with one project underway.
 6. Administered the Design/Engineering Contract for Rose Acres Drainage Project.
 7. Administered the Design/Engineering Contract for the North Sunset Drainage Project.

COVID-19

- Responding to COVID-19 has been a challenge like it has been to all other cities in the United States. City management responded to the pandemic by implementing remote working arrangements for certain employees and by increasing hygiene and infection control at all of the City’s facilities. City Hall closed down to the public from April 2020 until July 2020 and again from November 2020 through February 2021. Also all meetings, including City Council meetings, were held virtually while City Hall was closed.
- During the budget process for FY 20-21, payroll tax revenue was budgeted approximately seven percent (7.0%) less than the pre-pandemic FY 19-20 original budget. Cuts in the amount of four percent (4.0%) were made across department operating expenses and agency allocations. Prior year revenue in the amount of \$251,217 was used to balance the budget. Actual results for the payroll tax revenue was 3.2% less than the FY 19-20 budget which was 3.8% better than what had been budgeted. Due to stronger revenue than what was budgeted and cuts in expenses and unfilled budgeted positions, the City ended the year with a \$1.8 million surplus before COVID funds.

- Receiving a total of \$2,921,711 of Coronavirus Relief Funds (CRF) pursuant to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The funds were spent or obligated as follows:

Reserve for Future Pension Obligations	\$1,500,000
Police Cameras	690,742
Transfers to Economic Development Fund	335,000
Small Business Stimulus Program	335,969
Downtown Incentives	60,000

- Receiving two Community Development Block Grant Coronavirus (CDBG-CV) as parts of the CARES Act totaling \$277,694. The funding is intended to be utilized to prevent, prepare, and respond to the effects of the coronavirus. A Public Services Program for non-profits as well as a Utility Assistance Program have been developed to utilize the funding.
- Receiving a Department of Justice (DOJ) grant in the amount of \$38,973. These funds will be used to reimburse the City for expenses that were incurred because of the pandemic.
- Receiving a total of \$6,758,997 through the American Rescue Plan Act (ARPA). \$3,379,499 (50%) was received in June 2021 and the other 50% will be received approximately 12 months later.
- Establishing a COVID-19 Small Business Stimulus Program. Sole-proprietors and other types of businesses without employees were eligible for a grant up to \$750. Businesses with employees and whom submitted the required payroll taxes to the City were eligible for a grant up to \$2,000.

Other Developments

- Being named a finalist in the All-American City Program.
- Entering into an Intergovernmental Service Agreement (IGSA) with Ft. Campbell, KY to install new traffic signs. This is a five-year contract and is the third IGSA contract the City has with Ft. Campbell. The other two are to provide road salt at the base and for pavement stripping on roads and parking lots on base.
- Establishing the following committees:
 - A citizen committee, appointed by the Mayor, to review partisan/non-partisan elections. The committee is to study the advantages and disadvantages of each type of election, bring in experts on the subject, and receive public comments. At the end of the process the committee will present a detailed report to the Mayor and City Council.

- A Future Funding Review Committee, consisting of six (6) council members appointed by the Mayor, to make recommendations to City Council on the best and most beneficial uses, within federal guidelines, of the ARPA funding received by the City. Also the committee is tasked to study payroll tax projections, health trust funding, the business license tax rate, the maximum business license cap, and other revenue options and meaningful cost savings options.

Long-Term Financial Planning

- Adopting a Capital Equipment Reserve Policy which established a dedicated cash balance for the express purpose of funding in whole or in part the purchase of equipment for use in any department within the City which cannot be purchased through normal capital fund allocation. The reserve was initially funded with \$500,000 and thereafter funded annually with fifty percent (50%) of identified general fund excess revenues for the year. At the beginning of the year, the reserve had a balance of \$887,864 and during the year \$201,080 was used to purchase equipment needed by Public Works and \$100,000 to upgrade the City Council chamber' audio and video equipment. At the end of the year, 50% of the general fund surplus for FY 20-21 of \$900,329 was added bringing the balance of the reserve to \$1,487,113. The Policy also sets as an objective to maintain total combined reserve dollars (unassigned and equipment reserve) equal to a minimum of twenty percent (20.0%) of the current operating budget with a target goal of twenty five percent (25.0%). At the end of the fiscal year, the City has a thirty nine and four-tenths percent (39.4%) reserve to the FY 20-21 operating budget.
- Establishing a Fire Truck Replacement Plan during the FY 21-22 budget process. For the initial year of FY 21-22, the plan will be funded \$175,000. Each subsequent year, additional funding will be added to the plan. When the next fire truck is purchased in approximately FY 30-31, the plan will have adequate funding so that the City will not have to borrow money to fund the purchase. The plan will continue to be funded each year for future fire truck purchases.

FINANCIAL POLICIES

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

During the budgetary process for the fiscal year ended June 30, 2021, the City took a conservative approach in estimating revenue. Accordingly, each department kept their operating expenses at or below prior year amounts except for those items which the City has no control over such as fuel and utility costs. City Council elected to leave the real estate property tax rate the same as the prior year and has kept the personal property tax rate the same for more than ten years.

City Council has authorized that a portion of the insurance premium tax revenue and the revenue generated from the sale of property declared surplus be transferred from the General Fund to the Capital Fund to be used for the construction and acquisition of long-term capital assets. In addition to the standard transfers to the Capital Fund, additional funds were transferred to the

Capital Fund during the current fiscal year for the purchase of police equipment and public works vehicles, renovations for the Old First City Bank Building, and improvements to the Tie Breaker Family Aquatic Center. Also, the City has determined that the revenue generated by the Tie Breaker Family Aquatic Center does not cover operating expenditures of the Center, and that fund should no longer be classified as an enterprise fund or business activity; as a result, the Tie Breaker Family Aquatic Center will no longer be a separate fund and the net book assets have been transferred into the general fund as of June 30, 2021, so that operations will be reported as a separate department of parks and recreation beginning with the fiscal year ending June 30, 2022. In addition, a transfer to the Internal Service Fund was needed to help fund the employee health insurance fund.

In order to reduce insurance premiums that are paid by the City, the City has elected a \$25,000 deductible for general liability claims. The annual insurance premiums that are saved on general liability insurance are transferred to a General Liability Insurance Contingency Fund to be used to pay out future deductibles on insurance claims.

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

City Council has 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 is to set aside funds for the purchase and/or replacement of City owned and operated equipment.

The Mayor and administration have established a goal that the City should always keep between two to three months' operating cash reserve in the General Fund to meet any unanticipated decreases in revenue or unbudgeted expenses that may arise. Due to the City's strong reserves, sound fiscal policies, and local financial environment, Standard and Poor's has issued the City a bond rating of AA- and views the outlook of this rating as stable.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hopkinsville, Kentucky for its annual comprehensive financial report for the fiscal year ended June 30, 2020. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGMENTS

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

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Robert W. Martin".

Robert W. Martin, CPA
Chief Financial Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Hopkinsville
Kentucky**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

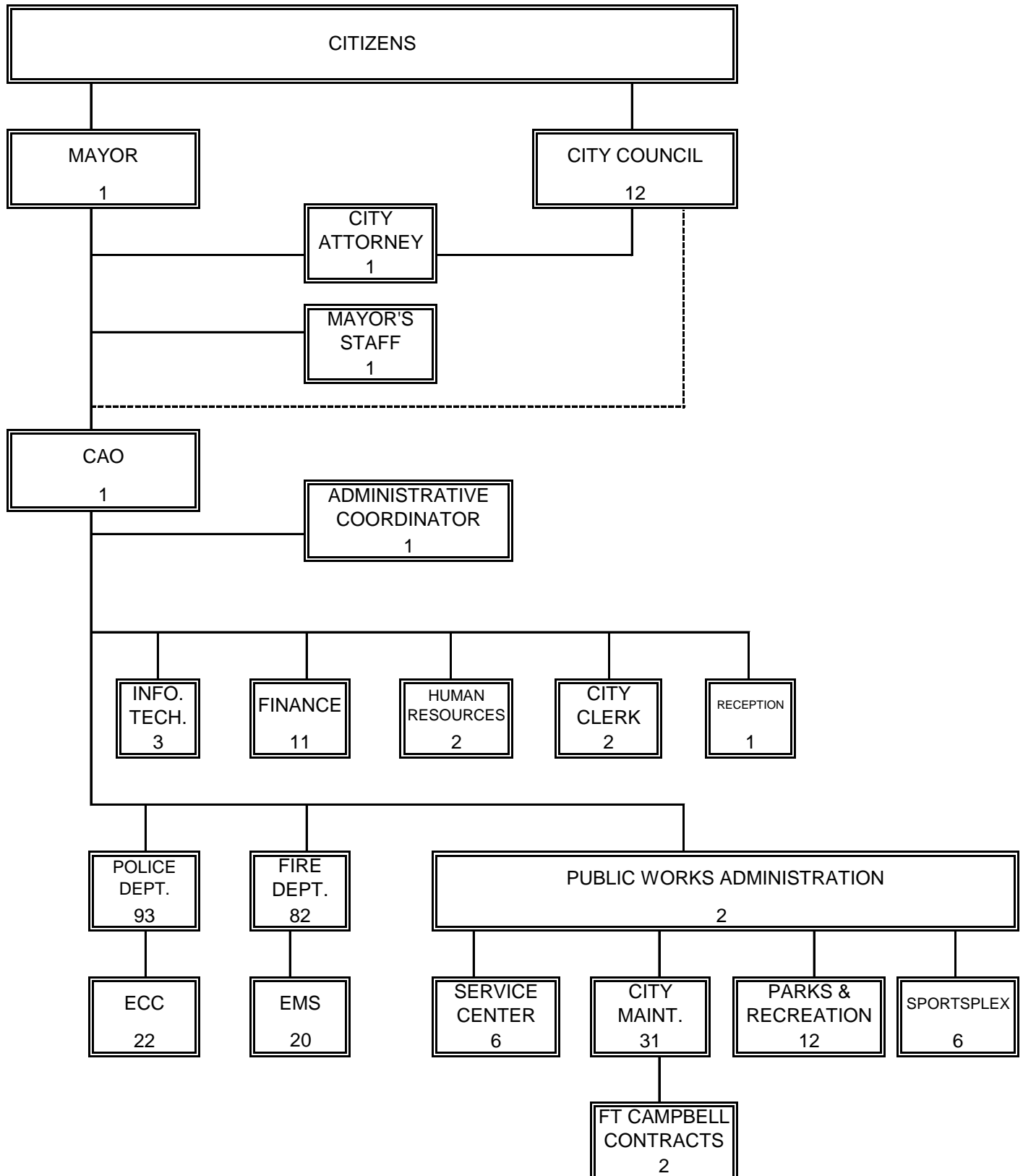
June 30, 2020

Christopher P. Morill

Executive Director/CEO



**City of Hopkinsville,
Organizational Chart
June 30, 2021**



**CITY OF HOPKINSVILLE, KENTUCKY
DIRECTORY OF OFFICIALS
June 30, 2021**

Wendell Lynch, Mayor

Troy Body, CAO

Christine Fletcher, City Clerk

H. Douglas Willen, City Attorney

Robert W. Martin, Chief Financial Officer

Melissa Clayton, Comptroller

COMMON COUNCIL MEMBERS

Jason Bell

Patricia Bell

Phillip Brooks

Chuck Crabtree

Amy Craig

Natasha Sophia Francis

Tom Johnson

Steve Keel

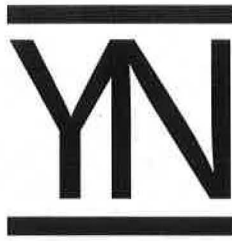
Travis Martin

Kimberly McCarley

Terry Parker

Alethea West

CITY OF HOPKINSVILLE, KENTUCKY
FINANCIAL SECTION



YORK, NEEL & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2021, 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.

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, 2021, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Hopkinsville, Kentucky and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hopkinsville, Kentucky's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Hopkinsville, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hopkinsville, Kentucky's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 18-31, pension schedules on pages 134-144, and budgetary comparison information on pages 145-147, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying combining nonmajor fund financial statements, capital assets used in the operation of governmental funds, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, capital assets used in the operation of governmental funds, and 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. The 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, capital assets used in the operation of governmental funds, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2021 on our consideration of the City of Hopkinsville, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Hopkinsville, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hopkinsville, Kentucky's internal control over financial reporting and compliance.

York, Neel + Associates, LLP

Hopkinsville, Kentucky
December 30, 2021

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

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, 2021. To fully understand the entire scope of the City's financial activities, this information should be read in conjunction with the financial statements (pages 32-46) provided in this document.

FINANCIAL HIGHLIGHTS

- The City's liabilities and deferred inflows exceeded assets and deferred outflows at the close of the fiscal year ended June 30, 2021 by \$23.0 million (net position). This amount includes \$1.1 million that is restricted to specific projects by laws, regulations, or contractual agreements. A deficit total of (\$48.7) 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) increased \$2.1 million this year, primarily due to changes in the net pension and OPEB liabilities and the related deferred outflows and inflows and COVID 19 relief funds received. Net position (deficit) of governmental activities increased \$4.8 million, and net position of business-type activities decreased by (\$2.7) million.
- As of June 30, 2021, the City's governmental funds reported combined ending fund balances of \$23.1 million, an increase of \$6.0 million from the prior year. Approximately \$13.4 million, 58.01% of this total amount, is unassigned and available for spending.
- The City's governmental activities total debt increased by a net amount of \$1.1 million. Debt increases included \$4.2 million for new capital leases on behalf of a component unit, \$3.8 million in general obligation leases on behalf of a component unit, and \$660 thousand note payable for the City's police equipment. Debt decreases included \$1.4 million due to the repayment of debt by the City and \$6.2 million due to the component units' repayment of debt.

OVERVIEW OF FINANCIAL STATEMENTS

This report was published under the standards for governmental financial reporting prescribed by the Governmental Accounting Standards Board in Statement No. 34 (GASB 34). This reporting format consists of a series of financial statements that provide an overview of all services provided by or supported by the City (the government-wide statements) and provides more detailed information about major programs of the City (fund statements).

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

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF FINANCIAL STATEMENTS, continued

Government-Wide Financial Statements

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

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

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

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

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

The government-wide financial statements can be found on pages 32-34 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over segregated resources for specific activities or objectives. The City of Hopkinsville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. City funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF FINANCIAL STATEMENTS, continued

Fund Financial Statements, continued

Governmental Funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike government-wide financial statements, however, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at fiscal year-end. This information can help the City when it evaluates near-term financing requirements.

The City maintains fourteen (14) 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, Grants Fund, ARPA Fund, and Capital Fund, which are considered to be major funds. Data from the other ten (10) 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.

The basic governmental fund financial statements can be found at pages 35-38 of 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 36 and page 38.

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

OVERVIEW OF FINANCIAL STATEMENTS, continued

Fund Financial Statements, continued

Proprietary Funds, continued:

Internal Service funds. Internal Service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its health insurance operations.

Proprietary funds provide the same kind of information as government-wide financial statements, but in greater detail. Individual data for the proprietary fund financial statements is presented in the form of combining statements at pages 39-41 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 42-43 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 47-133 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 148-151 and 153-154 of this report.

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously indicated, net position may serve over time as a useful indicator of the City's financial position. As of June 30, 2021, the City as a whole had assets and deferred outflows less than liabilities and deferred inflows by (\$23.0) million, an increase of \$2.1 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 (\$23.0) million, \$24.7 million was net investment in capital assets, \$1.1 million was restricted, and (\$48.7) million was unrestricted. 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 net position of the City's business-type activities was transferred to the governmental activities at June 30, 2021 due to the City's determination that the one business-type activity, Tie Breaker Family Aquatic Center, should no longer be considered a business enterprise and was transferred to the General Fund to become a part of the parks and recreation department.

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 June 30, 2021, 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 activities. Governmental activities report a negative balance in the unrestricted portion of net position while business-type activities report a zero balance in total net position due to the transfer of business activities to the governmental activities on June 30, 2021 when the City determined the Tie Breaker Family Aquatic Fund should be included in the General Fund as a separate department in parks and recreation.

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, 2021, as compared to June 30, 2020.

City of Hopkinsville Net Position (Deficit)

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 54,798,796	\$ 49,676,023	\$ -	\$ 150,237	\$ 54,798,796	\$ 49,826,260
Capital assets	<u>49,150,586</u>	<u>44,558,634</u>	<u>-</u>	<u>2,541,449</u>	<u>49,150,586</u>	<u>47,100,083</u>
Total assets	<u>\$103,949,382</u>	<u>\$ 94,234,657</u>	<u>\$ -</u>	<u>\$ 2,691,686</u>	<u>\$103,949,382</u>	<u>\$ 96,926,343</u>
Deferred outflows of resources	<u>\$ 16,999,530</u>	<u>\$ 17,755,276</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,999,530</u>	<u>\$ 17,755,276</u>
Long-term liabilities	\$136,692,262	\$130,436,044	\$ -	\$ -	\$136,692,262	\$130,436,044
Other liabilities	<u>1,987,245</u>	<u>1,507,265</u>	<u>-</u>	<u>-</u>	<u>1,987,245</u>	<u>1,507,265</u>
Total liabilities	<u>\$138,679,507</u>	<u>\$131,943,309</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$138,679,507</u>	<u>\$131,943,309</u>
Deferred inflows of resources	<u>\$ 5,233,712</u>	<u>\$ 7,787,499</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,233,712</u>	<u>\$ 7,787,499</u>
Net position:						
Net investment in						
capital assets	\$ 24,715,796	\$ 22,187,735	\$ -	\$ 2,541,449	\$ 24,715,796	\$ 24,729,184
Restricted	1,069,826	3,726,453	-	-	1,069,826	3,726,453
Unrestricted (deficit)	<u>(48,749,929)</u>	<u>(53,655,063)</u>	<u>-</u>	<u>150,237</u>	<u>(48,749,929)</u>	<u>(53,504,826)</u>
Total net position (deficit)	<u>\$(22,964,307)</u>	<u>\$(27,740,875)</u>	<u>\$ -</u>	<u>\$ 2,691,686</u>	<u>\$(22,964,307)</u>	<u>\$(25,049,189)</u>

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued

Analysis of the City's Operations

The following table provides a summary of the City's operations for the year ended June 30, 2021 as compared to the prior year ended June 30, 2020. Governmental activities increased the City's net position by \$4.8 million, while business-type activities decreased the City's net position by (\$2.7) million.

City of Hopkinsville – Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services and sales	\$ 2,659,288	\$ 1,738,393	\$ 60,833	\$ 150,843	\$ 2,720,121	\$ 1,889,236
Operating grants and contributions	13,808,836	6,059,248	-	-	13,808,836	6,059,248
Capital grants and contributions	1,006,624	1,076,504	-	-	1,006,624	1,076,504
General revenues:						
Property taxes	5,821,593	5,620,347	-	-	5,821,593	5,620,347
Occupational taxes	16,783,918	16,269,144	-	-	16,783,918	16,269,144
Insurance premium tax	5,244,166	4,970,019	-	-	5,244,166	4,970,019
Franchise tax	401,958	389,602	-	-	401,958	389,602
Transient room tax	711,719	676,721	-	-	711,719	676,721
Payment in lieu of taxes	939,380	678,602	-	-	939,380	678,602
Investment income	72,080	355,099	238	669	72,318	355,768
Gain on sale of capital assets	600	-	-	-	600	-
Miscellaneous	54,568	53,923	-	-	54,568	53,923
Total revenues	<u>\$ 47,504,730</u>	<u>\$ 37,887,602</u>	<u>\$ 61,071</u>	<u>\$ 151,512</u>	<u>\$ 47,565,801</u>	<u>\$ 38,039,114</u>
Expenses:						
General government	\$ 4,847,678	\$ 4,459,753	\$ -	\$ -	\$ 4,847,678	\$ 4,459,753
Public safety	25,384,512	24,835,700	-	-	25,384,512	24,835,700
Public works	5,200,270	4,904,383	-	-	5,200,270	4,904,383
Community development	6,756,749	6,387,764	-	-	6,756,749	6,387,764
Parks and recreation	2,117,894	2,236,321	-	-	2,117,894	2,236,321
Interest on long-term debt	929,831	920,695	-	-	929,831	920,695
Tie Breaker Family Aquatic	-	-	243,985	334,106	243,985	334,106
Total expenses	<u>\$ 45,236,934</u>	<u>\$ 43,744,616</u>	<u>\$ 243,985</u>	<u>\$ 334,106</u>	<u>\$ 45,480,919</u>	<u>\$ 44,078,722</u>
Excess (deficiency) before special item and transfers	\$ 2,267,796	\$ (5,857,014)	\$ (182,914)	\$ (182,594)	\$ 2,084,882	\$ (6,039,608)
Special item	-	(4,000,000)	-	-	-	(4,000,000)
Transfers	2,508,772	(100,000)	(2,508,772)	100,000	-	-
Increase (decrease) in net position (deficit)	4,776,568	(9,957,014)	(2,691,686)	(82,594)	2,084,882	(10,039,608)
Net position (deficit), beginning	(27,740,875)	(17,783,861)	2,691,686	2,774,280	(25,049,189)	(15,009,581)
Net position (deficit), ending	<u>\$(22,964,307)</u>	<u>\$(27,740,875)</u>	<u>\$ -</u>	<u>\$ 2,691,686</u>	<u>\$(22,964,307)</u>	<u>\$(25,049,189)</u>

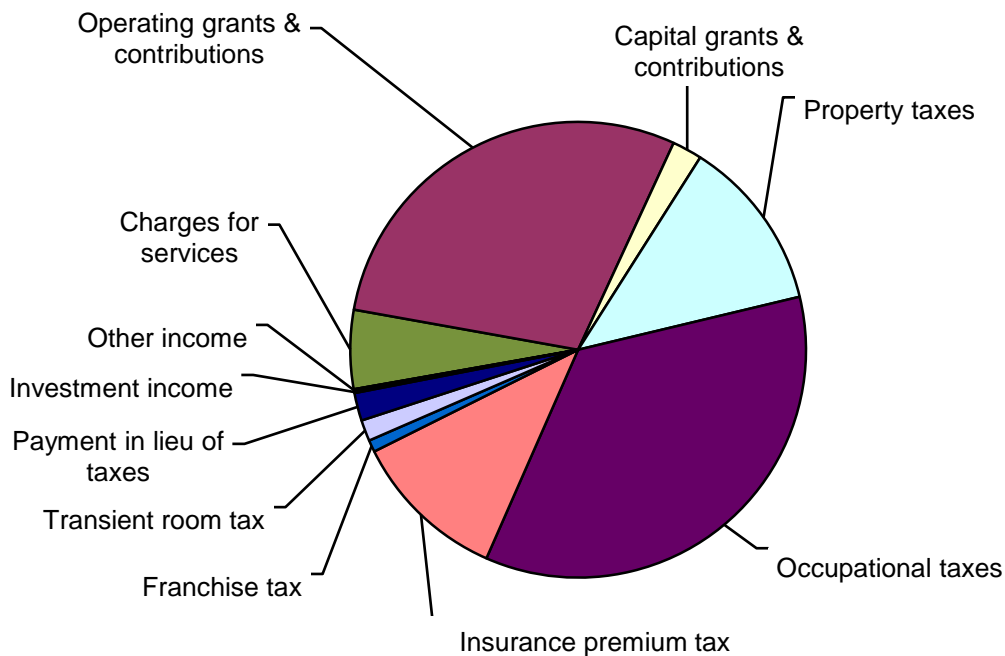
CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued

Governmental Activities

Total revenues for the City's governmental activities total \$47.5 million for the year ended June 30, 2021, compared to \$37.9 million last year. This increase in revenues is attributable to the funds received to assist the City with recovery from the pandemic as well as businesses returning to more normal operations after being shut-down or having reduced operations the last few months of the previous year. Occupational taxes total \$16.8 million or 35.37% of total revenue. The second largest category of government revenues, operating grants and contributions, accounts for \$13.8 million or 29.05% of revenue. The third largest category of government revenues, property taxes, accounts for \$5.8 million or 12.21% of total revenues. Insurance premium tax totals \$5.2 million or 10.95% of total revenue. Miscellaneous sources account for \$55 thousand or less than 0.10% of total revenues.

Revenue by Source – Governmental Activities



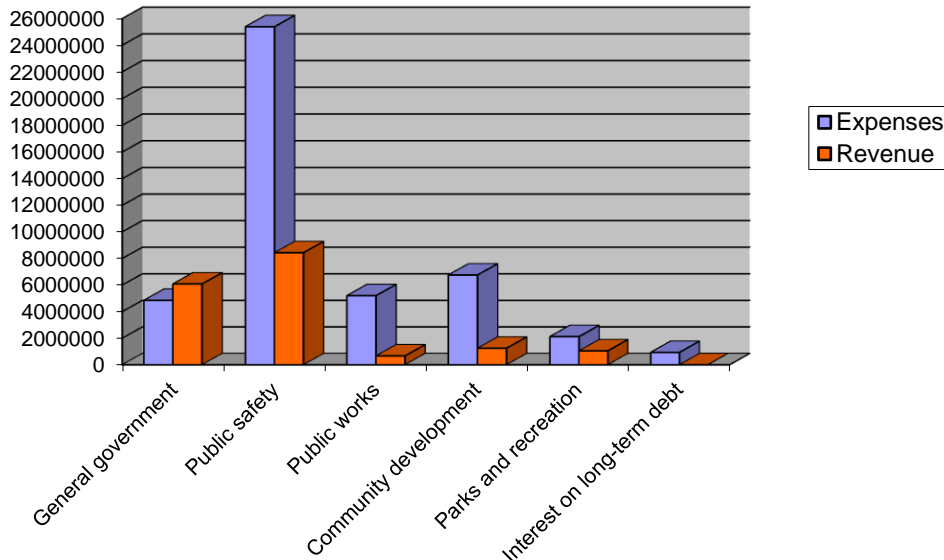
For the fiscal year ended June 30, 2021, total expenses of the City's governmental activities were \$45.2 million, compared to \$43.7 million last year. Public Safety expenses total \$25.4 million and account for 56.19% of total expenses. The second largest category of expenses, Community Development, totals \$6.8 million and accounts for 15.04% of expenses. Public Works is the next largest category and totals \$5.2 million or 11.50% of expenses. General Government totals \$4.8 million or 10.62% of expenses.

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued

Governmental Activities, continued

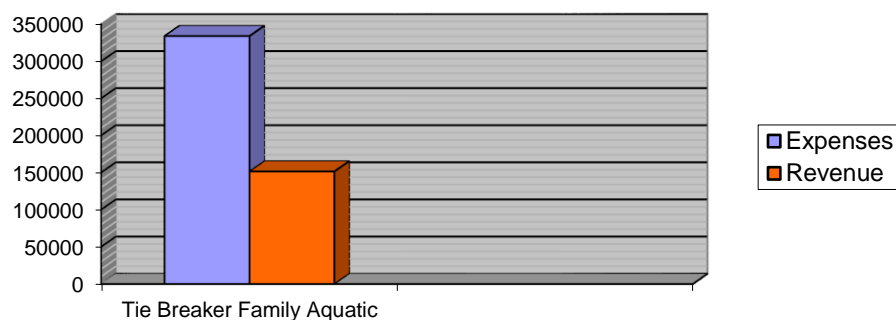
Expenses and Program Revenues – Governmental Activities



Business-Type Activities

Revenues for business-type activities total \$61 thousand this fiscal year compared to \$151 thousand last year. Of this total, \$61 thousand or 99.61% was from charges for services and sales. Expenses for business-type activities total \$244 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 \$90 thousand decrease in revenues is due to the park being closed in 2020 and part of 2021 because of COVID-19. The City has determined that this activity is not self-sufficient; it has been transferred to the general fund as of June 30, 2021 and will be a department of the parks and recreation department beginning in the next fiscal year.

Expenses and Revenues – Business-Type Activities



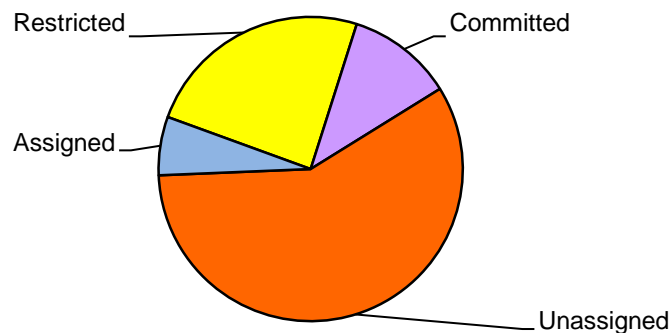
CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

At the end of the current fiscal year, the City governmental funds reported combined ending fund balances of \$23.1 million, an increase of \$6.0 million from the prior year. Approximately 58.01% of the total amount of governmental fund balance, \$13.4 million, is unassigned fund balance, which is available for spending at the government's discretion. Approximately 24.24%, \$5.6 million, is restricted fund balance. Approximately 6.21%, \$1.4 million, has been encumbered or is assigned. The remainder of fund balance, \$2.6 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, 2021, the total fund balance in the General Fund was \$15.9 million, which represents an increase of \$4.4 million from the prior year. Of the total fund balance in the General Fund, unassigned fund balance was \$13.4 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 30.31% of total general fund expenditures of \$44.2 million, and total fund balance represents 36.00% of total general fund expenditures.

Taxes in the General Fund increased \$471 thousand, which represents a 7.48% increase over the prior year, due to the increase in property taxes and payment in lieu of taxes. Licenses and permits increased \$996 thousand, which represents a 4.15% increase over the prior year and indicates an increase in payroll taxes collected as various employers resume operations after the initial shut-down and reduction of operations due to the COVID-19 pandemic at the end of the previous year. The unemployment rate for Hopkinsville increased from 7.2% to 7.5% from June 30, 2020 to June 30, 2021.

General government expenditures in the General Fund decreased \$36 thousand; public safety expenditures increased \$359 thousand; and public works increased \$4.8 million primarily due to new general obligation leases issued on behalf of a component unit. Community development expenditures in the General Fund increased \$258 thousand, and parks and recreation expenditures decreased \$179 thousand.

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S FUNDS, continued

Governmental Funds, continued

Major funds for the fiscal year ended June 30, 2021 include the Grants Fund, ARPA Fund, and Capital Fund.

Fund balance for the Grants Fund decreased \$139 thousand due to the timing of expenditures related to miscellaneous grant funds received; this fund has spent all but \$16 thousand of the grants funds it has received.

Fund balance for the ARPA fund was \$3.4 million; this is a new fund, and the only activity as of June 30, 2021 was the initial funds received near the end of the fiscal year from the Coronavirus Local Fiscal Recovery Fund through the American Rescue Plan.

Fund balance from the Capital Fund increased \$565 thousand due to the timing of expenditures related to transfers received for certain capital expenditures.

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 \$175 thousand as of June 30, 2021, which is a decrease from the prior year of \$2.9 million. This decrease is mainly due to the transfer of the Tie Breaker Family Aquatic Park to the General Fund, as noted previously.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the current fiscal year, the City Council approved revisions of the General Fund's budget in order to make adjustments to and add projects that were not anticipated when the budget was first adopted. The total expenditures budget increased \$782 thousand or 2.25% during the year. The changes in appropriations can be briefly summarized as follows:

- \$ 60,000 increase in general administrative
- \$ - no change in tax department
- \$ (123,532) decrease in information technology
- \$ 10,000 increase in legislative
- \$ (43,863) decrease in police
- \$ - no change in emergency communications
- \$ 87,338 increase in fire
- \$ 50,000 increase in EMS
- \$ - no change in other public safety
- \$ - no change in public works administrative
- \$ 356,152 increase in street

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL FUND BUDGETARY HIGHLIGHTS, continued

- \$ (7,343) decrease in Ft. Campbell contracts
- \$ - no change in service center
- \$ - no change in other public works
- \$ 93,772 increase in community development
- \$ (48,258) decrease in parks and recreation
- \$ - no change in debt service principal
- \$ - no change in interest and finance charges
- \$ 348,036 increase in capital outlays

The net increase to appropriations of \$782 thousand was to be budgeted from additional projected revenue. During the year, however, overall expenditures were less than budgetary estimates, thus lessening the need to draw upon existing fund balance.

Differences between the final appropriations budget and the actual appropriations resulted in a \$3.2 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 145-147.

CAPITAL ASSETS

The City's total investment in capital assets is \$49.2 million (net of accumulated depreciation) as of June 30, 2021, which represents an increase of \$2.1 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 \$49.2 million, an increase of \$4.6 million. For business-type activities, the investment in capital assets transferred to governmental assets as of June 30, 2021 as a result of the transfer of the Tie Breaker Family Aquatic Center to the General Fund as noted previously.

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS, continued

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 2,200,850	\$ 2,200,850	\$ -	\$ -	\$ 2,200,850	\$ 2,200,850
Construction in progress	50,037	2,762,580	-	-	50,037	2,762,580
Buildings and improvements	24,035,810	22,266,454	-	2,526,643	24,035,810	24,793,097
Equipment	4,230,230	3,025,553	-	14,806	4,230,230	3,040,359
Infrastructure	6,177,859	6,392,907	-	-	6,177,859	6,392,907
Land improvements	10,381,956	5,499,504	-	-	10,381,956	5,499,504
Vehicles	<u>2,073,844</u>	<u>2,410,786</u>	<u>-</u>	<u>-</u>	<u>2,073,844</u>	<u>2,410,786</u>
Total	<u>\$49,150,586</u>	<u>\$44,558,634</u>	<u>\$ -</u>	<u>\$ 2,541,449</u>	<u>\$49,150,586</u>	<u>\$47,100,083</u>

Additional information on City capital assets can be found in Note 4 in the footnotes at pages 70-72.

DEBT ADMINISTRATION

At June 30, 2021, the City had \$52.4 million in outstanding notes and bonds compared to \$51.2 million at June 30, 2020, a net increase of \$1.2 million. The City issued no new bonds in the current year and had a new note payable of \$660 thousand; however, the City, on behalf of one component unit, entered into multiple capital leases for various solid waste trucks of \$4.2 million and new general obligation leases for a component unit that totaled \$3.9 million. The following table illustrates the changes in outstanding notes, bonds and capital leases:

	Governmental Activities	
	2021	2020
General obligation bonds & leases	\$ 47,536,685	\$ 47,121,500
Capital leases	3,339,890	3,197,070
Notes payable	<u>1,485,271</u>	<u>900,000</u>
Total	<u>\$52,361,846</u>	<u>\$51,218,570</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 \$211,685,558. The City's latest bond rating is AA-.

Additional information on the City's long-term debt can be found in Note 9 in the footnotes at pages 109-121.

CITY OF HOPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS

Unemployment Rate

The unemployment rate for the City of Hopkinsville (Christian County) as of June 2021 was 7.5%. This rate compares unfavorably to the state unemployment rate of 4.4% and federal unemployment rate of 5.9%.

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 2020-2021 budget for the City of Hopkinsville was prepared. The beginning general fund balance for fiscal year 2020-2021 was \$11.6 million, and there is an ending fund balance of \$15.9 million. At the present time, the City is in good financial condition.

REQUESTS FOR INFORMATION

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

CITY OF HOPKINSVILLE, KENTUCKY
BASIC FINANCIAL STATEMENTS

City of Hopkinsville, Kentucky
Statement of Net Position
June 30, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Pooled cash and cash equivalents	\$ 16,766,281	\$ -	\$ 16,766,281	\$ -
Non-pooled cash and cash equivalents	815,268	-	815,268	9,018,297
Investments	39,594	-	39,594	-
Accounts receivable	-	-	-	2,041,376
Taxes receivable	2,938,555	-	2,938,555	-
Inventory	-	-	-	349,441
Prepaid items	-	-	-	30,574
Accrued interest on note receivable	-	-	-	242
Other current assets	-	-	-	11,605
Notes receivable	478,732	-	478,732	96,913
Other receivables	278,478	-	278,478	1,573,864
Due from component unit	102,690	-	102,690	-
Restricted assets:				
Due from Component Units:				
Due within one year	3,831,421	-	3,831,421	-
Due beyond one year	25,098,452	-	25,098,452	-
Temporarily restricted:				
Cash and cash equivalents	3,694,601	-	3,694,601	2,601,678
Investments	257,643	-	257,643	103,768
Permanently restricted assets:				
Cash and cash equivalents	92,114	-	92,114	-
Investments	404,967	-	404,967	-
Capital Assets:				
Land and construction in progress	2,250,887	-	2,250,887	17,201,828
Capital assets, net of accumulated depreciation	46,899,699	-	46,899,699	122,342,726
Total capital assets	49,150,586	-	49,150,586	139,544,554
Total assets	103,949,382	-	103,949,382	155,372,312
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pensions	10,337,028	-	10,337,028	4,201,876
Deferred outflows from OPEB	6,624,481	-	6,624,481	2,949,286
Deferred refunding costs	38,021	-	38,021	297,103
Total deferred outflows of resources	16,999,530	-	16,999,530	7,448,265
 Total assets and deferred outflows of resources	 \$ 120,948,912	 \$ -	 \$ 120,948,912	 \$ 162,820,577

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, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable	\$ 655,261	\$ -	\$ 655,261	\$ 794,462
Accrued salaries	707,694	-	707,694	294,024
Claims payable	343,063	-	343,063	-
Accrued interest	280,227	-	280,227	239,132
Transient bond deposits	1,000	-	1,000	-
Construction retainage/contracts payable	-	-	-	321,790
Customer deposits	-	-	-	118,748
Due to primary government:				
Due within one year	-	-	-	3,831,421
Due beyond one year	-	-	-	25,098,452
Noncurrent liabilities:				
Due within one year	5,243,793	-	5,243,793	2,991,479
Due beyond one year	129,737,675	-	129,737,675	68,858,384
Compensated absences:				
Due within one year	68,432	-	68,432	404,752
Due beyond one year	1,642,362	-	1,642,362	833,122
Total liabilities	<u>138,679,507</u>	<u>-</u>	<u>138,679,507</u>	<u>103,785,766</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - USACE	-	-	-	4,312,698
Deferred inflows from pensions	2,006,893	-	2,006,893	380,131
Deferred inflows from OPEB	3,226,819	-	3,226,819	1,175,347
Total deferred inflows of resources	<u>5,233,712</u>	<u>-</u>	<u>5,233,712</u>	<u>5,868,176</u>
NET POSITION				
Net investment in capital assets	24,715,796	-	24,715,796	63,661,721
Restricted:				
Capital projects	200,058	-	200,058	-
Equipment maintenance and replacement	-	-	-	2,132,854
Perpetual care:				
Expendable	372,687	-	372,687	-
Nonexpendable	497,081	-	497,081	-
Unrestricted (deficit)	<u>(48,749,929)</u>	<u>-</u>	<u>(48,749,929)</u>	<u>(12,627,940)</u>
Total net position (deficit)	<u>(22,964,307)</u>	<u>-</u>	<u>(22,964,307)</u>	<u>53,166,635</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 120,948,912</u>	 <u>\$ -</u>	 <u>\$ 120,948,912</u>	 <u>\$ 162,820,577</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, 2021

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
PRIMARY GOVERNMENT								
Governmental activities:								
General government	\$ (4,847,678)	\$ 2,399,119	\$ 3,682,232	\$ -	\$ 1,233,673	\$ -	\$ 1,233,673	\$ -
Public safety	(25,384,512)	28,192	8,401,617	4,411	(16,950,292)	-	(16,950,292)	-
Public works	(5,200,270)	41,267	624,076	-	(4,534,927)	-	(4,534,927)	-
Community development	(6,756,749)	-	255,928	990,085	(5,510,736)	-	(5,510,736)	-
Parks and recreation	(2,117,894)	190,710	844,983	12,128	(1,070,073)	-	(1,070,073)	-
Interest on long-term debt	(929,831)	-	-	-	(929,831)	-	(929,831)	-
Total governmental activities	(45,236,934)	2,659,288	13,808,836	1,006,624	(27,762,186)	-	(27,762,186)	-
Business-type activities:								
Tie Breaker Family Aquatic	(243,985)	60,833	-	-	-	(183,152)	(183,152)	-
Total business-type activities	(243,985)	60,833	-	-	-	(183,152)	(183,152)	-
Total - primary government	<u>\$ (45,480,919)</u>	<u>\$ 2,720,121</u>	<u>\$ 13,808,836</u>	<u>\$ 1,006,624</u>	<u>(27,762,186)</u>	<u>(183,152)</u>	<u>(27,945,338)</u>	<u>-</u>
COMPONENT UNITS								
Hopkinsville Water Environment Authority	\$ (20,011,558)	\$ 19,638,836	\$ -	\$ 227,063	-	-	-	(145,659)
Hopkinsville Solid Waste Enterprise	(10,159,614)	7,720,797	-	-	-	-	-	(2,438,817)
Hopkinsville Surface and Stormwater Utility	(1,099,774)	1,184,694	4,080	115,311	-	-	-	204,311
Total - component units	<u>\$ (31,270,946)</u>	<u>\$ 28,544,327</u>	<u>\$ 4,080</u>	<u>\$ 342,374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,380,165)</u>
GENERAL REVENUES								
Property taxes					5,821,593	-	5,821,593	-
Occupational taxes					16,783,918	-	16,783,918	-
Insurance premium tax					5,244,166	-	5,244,166	-
Franchise tax					401,958	-	401,958	-
Transient room tax					711,719	-	711,719	-
Payment in lieu of taxes					939,380	-	939,380	-
Investment income					72,080	238	72,318	166,216
Gain on sale of capital assets					600	-	600	1,824
Miscellaneous					54,568	-	54,568	250,288
Total general revenues					30,029,982	238	30,030,220	418,328
Special item					-	-	-	3,431,185
Transfers					2,508,772	(2,508,772)	-	-
Total general revenues, special item, and transfers					32,538,754	(2,508,534)	30,030,220	3,849,513
Change in net position					4,776,568	(2,691,686)	2,084,882	1,469,348
Net position (deficit), beginning of year					(27,740,875)	2,691,686	(25,049,189)	51,697,287
Net position (deficit), end of year					<u>\$ (22,964,307)</u>	<u>\$ -</u>	<u>\$ (22,964,307)</u>	<u>\$ 53,166,635</u>

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

City of Hopkinsville, Kentucky
Balance Sheet
Governmental Funds
June 30, 2021

	General	Grants	ARPA	Capital	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Pooled cash and cash equivalents	\$ 14,637,510	\$ -	\$ -	\$ 1,266,818	\$ 861,952	\$ 16,766,280
Non-pooled cash and cash equivalents	75,235	-	3,379,499	-	618,918	4,073,652
Investments	39,594	-	-	-	662,610	702,204
Taxes receivable	2,005,861	-	-	-	-	2,005,861
Loans receivable	-	-	-	-	478,732	478,732
Due from component unit	102,690	-	-	-	-	102,690
Other receivables	-	211,160	-	-	40,548	251,708
Total assets	<u>\$ 16,860,890</u>	<u>\$ 211,160</u>	<u>\$ 3,379,499</u>	<u>\$ 1,266,818</u>	<u>\$ 2,662,760</u>	<u>\$ 24,381,127</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 203,949	\$ 194,817	\$ -	\$ 178,440	\$ 40,548	\$ 617,754
Accrued salaries	707,694	-	-	-	-	707,694
Transient bond deposits	1,000	-	-	-	-	1,000
Total liabilities	<u>912,643</u>	<u>194,817</u>	<u>-</u>	<u>178,440</u>	<u>40,548</u>	<u>1,326,448</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	16,343	3,379,499	245,564	1,972,214	5,613,620
Committed	2,123,695	-	-	-	473,000	2,596,695
Assigned	412,640	-	-	842,814	176,998	1,432,452
Unassigned	13,411,912	-	-	-	-	13,411,912
Total fund balances	<u>15,948,247</u>	<u>16,343</u>	<u>3,379,499</u>	<u>1,088,378</u>	<u>2,622,212</u>	<u>23,054,679</u>
Total liabilities and fund balances	<u>\$ 16,860,890</u>	<u>\$ 211,160</u>	<u>\$ 3,379,499</u>	<u>\$ 1,266,818</u>	<u>\$ 2,662,760</u>	<u>\$ 24,381,127</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, 2021

Total fund balance - total governmental funds	\$ 23,054,679
Amounts reported for governmental activities in the statement of net position are different because:	
Taxes receivable based on availability criteria; \$50,114 property taxes, \$864,445 insurance premium taxes, and \$18,133 franchise taxes.	932,692
Deferred outflows of resources - bond refinancing charges, amortizable over life of debt	38,021
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.	8,330,135
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 7 & 8 to financial statements for detail.	3,397,662
Capital assets of \$94,255,180, net of accumulated depreciation of (\$45,104,594), are not financial resources and, therefore, are not reported in the funds. See note 4 to financial statements for detail.	49,150,586
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 \$174,534 are included in governmental activities in the statement of net position.	174,534
Long-term liabilities are not due and payable in the current period and are not reported in the funds. See note 9 to financial statements for detail.	(136,692,262)
Receivables from component units for long-term debt where the City is contingently liable are not reported in the funds.	28,929,873
Accrued interest payable	<u>(280,227)</u>
Net position of governmental activities	<u>\$ (22,964,307)</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, 2021

	General	Grants	ARPA	Capital	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 6,768,593	\$ -	\$ -	\$ -	\$ -	\$ 6,768,593
Licenses and permits	24,984,254	-	-	-	-	24,984,254
Fines and forfeitures	69,459	-	-	-	-	69,459
Intergovernmental	6,939,196	1,420,325	3,379,499	-	1,331,044	13,070,064
Investment income	107,679	-	-	-	1,905	109,584
Donations	15,050	-	-	-	-	15,050
Other revenue	<u>1,836,648</u>	<u>500</u>	<u>-</u>	<u>60,612</u>	<u>151,943</u>	<u>2,049,703</u>
Total revenues	<u>40,720,879</u>	<u>1,420,825</u>	<u>3,379,499</u>	<u>60,612</u>	<u>1,484,892</u>	<u>47,066,707</u>
EXPENDITURES						
Current:						
General government	3,637,626	-	-	-	12,731	3,650,357
Public safety	17,700,386	36,749	-	14,479	580,520	18,332,134
Public works	11,349,434	-	-	-	144,366	11,493,800
Community development	5,510,988	817,999	-	144,381	105,726	6,579,094
Parks and recreation	1,288,399	-	-	-	-	1,288,399
Debt service:						
Principal	1,095,000	-	-	244,705	75,000	1,414,705
Interest	863,032	-	-	8,975	26,134	898,141
Expenditures	-	-	-	-	-	-
Capital outlay	<u>2,785,119</u>	<u>705,822</u>	<u>-</u>	<u>2,090,891</u>	<u>2,952,673</u>	<u>8,534,505</u>
Total expenditures	<u>44,229,984</u>	<u>1,560,570</u>	<u>-</u>	<u>2,503,431</u>	<u>3,897,150</u>	<u>52,191,135</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,509,105)</u>	<u>(139,745)</u>	<u>3,379,499</u>	<u>(2,442,819)</u>	<u>(2,412,258)</u>	<u>(5,124,428)</u>
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	2,508,772	1,085	-	2,347,451	286,214	5,143,522
Transfers to other funds	(2,704,548)	-	-	-	(80,202)	(2,784,750)
Premium (discount) on bond issue	-	-	-	-	-	-
Issuance of long-term debt	<u>8,077,044</u>	<u>-</u>	<u>-</u>	<u>660,271</u>	<u>-</u>	<u>8,737,315</u>
Total other financing sources (uses)	<u>7,881,268</u>	<u>1,085</u>	<u>-</u>	<u>3,007,722</u>	<u>206,012</u>	<u>11,096,087</u>
Net change in fund balances	4,372,163	(138,660)	3,379,499	564,903	(2,206,246)	5,971,659
Fund balances, beginning of year	<u>11,576,084</u>	<u>155,003</u>	<u>-</u>	<u>523,475</u>	<u>4,828,458</u>	<u>17,083,020</u>
Fund balances, end of year	<u>\$ 15,948,247</u>	<u>\$ 16,343</u>	<u>\$ 3,379,499</u>	<u>\$ 1,088,378</u>	<u>\$ 2,622,212</u>	<u>\$ 23,054,679</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, 2021

Net change in fund balances - total governmental funds	\$ 5,971,659
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 \$8,534,505 exceeded depreciation of (\$3,942,553) in the current period.	4,591,952
Issuance of debt is revenue in the governmental funds, but the debt increases long-term liabilities in the statement of net position.	(8,737,315)
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	8,077,044
Certain imposed nonexchange revenues were not recognized in the governmental funds because they were not available at the fiscal year end. The change in this account balance is a reconciling item for this statement.	488,208
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 (\$254,705) is reported with governmental activities.	(254,705)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,414,705
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.	(6,734,129)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. These include the increase in compensated absences of (\$9,159), increase in accrued interest payable of (\$33,298), amortization of deferred charges of (\$2,799), and amortization of debt premium/(discount) net of \$4,405.	(40,851)
Change in net position of governmental activities	<u>\$ 4,776,568</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, 2021

	Business-type Activities Enterprise Fund Tie Breaker Family Aquatic	Governmental Activities Internal Service Fund
ASSETS		
Current assets:		
Pooled cash and cash equivalents	\$ -	\$ -
Non-pooled cash and cash equivalents	-	528,331
Other receivables	-	26,770
Total current assets	-	555,101
Noncurrent assets:		
Capital assets:		
Capital assets, net of accumulated depreciation	-	-
Total noncurrent assets	-	-
Total assets	<u>\$ -</u>	<u>\$ 555,101</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ -	\$ 37,504
Incurred, not yet reported	-	343,063
Total current liabilities	-	380,567
Noncurrent liabilities:		
Total noncurrent liabilities	-	-
Total liabilities	-	380,567
NET POSITION		
Net investment in capital assets	-	-
Unrestricted	-	174,534
Total net position	-	174,534
Total liabilities and net position	<u>\$ -</u>	<u>\$ 555,101</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, 2021

	Business-type Activities Enterprise Fund Tie Breaker Family Aquatic	Governmental Activities Internal Service Fund
OPERATING REVENUES		
Charges for services	\$ 60,833	\$ -
Employee contributions	-	500,909
Employer contributions	-	1,918,241
Total operating revenues	<u>60,833</u>	<u>2,419,150</u>
OPERATING EXPENSES		
Management contract	91,318	-
Maintenance	10,643	-
Marketing	2,423	-
Operations	19,221	-
Supplies	2,232	-
Utilities	13,782	-
Depreciation	104,366	-
Administrative	-	264,610
Claims expense	-	2,566,061
Total operating expenses	<u>243,985</u>	<u>2,830,671</u>
Operating income (loss)	<u>(183,152)</u>	<u>(411,521)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	238	6,816
Gain (loss) on sale of equipment	-	-
Total nonoperating revenues (expenses)	<u>238</u>	<u>6,816</u>
Income (loss) before transfers	<u>(182,914)</u>	<u>(404,705)</u>
Transfers in	-	150,000
Transfers out	<u>(2,508,772)</u>	<u>-</u>
Total transfers	<u>(2,508,772)</u>	<u>150,000</u>
Change in net position	(2,691,686)	(254,705)
Net position, beginning of year	<u>2,691,686</u>	<u>429,239</u>
Net position, end of year	<u>\$ -</u>	<u>\$ 174,534</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, 2021

	Business-type Activities Enterprise Fund Tie Breaker Family Aquatic	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 60,833	\$ -
Cash receipts from employees/employer	-	2,392,380
Cash payments to suppliers	(139,619)	(227,106)
Cash payments for claims	<u>-</u>	<u>(2,527,461)</u>
Net cash provided by (used in) operating activities	<u>(78,786)</u>	<u>(362,187)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	-	150,000
Transfers out	<u>(71,689)</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>(71,689)</u>	<u>150,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	-	-
Payments for capital acquisitions	<u>-</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned on investments	<u>238</u>	<u>6,816</u>
Net cash provided by (used in) investing activities	<u>238</u>	<u>6,816</u>
Net increase (decrease) in cash and cash equivalents	(150,237)	(205,371)
Cash and cash equivalents, beginning of year	<u>150,237</u>	<u>733,702</u>
Cash and cash equivalents, end of year	<u><u>\$ -</u></u>	<u><u>\$ 528,331</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	\$ (183,152)	\$ (411,521)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	104,366	-
(Increase) decrease in assets:		
Other receivables	-	(26,770)
Increase (decrease) in liabilities:		
Accounts payable	-	37,504
Accrued liabilities	<u>-</u>	<u>38,600</u>
Net cash provided by (used in) operating activities	<u><u>\$ (78,786)</u></u>	<u><u>\$ (362,187)</u></u>

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

City of Hopkinsville, Kentucky
Policemen's and Firefighter's Pension Fund
Statement of Net Position
Fiduciary Funds
June 30, 2021

ASSETS

Cash and cash equivalents	\$ 297,764
Investments, at fair value	<u>878,684</u>
Total assets	<u><u>\$ 1,176,448</u></u>

LIABILITIES

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

NET POSITION

Net position restricted for pensions	<u><u>\$ 1,176,448</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, 2021

ADDITIONS

Contributions:

Employer	\$ 235,000
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Investment earnings:

Interest and dividends	20,690
Net increase (decrease) on fair value investments	<u>(9,501)</u>
Net investment earnings	<u>11,189</u>

Total additions	246,189
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DEDUCTIONS

Benefits paid	216,961
Administrative expenses	<u>29,573</u>

Total deductions	<u>246,534</u>
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Net increase (decrease) in net position	(345)
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Net position, beginning of year	<u>1,176,793</u>
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Net position, end of year	<u><u>\$ 1,176,448</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, 2021

	Major			
	Hopkinsville Water Environment Authority	Hopkinsville Solid Waste Enterprise	Hopkinsville Surface and Stormwater Utility	Total
ASSETS				
Cash and cash equivalents	\$ 5,936,659	\$ 613,208	\$ 2,468,430	\$ 9,018,297
Accounts receivable	1,347,028	592,452	101,896	2,041,376
Inventory	349,441	-	-	349,441
Prepaid insurance	30,574	-	-	30,574
Accrued interest on note receivable	242	-	-	242
Other current assets	-	11,605	-	11,605
Notes receivable	96,913	-	-	96,913
Other receivables	1,573,864	-	-	1,573,864
Restricted assets:				
Cash and cash equivalents	2,132,854	468,824	-	2,601,678
Investments	-	103,768	-	103,768
Capital assets, net of depreciation:				
Land and construction in progress	14,678,703	615,582	1,907,543	17,201,828
Depreciable capital assets	<u>103,400,601</u>	<u>12,333,326</u>	<u>6,608,799</u>	<u>122,342,726</u>
Net capital assets	<u>118,079,304</u>	<u>12,948,908</u>	<u>8,516,342</u>	<u>139,544,554</u>
Total assets	<u>129,546,879</u>	<u>14,738,765</u>	<u>11,086,668</u>	<u>155,372,312</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pension	2,753,089	1,448,787	-	4,201,876
Deferred outflows from OPEB	1,811,235	1,138,051	-	2,949,286
Deferred refunding costs	<u>297,103</u>	<u>-</u>	<u>-</u>	<u>297,103</u>
Total deferred outflows of resources	<u>4,861,427</u>	<u>2,586,838</u>	<u>-</u>	<u>7,448,265</u>
Total assets and deferred outflows of resources	<u>\$ 134,408,306</u>	<u>\$ 17,325,603</u>	<u>\$ 11,086,668</u>	<u>\$ 162,820,577</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, 2021

	Major			
	Hopkinsville Water Environment Authority	Hopkinsville Solid Waste Enterprise	Hopkinsville Surface and Stormwater Utility	Total
LIABILITIES				
Accounts payable	\$ 467,730	\$ 278,738	\$ 47,994	\$ 794,462
Accrued salaries	140,323	153,701	-	294,024
Accrued interest	194,571	-	44,561	239,132
Construction retainage/contracts payable	321,790	-	-	321,790
Customer deposits	118,748	-	-	118,748
Accrued compensated absences, current portion	304,557	100,195	-	404,752
Current portion of long-term debt	2,845,527	145,952	-	2,991,479
Payable to City of Hopkinsville, current portion	1,845,000	1,811,421	175,000	3,831,421
Long-term liabilities:				
Compensated absences, net of current portion	265,348	567,774	-	833,122
Revenue bonds payable, net of current portion	1,640,000	-	-	1,640,000
KIA - loans payable, net of current portion	42,357,455	-	-	42,357,455
Notes payable, net of current portion	-	259,516	-	259,516
Payable to City of Hopkinsville, net of current portion	11,973,749	5,179,719	3,312,109	20,465,577
Net pension liability	11,210,428	7,501,639	-	18,712,067
Net OPEB liability	3,528,329	2,361,017	-	5,889,346
Accrued landfill closure costs, payable to City of Hopkinsville	-	4,632,875	-	4,632,875
Total liabilities	<u>77,213,555</u>	<u>22,992,547</u>	<u>3,579,664</u>	<u>103,785,766</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - USACE	4,312,698	-	-	4,312,698
Deferred inflows from pension	242,679	137,452	-	380,131
Deferred inflows from OPEB	<u>724,980</u>	<u>450,367</u>	<u>-</u>	<u>1,175,347</u>
Total deferred inflows of resources	<u>5,280,357</u>	<u>587,819</u>	<u>-</u>	<u>5,868,176</u>
NET POSITION				
Net investment in capital assets	53,080,188	5,552,300	5,029,233	63,661,721
Restricted:				
Equipment maintenance and replacement	2,132,854	-	-	2,132,854
Unrestricted (deficit)	<u>(3,298,648)</u>	<u>(11,807,063)</u>	<u>2,477,771</u>	<u>(12,627,940)</u>
Total net position (deficit)	<u>51,914,394</u>	<u>(6,254,763)</u>	<u>7,507,004</u>	<u>53,166,635</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 134,408,306</u>	<u>\$ 17,325,603</u>	<u>\$ 11,086,668</u>	<u>\$ 162,820,577</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, 2021

		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							
COMPONENT UNITS								
Hopkinsville Water Environment Authority	\$ (20,011,558)	\$ 19,638,836	\$ -	\$ 227,063	\$ (145,659)	\$ -	\$ -	\$ (145,659)
Hopkinsville Solid Waste Enterprise	(10,159,614)	7,720,797	-	-	-	(2,438,817)	-	(2,438,817)
Hopkinsville Surface and Stormwater Utility	<u>(1,099,774)</u>	<u>1,184,694</u>	<u>4,080</u>	<u>115,311</u>	<u>-</u>	<u>-</u>	<u>204,311</u>	<u>204,311</u>
Total component units	<u>\$ (31,270,946)</u>	<u>\$ 28,544,327</u>	<u>\$ 4,080</u>	<u>\$ 342,374</u>	<u>(145,659)</u>	<u>(2,438,817)</u>	<u>204,311</u>	<u>(2,380,165)</u>
GENERAL REVENUES:								
					131,471	16,209	18,536	166,216
					1,824	-	-	1,824
					<u>242,192</u>	<u>8,096</u>	<u>-</u>	<u>250,288</u>
					<u>375,487</u>	<u>24,305</u>	<u>18,536</u>	<u>418,328</u>
					<u>-</u>	<u>3,431,185</u>	<u>-</u>	<u>3,431,185</u>
					229,828	1,016,673	222,847	1,469,348
					<u>51,684,566</u>	<u>(7,271,436)</u>	<u>7,284,157</u>	<u>51,697,287</u>
					<u>\$ 51,914,394</u>	<u>\$ (6,254,763)</u>	<u>\$ 7,507,004</u>	<u>\$ 53,166,635</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 (Statements 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 9th Street, Hopkinsville, Kentucky 42240.

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

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

1. Summary of Significant Accounting Policies, continued

A. Reporting Entity, continued

Discretely Presented Component Units, continued

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

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

Joint Ventures

The City has joined with the local government, Christian County, Kentucky (the County), to form organizations for performance of certain activities. These joint ventures are legally separate organizations for which the City has an ongoing financial interest or financial responsibility. The joint ventures are not accumulating significant financial resources or experiencing fiscal stress that would cause an additional financial benefit to or burden on the City of Hopkinsville in the future. Financial statements may be obtained from the City's Chief Financial Officer. The following lists these joint ventures with the amount of City funding for the year ended June 30, 2021:

<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	764,246
Hopkinsville-Christian County Public Library	386,163

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, 2021:

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	\$ 34,656
Hopkinsville-Christian County Conference Center Corporation	45,089
Hopkinsville-Christian County Economic Development Council	166,896
Hopkinsville-Christian County Community Development Services	698,985
Museums of Historic Hopkinsville-Christian County	36,636

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, 2021:

<u>Agency</u>	<u>City Funding</u>
Christian County-Hopkinsville Development Corporation	\$ -
Hopkinsville-Christian Convention & Visitor's Bureau	-
Hopkinsville Electric System	-

Other Organizations

The City also has a small component unit, Hopkinsville Human Rights Commission (the Commission), which was organized under municipal ordinance of the City, and its Board of Directors is appointed by the mayor of the City. The Commission was established for promoting diversity, unity, and harmony in order to develop a sense of family in our community, improve the future for our youth, and advance economic development for the benefit of everyone. Because the Commission's financial statements are insignificant to the City and its component units' financial statements, the Commission's financial statements are not included in the City's financial statements as a discretely presented component unit. Funding to the Commission was \$89,846 for the year ended June 30, 2021.

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.

**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

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 June 30. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues not classified as program revenues are presented as general revenues of the City, with certain 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.

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

1. Summary of Significant Accounting Policies, continued

C. Fund Accounting, continued

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.

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.

**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, continued

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. This is a major fund of the City.

ARPA Fund – established to account for funds received from the Coronavirus Local Fiscal Recovery Fund through the American Rescue Plan that can be used for specific eligible uses related to local fiscal recovery. This is a major fund of the City.

Capital Projects Funds – Capital projects funds are established to account for the 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. This is a major fund of the City.

WINS Construction Fund – established to account for multiple projects and construction that are part of the WINS project.

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

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

1. Summary of Significant Accounting Policies, continued

C. Fund Accounting, continued

Proprietary Funds, continued

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. This fund was transferred to become part of the general fund as a department of parks and recreation beginning in the fiscal year ending June 30, 2022.

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.

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

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

1. Summary of Significant Accounting Policies, continued

D. Measurement Focus, continued

Government-Wide Financial Statements, continued

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.

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.

**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

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 June 30.

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 June 30. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements in which the City must provide local resources to be used for a specified purpose, and expenditure requirements in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis (for governmental fund financial statements), revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Deferred Revenue

On the accrual basis of accounting, deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

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

1. Summary of Significant Accounting Policies, continued

E. Basis of Accounting, continued

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.

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 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 or grant 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 June 30 are recorded as prepaid expenses.

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

1. Summary of Significant Accounting Policies, continued

J. Restricted Assets

Restricted assets for the City consist of debt proceeds which were loaned to the City for various construction projects and cash and investments that are in trust funds not available to be used by the City.

Any 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. Amounts included in the "Equipment Maintenance and Replacement" account are used to report resources set aside for unusual or extraordinary maintenance, repairs, renewals and/or replacements or extensions, additions and/or improvements. 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.

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, sanitary sewers, and natural gas lines.

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 remaining useful lives.

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.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

K. Capital Assets, continued

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

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 were measured using the pay rates in effect at June 30, 2021.

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.

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

1. Summary of Significant Accounting Policies, continued

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, 2021. However, the City did have new debt from a note payable for police equipment of \$660,271 and new debt on behalf of a component unit of \$4,203,531 in capital leases and \$3,873,513 in general obligation leases.

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:

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

1. Summary of Significant Accounting Policies, continued

R. Net Position, continued

- *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.
- *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 (\$48,749,929) at June 30, 2021. 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 deficits.

HWEA had deficit unrestricted net position of (\$3,298,648) at June 30, 2021. This deficit is primarily due to the accrual of both the net pension liability and the net OPEB liability. HWEA expects results from future operations to fund such deficits.

Solid Waste had deficit unrestricted net position of (\$11,807,063) at June 30, 2021. This deficit is primarily due to the accrual of landfill closure/post-closure costs, the net pension liability, and the net OPEB liability. Solid Waste expects results from future operations to fund such deficits.

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.

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

1. Summary of Significant Accounting Policies, continued

S. Fund Balance, continued

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.
- 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.

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

1. Summary of Significant Accounting Policies, continued

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.

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 June 30 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.

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.

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

2. Deposits and Investments, continued

A. Deposits

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank's 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, 2021, the City did not have any deposited funds exposed to custodial credit risk.

As of June 30, 2021, 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, 2021, 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, 2021:

	<u>Fair Value/ Carrying Value</u>	<u>Average Credit Rating</u>	<u>Average Maturity</u>
<u>Types of Investments:</u>			
Primary Government:			
Certificates of deposits	\$ 39,594	N/A	0.20 Years
Mutual funds	<u>662,610</u>	N/A	N/A
Total primary government investments	<u>\$ 702,204</u>		
Pension Trust Fund:			
Certificates of deposits	\$ 545,950	N/A	1.76 Years
Corporate bond	24,163	A+	8.12 Years
Municipal bonds	<u>308,571</u>	AA-AAA	5.33 Years
Total pension trust fund investments	<u>\$ 878,684</u>		

The investments for Solid Waste consisted of the following as of June 30, 2021:

	<u>Fair Value/ Carrying Value</u>	<u>Average Credit Rating</u>	<u>Average Maturity</u>
<u>Types of Investments:</u>			
Certificates of deposits	<u>\$ 103,768</u>	N/A	0.09 Years
Total Solid Waste investments	<u>\$ 103,768</u>		

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

2. Deposits and Investments, continued

B. Investments, continued

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

Mutual funds and bonds classified as Level 1 are valued using prices quoted in active marks for those securities. Certificates of deposits classified as Level 2 are valued using broker quotes that utilize observable market inputs.

The City has the following fair value measurements as of June 30, 2021:

<u>Fair Value Measurements Using:</u>				
	<u>Fair Value</u>	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Types of Investments:</u>				
Primary Government:				
Certificates of deposits	\$ 39,594	\$ -	\$ 39,594	\$ -
Mutual funds	<u>662,610</u>	<u>662,610</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 702,204</u>	<u>\$ 662,610</u>	<u>\$ 39,594</u>	<u>\$ -</u>
Pension Trust Fund:				
Certificates of deposits	\$ 545,950	\$ -	\$ 545,950	\$ -
Corporate bond	24,163	24,163	-	-
Municipal bonds	<u>308,571</u>	<u>308,571</u>	<u>-</u>	<u>-</u>
Total pension trust fund	<u>\$ 878,684</u>	<u>\$ 332,734</u>	<u>\$ 545,950</u>	<u>\$ -</u>

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

2. Deposits and Investments, continued

B. Investments, continued

Solid Waste has the following fair value measurements as of June 30, 2021:

		<u>Fair Value Measurements Using:</u>		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Types of Investments:</u>	<u>Fair Value</u>			
Certificates of deposits	\$ 103,768	\$ -	\$ 103,768	\$ -
Total Solid Waste	\$ 103,768	\$ -	\$ 103,768	\$ -

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, 2021:

<u>Due from Component Units:</u>	
Hopkinsville Water Environment Authority	\$ 13,818,749
Hopkinsville Solid Waste Enterprise	11,624,015
Hopkinsville Surface & Stormwater Utility	<u>3,487,109</u>
Total – due from component units	<u>\$ 28,929,873</u>
<u>Temporarily restricted:</u>	
Debt proceeds in checking	\$ 200,058
ARPA proceeds in checking	3,379,499
Money market funds, expendable trust	115,044
Investments, expendable trust	<u>257,643</u>
Total – temporarily restricted	<u>\$ 3,952,244</u>
<u>Permanently restricted:</u>	
Money market funds, non-expendable trust	\$ 92,114
Investments, non-expendable trust	<u>404,967</u>
Total – permanently restricted	<u>\$ 497,081</u>

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

2. Deposits and Investments, continued

C. Restricted Assets, continued

The balances of HWEA's restricted asset accounts are as follows as of June 30, 2021:

Equipment maintenance and replacement	<u>\$ 2,132,854</u>
Total restricted assets	<u>\$ 2,132,854</u>

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

The balances of Solid Waste's restricted asset accounts are as follows as of June 30, 2021:

Capital equipment reserve, cash	\$ 246,776
Landfill closure costs, cash	222,048
Landfill closure costs, investments	<u>103,768</u>
Total restricted assets	<u>\$ 572,592</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, 2021, 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.

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

3. Receivables, continued

B. Accounts Receivable

HWEA's net customer receivables included the following as of June 30, 2021:

Customer accounts receivable	\$ 1,308,333
Allowance for uncollectible accounts	-
Miscellaneous receivables	<u>38,695</u>
Total customer receivables - HWEA	<u><u>\$ 1,347,028</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 \$119,942 for the year ended June 30, 2021.

Solid Waste's net customer receivables included the following as of June 30, 2021:

Customer accounts receivable	\$ 607,335
Allowance for uncollectible accounts	<u>(14,883)</u>
Total customer receivables - Solid Waste	<u><u>\$ 592,452</u></u>

The allowance for uncollectible accounts is based on outstanding account balances in excess of 90 days. Uncollectible accounts are written off as bad debts in the period in which, in management's opinion, collection is unlikely. Bad debt expense was \$10,421 for the year ended June 30, 2021.

Stormwater's net customer receivables included the following as of June 30, 2021:

Customer accounts receivable	\$ 107,259
Allowance for uncollectible accounts	<u>(5,363)</u>
Total customer receivables - Stormwater	<u><u>\$ 101,896</u></u>

The allowance for uncollectible accounts is based on collection rates of similar organizations in the industry. Bad debt expense was \$195 for the year ended June 30, 2021.

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

3. Receivables, continued

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 \$96,913 at June 30, 2021.

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 on the loan. Upon reimbursement by USACE, HWEA would begin to write down the other receivable and amortize to revenue the deferred revenue over the same period of time the underlying assets are being depreciated.

During the year ended June 30, 2018, the water line project described above was completed, the line of credit associated with that particular project was closed out, and USACE began repaying HWEA. The first installment payment was a lump sum payment of \$2,499,906 followed by regular monthly installments. USACE is currently making monthly installment payments of \$24,325 including interest at 4.0%, due in August 2027. The balance of this other receivable was \$1,573,864 at June 30, 2021. 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, 2021, \$143,588 was amortized to miscellaneous income. The balance of this deferred revenue account was \$4,312,698 at June 30, 2021.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

4. Capital Assets

A summary of City governmental activities property, plant and equipment activity for the year ended June 30, 2021, is as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 2,200,850	\$ -	\$ -	\$ 2,200,850
Construction in Progress	2,762,580	50,037	2,762,580	50,037
Total Capital Assets Not Being Depreciated	<u>4,963,430</u>	<u>50,037</u>	<u>2,762,580</u>	<u>2,250,887</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	29,241,080	3,865,767	-	33,106,847
Equipment	8,609,129	2,242,748	74,170	10,777,707
Infrastructure	22,805,632	457,953	-	23,263,585
Land Improvements	10,431,659	5,828,287	-	16,259,946
Vehicles	8,016,589	579,619	-	8,596,208
Total Capital Assets Being Depreciated	<u>79,104,089</u>	<u>12,974,374</u>	<u>74,170</u>	<u>92,004,293</u>
Less Accumulated Depreciation:				
Buildings and Improvements	6,974,626	2,096,411	-	9,071,037
Equipment	5,583,576	1,038,071	74,170	6,547,477
Infrastructure	16,412,725	673,001	-	17,085,726
Land Improvements	4,932,155	945,835	-	5,877,990
Vehicles	5,605,803	916,561	-	6,522,364
Total Accumulated Depreciation	<u>39,508,885</u>	<u>5,669,879</u>	<u>74,170</u>	<u>45,104,594</u>
Total	<u>\$ 44,558,634</u>	<u>\$ 7,354,532</u>	<u>\$ 2,762,580</u>	<u>\$ 49,150,586</u>

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

Depreciation expense charged to governmental activities for the year ended June 30, 2021 was as follows:

General Government	\$ 408,253
Public Safety	1,237,111
Public Works	1,110,671
Community Development	580,799
Parks and Recreation	<u>605,719</u>
Total depreciation expense	<u>\$3,942,553</u>

At June 30, 2021, all Tie Breaker Family Aquatic (business-type activities) capital assets were transferred to the general government (governmental activities). The transferred capital assets, net of accumulated depreciation totaled \$2,437,083. See the table on the next page for more information.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

4. Capital Assets, continued

A summary of City business-type activities property, plant and equipment activity for the year ended June 30, 2021, is as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
<u>Business-type Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Capital Assets Being Depreciated:				
Buildings and Improvements	3,792,630	-	3,792,630	-
Equipment	371,779	-	371,779	-
Total Capital Assets Being Depreciated	4,164,409	-	4,164,409	-
Less Accumulated Depreciation:				
Buildings and Improvements	1,265,987	96,177	1,362,164	-
Equipment	356,973	8,189	365,162	-
Total Accumulated Depreciation	1,622,960	104,366	1,727,326	-
Total	\$ 2,541,449	\$ (104,366)	\$ 2,437,083	\$ -

Depreciation expense charged to business-type activities for the year ended June 30, 2021 was \$104,366. See note on the previous page regarding the transfer of business-type activities to governmental activities.

A summary of HWEA's business-type activities property, plant and equipment activity for the year ended June 30, 2021, is as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
<u>Business-type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,571,840	\$ -	\$ -	\$ 1,571,840
Construction in Progress	3,707,218	11,476,078	2,076,433	13,106,863
Total Capital Assets Not Being Depreciated	5,279,058	11,476,078	2,076,433	14,678,703
Capital Assets Being Depreciated:				
Structures and Improvements	180,408,212	2,984,153	-	183,392,365
Equipment	10,566,042	836,425	205,961	11,196,506
Vehicles	1,423,966	177,661	111,765	1,489,862
Total Capital Assets Being Depreciated	192,398,220	3,998,239	317,726	196,078,733
Less Accumulated Depreciation:				
Structures and Improvements	77,551,518	4,550,522	-	82,102,040
Equipment	9,274,975	286,791	61,643	9,500,123
Vehicles	918,727	202,557	45,315	1,075,969
Total Accumulated Depreciation	87,745,220	5,039,870	106,958	92,678,132
Total	\$ 109,932,058	\$ 10,434,447	\$ 2,287,201	\$ 118,079,304

Depreciation expense for HWEA for the year ended June 30, 2021 was \$5,039,870.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

4. Capital Assets, continued

A summary of Solid Waste business-type activities property, plant and equipment activity for the year ended June 30, 2021, is as follows:

<u>Business-type Activities</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
Capital Assets Not Being Depreciated:				
Land	\$ 615,582	\$ -	\$ -	\$ 615,582
Construction in Progress	45,102	-	45,102	-
Total Capital Assets Not Being Depreciated	<u>660,684</u>	<u>-</u>	<u>45,102</u>	<u>615,582</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	3,033,888	-	-	3,033,888
Equipment	10,028,211	4,379,864	3,905,680	10,502,395
Land Improvements	<u>2,073,672</u>	<u>3,715,736</u>	<u>-</u>	<u>5,789,408</u>
Total Capital Assets Being Depreciated	<u>15,135,771</u>	<u>8,095,600</u>	<u>3,905,680</u>	<u>19,325,691</u>
Less Accumulated Depreciation:				
Buildings and Improvements	232,243	108,478	-	340,721
Equipment	4,942,654	1,261,721	1,065,803	5,138,572
Land Improvements	<u>1,230,007</u>	<u>283,065</u>	<u>-</u>	<u>1,513,072</u>
Total Accumulated Depreciation	<u>6,404,904</u>	<u>1,653,264</u>	<u>1,065,803</u>	<u>6,992,365</u>
Total	<u>\$ 9,391,551</u>	<u>\$ 6,442,336</u>	<u>\$ 2,884,979</u>	<u>\$ 12,948,908</u>

Depreciation expense for Solid Waste for the year ended June 30, 2021 was \$1,653,264.

A summary of Stormwater business-type activities property, plant and equipment activity for the year ended June 30, 2021, is as follows:

<u>Business-type Activities</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
Capital Assets Not Being Depreciated:				
Land	\$ 908,283	\$ -	\$ -	\$ 908,283
Construction in Progress	<u>703,238</u>	<u>296,022</u>	<u>-</u>	<u>999,260</u>
Total Capital Assets Not Being Depreciated	<u>1,611,521</u>	<u>296,022</u>	<u>-</u>	<u>1,907,543</u>
Capital Assets Being Depreciated:				
Infrastructure	<u>9,088,168</u>	<u>-</u>	<u>-</u>	<u>9,088,168</u>
Less Accumulated Depreciation:				
Infrastructure	<u>2,115,843</u>	<u>363,526</u>	<u>-</u>	<u>2,479,369</u>
Total	<u>\$ 8,583,846</u>	<u>\$ (67,504)</u>	<u>\$ -</u>	<u>\$ 8,516,342</u>

Depreciation expense for Stormwater for the year ended June 30, 2021 was \$363,526.

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

5. Post-Retirement Benefits

Earned but unused vacation hours are converted to terminal pay at retirement. Prior to April 1, 2002, accumulated sick leave could be taken as terminal pay at the rate of four sick days per one day's wages. Effective April 1, 2002, the City Council authorized adoption of the Order of Participation with the Kentucky Retirement Systems, which established the Standard Unused Sick Leave Program. This Program provides for members with a participation date prior to September 1, 2008, to receive service credit for all unused accumulated sick leave at the time of retirement. Members with a participation date on September 1, 2008 through December 31, 2013 may receive a maximum of twelve months of service credit for unused sick time. Members with a participation date after December 31, 2013 cannot receive service credit for unused sick time. The amount of service credit is based on a mathematical calculation with a factor that considers the retiree's wage, age, and years of service.

6. Defined Benefit Pension Plans

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

A. County Employees Retirement Systems

General Information about the Pension Plan

Plan Description:

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 Systems (KRS), a component unit of the Commonwealth of Kentucky, under the provision of Kentucky Revised Statute Section 61.645. The plans cover all regular full-time members employed in non-hazardous and hazardous duty positions of any participating state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate.

Under the provisions of Kentucky Revised Statute Section 61.645, the KRS Board administers Kentucky Employees 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.

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

6. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

General Information about the Pension Plan, continued

Plan Description, continued:

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

Schedules pertaining to the City's and its component units' proportionate share of the CERS net pension liabilities are located at pages 134 & 135.

Pension Benefits Provided:

The following information 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.

The plan provides for retirement, disability, and death benefits to plan members. Employees are vested in the plan after five years of service. Retirement benefits may also be extended to beneficiaries of plan members under certain circumstances.

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. However, the COLA is not a guaranteed benefit, and the General Assembly has the authority to reduce, increase, suspend, or eliminate the COLA in the future. Prior to July 1, 2009, COLAs were provided annually, not to exceed 5.00% in any plan year. After July 1, 2009, the COLAs were limited to 1.50%. Senate Bill 2 of 2013 eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (1) the system is over 100.00% funded or (2) the Legislature appropriates sufficient funds to pay the increased liability for the COLA. No COLA has been granted since July 1, 2011.

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 September 1, 2008; tier 2 members are those who began participation September 1, 2008 through December 31, 2013; and tier 3 members are those who began participation on or after January 1, 2014.

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

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

6. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

General Information about the Pension Plan, continued

Pension Benefits Provided, continued:

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

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

The beneficiary of a retired member receiving a monthly benefit based on at least 48 months of combined service is entitled to one \$5,000 death benefit from KRS upon the retired member's death.

House Bill 271 passed during the 2020 legislative session, which removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to an in-line-of-duty or duty-related injury upon remarriage of the surviving spouse. It also increased benefits for a very small number of surviving spouses and dependent children who did not initially elect the in-line-of-duty or duty-related benefit. There were no other material benefit provision changes since the prior valuation.

Pension Contributions:

Employee contribution rates are set by statute and may be changed only by the Kentucky General Assembly.

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

6. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

General Information about the Pension Plan, continued

Pension Contributions, continued:

Tier 1 plan members, who began participating prior to September 1, 2008, are required to contribute 5.00% (nonhazardous) or 8.00% (hazardous) of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

Tier 2 plan members, who began participating on or after September 1, 2008, and before January 1, 2014, are required to contribute 6.00% (nonhazardous) or 9.00% (hazardous) of their annual creditable compensation. Further, 1.00% of these contributions are deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see Kentucky Administrative Regulation (KAR) 105 KAR 1:420). These members are classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1.00% contribution to the 401(h) account is non-refundable and is forfeited.

Tier 3 plan members, who began participating on or after January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members contribute 5.00% (nonhazardous) or 8.00% (hazardous), of their monthly creditable compensation, which is deposited into their account, and an additional 1.00% which is deposited to an account created for payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see 105 KAR 1:420), which is not refundable. Tier 3 members are also credited with an employer pay credit in the amount of 4.00% (nonhazardous) or 7.50% (hazardous) of the member's monthly creditable compensation. The employer pay credit amount is deducted from the total employer contribution rate paid on the member's monthly creditable compensation.

The City and its component units make employer contributions at an actuarially determined rate set by statute unless altered by legislation enacted by the Kentucky General Assembly. 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.

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

6. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

General Information about the Pension Plan, continued

Pension Contributions, continued:

Senate Bill 249, which passed during the 2020 legislative session, froze the contribution rates for one year so that the rates for the fiscal year ended June 30, 2021 were equal to the rates for fiscal year ended June 30, 2020. For the fiscal year ended June 30, 2021 participating employers contributed 24.06% for nonhazardous 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) of each employee's creditable compensation. Administrative costs of KRS are financed through employer contributions and investment earnings.

The City met 100.00% of the contribution funding requirements to the pension fund for the year ended June 30, 2021. The City's total employer contributions to the pension fund (excluding the insurance portion) were \$3,623,591 (\$955,976 for nonhazardous and \$2,667,615 for hazardous) for the year ended June 30, 2021.

HWEA met 100.00% of the contribution funding requirements to the pension fund for the year ended June 30, 2021. HWEA's total contributions to the pension fund (excluding the insurance portion) were \$852,565 for the year ended June 30, 2021. HWEA has no employees classified as hazardous.

Solid Waste met 100.00% of the contribution funding requirements to the pension fund for the year ended June 30, 2021. Solid Waste's total contributions to the pension fund (excluding the insurance portion) were \$500,078 for the year ended June 30, 2021. Solid Waste has no employees classified as hazardous.

Schedules pertaining to CERS pension contributions by the City and its component units are located at pages 136 & 137.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities:

The City's and its component units' proportion of the net pension liabilities were based on actual employer contributions to the plan relative to the contributions of all participating employers. At June 30, 2021, the City's proportionate share of the nonhazardous net pension liability was 0.167561%, and its share of the hazardous net pension liability was 1.515386%; HWEA's proportionate share of the nonhazardous net pension liability was 0.146161%; and Solid Waste's proportionate share of the nonhazardous net pension liability was 0.097806%.

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

6. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions, continued**

Pension Liabilities, continued:

The following is a summary of net pension liability shown on the statement of net position as of June 30, 2021, included in noncurrent liabilities, due after one year:

	<u>Net Pension Liability</u>
City of Hopkinsville:	
CERS:	
Nonhazardous	\$ 12,851,790
Hazardous	<u>45,689,318</u>
Total City of Hopkinsville	<u>\$ 58,541,108</u>
Component Units:	
HWEA	<u>\$ 11,210,428</u>
Solid Waste	<u>\$ 7,501,639</u>

The net pension liabilities for June 30, 2021 were measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The total pension liability was rolled-forward from the valuation date to the measurement date using generally accepted actuarial principles.

Pension Expense:

For the June 30, 2020 measurement date, the City was allocated \$8,915,268 in CERS pension expense, which consisted of \$2,244,166 for nonhazardous pensions \$6,671,102 for hazardous pensions. For the June 30, 2020 measurement date, HWEA was allocated \$2,013,932 in CERS pension expense for nonhazardous pensions, and Solid Waste was allocated \$1,374,923 in CERS pension expense for nonhazardous pensions.

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

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 as 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 all employees who are

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

6. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

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

provided with pensions through the pension plan (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.

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual liability experience:		
Nonhazardous	\$ 320,483	\$ -
Hazardous	<u>1,417,008</u>	<u>-</u>
	<u>1,737,488</u>	<u>-</u>
Differences between projected and actual earnings on pension plan investments:		
Nonhazardous	557,082	235,482
Hazardous	<u>1,730,200</u>	<u>700,927</u>
	<u>2,287,282</u>	<u>936,409</u>
Effects of change in assumptions:		
Nonhazardous	501,841	-
Hazardous	<u>1,732,796</u>	<u>-</u>
	<u>2,234,637</u>	<u>-</u>
Changes in proportion and differences between employer contributions and proportionate share of plan contributions:		
Nonhazardous	440,905	13,965
Hazardous	<u>-</u>	<u>1,036,517</u>
	<u>\$ 440,905</u>	<u>\$1,050,482</u>

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

6. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions, continued**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
City contributions subsequent to the measurement date of June 30, 2020:		
Nonhazardous	\$ 955,976	\$ -
Hazardous	<u>2,667,615</u>	<u>-</u>
	<u>3,623,591</u>	<u>-</u>
 Total	 <u>\$ 10,323,903</u>	 <u>\$1,986,891</u>

The \$3,623,591 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the City's fiscal year ending June 30, 2022. The remainder of deferred outflows and deferred inflows of resources related to pensions will be amortized as follows (any positive amounts will increase pension expense while any negative amounts will decrease pension expense) for the future measurement periods:

Year ending June 30:

2021	\$1,998,424
2022	1,355,510
2023	767,167
2024	592,320
2025	-
Thereafter	<u>-</u>
	<u>\$4,713,421</u>

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

6. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

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

At June 30, 2021, HWEA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual liability experience	\$ 279,553	\$ -
Differences between projected and actual earnings on pension plan investments	485,934	205,408
Effects of change in assumptions	437,748	-
Changes in proportion and differences between employer contributions and proportionate share of plan contributions	<u>697,289</u>	<u>37,271</u>
	1,900,524	242,679
HWEA contributions subsequent to the measurement date of June 30, 2020	<u>852,565</u>	<u>-</u>
Total	<u>\$ 2,753,089</u>	<u>\$ 242,679</u>

The \$852,565 reported as deferred outflows of resources related to pensions resulting from HWEA contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in HWEA's fiscal year ending June 30, 2022. The remainder of deferred outflows and deferred inflows of resources related to pensions will be amortized as follows (any positive amounts will increase pension expense while any negative amounts will decrease pension expense) for the future measurement periods:

Year ending June 30:

2021	\$ 746,139
2022	619,177
2023	179,863
2024	112,666
2025	-
Thereafter	<u>-</u>
	<u>\$1,657,845</u>

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

6. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

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

At June 30, 2021, Solid Waste reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual liability experience	\$ 187,067	\$ -
Differences between projected and actual earnings on pension plan investments	325,171	137,452
Effects of change in assumptions	292,926	-
Changes in proportion and differences between employer contributions and proportionate share of plan contributions	<u>143,545</u>	<u>-</u>
	948,709	137,452
Solid Waste's contributions subsequent to the measurement date of June 30, 2020	<u>500,078</u>	<u>-</u>
Total	<u>\$ 1,448,787</u>	<u>\$ 137,452</u>

The \$500,078 reported as deferred outflows of resources related to pensions resulting from Solid Waste's contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in Solid Waste's fiscal year ending June 30, 2022. The remainder of deferred outflows and deferred inflows of resources related to pensions will be amortized as follows (any positive amounts will increase pension expense while any negative amounts will decrease pension expense) for the future measurement periods:

Year ending June 30:

2021	\$ 410,182
2022	233,497
2023	92,186
2024	75,392
2025	-
Thereafter	<u>-</u>
	<u>\$ 811,257</u>

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

6. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

Actuarial Assumptions and Other Inputs - Pension

Actuarial Assumptions:

The total pension liability, net pension liability, and sensitivity information as of the June 30, 2020 measurement date were based on an actuarial valuation date of June 30, 2019. The total pension liability was rolled-forward from the valuation date of June 30, 2019 to the measurement date at June 30, 2020, using generally accepted actuarial principles.

The Board of Trustees for the Kentucky Retirement System adopted new actuarial assumptions since the June 30, 2018 valuation date. The total pension liability as of the June 30, 2020 measurement date was determined using these updated assumptions.

Senate Bill 249 passed during the 2020 Legislative Session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the total pension liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes.

The total pension liability as of the June 30, 2020 measurement date was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date:	June 30, 2019
Experience Study:	July 1, 2013 – June 30, 2018
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:	25 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)

The long-term expected rate of return on plan assets 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.

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

6. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

Actuarial Assumptions and Other Inputs – Pension, continued

Actuarial Assumptions, continued:

For the June 30, 2020 measurement date, the target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth:		
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Liquidity:		
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies:		
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	<u>15.00%</u>	3.95%
Total	<u>100.00%</u>	

Discount Rate:

A single discount rate of 6.25% was used for both the non-hazardous and hazardous system to measure the total pension liability for the June 30, 2020 measurement date. The single discount rate was based on the expected rate of return on pension plan investments for each system. 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 for each system.

The projection of cash flows used to determine the single discount rate includes an assumption regarding actual employer contributions made each future year. Except where noted in the following paragraph, the future contributions are projected assuming that each

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

6. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

Actuarial Assumptions and Other Inputs – Pension, continued

Discount Rate, continued:

participating employer contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy, as most recently revised by Senate Bill 249, passed during the 2020 Legislative Session. This includes the phase-in provisions from House Bill 362 (passed in 2018) that applies to the CERS Funds as well as the provision from Senate Bill 249 (passed in 2020), which kept CERS contributions level for fiscal year ending 2021.

If there is a future pattern of legislation that has a resulting effect of employers making contributions less than the actuarially determined rate, contribution projections may need to be revised to reflect actual contribution efforts regardless of the stated funding policy (as required by paragraph 42 of GASB Statement No. 67).

Sensitivity Analysis:

For the June 30, 2020 measurement date, the following presents the City's and its component units' proportionate share of the net pension liabilities (NPL) calculated using the discount rate of 6.25%, as well as what the proportionate share of the NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
<u>City of Hopkinsville:</u>			
<u>CERS Nonhazardous:</u>			
Discount rate	5.25%	6.25%	7.25%
Proportionate Share NPL	<u>\$15,849,054</u>	<u>\$12,851,790</u>	<u>\$10,369,942</u>
<u>CERS Hazardous:</u>			
Discount rate	5.25%	6.25%	7.25%
Proportionate Share NPL	<u>\$56,465,491</u>	<u>\$45,689,318</u>	<u>\$36,893,113</u>

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

6. Defined Benefit Pension Plans, continued

A. County Employees Retirement Systems, continued

Actuarial Assumptions and Other Inputs – Pension, continued

Sensitivity Analysis, continued:

<u>Component Units:</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
HWEA:			
<u>CERS Nonhazardous:</u>			
Discount rate	5.25%	6.25%	7.25%
Proportionate Share NPL	<u>\$13,824,897</u>	<u>\$11,210,428</u>	<u>\$9,045,548</u>
Solid Waste:			
<u>CERS Nonhazardous:</u>			
Discount rate	5.25%	6.25%	7.25%
Proportionate Share NPL	<u>\$9,251,154</u>	<u>\$7,501,639</u>	<u>\$6,052,975</u>

Other Information about the Pension Plan

Payables to the Pension Plan:

At June 30, 2021, the City, HWEA, and Solid Waste reported no payables for outstanding contributions to the pension plan for the year then ended.

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at www.kyret.ky.gov.

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

6. Defined Benefit Pension Plans, continued

B. Policemen's and Firefighter's Pension Fund

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

Also, see the schedules on pages 138-140.

Plan Membership:

As of June 30, 2021, PFPF had fourteen members, all of whom are inactive participants (retirees and beneficiaries) receiving benefits.

Benefits Provided:

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

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

A member who terminates his/her service either by resignation or dismissal before he/she is eligible for normal retirement shall receive a refund of his/her contributions to PFPF without interest.

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

6. Defined Benefit Pension Plans, continued

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

Benefits Provided, continued:

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 shall receive a monthly pension equal to no more than 50% of his/her salary. The pension will 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 shall receive 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) Nonoccupational – death other than in line-of-duty or of any disease contracted by reason of occupation of an active member (requires the completion of one year of service with respect to eligibility for benefits).
- 3) Death of a retired or disabled member (requires the completion of one year of service with respect to eligibility for benefits).
- 4) Death of a member under conditions of 1), 2), or 3) who is not survived by an eligible spouse or unmarried dependent children.

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

For conditions 1), 2), or 3) above, the surviving spouse 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.

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

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

6. Defined Benefit Pension Plans, continued

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

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, 2021.

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, 2021, the City made a contribution of \$235,000. 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 139.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

6. Defined Benefit Pension Plans, continued

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

Net Pension Liability:

The City's net pension liability (asset) was measured as of January 1, 2021, and the total net pension liability (asset) was determined by an actuarial valuation as of that date.

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

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a) – (b)</u>
Balances – June 30, 2020	\$ 2,752,799	\$ 1,254,326	\$1,498,473
Changes for the Year:			
Service cost	-	-	-
Interest expense	85,764	-	85,764
Benefit changes	-	-	-
Liability losses (gains)	(124,822)	-	(124,822)
Changes of assumptions	206,793	-	206,793
Contributions – City	-	235,000	(235,000)
Contributions – Employees	-	-	-
Net investment income	-	54,679	(54,679)
Benefits paid	(225,228)	(225,228)	-
Plan administration expenses	-	(24,119)	24,119
Net changes	<u>(57,493)</u>	<u>40,332</u>	<u>(97,825)</u>
Balances – June 30, 2021	<u>\$ 2,695,306</u>	<u>\$ 1,294,658</u>	<u>\$1,400,648</u>

Also see the Schedule of Changes in the Net Pension Liability and Related Ratios for the PFPF that is located at page 138.

Actuarial Assumptions and Other Inputs:

The total pension liability as of the January 1, 2021, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Method	Entry Age Normal Funding Method
Asset Valuation Method	Market Value
COLAs	1.50% per annum – based on 10-year COLA experience.
Retiree Joint and Survivor Percentage	Actual contingent annuitant benefit divided by Current Retiree Monthly Annuity.

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

6. Defined Benefit Pension Plans, continued

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

Actuarial Assumptions and Other Inputs, continued:

Mortality Rates	RP-2014 Generational Mortality Tables (Blue Collar) adjusted to 2006 with projected mortality improvements after year 2006 under Projection Scale MP-2020 (male and female scales)
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 – 1.93% 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.

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

6. Defined Benefit Pension Plans, continued

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

Changes in Assumptions and Methods from Prior Actuarial Valuation:

The mortality rates were previously determined using the 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), whereas the mortality rates are currently determined using the RP-2014 Generational Mortality Tables (Blue Collar) adjusted to 2006 with projected mortality improvements after year 2006 under Projection Scale MP-2020 (male and female scales). This change was to better recognize current and future mortality improvements.

The discount rate was previously 3.26%, whereas the current discount rate is 1.93%. This change was in recognition of the 20-Year High Grade Bond Rate Environment as of the valuation date.

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

Sensitivity Analysis:

The following presents the net pension liability of the City calculated using the discount rate of 1.93%, as well as the net pension liability if calculated using a discount rate that is 1-percentage-point lower (0.93%) or 1-percentage-point higher (2.93%) than the current rate:

	1% Decrease <u>(0.93%)</u>	Current Rate <u>(1.93%)</u>	1% Increase <u>(2.93%)</u>
Net Pension Liability	<u>\$1,655,971</u>	<u>\$1,400,648</u>	<u>\$1,181,292</u>

The components of the net pension liability of the Policemen's and Firefighter's Pension Fund at June 30, 2021, were as follows:

Total Pension Liability	\$ 2,695,306*
Plan Fiduciary Net Position	<u>(1,294,658)</u>
City's Net Pension Liability	<u>\$ 1,400,648</u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.03%
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*Assumes 1.50% per annum COLAs.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

6. Defined Benefit Pension Plans, continued

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

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

For the year ended June 30, 2021, the City recognized pension expense of \$163,681 for the Policemen's and Firefighter's Pension Fund. At June 30, 2021, 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>13,125</u>	<u>20,002</u>
Total	<u>\$ 13,125</u>	<u>\$ 20,002</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.

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:	
2022	\$ 3,661
2023	(1,452)
2024	(5,456)
2025	(3,630)
2026	-
	<u>\$ (6,877)</u>

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

C. Total Pension Expense – Defined Benefit Pension Plans

For the year ended June 30, 2021, total pension expense for the City was as follows:

CERS – Nonhazardous employees	\$ 2,244,166
CERS – Hazardous employees	6,671,102
PFPF	<u>163,681</u>
Total pension expense	<u>\$ 9,078,949</u>

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

7. Other Post-Employment Benefits (OPEB) Plan

General Information about the OPEB Plan

Plan Description:

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 Other Postemployment Benefits (OPEB) plan administered by the Kentucky Retirement Systems (KRS), a component unit of the Commonwealth of Kentucky, under the provision of Kentucky Revised Statute 61.645. The plans cover all regular full-time members employed in non-hazardous and hazardous duty positions of any participating state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate.

Schedules pertaining to the City's and its component units' proportionate share of the CERS net OPEB liabilities are located at pages 141 & 142.

OPEB Benefits Provided:

The following information 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.

Under the provisions of Kentucky Revised Statute Section 61.701, the KRS Board also administers the KRS Insurance Fund. The Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits 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. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The KRS Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. KRS submits the premium payments to DEI and Humana. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

The amount of benefit paid by the Insurance Fund is based on years of service. For members who began participating prior to July 1, 2003, a percentage of the contribution rate is paid based on years of service with 100% of the contribution rate being paid with 20 years of service. Since the passage of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits have been calculated differently for members who began participating on or after July 1, 2003. Once members reach a minimum vesting period of 10 years, nonhazardous members 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 members whose participation began on or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned

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

7. Other Post-Employment Benefits (OPEB) Plan, continued

General Information about the OPEB Plan, continued

OPEB Benefits Provided, continued:

service without regard to a maximum dollar amount. Upon death of a hazardous member, the member's spouse receives \$10 per month for insurance benefits for each year of the deceased member's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based on Kentucky Revised Statutes. House Bill 1 (2008 Kentucky General Assembly) changed the minimum vesting requirement for participation in the health insurance plan to 15 years for members whose participation began on or after September 1, 2008. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statutes 16.652, 61.692, and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgement, the welfare of the Commonwealth so demands. The Insurance Fund pays 100% of the contribution rate for hospital and medical insurance premiums for the spouse and dependents for members who die as a direct result of an act in the line of duty or from a duty-related injury.

In order to be eligible for insurance benefits, members with a participation date between July 1, 2003 and August 31, 2008 must have earned at least 120 months of service at retirement. Such members who retire with less than 120 months of service may not participate in the health plans offered through KRS. In order to be eligible for insurance benefits, members with a participation date on or after September 1, 2008 must have earned at least 180 months of service at retirement. Such members who retire with less than 180 months of service may not participate in the health plans offered through KRS.

OPEB Contributions:

Employee contribution rates are set by statute and may be changed only by the Kentucky General Assembly. Tier 2 and Tier 3 members of the CERS plan contribute 1.00% of creditable compensation to an account created for the payment of health insurance benefits. Tier 1 members aren't required to contribute.

The City and its component units make employer contributions at an actuarially determined rate set by statute unless altered by legislation enacted by the Kentucky General Assembly. 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.

Senate Bill 249, which passed during the 2020 legislative session, froze the contribution rates for one year so that the rates for the fiscal year ended June 30, 2021 were equal to the rates for fiscal year ended June 30, 2020. For the fiscal year ended June 30, 2021 participating employers contributed 24.06% for nonhazardous 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) of each employee's creditable

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

7. Other Post-Employment Benefits (OPEB) Plan, continued

General Information about the OPEB Plan, continued

OPEB Contributions, continued:

compensation. Administrative costs of KRS are financed through employer contributions and investment earnings.

The City met 100.00% of the contribution funding requirements to the insurance fund for the year ended June 30, 2021. The City's total employer contributions to the insurance fund (excluding the pension portion) were \$1,080,609 (\$235,775 for nonhazardous and \$844,834 for hazardous) for the year ended June 30, 2021. These insurance benefits do not include amounts reported for implicit subsidies.

HWEA met 100.00% of the contribution funding requirements to the insurance fund for the year ended June 30, 2021. HWEA's total contributions to the insurance fund (excluding the pension portion) were \$210,270 for the year ended June 30, 2021. These insurance benefits do not include amounts reported for implicit subsidies. HWEA has no employees classified as hazardous.

Solid Waste met 100.00% of the contribution funding requirements to the insurance fund for the year ended June 30, 2021. Solid Waste's total contributions to the insurance fund (excluding the pension portion) were \$123,335 for the year ended June 30, 2021. These insurance benefits do not include amounts reported for implicit subsidies. Solid Waste has no employees classified as hazardous.

Schedules pertaining to CERS OPEB contributions by the City and its component units are located at pages 143 & 144.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Liabilities:

The City's and its component units' proportion of the net OPEB liabilities were based on actual employer contributions to the plan relative to the contributions of all participating employers. At June 30, 2021, the City's proportionate share of the nonhazardous net OPEB liability was 0.167513%, and its share of the hazardous net OPEB liability was 1.514985%; HWEA's proportionate share of the nonhazardous net OPEB liability was 0.146119%; and Solid Waste's proportionate share of the nonhazardous net OPEB liability was 0.097777%.

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

7. Other Post-Employment Benefits (OPEB) Plan, continued

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, continued

OPEB Liabilities, continued:

The following is a summary of net OPEB liability shown on the statement of net position as of June 30, 2021, included in noncurrent liabilities, due after one year:

	<u>Net OPEB Liability</u>
City of Hopkinsville:	
CERS:	
Nonhazardous	\$ 4,044,930
Hazardous	<u>14,000,061</u>
Total City of Hopkinsville	<u>\$ 18,044,991</u>
Component Units:	
HWEA	<u>\$ 3,528,329</u>
Solid Waste	<u>\$ 2,361,017</u>

The net OPEB liabilities for June 30, 2021 were measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The total OPEB liability was rolled-forward from the valuation date to the measurement date using generally accepted actuarial principles.

OPEB Expense:

For the year ended June 30, 2020 measurement date, the City was allocated \$2,673,512 in CERS OPEB expense, which consisted of \$574,407 for nonhazardous pensions and \$2,099,105 for hazardous pensions. For the year ended June 30, 2020 measurement date, HWEA was allocated \$512,433 in CERS OPEB expense for nonhazardous pensions, and Solid Waste was allocated \$340,723 in CERS OPEB expense for nonhazardous pensions.

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 all employees who are provided with OPEB through the OPEB plan (active employees and inactive members) determined as of the beginning of the measurement period.

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

7. Other Post-Employment Benefits (OPEB) Plan, continued

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, continued

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

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.

At June 30, 2021 the City reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>City of Hopkinsville:</u>		
Difference between expected and actual liability experience:		
Nonhazardous	\$ 675,823	\$ 676,351
Hazardous	<u>480,427</u>	<u>1,398,059</u>
	<u>1,156,250</u>	<u>2,074,410</u>
Difference between projected and actual earnings on OPEB plan investments:		
Nonhazardous	216,981	82,537
Hazardous	<u>1,036,664</u>	<u>415,203</u>
	<u>1,253,645</u>	<u>497,740</u>
Effects of change in assumptions:		
Nonhazardous	703,579	4,279
Hazardous	<u>2,283,944</u>	<u>12,900</u>
	<u>2,987,523</u>	<u>17,179</u>
Changes in proportion and differences between employer contributions and proportionate shares of plan contributions:		
Nonhazardous	146,455	29,069
Hazardous	<u>-</u>	<u>608,421</u>
	<u>146,455</u>	<u>637,490</u>

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

7. Other Post-Employment Benefits (OPEB) Plan, continued

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, 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>		
City contributions subsequent to the measurement date of June 30, 2020:		
Nonhazardous	235,774	-
Hazardous	<u>844,834</u>	<u>-</u>
	<u>1,080,608</u>	<u>-</u>
 Total	 <u>\$ 6,624,481</u>	 <u>\$3,226,819</u>

The \$1,080,608 reported as deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of net OPEB liability in the City's fiscal year ending June 30, 2022. The remainder of deferred outflows and deferred inflows of resources related to OPEB will be amortized as follows (any positive amount will increase OPEB expense while any negative amounts will decrease OPEB expense) for the future measurement periods:

Year ending June 30:

2021	\$ 569,127
2022	315,842
2023	630,899
2024	636,900
2025	164,286
Thereafter	<u>-</u>
	<u>\$2,317,054</u>

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

7. Other Post-Employment Benefits (OPEB) Plan, continued

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, continued

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

At June 30, 2021, HWEA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual liability experience	\$ 589,510	\$ 589,970
Difference between projected and actual earnings on OPEB plan investments	189,269	71,996
Effects of change in assumptions	613,720	3,732
Changes in proportion and differences between employer contributions and proportionate shares of plan contributions	<u>208,466</u>	<u>59,282</u>
	1,600,965	724,980
HWEA contributions subsequent to the measurement date	<u>210,270</u>	<u>-</u>
Total	<u>\$1,811,235</u>	<u>\$ 724,980</u>

The \$210,270 reported as deferred outflows of resources related to OPEB resulting from HWEA's contributions subsequent to the measurement date will be recognized as a reduction of net OPEB liability in HWEA's fiscal year ending June 30, 2022. The remainder of deferred outflows and deferred inflows of resources related to OPEB will be amortized as follows (any positive amount will increase OPEB expense while any negative amounts will decrease OPEB expense) for the future measurement periods:

Year ending June 30:

2021	\$ 227,986
2022	262,692
2023	196,154
2024	197,615
2025	(8,462)
Thereafter	<u>-</u>
	<u>\$ 875,985</u>

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

7. Other Post-Employment Benefits (OPEB) Plan, continued

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, continued

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

At June 30, 2021, Solid Waste reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual liability experience	\$ 394,476	\$ 394,784
Difference between projected and actual earnings on OPEB plan investments	126,651	48,177
Effects of change in assumptions	410,677	2,497
Changes in proportion and differences between employer contributions and proportionate shares of plan contributions	<u>82,912</u>	<u>4,909</u>
	1,014,716	450,367
Solid Waste's contributions subsequent to the measurement date	<u>123,335</u>	<u>-</u>
Total	<u><u>\$1,138,051</u></u>	<u><u>\$ 450,367</u></u>

The \$123,335 reported as deferred outflows of resources related to OPEB resulting from Solid Waste's contributions subsequent to the measurement date will be recognized as a reduction of net OPEB liability in Solid Waste's fiscal year ending June 30, 2022. The remainder of deferred outflows and deferred inflows of resources related to OPEB will be amortized as follows (any positive amount will increase OPEB expense while any negative amounts will decrease OPEB expense) for the future measurement periods:

Year ending June 30:

2021	\$ 150,383
2022	173,607
2023	129,066
2024	114,607
2025	(3,314)
Thereafter	<u>-</u>
	<u><u>\$ 564,349</u></u>

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

7. Other Post-Employment Benefits (OPEB) Plan, continued

Actuarial Assumptions and Other Inputs – OPEB

Actuarial Assumptions:

The total OPEB liability, net OPEB liability, and sensitivity information as of the June 30, 2020 measurement date were based on an actuarial valuation date of June 30, 2019. The total OPEB liability was rolled-forward from the valuation date of June 30, 2019 to the measurement date at June 30, 2020, using generally accepted actuarial principles.

The discount rate used to calculate the total OPEB liability decreased from 5.68% to 5.34% for the nonhazardous fund and from 5.69% to 5.30% for the hazardous fund. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. Also, the June 30, 2020 GASB No. 75 actuarial information reflects the anticipated savings from the repeal of the “Cadillac Tax” and “Health Insurer Fee”, which occurred in December 2019. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed, and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee.

Senate Bill 249 passed during the 2020 Legislative Session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the total OPEB liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes.

The total OPEB liability as of the June 30, 2020 measurement date was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date:	June 30, 2019
Experience Study:	July 1, 2013 – June 30, 2018
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:	25 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)

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

7. Other Post-Employment Benefits (OPEB) Plan, continued

Actuarial Assumptions and Other Inputs – OPEB, continued

Actuarial Assumptions, continued:

Healthcare Trend Rates (Pre-65):	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Healthcare Trend Rates (Post-65):	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Phase-in Provision:	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 that was enacted in 2018.

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.

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

7. Other Post-Employment Benefits (OPEB) Plan, continued

Actuarial Assumptions and Other Inputs – OPEB, continued

Actuarial Assumptions, continued:

For the June 30, 2020 measurement date, the target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth:		
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Liquidity:		
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies:		
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	<u>15.00%</u>	3.95%
Total	<u>100.00%</u>	

Implicit Employer Subsidy for Non-Medicare Retirees:

KRS pays fully insured premiums for the Kentucky Employees' Health Plan. Those 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:

For the June 30, 2020 measurement date, single discount rates of 5.34% for the nonhazardous system and 5.30% for the hazardous system were used to measure the total OPEB liability. This single discount rates were based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 2.45%, as reported in Fidelity Index's *20-Year Municipal GO AA Index* as of June 30, 2020.

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

7. Other Post-Employment Benefits (OPEB) Plan, continued

Actuarial Assumptions and Other Inputs – OPEB, continued

Discount Rate, continued:

The projection of cash flows used to determine the single discount rates includes an assumption regarding actual employer contributions made each future year. Except where noted in the following paragraph, the future contributions are projected assuming that each participating employer contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy, as most recently revised by Senate Bill 249, passed during the 2020 Legislative Session. This includes the phase-in provisions from House Bill 362 (passed in 2018) that applies to the CERS Funds as well as the provision from Senate Bill 249 (passed in 2020), which kept CERS contributions level for fiscal year ending 2021.

If there is future legislation that has a resulting effect of employers making contributions less than the actuarially determined rate, contribution projections may need to be revised to reflect actual contribution efforts regardless of the stated funding policy (as required by paragraph 50 of GASB Statement No. 74).

Sensitivity Analysis:

For the June 30, 2020 measurement date, the following presents the City's and its component units' proportionate share of the net OPEB liabilities calculated using the discount rate of 5.34% for nonhazardous and 5.30% for hazardous, as well as what the proportionate share of the net OPEB liabilities would be if they were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
<u>City of Hopkinsville:</u>			
<u>CERS Nonhazardous:</u>			
Discount rate	4.34%	5.34%	6.34%
Proportionate Share Net OPEB Liability	<u>\$5,196,547</u>	<u>\$4,044,930</u>	<u>\$3,099,068</u>
<u>CERS Hazardous:</u>			
Discount rate	4.30%	5.30%	6.30%
Proportionate Share Net OPEB Liability	<u>\$19,004,717</u>	<u>\$14,000,061</u>	<u>\$9,967,323</u>

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

7. Other Post-Employment Benefits (OPEB) Plan, continued

Actuarial Assumptions and Other Inputs – OPEB, continued

Sensitivity Analysis, continued:

<u>Component Units:</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
HWEA:			
<u>CERS Nonhazardous:</u>			
Discount rate	4.34%	5.34%	6.34%
Proportionate Share Net OPEB Liability	<u>\$4,532,868</u>	<u>\$3,528,329</u>	<u>\$2,703,269</u>
Solid Waste:			
<u>CERS Nonhazardous:</u>			
Discount rate	4.34%	5.34%	6.34%
Proportionate Share Net OPEB Liability	<u>\$3,033,213</u>	<u>\$2,361,017</u>	<u>\$1,808,919</u>

For the June 30, 2020 measurement date, the following presents the City's and its component units' allocated portion of the net OPEB liability of the System calculated using the healthcare cost trend rate, as well as what the allocated portion of the System's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>City of Hopkinsville:</u>	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
<u>Nonhazardous:</u>			
Proportionate Share Net OPEB Liability	<u>\$3,131,786</u>	<u>\$4,044,930</u>	<u>\$5,153,050</u>
<u>Hazardous:</u>			
Proportionate Share Net OPEB Liability	<u>\$10,004,855</u>	<u>\$14,000,061</u>	<u>\$18,911,823</u>

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

7. Other Post-Employment Benefits (OPEB) Plan, continued

Actuarial Assumptions and Other Inputs – OPEB, continued

Sensitivity Analysis, continued:

<u>Component Units:</u>	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
HWEA:			
<u>Nonhazardous:</u>			
Proportionate Share Net OPEB Liability	<u>\$2,731,809</u>	<u>\$3,528,329</u>	<u>\$4,494,926</u>
Solid Waste:			
<u>Nonhazardous:</u>			
Proportionate Share Net OPEB Liability	<u>\$1,828,017</u>	<u>\$2,361,017</u>	<u>\$3,007,824</u>

Other Information about the OPEB Plan

Payables to the OPEB Plan:

At June 30, 2021, the City, HWEA, and Solid Waste reported no payables for outstanding contributions to the OPEB plan for the year then ended.

OPEB Plan Fiduciary Net Position:

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at www.kyret.ky.gov.

Total OPEB Expense

For the year ended June 30, 2021, total OPEB expense for the City was as follows:

CERS – Nonhazardous employees	\$ 574,407
CERS – Hazardous employees	<u>2,099,105</u>
Total OPEB expense	<u>\$ 2,673,512</u>

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

8. Deferred Outflows and Inflows of Resources

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

The City reports an increase in net assets that relates to future periods as deferred inflows of resources in a separate section of its statement of net position. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The only deferred inflows of resources reported in the statement of net position are the deferred inflows of resources associated with the pension and OPEB plans. This deferred inflow will be recognized 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 future years. The deferred inflows of resources for HWEA include deferred inflows associated with its pension and OPEB plans that will be recognized in pension expense in future years and deferred revenue associated with the arrangement HWEA has with the U.S. Army Corps of Engineers (USACE) relating to financing the water project in Fort Campbell.

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

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations

Long-term obligations are reported net of premiums and discounts. Premiums and discounts are amortized over the life of the debt to maturity. During the year ended June 30, 2021, the following changes occurred in long-term liabilities:

	Principal Outstanding July 1, 2020	Additions	Reductions	Principal Outstanding June 30, 2021	Due Within One Year
Governmental Activities:					
Capital Leases-City	\$ 351,374	\$ -	\$ 244,706	\$ 106,668	\$ 52,462
Capital Leases-					
on behalf of component units	2,845,696	4,203,531	3,816,005	3,233,222	1,661,421
General Obligation Leases-					
on behalf of component units	128,333	3,860,000	243,750	3,744,583	150,000
General Obligation Bonds-City	27,540,000	-	1,095,000	26,445,000	1,125,000
General Obligation Bonds-					
on behalf of component units	18,475,000	-	1,950,000	16,525,000	2,020,000
Notes Payable-City	900,000	660,271	75,000	1,485,271	234,910
Plus: Unamortized Premium-City	80,450	-	6,927	73,523	-
Plus: Unamortized Premium-					
on behalf of component units	950,935	13,513	165,691	798,757	-
Less: Unamortized Discount-City	(48,137)	-	(2,523)	(45,614)	-
Less: Unamortized Discount-					
on behalf of component units	(5,081)	-	(517)	(4,564)	-
Total long-term debt	51,218,570	8,737,315	7,594,039	52,361,846	5,243,793
Compensated Absences	1,701,635	336,568	327,409	1,710,794	68,432*
Net Pension Liability (PFPF)	1,498,473	-	97,825	1,400,648	-
Net Pension Liability (CERS)	53,856,882	8,198,638	3,514,412	58,541,108	-
Net OPEB Liability (CERS)	14,096,424	5,002,867	1,054,300	18,044,991	-
Accrued landfill closure/post-closure					
costs, on behalf of component units	8,064,060	-	3,431,185	4,632,875	-
Total Governmental Activities	\$ 130,436,044	\$ 22,275,388	\$ 16,019,170	\$ 136,692,262	\$ 5,312,225

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

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations, continued

	Principal Outstanding July 1, 2020	Additions	Reductions	Principal Outstanding June 30, 2021	Due Within One Year
<u>Business-type Activities-HWEA:</u>					
Revenue Bonds	\$ 2,097,500	\$ -	\$ 272,500	\$ 1,825,000	\$ 185,000
Notes Payable-KIA loans	38,847,354	9,539,984	3,369,356	45,017,982	2,660,527
Payable to City of Hopkinsville:					
General Obligation Bonds	14,820,000	-	1,775,000	13,045,000	1,845,000
Plus: Unamortized Premium	941,183	-	162,870	778,313	-
Less: Unamortized Discount	(5,081)	-	(517)	(4,564)	-
Total long-term debt	56,700,956	9,539,984	5,579,209	60,661,731	4,690,527
Compensated Absences	521,915	315,644	267,654	569,905	304,557*
Net Pension Liability (CERS)	9,202,598	2,733,600	725,770	11,210,428	-
Net OPEB Liability (CERS)	2,200,233	1,507,094	178,998	3,528,329	-
Total Business-type Activities-HWEA	<u>\$68,625,702</u>	<u>\$14,096,322</u>	<u>\$ 6,751,631</u>	<u>\$ 75,970,393</u>	<u>\$ 4,995,084</u>
<u>Business-type Activities-Solid Waste:</u>					
Notes Payable	\$ 544,524	\$ -	\$ 139,056	\$ 405,468	\$ 145,952
Payable to City of Hopkinsville:					
Capital Vehicle Leases	2,845,696	4,203,531	3,816,005	3,233,222	1,661,421
General Obligation Leases	128,333	3,860,000	243,750	3,744,583	150,000
Plus: Unamortized Premium	2,225	13,513	2,403	13,335	-
Total long-term debt	3,520,778	8,077,044	4,201,214	7,396,608	1,957,373
Compensated Absences	641,245	26,724	-	667,969	100,195*
Net Pension Liability (CERS)	6,865,166	1,120,013	483,540	7,501,639	-
Net OPEB Liability (CERS)	1,641,504	838,770	119,257	2,361,017	-
Accrued Landfill Closure/Post-Closure Costs, payable to City	8,064,060	-	3,431,185	4,632,875	-
Total Business-type Activities-Solid Waste	<u>\$20,732,753</u>	<u>\$10,062,551</u>	<u>\$ 8,235,196</u>	<u>\$ 22,560,108</u>	<u>\$ 2,057,568</u>
<u>Business-type Activities-Stormwater:</u>					
Payable to City of Hopkinsville:					
General obligation bonds	\$ 3,655,000	\$ -	\$ 175,000	\$ 3,480,000	\$ 175,000
Plus: Unamortized Premium	7,527	-	418	7,109	-
Total Business-type Activities-Stormwater	<u>\$ 3,662,527</u>	<u>\$ -</u>	<u>\$ 175,418</u>	<u>\$ 3,487,109</u>	<u>\$ 175,000</u>
Total Business-type Activities-Component Units	<u>\$93,020,982</u>	<u>\$24,158,873</u>	<u>\$15,162,245</u>	<u>\$102,017,610</u>	<u>\$ 7,227,652</u>

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

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations, continued

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

Capital Leases

See Note 10 regarding capital leases.

General Obligation Leases

The Kentucky Bond Corporation (KBC) issued a general obligation lease agreement with the City on behalf of Solid Waste for \$1,835,000 in April 2011 for the purpose of funding the construction of a vertical expansion of the landfill and a leachate treatment station located at the landfill. This lease agreement had a variable interest rate and matured in January 2021.

The KBC issued a general obligation lease agreement with the City on behalf of Solid Waste for \$3,525,000 in July 2020 for the purpose of funding the construction of a vertical expansion of the landfill. This lease agreement has interest rates between 2.00% and 2.50% plus administrative fees, and matures in February 2040.

The KBC issued a general obligation lease agreement with the City on behalf of Solid Waste for \$335,000 in May 2021 for the purpose of additional funding for the construction of a vertical expansion of the landfill. This lease agreement has an interest rate of 2.00% plus administrative fees, and matures in February 2040.

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, 2021, 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, 2020 - \$3,525,000	2040	2.00-2.50%	\$ 3,409,583
Kentucky Bond Corporation, 2021 - \$335,000	2040	2.00%	335,000
Plus: Unamortized bond premium			13,335
	Total		<u>\$ 3,757,918</u>

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations, continued

General Obligation Leases, continued

<u>Business-type Activities-Solid Waste:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance</u>
Due to City of Hopkinsville, KBC	2040	2.00-2.50%	\$ 3,409,583
Due to City of Hopkinsville, KBC	2040	2.00%	335,000
Plus: Unamortized bond premium			<u>13,335</u>
Total			<u>\$ 3,757,918</u>

Annual debt service requirements to maturity for general obligation lease agreements are as follows as of June 30, 2021:

<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>
2022	\$ 150,000	\$ 89,774	\$ 150,000	\$ 89,774
2023	165,000	88,681	165,000	88,681
2024	170,000	84,969	170,000	84,969
2025	175,000	81,144	175,000	81,144
2026	175,000	77,206	175,000	77,206
2027-2031	950,000	324,719	950,000	324,719
2032-2036	1,070,000	210,031	1,070,000	210,031
2037-2040	<u>889,583</u>	<u>67,800</u>	<u>889,583</u>	<u>67,800</u>
Total	<u>\$ 3,744,583**</u>	<u>\$ 1,024,324**</u>	<u>\$ 3,744,583</u>	<u>\$ 1,024,324</u>

** 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 a Section 108 guaranteed installment note with the Bank of New York Mellon for the renovation of the City's eight parks.

The City also has a non-interest bearing note with Utility Associates, Inc. for BodyWorn camera hardware, software licenses, data storage/retrieval, warranty, support, initial installation, and training. However, since the note payable is for such a significant amount and was for multiple years, it was determined that there was likely some degree of interest figured into the financing; because the price of the equipment without financing could not be determined, the client determined an appropriate interest rate based on interest rates for debt issued on behalf of component units and determined the present value of the note payable.

HWEA has various Kentucky Infrastructure Authority (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).

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations, continued

Notes Payable, continued

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, 2021, was:

<u>Governmental Activities:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance</u>
Section 108 Guaranteed Loan - \$1,500,000	2031	2.50%	\$ 825,000
Utility Associates, Inc. - \$660,271	2025	2.12%	<u>660,271</u>
	Total		<u>\$ 1,485,271</u>
<u>Business-type Activities-HWEA:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance</u>
KIA Fund B Water Plant - \$5,000,000	2026	1.90%	\$ 1,041,910
KIA Fund A Phase IV - \$4,583,635	2026	1.00%	1,141,981
KIA Fund A Phase V - \$2,469,924	2027	1.00%	795,507
KIA Fund F Drinking Water - \$1,513,593	2028	1.00%	564,422
KIA Fund F Water - \$3,887,432	2028	3.00%	1,682,107
KIA Fund F Water - \$8,800,000	2032	1.00%	5,273,272
KIA Fund A Sewer - \$483,710	2033	2.00%	312,951
KIA Fund A Sewer - \$7,488,282	2034	2.00%	5,198,847
KIA Fund A Sewer - \$7,090,224	2036	2.00%	5,572,839
KIA Fund A Sewer - \$10,354,404	2036	2.00%	8,923,576
KIA Fund F Water - \$3,599,957	2040	1.75%	3,524,402
KIA Fund A – loan not closed yet			8,813,511
KIA Fund F – loan not closed yet			<u>2,172,657</u>
	Total		<u>\$45,017,982</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>405,468</u>
	Total		<u>\$ 405,468</u>

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations, continued

Notes Payable, continued

Annual debt service requirements to maturity for notes payable are as follows as of June 30, 2021:

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities Component Units	
	Principal	Interest	Principal	Interest
2022	\$ 234,910	\$ 38,253	\$ 2,806,479	\$ 614,882
2023	238,301	32,890	2,859,842	561,516
2024	241,762	27,324	2,859,985	507,395
2025	245,298	21,588	2,801,599	457,363
2026	75,000	15,739	2,720,387	408,499
2027-2031	375,000	43,538	10,889,855	1,403,604
2032-2036	75,000	1,298	8,243,599	505,521
2037-2041	-	-	12,241,704	44,163
Total	<u>\$ 1,485,271</u>	<u>\$ 180,630</u>	<u>\$ 45,423,450</u>	<u>\$ 4,502,943</u>

As of June 30, 2021, HWEA has pledged future revenues of the water and sewer system to repay \$45,017,982 in total KIA loans, but they are subordinated to the existing revenue bonds. Principal and interest on these loans are payable through 2040, solely from the water and sewer system net revenues. Annual principal and interest on these loans are expected to require approximately 16.40% of such net revenues (based on principal and interest payments for the year ending June 30, 2022, as a percentage of net system revenues for the year ended June 30, 2021, which totaled \$19,881,028). Principal and interest paid for the year ended June 30, 2021, was \$4,063,334. As of June 30, 2021, pledged future revenues totaled \$49,493,161, 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, 2021, HWEA has set aside \$2,132,854 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

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations, continued

Notes Payable, continued

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.

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.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations, continued

General Obligation Bonds, continued

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

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

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

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

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

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

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

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

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations, continued

General Obligation Bonds, continued

the year ended June 30, 2008.) The Series 2014C general obligation bonds were also issued to pay other allowable expenditures including issuance costs. This current refunding took place to achieve debt service savings. This obligation matures in 2029 with interest rates ranging from 1.10% to 3.25%. Interest is due in semi-annual installments.

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

The outstanding debt related to general obligation bonds at June 30, 2021, 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	2.00%-3.75%	\$ 2,140,000
US Bank National Association GO, 2011 Series B - \$7,220,000	2037	2.00%-3.75%	6,665,000
US Bank National Association GO, 2013 Series C - \$3,965,000	2038	2.00%-3.75%	3,295,000
US Bank National Association GO, 2014 Series A - \$2,545,000	2034	2.00%-3.25%	825,000
US Bank National Association GO, 2016 Series - \$2,970,000	2038	2.00%-3.00%	2,605,000
US Bank National Association GO, 2017 Series - \$7,335,000	2042	2.00%-3.25%	6,690,000
US Bank National Association GO, 2018 Series - \$3,500,000	2044	3.00%-3.625%	3,310,000
US Bank National Association GO, 2019 Series - \$995,000	2039	2.00%-3.50%	<u>915,000</u>
Bonds issued directly to the City			<u>\$ 26,445,000</u>

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations, continued

General Obligation Bonds, continued

<u>Governmental Activities:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance</u>
<u>Issued on behalf of component units:</u>			
US Bank National Association GO, 2013 Series B – \$3,520,000	2034	2.00%-4.50%	\$ 2,540,000
US Bank National Association GO, 2014 Series B - \$1,700,000	2038	1.50%-6.625%	1,505,000
US Bank National Association GO, 2014 Series C - \$1,620,000	2029	1.10%-3.25%	900,000
US Bank National Association GO, 2015 Series A - \$15,710,000	2026	4.00%	8,100,000
US Bank National Association GO, 2013 Series A - \$4,635,000	2038	2.00%	<u>3,480,000</u>
Bonds issued on behalf of component units			<u>16,525,000</u>
Total bonds issued in the City's name			\$ 42,970,000
Plus: Unamortized bond premium			858,945
Less: Unamortized bond discount			<u>(50,178)</u>
	Total		<u>\$ 43,778,767</u>
<u>Business-type Activities-HWEA:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance</u>
Due to City of Hopkinsville, US Bank	2034	2.00%-4.50%	\$ 2,540,000
Due to City of Hopkinsville, US Bank	2038	1.50%-6.625%	1,505,000
Due to City of Hopkinsville, US Bank	2029	1.10%-3.25%	900,000
Due to City of Hopkinsville, US Bank	2026	4.00%	<u>8,100,000</u>
			13,045,000
Plus: Unamortized bond premium			778,313
Less: Unamortized bond discount			<u>(4,564)</u>
	Total		<u>\$ 13,818,749</u>
<u>Business-type Activities-Stormwater:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance</u>
Due to City of Hopkinsville, US Bank	2038	2.00%	\$ 3,480,000
Plus: Unamortized bond premium			<u>7,109</u>
	Total		<u>\$ 3,487,109</u>

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations, continued

General Obligation Bonds, continued

Annual debt service requirements to maturity for general obligation bonds are as follows as of June 30, 2021:

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities Component Units	
	Principal	Interest	Principal	Interest
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	3,550,000	985,583	2,300,000	271,727
2027-2031	9,560,000	3,855,842	2,750,000	877,064
2032-2036	10,135,000	2,145,582	2,245,000	355,894
2037-2041	5,130,000	581,680	695,000	31,767
2042-2044	1,405,000	59,238	-	-
Total	<u>\$ 42,970,000**</u>	<u>\$12,729,648**</u>	<u>\$ 16,525,000</u>	<u>\$ 3,460,183</u>

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

Revenue Bonds

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

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

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

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

9. Long-Term Obligations, continued

Revenue Bonds, continued

Revenue bonds are direct obligations and pledge the income derived from the acquired assets and other sources to pay debt service. Revenue bonds outstanding are as follows at June 30, 2021:

<u>Business-type Activities-HWEA:</u>	<u>Matures</u>	<u>Rate</u>	<u>Balance</u>
Series 2010B - \$3,588,000	2030	3.20%-4.40%	<u>\$ 1,825,000</u>
Total			<u>\$ 1,825,000</u>

Annual debt service requirements projected to maturity for revenue bonds are as follows as of June 30, 2021:

<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>
2022	\$ -	\$ -	\$ 185,000	\$ 77,929
2023	-	-	192,500	70,159
2024	-	-	198,500	62,074
2025	-	-	205,000	53,737
2026	-	-	214,000	45,127
2027-2030	-	-	830,000	84,459
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,825,000</u>	<u>\$ 393,485</u>

As of June 30, 2021, HWEA has pledged future revenues to repay \$1,825,000 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 1.32% of such net revenues (based on principal and interest payments for the year ending June 30, 2022, as a percentage of net system revenues for the year ended June 30, 2021, which totaled \$19,881,028). Principal and interest paid for the year ended June 30, 2021, was \$362,539. As of June 30, 2021, pledged future revenues totaled \$2,218,485 which is the amount of the remaining principal and interest payments on these bonds.

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

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. Long-Term Obligations, continued

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, 2021, 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, 2021 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, 2021.

10. Capital Leases

In July 2015, the City leased a fire truck. The truck was 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 expired and was paid in full in July 2020.

In September 2017, the City leased a fire truck. The truck was leased at \$86,342 per year at an interest rate of 1.93%. Interest payments were paid semi-annually, and principal payments were made annually. The first annual payment was due in September 2018. This lease expired and was paid in full 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.

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

Equipment under capital leases	\$ 252,857
Less accumulated depreciation	<u>(168,571)</u>
Total	<u>\$ 84,286</u>

Amortization of leased equipment is included in depreciation expense.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

10. Capital Leases, continued

The City's future minimum lease obligations as of June 30, 2021, were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total Lease Payments</u>	<u>Less Imputed Interest</u>	<u>Present Value of Minimum Lease Payments</u>
2022	\$ 56,009	\$ 3,547	\$ 52,462
2023	<u>56,009</u>	<u>1,803</u>	<u>54,206</u>
Total	<u>\$ 112,018</u>	<u>\$ 5,350</u>	<u>\$ 106,668</u>

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

In July 2019, the City, on behalf of Solid Waste, leased five 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 December 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 partially paid down and the related property was sold in May 2020. The remaining balance was paid off in July 2020.

In September 2019, the City, on behalf of Solid Waste, leased five trucks. The vehicles were leased for interest only payments each month at an interest rate of 3.65%. A lump sum principal payment was due at the expiration date in April 2021. There was an option to purchase the vehicles at any point during the agreement for the purchase price plus accrued interest. The related property was sold and the balance was paid off in September 2020.

In November 2019, the City, on behalf of Solid Waste, leased five trucks. The vehicles were leased for interest only payments each month at an interest rate of 3.49%. A lump sum principal payment was due at the expiration date in May 2021. There was an option to purchase the vehicles at any point during the agreement for the purchase price plus accrued interest. The related property was sold and the balance was paid off in April 2021.

In April 2020, the City, on behalf of Solid Waste, leased four trucks. The vehicles were leased for interest only payments each month at an interest rate of 2.52%. A lump sum principal payment was due at the expiration date in October 2021. There was an option to purchase the vehicles at any point during the agreement for the purchase price plus accrued interest. The related property was sold and the balance was paid off in March 2021.

In July 2020, the City, on behalf of Solid Waste, leased five trucks. The vehicles were leased for interest only payments each month at an interest rate of 2.52%. A lump sum principal payment was due at the expiration date in January 2022. There was an option to purchase the vehicles at any point during the agreement for the purchase price plus accrued interest. The related property was sold and the balance was paid off in June 2021.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

10. Capital Leases, continued

In October 2020, 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 2.52%. A lump sum principal payment is due at the expiration date in March 2022. 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, 2021 was \$1,041,421.

In December 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 June 2022. 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, 2021 was \$620,000.

In April 2021, 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 September 2022. 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, 2021 was \$584,322.

In June 2021, 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 2.12%. A lump sum principal payment is due at the expiration date in January 2023. 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, 2021 was \$987,479.

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

Equipment under capital leases	\$3,233,222
Less accumulated depreciation	<u>(247,429)</u>
Total	<u><u>\$2,985,793</u></u>

Amortization of leased equipment is included in depreciation expense.

Solid Waste's future minimum lease obligations as of June 30, 2021, 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>
2022	\$1,736,231	\$ 74,810	\$1,661,421
2023	<u>1,589,998</u>	<u>18,197</u>	<u>1,571,801</u>
Total	<u><u>\$3,326,229</u></u>	<u><u>\$ 93,007</u></u>	<u><u>\$3,233,222</u></u>

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

11. Lease of Watershed Lakes – Related Parties

Stormwater leases from HWEA the watershed lakes known as Lake Tandy, Lake Morris, and Lake Boxley located in Christian County, Kentucky. 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 2008 and ending December 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 leases from the City the watershed lake known as Lake Blythe located in Christian County, Kentucky. 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 2009 and ending August 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.

12. 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 in July 1995. The City and, subsequently, Solid Waste have operated a separate landfill section as a construction demolition debris (CDD) landfill since June 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, 2021 was \$4,632,875. This represents the cumulative amount reported to date based on the use of the capacity of the landfill. As of June 30, 2021, the vertical expansion of Area 9 was complete and had started receiving waste. This resulted in the used capacity percentage to be reduced from prior year amounts. The landfill had total capacity used of approximately 45% at June 30, 2021. 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

12. Closure and Post-closure Care Costs, continued

As of June 30, 2021, the total amount of closure and post-closure costs are estimated to be \$10,295,277, leaving \$5,662,402 remaining to be recognized. The remaining life of the landfill is estimated to be 11.01 years.

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, 2021, \$325,815 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.

13. Interfund Receivables and Payables

There were no interfund receivables or payables among the governmental funds at June 30, 2021.

14. Commitments

At June 30, 2021, the City had the following material construction projects underway:

<u>Project</u>	<u>Approx. Cost-to-Date</u>	<u>Estimated Cost to Complete</u>
Old First City Bank Renovation	\$ 50,000	\$ 280,000
Sidewalks (remaining WINS projects)	-	287,000
Total	<u>\$ 50,000</u>	<u>\$ 567,000</u>

At June 30, 2021, HWEA had the following material construction projects underway:

<u>Project</u>	<u>Approx. Cost-to-Date</u>	<u>Estimated Cost to Complete</u>
Southpark Water Tank Project	\$ 209,755	\$ 4,985,314
Locust Grove to I-24 – Phase 4	56,687	4,143,355
Oak Grove Hwy 115/911 Project	13,764	253,848
Hammond-Wood Phase 8 Expansion	<u>12,826,657</u>	<u>33,904,743</u>
Total	<u>\$ 13,106,863</u>	<u>\$ 43,287,260</u>

At June 30, 2021, Solid Waste did not have any construction projects underway.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

14. Commitments, continued

At June 30, 2021, 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	\$ 726,000	\$ 4,274,000
Country Club/Lafayette Project	<u>273,000</u>	<u>65,000</u>
Total	<u>\$ 999,000</u>	<u>\$ 4,339,000</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 June 30 are included within the appropriate fund balances in the governmental funds and are not reported separately on the financial statements. Encumbrances do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Encumbrances are not recorded in the financial statements for proprietary and fiduciary fund types.

The governmental funds had encumbrances at June 30, 2021 as follows:

General Fund	\$ 640,609
Grants Fund	-
ARPA Fund	-
Capital Fund	846,675
Nonmajor governmental funds	<u>177,396</u>
Total	<u>\$ 1,664,680</u>

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

15. Interfund Transfers

Transfers are used to (1) move revenues from the fund required by statute or budget to collect them to the fund required by statute or budget to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers for the year ended June 30, 2021, consisted of the following:

<u>Transfer to:</u>	<u>Transfer From:</u>			<u>Total</u>
	<u>General Fund</u>	<u>Tie Breaker Fund</u>	<u>Nonmajor Gov't Funds</u>	
General Fund	\$ -	\$ 2,508,772	\$ -	\$ 2,508,772
Internal Service Fund	150,000	-	-	150,000
Grants Fund	1,085	-	-	1,085
Capital Fund	2,347,451	-	-	2,347,451
Nonmajor Gov't Fund	<u>206,012</u>	<u>-</u>	<u>80,202</u>	<u>286,214</u>
Total	<u>\$ 2,704,548</u>	<u>\$ 2,508,772</u>	<u>\$ 80,202</u>	<u>\$ 5,293,522</u>

16. Community Development Loan Funds

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

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

17. Fund Balance Classification

The composition of the fund balance classifications at June 30, 2021 are as follows:

Fund balances:	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Grants Fund	ARPA Fund	Capital Fund		
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted:						
Streets and sidewalks	-	-	-	-	71,451	71,451
Police incentives	-	-	-	-	26,487	26,487
Fire incentives	-	-	-	-	24,967	24,967
Urban development block grant	-	-	-	-	820,781	820,781
Cemetery trusts	-	-	-	-	869,768	869,768
Local fiscal recovery	-	-	3,379,499	-	-	3,379,499
Capital projects	-	16,343	-	245,564	158,760	420,667
	-	16,343	3,379,499	245,564	1,972,214	5,613,620
Committed:						
Inner city development	187,606	-	-	-	-	187,606
Capital projects	128,007	-	-	-	-	128,007
Law enforcement	-	-	-	-	473,000	473,000
Economic development	320,969	-	-	-	-	320,969
Capital equipment replacement reserve	1,487,113	-	-	-	-	1,487,113
	2,123,695	-	-	-	473,000	2,596,695
Assigned:						
Major equipment	114,282	-	-	483,737	-	598,019
Police services	125,545	-	-	-	-	125,545
Fire services	49,829	-	-	-	-	49,829
Public works services	20,000	-	-	-	41,298	61,298
Parks and recreation	44,170	-	-	-	-	44,170
Community services	11,122	-	-	-	-	11,122
Streets and sidewalks	-	-	-	-	135,700	135,700
Incentives and rebates	47,692	-	-	-	-	47,692
Capital projects	-	-	-	359,077	-	359,077
	412,640	-	-	842,814	176,998	1,432,452
Unassigned	13,411,912	-	-	-	-	13,411,912
Total fund balances	<u>\$ 15,948,247</u>	<u>\$ 16,343</u>	<u>\$ 3,379,499</u>	<u>\$ 1,088,378</u>	<u>\$ 2,622,212</u>	<u>\$ 23,054,679</u>

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

18. Risk Management

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

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

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

The Health Insurance Fund was established to account for the City's employee health care coverage program that is self-insured by the City. Revenues are recognized from payroll deductions for employee and dependent coverage and from City contributions for employee coverage. At June 30, 2021, the claims liability was \$343,063 (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>Claim Payments</u>	<u>Balance at End of Fiscal Year</u>
2019-2020	\$ 74,074	\$2,644,295	\$2,413,906	\$ 304,463
2020-2021	\$ 304,463	\$2,604,661	\$2,566,061	\$ 343,063

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, 2021, the claims liability was \$120,108. 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>Claim Payments</u>	<u>Balance at End of Fiscal Year</u>
2019-2020	\$ 90,528	\$ 253,492	\$ 288,793	\$ 55,227
2020-2021	\$ 55,227	\$ 685,401	\$ 620,520	\$ 120,108

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

19. Related Party Transactions

The following are related party transactions between the City and its three discretely presented component units, which are not disclosed elsewhere in the notes to the statements:

The City assesses a percentage of HWEA and Solid Waste revenues as payments in lieu of taxes (PILOT). These entities had the following transactions related to these services for the year ended June 30, 2021:

	<u>HWEA</u>	<u>Solid Waste</u>
City PILOT revenue/entity expense	\$ 261,079	\$ 382,932
City receivable/entity payable for PILOT	70,572	32,118

HWEA provides billing and cash collection services for Solid Waste and Stormwater, as well as leachate purification services for Solid Waste. These entities had the following transactions related to these services for the year ended June 30, 2021:

	<u>Solid Waste</u>	<u>Stormwater</u>
HWEA revenue collected as payable to entity/entity receivable	\$ 271,911	\$ 101,896
HWEA billing and collection services revenue/entity expense	91,296	85,281
HWEA leachate purification services revenue/entity expense	55,707	-
HWEA services receivable/entity payable	21,966	7,164

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, 2021, Stormwater's total expense (the City's total revenue) for these services was \$11,050.

Stormwater has contracted services with Community and Development Services for administration services and code enforcement for \$16,667 per month. Stormwater's total expense for these services was \$200,000 for the year ended June 30, 2021.

For the year ended June 30, 2021, the City paid approximately \$1,304,396 and \$2,592,823 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.

Related party lease agreements for the watershed lakes are described in Note 11.

Also see related party long-term obligations arrangements in Notes 9, 10, and 12.

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS

20. Claims and Judgments

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

Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not predictable with assurance. No accruals have been established for the matters discussed in the foregoing paragraph because the amount of possible loss or range of loss cannot be reasonably estimated. Furthermore, management believes that any financial responsibility that may be incurred in settlement of such claims and lawsuits would not be material to the City's financial position.

21. Contingencies

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

The City has been notified it is has been awarded 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 fiscal year ending June 30, 2022. However, the City refinanced bond series 2011A and 2011B in December 2021. There is also 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. The City and its component units also followed all Executive Orders from the Governor of the State of Kentucky. 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 \$1,278,000 for the fiscal year when compared to pre-pandemic payroll taxes. Business licenses decreased \$43,000 compared to pre-pandemic business licenses; however, the current fiscal year includes an estimated \$500,000 in business license revenue that ordinarily would be included in the previous fiscal year due to the postponement of the due date for business licenses from April 15, 2020 to July 15, 2020. Solid Waste's revenue was negatively impacted as well due to many factories in the community having significantly slower operations. 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**

22. Special Item

Solid Waste completed construction of a vertical expansion of the landfill during the year ended June 30, 2021. This expansion resulted in a significant increase to the remaining life of the landfill which caused a significant reduction in the accrued landfill closure/post-closure costs liability. The resulting gain of \$3,431,185 is considered a special item on Solid Waste's statement of revenues, expenses, and changes in net position.

23. Subsequent Events

Subsequent to the year ended June 30, 2021, the City will receive the second half of its ARPA funding, approximately \$3.4 million for the ARPA Fund. The City also completed refinancing of bond series 2011A and 2011B in December 2021.

Subsequent to the year ended June 30, 2021, HWEA had a natural gas rate increase of \$0.10 per CCF effective July 2021 and a sewer rate increase of 9.50% for Hopkinsville and Pembroke effective January 2022. HWEA's Board has authorized management to refinance the balance of the Kentucky Rural Water Finance 2010 Bond in order to obtain a lower interest rate on the outstanding debt; however, HWEA still has to receive final approval from the City in order to carry out the refinancing.

Subsequent to the year ended June 30, 2021, the City, on behalf of Solid Waste, entered into two capital lease agreements for trucks; these leases totaled \$1,967,142.

Management has evaluated subsequent events through December 30, 2021, the date on which the financial statements were available to be issued.

24. Implementation of GASB Pronouncements

A. Accounting Pronouncements Adopted during the Fiscal Year ended June 30, 2021

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, 2021, the City adopted the following GASB pronouncements:

- Statement No. 93: *Replacement of Interbank Offered Rates*
- Statement No. 95: *Postponement of the Effective Dates of Certain Authoritative Guidance*

GASB Statement No. 93 was considered for application of use and determined not to have an impact on financial reporting at this time. GASB Statement No. 95 delayed the effective dates of certain GASB Statements noted below.

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

24. Implementation of GASB Pronouncements, continued

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)
- Statement No. 92: *Omnibus 2020* (FY 2022)
- Statement No. 94: *Public-Private and Public-Public and Availability Payment Arrangements* (FY 2023)
- Statement No. 96: *Subscription-Based Information Technology Arrangements* (FY 2023)
- Statement No. 97: *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*

25. 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 the Comprehensive Annual Financial Report after the Statistical Section beginning on page 181.

CITY OF HOPKINSVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS)

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Nonhazardous:</u>							
City's proportion of the net pension liability	0.167561%	0.161441%	0.154914%	0.157111%	0.147963%	0.146015%	0.143192%
City's proportionate share of the net pension liability	\$ 12,851,790	\$ 11,354,217	\$ 9,434,735	\$ 9,196,190	\$ 7,285,140	\$ 6,277,960	\$ 4,646,000
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
City's proportionate share of the net pension liability as a percentage of its covered payroll	274.13%	255.26%	232.13%	228.63%	198.80%	184.05%	141.55%
Total pension plan's fiduciary net position	\$ 7,027,327,000	\$ 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	\$ 14,697,244,000	\$ 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	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%
<u>Hazardous:</u>							
City's proportion of the net pension liability	1.515386%	1.538672%	1.601529%	1.689418%	1.628784%	1.648732%	1.659682%
City's proportionate share of the net pension liability	\$ 45,689,318	\$ 42,502,665	\$ 38,732,289	\$ 37,796,986	\$ 27,948,983	\$ 25,309,788	\$ 19,946,000
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
City's proportionate share of the net pension liability as a percentage of its covered payroll	496.96%	459.07%	420.59%	398.30%	323.19%	300.19%	237.43%
Total pension plan's fiduciary net position	\$ 2,379,704,000	\$ 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	\$ 5,394,732,000	\$ 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	44.11%	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 2021 measurement date is June 30, 2020, and the 2020 measurement date is June 30, 2019.

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
HWEA:							
<u>Nonhazardous:</u>							
HWEA's proportion of the net pension liability	0.146161%	0.130848%	0.130222%	0.136035%	0.129211%	0.118190%	0.114295%
HWEA's proportionate share of the net pension liability	\$ 11,210,428	\$ 9,202,598	\$ 7,930,917	\$ 7,962,547	\$ 6,361,838	\$ 5,081,523	\$ 3,708,000
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 proportionate share of the net pension liability as a percentage of its covered payroll	298.11%	278.89%	243.56%	237.32%	203.18%	183.67%	141.45%
Total pension plan's fiduciary net position	\$ 7,027,327,000	\$ 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	\$ 14,697,244,000	\$ 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	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%
Solid Waste:							
<u>Nonhazardous:</u>							
Solid Waste's proportion of the net pension liability	0.097806%	0.097613%	0.094047%	0.088442%	0.076398%	0.073008%	0.070445%
Solid Waste's proportionate share of the net pension liability	\$ 7,501,639	\$ 6,865,166	\$ 5,727,749	\$ 5,176,782	\$ 3,761,528	\$ 3,138,976	\$ 2,286,000
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 proportionate share of the net pension liability as a percentage of its covered payroll	299.42%	276.32%	244.86%	239.50%	206.39%	185.89%	141.96%
Total pension plan's fiduciary net position	\$ 7,027,327,000	\$ 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	\$ 14,697,244,000	\$ 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	47.81%	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 2021 measurement date is June 30, 2020, and the 2020 measurement date is June 30, 2019.

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Nonhazardous:</u>								
Statutorily required contributions	\$ 955,976	\$ 837,958	\$ 665,352	\$ 554,999	\$ 714,562	\$ 602,161	\$ 602,723	\$ 620,548
Contributions in relation to the statutorily required contributions	<u>(955,976)</u>	<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>	<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%	100.00%
City's covered payroll	\$ 5,480,591	\$ 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	17.44%	17.87%	14.96%	13.66%	17.76%	16.43%	17.67%	18.91%
<u>Hazardous:</u>								
Statutorily required contributions	\$ 2,667,615	\$ 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>(2,667,615)</u>	<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>	<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%	100.00%
City's covered payroll	\$ 8,890,106	\$ 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	30.01%	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
HWEA:								
<u>Nonhazardous:</u>								
HWEA's statutorily required contributions	\$ 852,565	\$ 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>(852,565)</u>	<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>	<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%	100.00%
HWEA's covered payroll	\$ 4,417,434	\$ 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%	19.30%	16.22%	14.27%	13.83%	12.60%	13.21%	14.17%
Solid Waste:								
<u>Nonhazardous:</u>								
Solid Waste's statutorily required contributions	\$ 500,078	\$ 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>(500,078)</u>	<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>	<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%	100.00%
Solid Waste's covered payroll	\$ 2,591,079	\$ 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%	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability							
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest cost	85,764	98,437	103,866	120,673	168,334	212,523	267,915
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	(124,822)	(71,380)	(82,327)	26,565	(734,902)	(748,273)	(71,532)
Changes of assumptions	206,793	137,014	(344,703)	154,101	(100,401)	(235,376)	1,026,854
Benefit payments	(225,228)	(252,195)	(267,955)	(266,054)	(315,549)	(354,942)	(399,589)
Other	-	-	-	-	-	-	-
Net change in total pension liability	(57,493)	(88,124)	(591,119)	35,285	(982,518)	(1,126,068)	823,648
Total pension liability-beginning	2,752,799	2,840,923	3,432,042	3,396,757	4,379,275	5,505,343	4,681,695
Total pension liability-ending	<u>\$ 2,695,306</u>	<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>
Plan Fiduciary Net Position							
Contributions-employer	\$ 235,000	\$ 285,000	\$ 285,000	\$ 325,000	\$ 375,000	\$ 399,744	\$ 400,000
Contributions-employee	-	-	-	-	-	-	-
Net investment income	54,679	47,206	12,238	10,324	11,640	13,081	31,039
Benefit payments	(225,228)	(252,195)	(267,955)	(266,054)	(315,549)	(354,942)	(399,589)
Administration expenses	(24,119)	(16,778)	(8,444)	(21,933)	(7,162)	(13,440)	(6,405)
Other	-	-	-	-	-	-	-
Net change in plan fiduciary net position	40,332	63,233	20,839	47,337	63,929	44,443	25,045
Plan fiduciary net position-beginning	1,254,326	1,191,093	1,170,254	1,122,917	1,058,988	1,014,545	989,500
Plan fiduciary net position-ending	<u>\$ 1,294,658</u>	<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>
Net Pension Liability	<u>\$ 1,400,648</u>	<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	48.03%	45.57%	41.93%	34.10%	33.06%	24.18%	18.43%
Covered payroll	-	-	-	-	-	-	-
City's net pension liability as a percentage of covered payroll	N/A	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarily determined contribution	\$ 324,428	\$ 360,414	\$ 488,532	\$ 497,550	\$ 731,484	\$ 989,356	\$ 851,707
Contributions in relation to the actuarily determined contribution	<u>235,000</u>	<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>\$ 89,428</u>	<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 payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	N/A	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>2021</u>	<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	2.73%	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Nonhazardous:</u>				
City's proportion of the net OPEB liability	0.167513%	0.161399%	0.154908%	0.157111%
City's proportionate share of the net OPEB liability	\$ 4,044,930	\$ 2,714,658	\$ 2,750,361	\$ 3,158,469
City's covered payroll	\$ 4,688,250	\$ 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	86.28%	61.03%	67.67%	78.52%
Total plan fiduciary net position	\$ 2,581,613,000	\$ 2,569,511,000	\$ 2,414,126,000	\$ 2,212,535,662
Total OPEB liability	\$ 4,996,309,000	\$ 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	51.67%	60.44%	57.62%	52.39%
<u>Hazardous:</u>				
City's proportion of the net OPEB liability	1.514985%	1.538368%	1.601619%	1.689418%
City's proportionate share of the net OPEB liability	\$ 14,000,061	\$ 11,381,766	\$ 11,418,894	\$ 13,965,938
City's covered payroll	\$ 9,193,826	\$ 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	152.28%	122.94%	124.00%	147.17%
Total plan fiduciary net position	\$ 1,321,117,000	\$ 1,340,714,000	\$ 1,280,982,000	\$ 1,189,001,387
Total OPEB liability	\$ 2,245,222,000	\$ 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	58.84%	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 7 in the notes to the basic financial statements regarding detailed information on the City's OPEB plan. The County Employees Retirement Systems' measurement date is twelve months prior to the City's financial statements; the 2021 measurement date is June 30, 2020, and the 2020 measurement date is June 30, 2019.

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
HWEA:				
<u>Nonhazardous:</u>				
HWEA's proportion of the net OPEB liability	0.146119%	0.130814%	0.130217%	0.136035%
HWEA's proportionate share of the net OPEB liability	\$ 3,528,329	\$ 2,200,233	\$ 2,311,977	\$ 2,734,769
HWEA's covered payroll	\$ 3,760,467	\$ 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	93.83%	66.68%	71.00%	81.51%
Total plan fiduciary net position	\$ 2,581,613,000	\$ 2,569,511,000	\$ 2,414,126,000	\$ 2,212,535,662
Total OPEB liability	\$ 4,996,309,000	\$ 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	51.67%	60.44%	57.62%	52.39%
Solid Waste:				
<u>Nonhazardous:</u>				
Solid Waste's proportion of the net OPEB liability	0.097777%	0.097595%	0.094044%	0.088442%
Solid Waste's proportionate share of the net OPEB liability	\$ 2,361,017	\$ 1,641,504	\$ 1,669,733	\$ 1,777,987
Solid Waste's covered payroll	\$ 2,505,390	\$ 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	94.24%	66.07%	71.38%	82.26%
Total plan fiduciary net position	\$ 2,581,613,000	\$ 2,569,511,000	\$ 2,414,126,000	\$ 2,212,535,662
Total OPEB liability	\$ 4,996,309,000	\$ 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	51.67%	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 7 in the notes to financial statements regarding detailed information on HWEA's and Solid Waste's OPEB plans. The County Employees Retirement Systems' measurement date is twelve months prior to HWEA's and Solid Waste's financial statements; the 2021 measurement date is June 30, 2020, and the 2020 measurement date is June 30, 2019.

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Nonhazardous:</u>				
Statutorily required contributions	\$ 235,775	\$ 206,667	\$ 215,768	\$ 185,000
Contributions in relation to the statutorily required contributions	<u>(235,775)</u>	<u>(206,667)</u>	<u>(215,768)</u>	<u>(185,000)</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's contributions as a percentage of statutorily required contribution for OPEB	100.00%	100.00%	100.00%	100.00%
City's covered payroll	\$ 5,480,591	\$ 4,688,250	\$ 4,448,052	\$ 4,064,379
Contributions as a percentage of covered payroll	4.30%	4.41%	4.85%	4.55%
<u>Hazardous:</u>				
Statutorily required contributions	\$ 844,834	\$ 847,633	\$ 917,698	\$ 703,673
Contributions in relation to the statutorily required contributions	<u>(844,834)</u>	<u>(847,633)</u>	<u>(917,698)</u>	<u>(703,673)</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's contributions as a percentage of statutorily required contribution for OPEB	100.00%	100.00%	100.00%	100.00%
City's covered payroll	\$ 8,890,106	\$ 9,193,826	\$ 9,258,347	\$ 9,209,140
Contributions as a percentage of covered payroll	9.50%	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 7 in the notes to the basic financial statements regarding detailed information on the City's OPEB plan.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
HWEA:				
<u>Nonhazardous:</u>				
HWEA's statutorily required contributions	\$ 210,270	\$ 178,998	\$ 173,608	\$ 154,929
HWEA's contributions in relation to the statutorily required contributions	<u>(210,270)</u>	<u>(178,998)</u>	<u>(173,608)</u>	<u>(154,929)</u>
HWEA's annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
HWEA's contributions as a percentage of statutorily required contribution for OPEB	100.00%	100.00%	100.00%	100.00%
HWEA's covered payroll	\$ 4,417,434	\$ 3,760,467	\$ 3,299,769	\$ 3,256,186
HWEA's contributions as a percentage of covered payroll	4.76%	4.76%	5.26%	4.76%
Solid Waste:				
<u>Nonhazardous:</u>				
Solid Waste's statutorily required contributions	\$ 123,335	\$ 119,257	\$ 130,684	\$ 109,940
Solid Waste's contributions in relation to the statutorily required contributions	<u>(123,335)</u>	<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>	<u>\$ -</u>
Solid Waste's contributions as a percentage of statutorily required contribution for OPEB	100.00%	100.00%	100.00%	100.00%
Solid Waste's covered payroll	\$ 2,591,079	\$ 2,505,390	\$ 2,484,490	\$ 2,339,156
Solid Waste's contributions as a percentage of covered payroll	4.76%	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 7 in the notes to financial statements regarding detailed information on HWEA's and Solid Waste's OPEB plan.

City of Hopkinsville, Kentucky
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	(See Note A)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 6,525,000	\$ 6,525,000	\$ 6,745,688	\$ 220,688
Licenses and permits	23,858,819	24,158,819	25,372,722	1,213,903
Fines and forfeits	32,000	32,000	28,192	(3,808)
Intergovernmental	3,835,844	6,957,555	6,886,930	(70,625)
Interest	155,250	155,250	106,903	(48,347)
Other revenues	2,134,421	2,609,421	1,744,941	(864,480)
Total Revenues	36,541,334	40,438,045	40,885,376	447,331
EXPENDITURES				
Current:				
General government:				
Administrative	1,773,274	1,833,274	1,697,045	136,229
Tax department	491,891	491,891	418,901	72,990
Information technology	1,106,467	982,935	928,868	54,067
Legislative	366,910	376,910	364,531	12,379
Public safety:				
Police	8,436,998	8,393,135	7,563,397	829,738
Emergency communications	1,327,397	1,327,397	1,315,962	11,435
Fire	7,858,213	7,945,551	7,397,851	547,700
EMS	1,152,464	1,202,464	1,125,436	77,028
Other	235,000	235,000	235,000	-
Public works:				
Administrative	265,171	265,171	244,703	20,468
Street	1,687,028	2,043,180	1,935,782	107,398
Ft. Campbell	962,575	955,232	190,254	764,978
Service center	510,317	510,317	484,200	26,117
Other	410,000	410,000	379,032	30,968
Community development	4,840,822	4,934,594	4,608,770	325,824
Parks and recreation	1,449,204	1,400,946	1,245,715	155,231
Debt service:				
Principal	1,095,000	1,095,000	1,095,000	-
Interest and finance charges	863,785	863,785	863,032	753
Capital outlays	-	348,036	348,036	-
Total Expenditures	34,832,516	35,614,818	32,441,515	3,173,303
Excess of revenues over (under) expenditures	1,708,818	4,823,227	8,443,861	3,620,634
OTHER FINANCING SOURCES (USES)				
Transfers in	550,000	550,000	550,000	-
Transfers out	(2,510,035)	(4,429,084)	(4,908,548)	(479,464)
Total Other Financing Sources (Uses)	(1,960,035)	(3,879,084)	(4,358,548)	(479,464)
Net change in fund balance	(251,217)	944,143	4,085,313	3,141,170
Fund balance, beginning of year	11,576,084	11,576,084	11,576,084	-
Fund balance, end of year	\$ 11,324,867	\$ 12,520,227	\$ 15,661,397	\$ 3,141,170

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (RSI)
ON BUDGETARY ACCOUNTING AND CONTROL
For the Year Ended June 30, 2021

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, 2021 of the General Fund is presented below.

Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses (budgetary basis)	\$4,085,313
--	-------------

Adjustments:

To adjust revenues for tax and license accruals	(313,298)
To adjust expenditures for payable accruals	(72,683)
To adjust expenditures for salary accruals	<u>(87,420)</u>

Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses (GAAP basis)	<u><u>\$3,611,912</u></u>
---	---------------------------

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, 2021

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

	General Fund (Budgetary)	Budgetary to GAAP Adjustments *	Other	Total
REVENUES				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 40,885,376	\$ 40,885,376	\$ -	\$ 40,885,376
Adjustments:				
The City budgets for receivables on the cash basis, rather than on the modified accrual basis	-	(313,298)	-	(313,298)
Budgetary Special Revenue Funds are consolidated into the General Fund, required for GAAP reporting	-	-	148,801	148,801
Total revenues as reported on the budgetary comparison schedule	<u>40,885,376</u>	<u>+</u> <u>40,572,078</u>	<u>148,801</u>	<u>40,720,879</u> ^
EXPENDITURES				
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	(32,441,515)	(32,441,515)	-	(32,441,515)
Adjustments:				
The City budgets for payables on the cash basis, rather than on the modified accrual basis	-	(72,683)	-	(72,683)
The City budgets for payroll on the cash basis, rather than on the modified accrual basis	-	(87,420)	-	(87,420)
Budgetary Special Revenue Funds are consolidated into the General Fund, required for GAAP reporting	-	-	(11,628,366)	(11,628,366)
Total expenditures as reported on the budgetary comparison schedule	<u>(32,441,515)</u>	<u>+</u> <u>(32,601,618)</u>	<u>(11,628,366)</u>	<u>(44,229,984)</u> ^
OTHER FINANCING SOURCES (USES)				
Transfers in	550,000	550,000	1,958,772	2,508,772
Transfers out	(4,908,548)	(4,908,548)	2,204,000	(2,704,548)
Issuance of long-term debt	-	-	8,077,044	8,077,044
Total other financing sources (uses)	<u>(4,358,548)</u>	<u>+</u> <u>(4,358,548)</u>	<u>12,239,816</u>	<u>7,881,268</u> ^
Excess of revenues and other financing sources over/ (under) expenditures and other financing uses	<u>\$ 4,085,313</u>	<u>+</u> <u>\$ 3,611,912</u>	<u>** \$ 760,251</u>	<u>\$ 4,372,163</u> ^
Reclassifications:				
Budgetary Special Revenue Funds are consolidated into the General Fund, required for GAAP reporting	<u>\$ (4,162,772)</u>	<u>\$ -</u>	<u>\$ 4,162,772</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 NONMAJOR FUND
FINANCIAL STATEMENTS**

City of Hopkinsville, Kentucky
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
ASSETS				
Pooled cash and cash equivalents	\$ 861,952	\$ -	\$ -	\$ 861,952
Non-pooled cash and cash equivalents	326,746	200,058	92,114	618,918
Investments	257,643	-	404,967	662,610
Loans receivable	478,732	-	-	478,732
Other receivables	<u>40,548</u>	<u>-</u>	<u>-</u>	<u>40,548</u>
Total assets	<u>\$ 1,965,621</u>	<u>\$ 200,058</u>	<u>\$ 497,081</u>	<u>\$ 2,662,760</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ <u>40,548</u>	\$ -	\$ -	\$ <u>40,548</u>
Total liabilities	<u>40,548</u>	<u>-</u>	<u>-</u>	<u>40,548</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	1,316,373	158,760	497,081	1,972,214
Committed	473,000	-	-	473,000
Assigned	135,700	41,298	-	176,998
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,925,073</u>	<u>200,058</u>	<u>497,081</u>	<u>2,622,212</u>
Total liabilities and fund balances	<u>\$ 1,965,621</u>	<u>\$ 200,058</u>	<u>\$ 497,081</u>	<u>\$ 2,662,760</u>

City of Hopkinsville, Kentucky
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2021

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	\$ 1,331,044	\$ -	\$ -	\$ 1,331,044
Investment income (loss)	17,126	6,681	(21,902)	1,905
Other revenue	<u>91,643</u>	<u>48,172</u>	<u>12,128</u>	<u>151,943</u>
Total revenues	<u>1,439,813</u>	<u>54,853</u>	<u>(9,774) -</u>	<u>1,484,892</u>
EXPENDITURES				
Current:				
General government	12,731	-	-	12,731
Public safety	580,520	-	-	580,520
Public works	144,366	-	-	144,366
Community development	41,078	64,648	-	105,726
Parks and recreation	-	-	-	-
Debt Service:				
Principal	75,000	-	-	75,000
Interest	26,134	-	-	26,134
Expenditures	-	-	-	-
Capital outlay	<u>548,176</u>	<u>2,404,497</u>	<u>-</u>	<u>2,952,673</u>
Total expenditures	<u>1,428,005</u>	<u>2,469,145</u>	<u>-</u>	<u>3,897,150</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,808</u>	<u>(2,414,292)</u>	<u>(9,774) -</u>	<u>(2,412,258)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	192,657	93,557	-	286,214
Transfers out	(202)	(80,000)	-	(80,202)
Issuance of debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>192,455</u>	<u>13,557</u>	<u>- -</u>	<u>206,012</u>
Net change in fund balances	204,263	(2,400,735)	(9,774) -	(2,206,246)
Fund balances, beginning of year	<u>1,720,810</u>	<u>2,600,793</u>	<u>506,855</u>	<u>4,828,458</u>
Fund balances, end of year	<u>\$ 1,925,073</u>	<u>\$ 200,058</u>	<u>\$ 497,081 -</u>	<u>\$ 2,622,212</u>

City of Hopkinsville, Kentucky
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2021

	Municipal Road Aid	Community Development Block Grant	Police Incentive	Fire Incentive	Urban Development Action Grant	Drug Enforcement	Expendable Trust	Total Nonmajor Special Revenue Funds
ASSETS								
Pooled cash and cash equivalents	\$ 207,151	\$ -	\$ 26,487	\$ 24,967	\$ 342,049	\$ 261,298	\$ -	\$ 861,952
Non-pooled cash and cash equivalents	-	-	-	-	-	211,702	115,044	326,746
Investments	-	-	-	-	-	-	257,643	257,643
Loans receivable	-	-	-	-	478,732	-	-	478,732
Other receivables	-	40,548	-	-	-	-	-	40,548
Total assets	<u>\$ 207,151</u>	<u>\$ 40,548</u>	<u>\$ 26,487</u>	<u>\$ 24,967</u>	<u>\$ 820,781</u>	<u>\$ 473,000</u>	<u>\$ 372,687</u>	<u>\$ 1,965,621</u>
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	\$ -	\$ 40,548	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,548
Total liabilities	-	40,548	-	-	-	-	-	40,548
FUND BALANCES								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	71,451	-	26,487	24,967	820,781	-	372,687	1,316,373
Committed	-	-	-	-	-	473,000	-	473,000
Assigned	135,700	-	-	-	-	-	-	135,700
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	<u>207,151</u>	<u>-</u>	<u>26,487</u>	<u>24,967</u>	<u>820,781</u>	<u>473,000</u>	<u>372,687</u>	<u>1,925,073</u>
Total liabilities and fund balances	<u>\$ 207,151</u>	<u>\$ 40,548</u>	<u>\$ 26,487</u>	<u>\$ 24,967</u>	<u>\$ 820,781</u>	<u>\$ 473,000</u>	<u>\$ 372,687</u>	<u>\$ 1,965,621</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, 2021

	Municipal Road Aid	Community Development Block Grant	Police Incentive	Fire Incentive	Urban Development Action Grant	Drug Enforcement	Expendable Trust	Total Nonmajor Special Revenue Funds
REVENUES								
Intergovernmental	\$ 618,311	\$ 142,212	\$ 258,528	\$ 311,993	\$ -	\$ -	\$ -	\$ 1,331,044
Investment income (loss)	457	-	-	-	4,574	1,261	10,834	17,126
Other revenue	-	-	-	-	-	88,745	2,898	91,643
Total revenues	<u>618,768</u>	<u>142,212</u>	<u>258,528</u>	<u>311,993</u>	<u>4,574</u>	<u>90,006</u>	<u>13,732</u>	<u>1,439,813</u>
EXPENDITURES								
General government	-	-	-	-	-	-	12,731	12,731
Public safety	-	-	255,710	314,026	-	10,784	-	580,520
Public works	144,242	-	-	-	-	-	124	144,366
Community development	-	41,078	-	-	-	-	-	41,078
Parks and recreation	-	-	-	-	-	-	-	-
Debt Service:								
Principal	-	75,000	-	-	-	-	-	75,000
Interest	-	26,134	-	-	-	-	-	26,134
Expenditures	-	-	-	-	-	-	-	-
Capital outlay	<u>533,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,768</u>	<u>-</u>	<u>548,176</u>
Total expenditures	<u>677,650</u>	<u>142,212</u>	<u>255,710</u>	<u>314,026</u>	<u>-</u>	<u>25,552</u>	<u>12,855</u>	<u>1,428,005</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(58,882)</u>	<u>-</u>	<u>2,818</u>	<u>(2,033)</u>	<u>4,574</u>	<u>64,454</u>	<u>877</u>	<u>11,808</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	150,000	-	-	-	-	42,455	202	192,657
Transfer out	-	-	-	-	-	-	(202)	(202)
Issuance of debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,455</u>	<u>-</u>	<u>192,455</u>
Net change in fund balances	91,118	-	2,818	(2,033)	4,574	106,909	877	204,263
Fund balances, beginning 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>1,720,810</u>
Fund balances, end of year	<u>\$ 207,151</u>	<u>\$ -</u>	<u>\$ 26,487</u>	<u>\$ 24,967</u>	<u>\$ 820,781</u>	<u>\$ 473,000</u>	<u>\$ 372,687</u>	<u>\$ 1,925,073</u>

**City of Hopkinsville, Kentucky
Budgetary Comparison Schedule
Municipal Road Aid Special Revenue Fund
For the Year Ended June 30, 2021**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 582,500	\$ 608,500	\$ 618,311	\$ 9,811
Investment income	<u>500</u>	<u>500</u>	<u>457</u>	<u>(43)</u>
Total Revenues	<u>583,000</u>	<u>609,000</u>	<u>618,768</u>	<u>9,768</u>
EXPENDITURES				
Public works	633,000	225,592	144,242	81,350
Capital outlay	<u>-</u>	<u>533,408</u>	<u>533,408</u>	<u>-</u>
Total expenditures	<u>633,000</u>	<u>759,000</u>	<u>677,650</u>	<u>81,350</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(50,000)</u>	<u>(150,000)</u>	<u>(58,882)</u>	<u>91,118</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	150,000	150,000	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>50,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Net change in fund balance	-	-	91,118	91,118
Fund balance, beginning of year	<u>116,033</u>	<u>116,033</u>	<u>116,033</u>	<u>-</u>
Fund balance, end of year	<u>\$ 116,033</u>	<u>\$ 116,033</u>	<u>\$ 207,151</u>	<u>\$ 91,118</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses (budgetary basis)			\$ 91,118	
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>\$ 91,118</u>	

City of Hopkinsville, Kentucky
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2021

	WINS Construction Fund	Probation and Parole Remodel Fund	Total Nonmajor Capital Projects Funds
ASSETS			
Pooled cash and cash equivalents	\$ -	\$ -	\$ -
Non-pooled cash and cash equivalents	<u>155,916</u>	<u>44,142</u>	<u>200,058</u>
Total assets	<u>\$ 155,916</u>	<u>\$ 44,142</u>	<u>\$ 200,058</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	114,618	44,142	158,760
Committed	-	-	-
Assigned	41,298	-	41,298
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>155,916</u>	<u>44,142</u>	<u>200,058</u>
Total liabilities and fund balances	<u>\$ 155,916</u>	<u>\$ 44,142</u>	<u>\$ 200,058</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, 2021

	WINS Construction Fund	Probation and Parole Remodel Fund	Total Nonmajor Capital Projects Funds
REVENUES			
Investment income (loss)	\$ 6,061	\$ 620	\$ 6,681
Other revenue	<u>48,172</u>	<u>-</u>	<u>48,172</u>
Total revenues	<u>54,233</u>	<u>620</u>	<u>54,853</u>
EXPENDITURES			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Community development	15,503	49,145	64,648
Parks and recreation	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Expenditures	-	-	-
Capital outlay	<u>2,399,997</u>	<u>4,500</u>	<u>2,404,497</u>
Total expenditures	<u>2,415,500</u>	<u>53,645</u>	<u>2,469,145</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,361,267)</u>	<u>(53,025)</u>	<u>(2,414,292)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	93,557	-	93,557
Transfers out	-	(80,000)	(80,000)
Issuance of debt	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>93,557</u>	<u>(80,000)</u>	<u>13,557</u>
Net change in fund balances	(2,267,710)	(133,025)	(2,400,735)
Fund balances, beginning of year	<u>2,423,626</u>	<u>177,167</u>	<u>2,600,793</u>
Fund balances, end of year	<u><u>\$ 155,916</u></u>	<u><u>\$ 44,142</u></u>	<u><u>\$ 200,058</u></u>

**CITY OF HOPKINSVILLE, KENTUCKY
CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL FUNDS**

CITY OF HOPKINSVILLE, KENTUCKY
CAPITAL ASSETS
SCHEDULE BY SOURCE
June 30, 2021

CAPITAL ASSETS:

Land and improvements	\$ 18,460,796
Infrastructure	23,263,585
Buildings and improvements	33,106,847
Equipment and vehicles	19,373,915
Construction in progress	<u>50,037</u>
	<u><u>\$ 94,255,180</u></u>

**CITY OF HOPKINSVILLE, KENTUCKY
CAPITAL ASSETS
SCHEDULE BY FUNCTION AND ACTIVITY
June 30, 2021**

<u>Function and Activity</u>	<u>Total</u>	<u>Land and Improvements</u>	<u>Infrastructure</u>	<u>Buildings and Improvements</u>	<u>Equipment and Vehicles</u>	<u>Construction in Progress</u>
Administrative	\$ 13,465,717	\$ 154,232	\$ -	\$ 10,577,220	\$ 2,734,265	\$ -
Police Department	8,413,786	2,515	-	3,172,020	5,239,251	-
Fire Department	7,890,856	24,142	-	1,994,123	5,872,591	-
Emergency Operations	440,790	-	-	220,171	220,619	-
Street Department	28,627,761	1,519,844	21,443,893	2,296,661	3,367,363	-
Parks and Recreation Department	21,364,964	9,715,749	133,431	10,089,959	1,425,825	-
Unallocated	<u>14,051,306</u>	<u>7,044,314</u>	<u>1,686,261</u>	<u>4,756,693</u>	<u>514,001</u>	<u>50,037</u>
Totals	<u>\$ 94,255,180</u>	<u>\$ 18,460,796</u>	<u>\$ 23,263,585</u>	<u>\$ 33,106,847</u>	<u>\$ 19,373,915</u>	<u>\$ 50,037</u>

**CITY OF HOPKINSVILLE, KENTUCKY
CAPITAL ASSETS
SCHEDULE OF CHANGES
BY FUNCTION AND ACTIVITY
For The Year Ended June 30, 2021**

<u>Function and Activity</u>	<u>Balance June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
Administrative	\$ 13,132,180	\$ 398,972	\$ 65,435	\$ 13,465,717
Police Department	7,191,052	1,222,734	-	8,413,786
Fire Department	7,967,225	280,898	357,267	7,890,856
Emergency Operations	440,790	-	-	440,790
Street Department	27,671,944	955,817	-	28,627,761
Parks and Recreation Department	17,465,751	4,938,492	1,039,279	21,364,964
Unallocated	<u>10,198,577</u>	<u>5,227,498</u>	<u>1,374,769</u>	<u>14,051,306</u>
Totals	<u>\$ 84,067,519</u>	<u>\$ 13,024,411</u>	<u>\$ 2,836,750</u>	<u>\$ 94,255,180</u>

CITY OF HOPKINSVILLE, KENTUCKY
STATISTICAL SECTION

CITY OF HOPKINSVILLE, KENTUCKY

STATISTICAL SECTION DIVIDER PAGE

Statistical Section

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

Contents

Financial Trends (Tables 1 through 4)

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

Revenue Capacity (Tables 5 through 9)

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

Debt Capacity (Tables 10 through 14)

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

Demographic and Economic Information (Tables 15 through 16)

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

Operating Information (Tables 17 through 19)

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

Except where noted, the information in these tables is derived from the City of Hopkinsville's comprehensive annual financial reports for the relevant year.

TABLE 1
CITY OF HOPKINSVILLE, KENTUCKY
NET POSITION BY COMPONENT
Last Ten Fiscal Years

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Governmental activities										
Net investment in capital assets	\$ 24,715,796 ³	\$ 22,187,735	\$ 25,698,569	\$ 25,938,251	\$ 24,728,017	\$ 21,965,466	\$ 22,421,528	\$ 22,565,797	\$ 17,171,414	\$ 14,638,231
Restricted-capital projects	200,058	2,847,788	5,311,606	6,039,533	550,254	884,100	1,971,197	4,660,523	5,924,629	8,500,587
Restricted-expendable trust	372,687	371,810	340,428	335,430	344,906	366,545	480,994	467,972	518,522	505,234
Restricted-nonexpendable trust	497,081	506,855	483,978	441,438	438,925	441,451	422,415	407,694	397,650	387,117
Unrestricted (deficit)	<u>(48,749,929)</u>	<u>(53,655,063)</u>	<u>(49,618,442)</u>	<u>(45,036,944)</u>	<u>(31,592,132) ²</u>	<u>(19,846,007)</u>	<u>(22,290,377) ¹</u>	<u>(410,722)</u>	<u>3,886,334</u>	<u>300,251</u>
Total governmental activities net position	<u>\$ (22,964,307)</u>	<u>\$ (27,740,875)</u>	<u>\$ (17,783,861)</u>	<u>\$ (12,282,292)</u>	<u>\$ (5,530,030)</u>	<u>\$ 3,811,555</u>	<u>\$ 3,005,757</u>	<u>\$ 27,691,264</u>	<u>\$ 27,898,549</u>	<u>\$ 24,331,420</u>
Business-type activities										
Net investment in capital assets	\$ - ³	\$ 2,541,449	\$ 2,646,972	\$ 2,752,495	\$ 2,842,302	\$ 2,968,033	\$ 3,086,285	\$ 3,215,646	\$ 3,332,760	\$ 3,884,469
Unrestricted	<u>- ³</u>	<u>150,237</u>	<u>127,308</u>	<u>150,917</u>	<u>179,337</u>	<u>153,054</u>	<u>66,312</u>	<u>14,563</u>	<u>91,959</u>	<u>(4,010)</u>
Total business-type activities net position	<u>\$ - ³</u>	<u>\$ 2,691,686</u>	<u>\$ 2,774,280</u>	<u>\$ 2,903,412</u>	<u>\$ 3,021,639</u>	<u>\$ 3,121,087</u>	<u>\$ 3,152,597</u>	<u>\$ 3,230,209</u>	<u>\$ 3,424,719</u>	<u>\$ 3,880,459</u>
Primary government										
Net investment in capital assets	\$ 24,715,796	\$ 24,729,184	\$ 28,345,541	\$ 28,690,746	\$ 27,570,319	\$ 24,933,499	\$ 25,507,813	\$ 25,781,443	\$ 20,504,174	\$ 18,522,700
Restricted-capital projects	200,058	2,847,788	5,311,606	6,039,533	550,254	884,100	1,971,197	4,660,523	5,924,629	8,500,587
Restricted-expendable trust	372,687	371,810	340,428	335,430	344,906	366,545	480,994	467,972	518,522	505,234
Restricted-nonexpendable trust	497,081	506,855	483,978	441,438	438,925	441,451	422,415	407,694	397,650	387,117
Unrestricted (deficit)	<u>(48,749,929)</u>	<u>(53,504,826)</u>	<u>(49,491,134)</u>	<u>(44,886,027)</u>	<u>(31,412,795) ²</u>	<u>(19,692,953)</u>	<u>(22,224,065) ¹</u>	<u>(396,159)</u>	<u>3,978,293</u>	<u>296,241</u>
Total primary government net position	<u>\$ (22,964,307)</u>	<u>\$ (25,049,189)</u>	<u>\$ (15,009,581)</u>	<u>\$ (9,378,880)</u>	<u>\$ (2,508,391)</u>	<u>\$ 6,932,642</u>	<u>\$ 6,158,354</u>	<u>\$ 30,921,473</u>	<u>\$ 31,323,268</u>	<u>\$ 28,211,879</u>
Component Units:										
Water Environment Authority										
Net investment in capital assets	\$ 53,080,188	\$ 48,482,240	\$ 45,808,073	\$ 44,870,386	\$ 40,904,570	\$ 40,853,211	\$ 41,798,006	\$ 39,949,129	\$ 39,084,190	\$ 38,069,047
Restricted-capital projects	-	-	-	-	-	-	68,306	-	-	-
Restricted-equipment maintenance/replacement	2,132,854	2,116,918	2,081,443	2,031,784	2,000,308	2,221,152	1,386,982	1,376,718		
Unrestricted (deficit)	<u>(3,298,648)</u>	<u>1,085,408</u>	<u>(1,382,828)</u>	<u>(1,826,379)</u>	<u>2,142,739 ²</u>	<u>2,623,389</u>	<u>2,031,426 ¹</u>	<u>6,293,000</u>	<u>7,696,499</u>	<u>8,286,022</u>
Total component unit Water Environment Authority	<u>\$ 51,914,394</u>	<u>\$ 51,684,566</u>	<u>\$ 46,506,688</u>	<u>\$ 45,075,791</u>	<u>\$ 45,047,617</u>	<u>\$ 45,697,752</u>	<u>\$ 45,284,720</u>	<u>\$ 47,618,847</u>	<u>\$ 46,780,689</u>	<u>\$ 46,355,069</u>

¹ GASB Statement 68 was implemented.

² GASB Statement 75 was implemented.

³ Tie Breaker Family Aquatic Center was transferred to the general fund as a separate department of Parks and Recreation as of June 30, 2021.

TABLE 1, continued
CITY OF HOPKINSVILLE, KENTUCKY
NET POSITION BY COMPONENT
Last Ten Fiscal Years

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Solid Waste Enterprise										
Net investment in capital assets	\$ 5,552,300	\$ 5,870,773	\$ 6,192,067	\$ 5,871,144	\$ 3,712,827	\$ 3,454,021	\$ 3,507,155	\$ 2,541,392	\$ 1,586,245	\$ 1,071,989
Unrestricted (deficit)	<u>(11,807,063)</u>	<u>(13,142,209)</u>	<u>(12,197,633)</u>	<u>(7,988,388)</u>	<u>(4,066,603) 2</u>	<u>(2,479,260)</u>	<u>(2,552,292) 1</u>	<u>(1,544,976)</u>	<u>(1,346,095)</u>	<u>(5,879,057)</u>
Total component unit Solid Waste Enterprise	<u>\$ (6,254,763)</u>	<u>\$ (7,271,436)</u>	<u>\$ (6,005,566)</u>	<u>\$ (2,117,244)</u>	<u>\$ (353,776)</u>	<u>\$ 974,761</u>	<u>\$ 954,863</u>	<u>\$ 996,416</u>	<u>\$ 240,150</u>	<u>\$ (4,807,068)</u>
Surface and Stormwater Utility										
Net investment in capital assets	\$ 5,029,233	\$ 4,921,319	\$ 4,455,595	\$ 4,275,944	\$ 3,126,397	\$ 3,038,390	\$ 1,469,399	\$ 745,930	\$ 623,079	\$ 1,327,820
Unrestricted	<u>2,477,771</u>	<u>2,362,838</u>	<u>2,185,382</u>	<u>2,183,076</u>	<u>2,326,130</u>	<u>2,159,808</u>	<u>2,351,219</u>	<u>2,802,642</u>	<u>2,542,599</u>	<u>2,311,887</u>
Total component unit Surface and Stormwater Utility	<u>\$ 7,507,004</u>	<u>\$ 7,284,157</u>	<u>\$ 6,640,977</u>	<u>\$ 6,459,020</u>	<u>\$ 5,452,527</u>	<u>\$ 5,198,198</u>	<u>\$ 3,820,618</u>	<u>\$ 3,548,572</u>	<u>\$ 3,165,678</u>	<u>\$ 3,639,707</u>
Total component units net position	<u>\$ 53,166,635</u>	<u>\$ 51,697,287</u>	<u>\$ 47,142,099</u>	<u>\$ 49,417,567</u>	<u>\$ 50,146,368</u>	<u>\$ 51,870,711</u>	<u>\$ 50,060,201</u>	<u>\$ 52,163,835</u>	<u>\$ 50,186,517</u>	<u>\$ 45,187,708</u>

1 GASB Statement 68 was implemented.

2 GASB Statement 75 was implemented.

TABLE 2
CITY OF HOPKINSVILLE, KENTUCKY
CHANGES IN NET POSITION
Last Ten Fiscal Years

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Expenses										
Governmental activities:										
General government	\$ 4,847,678	\$ 4,459,753	\$ 4,678,189	\$ 4,791,738	\$ 4,909,965	\$ 4,226,208	\$ 4,230,165	\$ 3,872,583	\$ 3,344,160	\$ 3,062,764
Public safety	25,384,512	24,835,700	23,771,587	24,011,020	16,799,919	18,382,779	16,212,725	18,055,200	16,265,313	15,583,252
Public works	5,200,270	4,904,383	4,766,064	4,766,838	4,940,746	4,123,497	3,579,965	4,239,474	3,212,172	2,254,799
Community development	6,756,749	6,387,764	7,465,036	9,370,638	7,263,035	5,362,614	8,241,340	4,696,599	4,923,968	5,223,222
Parks and recreation	2,117,894	2,236,321	1,675,315	1,650,727	1,617,747	1,076,162	931,703	609,433	537,067	446,441
Interest on long-term debt	929,831	920,695	1,099,438	711,202	659,294	605,492	299,837	335,925	130,026	327,913
Total governmental activities expenses	<u>45,236,934</u>	<u>43,744,616</u>	<u>43,455,629</u>	<u>45,302,163</u>	<u>36,190,706</u>	<u>33,776,752</u>	<u>33,495,735</u>	<u>31,809,214</u>	<u>28,412,706</u>	<u>26,898,391</u>
Business-type activities:										
Tie Breaker Family Aquatic	243,985	334,106	508,088	513,382	483,885	476,184	476,077	550,112	516,688	547,162
Grounds maintenance	-	-	-	-	-	-	-	-	-	888,636
Total business-type activities expenses	<u>243,985</u>	<u>334,106</u>	<u>508,088</u>	<u>513,382</u>	<u>483,885</u>	<u>476,184</u>	<u>476,077</u>	<u>550,112</u>	<u>516,688</u>	<u>1,435,798</u>
Total - primary government expenses	<u>\$ 45,480,919</u>	<u>\$ 44,078,722</u>	<u>\$ 43,963,717</u>	<u>\$ 45,815,545</u>	<u>\$ 36,674,591</u>	<u>\$ 34,252,936</u>	<u>\$ 33,971,812</u>	<u>\$ 32,359,326</u>	<u>\$ 28,929,394</u>	<u>\$ 28,334,189</u>
Component Units expenses:										
Water Environment Authority	\$ 20,011,558	\$ 17,832,468	\$ 16,940,807	\$ 17,135,626	\$ 14,360,224	\$ 14,860,185	\$ 13,599,107	\$ 13,071,562	\$ 12,364,171	\$ 11,596,490
Solid Waste Enterprise	10,159,614	9,546,109	12,365,909	9,773,164	7,541,320	7,216,692	5,920,174	5,943,613	5,753,760	5,064,838
Surface and Stormwater Utility	1,099,774	1,002,157	1,095,575	1,535,895	2,179,380	1,118,367	1,352,932	1,586,286	3,735,153	1,119,745
Total component units expenses	<u>\$ 31,270,946</u>	<u>\$ 28,380,734</u>	<u>\$ 30,402,291</u>	<u>\$ 28,444,685</u>	<u>\$ 24,080,924</u>	<u>\$ 23,195,244</u>	<u>\$ 20,872,213</u>	<u>\$ 20,601,461</u>	<u>\$ 21,853,084</u>	<u>\$ 17,781,073</u>
Program Revenues										
Governmental activities:										
Charges for services and sales:										
General government	\$ 2,399,119	\$ 1,402,817	\$ 1,972,143	\$ 1,896,667	\$ 1,906,409	\$ 1,857,573	\$ 1,823,804	\$ 1,837,549	\$ 1,792,491	\$ 1,741,921
Public safety	28,192	136,436	94,383	101,206	73,980	72,151	67,323	44,341	63,797	39,908
Public works	41,267	-	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-	10,532	10,852
Parks and recreation	190,710	199,140	184,350	149,975	180,050	164,975	195,131	191,070	185,070	-
Operating grants and contributions	13,808,836	6,059,248	5,559,973	7,526,059	5,252,879	4,679,910	4,912,587	5,268,211	5,603,305	4,563,052
Capital grants and contributions	1,006,624	1,076,504	288,468	254,942	556,982	1,943,657	3,401,212	942,871	1,321,456	1,046,027
Total governmental activities program revenues	<u>17,474,748</u>	<u>8,874,145</u>	<u>8,099,317</u>	<u>9,928,849</u>	<u>7,970,300</u>	<u>8,718,266</u>	<u>10,400,057</u>	<u>8,284,042</u>	<u>8,976,651</u>	<u>7,401,760</u>
Business-type activities:										
Charges for services and sales:										
Tie Breaker Family Aquatic	60,833	150,843	277,428	293,852	283,385	319,205	273,318	230,421	252,615	346,430
Grounds maintenance	-	-	-	-	-	-	-	-	-	161,220
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>60,833</u>	<u>150,843</u>	<u>277,428</u>	<u>293,852</u>	<u>283,385</u>	<u>319,205</u>	<u>273,318</u>	<u>230,421</u>	<u>252,615</u>	<u>507,650</u>
Total primary government program revenues	<u>\$ 17,535,581</u>	<u>\$ 9,024,988</u>	<u>\$ 8,376,745</u>	<u>\$ 10,222,701</u>	<u>\$ 8,253,685</u>	<u>\$ 9,037,471</u>	<u>\$ 10,673,375</u>	<u>\$ 8,514,463</u>	<u>\$ 9,229,266</u>	<u>\$ 7,909,410</u>
Component Units program revenues:										
Water Environment Authority	\$ 19,865,899	\$ 18,454,416	\$ 17,633,766	\$ 16,587,552	\$ 15,544,196	\$ 15,287,968	\$ 14,748,322	\$ 14,023,147	\$ 12,992,133	\$ 13,010,555
Solid Waste Enterprise	7,720,797	8,225,821	8,302,113	7,829,720	7,329,458	6,943,978	6,600,719	6,506,122	6,159,490	5,052,541
Surface and Stormwater Utility	1,304,085	1,607,038	1,238,029	2,522,369	2,419,046	2,481,175	1,604,449	2,031,637	3,580,618	1,401,634
Total component units program revenues	<u>\$ 28,890,781</u>	<u>\$ 28,287,275</u>	<u>\$ 27,173,908</u>	<u>\$ 26,939,641</u>	<u>\$ 25,292,700</u>	<u>\$ 24,713,121</u>	<u>\$ 22,953,490</u>	<u>\$ 22,560,906</u>	<u>\$ 22,732,241</u>	<u>\$ 19,464,730</u>
Net (Expense)/Revenue										
Governmental activities	\$ (27,762,186)	\$ (34,870,471)	\$ (35,356,312)	\$ (35,373,314)	\$ (28,220,406)	\$ (25,058,486)	\$ (23,095,678)	\$ (23,525,172)	\$ (19,436,055)	\$ (19,496,631)
Business-type activities	(183,152)	(183,263)	(230,660)	(219,530)	(200,500)	(156,979)	(202,759)	(319,691)	(264,073)	(928,148)
Total primary government net (expense)/revenue	<u>\$ (27,945,338)</u>	<u>\$ (35,053,734)</u>	<u>\$ (35,586,972)</u>	<u>\$ (35,592,844)</u>	<u>\$ (28,420,906)</u>	<u>\$ (25,215,465)</u>	<u>\$ (23,298,437)</u>	<u>\$ (23,844,863)</u>	<u>\$ (19,700,128)</u>	<u>\$ (20,424,779)</u>
Component unit net (expense)/revenue	<u>\$ (2,380,165)</u>	<u>\$ (93,459)</u>	<u>\$ (3,228,383)</u>	<u>\$ (1,505,044)</u>	<u>\$ 1,211,776</u>	<u>\$ 1,517,877</u>	<u>\$ 2,081,277</u>	<u>\$ 1,959,445</u>	<u>\$ 879,157</u>	<u>\$ 1,683,657</u>

TABLE 2, continued
CITY OF HOPKINSVILLE, KENTUCKY
CHANGES IN NET POSITION
Last Ten Fiscal Years

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 5,821,593	\$ 5,620,347	\$ 5,509,894	\$ 5,239,771	\$ 5,243,966	\$ 4,964,443	\$ 5,127,669	\$ 4,898,273	\$ 5,039,471	\$ 4,801,291
Occupational taxes	16,783,918	16,269,144	17,097,971	16,835,340	16,530,486	15,874,685	15,552,181	14,277,464	13,337,584	12,848,161
Insurance premium tax	5,244,166	4,970,019	4,856,576	4,516,839	4,173,559	3,959,355	3,811,137	3,690,880	3,789,988	3,391,798
Franchise tax	401,958	389,602	413,181	312,946	287,047	301,089	267,793	335,450	293,561	309,740
Transient room tax	711,719	676,721	832,011	803,343	513,155	328,263	365,674	373,457	326,374	331,319
Payment in lieu of taxes	939,380	678,602	696,082	705,336	486,763	400,483 *	-	-	-	-
Investment income	72,080	355,099	506,712	258,074	113,685	129,645	13,948	37,183	6,016	59,002
Gain on sale of capital assets	600	-	-	23,541	1,865	26,773	-	-	-	-
Miscellaneous	54,568	53,923	42,315	25,862	1,941	4,548	35,083	44,330	18,037	32,420
Special item	-	(4,000,000)	-	-	-	-	-	-	-	-
Transfers	2,508,772	(100,000)	(100,000)	(100,000)	(100,000)	(125,000)	(125,000)	(125,000)	192,153	(830,806)
Total governmental activities	<u>32,538,754</u>	<u>24,913,457</u>	<u>29,854,742</u>	<u>28,621,052</u>	<u>27,252,467</u>	<u>25,864,284</u>	<u>25,048,485</u>	<u>23,532,037</u>	<u>23,003,184</u>	<u>20,942,925</u>
Business-type activities:										
Investment income	238	669	1,528	1,303	1,052	469	147	181	486	426
Transfers	(2,508,772)	100,000	100,000	100,000	100,000	125,000	125,000	125,000	(192,153)	830,806
Total business-type activities	<u>(2,508,534)</u>	<u>100,669</u>	<u>101,528</u>	<u>101,303</u>	<u>101,052</u>	<u>125,469</u>	<u>125,147</u>	<u>125,181</u>	<u>(191,667)</u>	<u>831,232</u>
Total primary government	<u>\$ 30,030,220</u>	<u>\$ 25,014,126</u>	<u>\$ 29,956,270</u>	<u>\$ 28,722,355</u>	<u>\$ 27,353,519</u>	<u>\$ 25,989,753</u>	<u>\$ 25,173,632</u>	<u>\$ 23,657,218</u>	<u>\$ 22,811,517</u>	<u>\$ 21,774,157</u>
Component Units:										
Water Environment Authority	\$ 375,487	\$ 4,555,930 **	\$ 737,938	\$ 576,248	\$ 302,029	\$ (14,751)	\$ 217,343	\$ 318,372	\$ (202,342)	\$ 259,284
Solid Waste Enterprise	3,455,490	54,418	175,474	179,976	302,860	292,612	1,558,616	243,384	4,641,488	2,721,989
Surface and Stormwater Utility	18,536	38,299	39,503	20,019	14,663	14,772	20,529	18,469	(319,494)	299,222
Total component units	<u>\$ 3,849,513</u>	<u>\$ 4,648,647</u>	<u>\$ 952,915</u>	<u>\$ 776,243</u>	<u>\$ 619,552</u>	<u>\$ 292,633</u>	<u>\$ 1,796,488</u>	<u>\$ 580,225</u>	<u>\$ 4,119,652</u>	<u>\$ 3,280,495</u>
Change in Net Position										
Governmental activities	\$ 4,776,568	\$ (9,957,014)	\$ (5,501,570)	\$ (6,752,262)	\$ (967,939)	\$ 805,798	\$ 1,952,807	\$ 6,865	\$ 3,567,129	\$ 1,446,294
Business-type activities	(2,691,686)	(82,594)	(129,132)	(118,227)	(99,448)	(31,510)	(77,612)	(194,510)	(455,740)	(96,916)
Total primary government	<u>\$ 2,084,882</u>	<u>\$ (10,039,608)</u>	<u>\$ (5,630,702)</u>	<u>\$ (6,870,489)</u>	<u>\$ (1,067,387)</u>	<u>\$ 774,288</u>	<u>\$ 1,875,195</u>	<u>\$ (187,645)</u>	<u>\$ 3,111,389</u>	<u>\$ 1,349,378</u>
Component Units:										
Water Environment Authority	\$ 229,828	\$ 5,177,878	\$ 1,430,897	\$ 28,174	\$ 1,486,001	\$ 413,032	\$ 1,366,558	\$ 1,269,957	\$ 425,620	\$ 1,673,349
Solid Waste Enterprise	1,016,673	(1,265,870)	(3,888,322)	(1,763,468)	90,998	19,898	2,239,161	805,893	5,047,218	2,709,692
Surface and Storm Water Utility	222,847	643,180	181,957	1,006,493	254,329	1,377,580	272,046	463,820	(474,029)	581,111
Total component units	<u>\$ 1,469,348</u>	<u>\$ 4,555,188</u>	<u>\$ (2,275,468)</u>	<u>\$ (728,801)</u>	<u>\$ 1,831,328</u>	<u>\$ 1,810,510</u>	<u>\$ 3,877,765</u>	<u>\$ 2,539,670</u>	<u>\$ 4,998,809</u>	<u>\$ 4,964,152</u>

* Payment in lieu of taxes started being separately presented in FYE 6/30/2016

** Includes special item of \$4,000,000

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

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	2,123,695	1,153,477	1,309,992	1,979,695	2,208,931	651,927	1,050,253	1,209,235	1,048,660	813,823
Assigned	<u>412,640</u>	<u>326,146</u>	<u>369,664</u>	<u>326,927</u>	<u>149,616</u>	<u>278,312</u>	<u>359,231</u>	<u>423,562</u>	<u>312,383</u>	-
Total reserved	2,536,335	1,479,623	1,679,656	2,306,622	2,358,547	930,239	1,409,484	1,632,797	1,361,043	813,823
Unassigned	<u>13,411,912</u>	<u>10,096,461</u>	<u>9,850,416</u>	<u>9,789,492</u>	<u>10,232,629</u>	<u>9,614,977</u>	<u>8,650,221</u>	<u>8,565,427</u>	<u>7,843,842</u>	<u>8,704,944</u>
Total general fund	<u>\$ 15,948,247</u>	<u>\$ 11,576,084</u>	<u>\$ 11,530,072</u>	<u>\$ 12,096,114</u>	<u>\$ 12,591,176</u>	<u>\$ 10,545,216</u>	<u>\$ 10,059,705</u>	<u>\$ 10,198,224</u>	<u>\$ 9,204,885</u>	<u>\$ 9,518,767</u>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	5,613,620	4,935,845	7,628,814	7,473,010	3,816,553	3,535,045	4,814,001	7,207,723	9,311,275	11,760,668
Committed	473,000	366,091	324,524	366,840	291,224	319,636	254,192	212,987	73,152	134,713
Assigned	<u>1,019,812</u>	<u>205,000</u>	<u>499,002</u>	<u>1,072,864</u>	<u>440,232</u>	<u>250,023</u>	<u>163,795</u>	<u>7,535</u>	<u>570,507</u>	-
Total reserved	7,106,432	5,506,936	8,452,340	8,912,714	4,548,009	4,104,704	5,231,988	7,428,245	9,954,934	11,895,381
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 7,106,432</u>	<u>\$ 5,506,936</u>	<u>\$ 8,452,340</u>	<u>\$ 8,912,714</u>	<u>\$ 4,548,009</u>	<u>\$ 4,104,704</u>	<u>\$ 5,231,988</u>	<u>\$ 7,428,245</u>	<u>\$ 9,954,934</u>	<u>\$ 11,895,381</u>
Total governmental funds	<u>\$ 23,054,679</u>	<u>\$ 17,083,020</u>	<u>\$ 19,982,412</u>	<u>\$ 21,008,828</u>	<u>\$ 17,139,185</u>	<u>\$ 14,649,920</u>	<u>\$ 15,291,693</u>	<u>\$ 17,626,469</u>	<u>\$ 19,159,819</u>	<u>\$ 21,414,148</u>

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

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenues										
Taxes	\$ 6,768,593	\$ 6,297,433	\$ 6,156,452	\$ 5,978,431	\$ 5,793,917	\$ 5,297,982	\$ 5,125,358	\$ 4,897,896	\$ 5,036,197	\$ 4,800,961
Licenses and permits	24,984,254	23,988,148	24,613,834	24,330,619	23,526,346	22,517,428	21,623,538	20,660,296	19,218,475	18,864,318
Fines and forfeitures	69,459	136,436	94,383	101,206	73,980	72,151	67,323	44,341	63,797	39,908
Intergovernmental	13,070,064	5,638,012	4,599,599	6,684,780	4,989,324	5,843,303	6,409,485	4,091,915	4,790,269	3,619,405
Investment income	109,584	344,543	492,417	255,290	112,084	129,128	54,819	57,041	31,514	84,470
Donations	15,050	10,550	19,775	152,597	50	60,615	100	117,044	104,866	20,000
Other revenue	2,049,703	1,800,944	1,536,724	1,166,920	1,022,733	932,956	2,105,713	2,321,869	2,227,970	1,993,501
Total revenues	47,066,707 -	38,216,066 -	37,513,184 -	38,669,843 -	35,518,434 -	34,853,563 -	35,386,336 -	32,190,402 -	31,473,088 -	29,422,563
Expenditures										
General government	3,650,357	3,700,944	3,889,202	4,001,040	3,669,999	3,559,464	3,811,587	3,518,796	3,133,003	2,789,628
Public safety	18,332,134	18,040,089	17,498,112	17,255,577	17,023,023	16,201,895	15,829,331	16,125,473	16,838,578	15,151,433
Public works	11,493,800	6,742,188	6,216,346	5,651,205	5,304,541	3,873,595	24,435,317	3,327,742	2,875,471	1,987,616
Community development	6,579,094	5,992,809	6,942,367	8,819,735	6,864,752	5,070,898	11,108,521	5,317,898	4,974,272	4,712,764
Parks and recreation	1,288,399	1,467,416	1,414,070	1,219,118	1,057,044	793,133	786,928	479,484	429,545	396,844
Capital outlay	8,534,505	5,486,358	7,399,667	5,901,314	2,299,029	5,962,362	4,292,286	7,525,009	4,070,831	1,629,232
Debt service										
Principal	1,414,705	1,743,936	1,616,607	1,286,113	1,378,341	863,278	864,932	775,382	982,283	738,892
Interest	898,141	932,752	875,794	712,913	608,145	584,245	603,936	424,025	497,979	147,005
Expenditures	-	-	145,282	186,721	89,864	-	78,885	108,047	-	244,833
Total expenditures	52,191,135	44,106,492	45,997,447	45,033,736	38,294,738	36,908,870	61,811,723	37,601,856	33,801,962	27,798,247
Excess (deficiency) of revenues over (under) expenditures	(5,124,428) -	(5,890,426) -	(8,484,263) -	(6,363,893) -	(2,776,304) -	(2,055,307) -	(26,425,387) -	(5,411,454) -	(2,328,874) -	1,624,316

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

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Other Financing Sources (Uses)										
Transfers from other funds	\$ 5,143,522	\$ 1,516,158	\$ 2,587,585	\$ 1,651,449	\$ 1,987,370	\$ 2,027,254	\$ 2,044,464	\$ 1,980,557	\$ 2,753,764	\$ 2,104,236
Transfers to other funds	(2,784,750)	(1,866,158)	(2,687,585)	(1,751,449)	(2,087,370)	(2,152,254)	(2,169,464)	(2,105,557)	(2,679,219)	(2,935,042)
Issuance of long-term debt	8,737,315	3,341,034	7,550,869	10,360,191	5,345,705	1,538,534	24,214,126	3,965,000	-	14,295,706
Premium (discount) on bond issue	-	-	6,978	(26,655)	19,864	-	1,485	38,104	-	63,741
Payment on refunding debt	-	-	-	-	-	-	-	-	-	(4,932,825)
Total other financing sources (uses)	<u>11,096,087</u>	<u>2,991,034</u>	<u>7,457,847</u>	<u>10,233,536</u>	<u>5,265,569</u>	<u>1,413,534</u>	<u>24,090,611</u>	<u>3,878,104</u>	<u>74,545</u>	<u>8,595,816</u>
Net change in fund balances	<u>\$ 5,971,659</u> :-	<u>\$ (2,899,392)</u> :-	<u>\$ (1,026,416)</u> :-	<u>\$ 3,869,643</u> :-	<u>\$ 2,489,265</u> :-	<u>\$ (641,773)</u> :-	<u>\$ (2,334,776)</u> :-	<u>\$ (1,533,350)</u> :-	<u>\$ (2,254,329)</u> :-	<u>\$ 10,220,132</u>
Debt service as a percentage of noncapital expenditures	5.3%	6.9%	6.5%	5.1%	5.5%	4.7%	2.6%	3.4%	4.7%	3.4%

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

Fiscal Year	Total	Property Taxes	Payment in Lieu of Taxes	Bank Deposits Taxes	Occupational Taxes	Business Licenses	Franchise Taxes	Insurance Premium Taxes	Transient Room Taxes	Inter-Governmental Revenue	Investment Income	Other Revenues
2012	\$ 26,864,285	\$ 4,458,565	\$ 205,019	\$ 137,377	\$ 12,848,162	\$ 1,610,254	\$ 312,982	\$ 3,436,501	\$ 331,319	\$ 1,258,505	\$ 35,504	\$ 2,230,097
2013	28,089,595	4,659,590	239,794	136,813	13,337,584	1,646,381	286,775	3,482,158	326,374	2,792,056	22,579	1,159,491
2014	29,437,088	4,546,571	178,308	173,014	14,277,464	1,743,879	311,976	3,863,579	373,457	3,012,655	21,525	934,660
2015	30,584,221	4,727,085	220,396	177,877	15,552,181	1,680,456	311,446	3,578,468	365,674	2,941,132	36,294	993,212
2016	31,546,372	4,717,368	400,483 *	180,131	15,874,685	1,917,390	285,405	4,183,836	328,263	2,781,603	83,540	793,668
2017	33,650,549	5,122,676	486,763	184,478	16,530,486	1,972,455	318,802	4,265,428	513,155	3,171,351	112,053	972,902
2018	34,849,973	5,080,396	705,337	192,698	16,835,339	1,981,250	312,838	4,499,055	803,343	3,186,337	188,256	1,065,124
2019	35,679,684	5,254,574	696,082	205,796	17,097,972	2,029,528	412,750	4,335,956	832,011	3,083,514	285,610	1,445,891
2020	35,679,870	5,412,686	678,602	206,145	16,269,144	1,478,961	389,459	5,310,299	676,721	3,383,280	198,788	1,675,785
2021	40,720,879	5,588,381	939,380	240,832	16,783,918	2,407,779	401,912	4,748,385	711,719	6,939,196	107,679	1,851,698

* Payment in lieu of taxes from a component unit were previously presented as intergovernmental revenue; began being presented separately in FYE 6/30/16 to be consistent with presentation on government-wide financials.

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

FISCAL YEAR	REAL ESTATE	PERSONAL PROPERTY	TOTAL TAXABLE ASSESSED VALUE	TOTAL DIRECT TAX RATE REAL ESTATE	TOTAL DIRECT TAX RATE PERSONAL PROPERTY
2011-2012	\$ 1,435,668,709	\$ 244,471,880	\$ 1,680,140,589	0.2360	0.2510
2012-2013	1,457,808,659	284,383,874	1,742,192,533	0.2360	0.2510
2013-2014	1,467,789,989	300,933,140	1,768,723,129	0.2360	0.2510
2014-2015	1,560,885,434	307,993,461	1,868,878,895	0.2310	0.2510
2015-2016	1,555,594,301	311,683,396	1,867,277,697	0.2310	0.2510
2016-2017	1,619,239,989	329,099,360	1,948,339,349	0.2310	0.2510
2017-2018	1,684,227,259	330,330,403	2,014,557,662	0.2310	0.2510
2018-2019	1,747,005,543	303,976,230	2,050,981,773	0.2310	0.2510
2019-2020	1,766,931,090	353,452,886	2,120,383,976	0.2390	0.2510
2020-2021	1,779,862,890	336,992,692	2,116,855,582	0.2390	0.2510

Source: Christian County Property Valuation Office

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

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

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

REAL PROPERTY:

	DIRECT	OVERLAPPING RATES			
FISCAL YEAR	CITY	COUNTY	SCHOOL	HEALTH	EXTENSION
2011-2012	0.2360	0.1810	0.3790	0.0180	0.0240
2012-2013	0.2360	0.1830	0.3870	0.0230	0.0240
2013-2014	0.2360	0.1870	0.3980	0.0260	0.0240
2014-2015	0.2310	0.1870	0.3960	0.0320	0.0240
2015-2016	0.2310	0.1870	0.3980	0.0320	0.0240
2016-2017	0.2310	0.1870	0.4080	0.0320	0.0240
2017-2018	0.2310	0.1870	0.4160	0.0320	0.0240
2018-2019	0.2310	0.2000	0.4280	0.0320	0.0240
2019-2020	0.2390	0.1870	0.4280	0.0320	0.0240
2020-2021	0.2390	0.1870	0.4280	0.0320	0.0240

PERSONAL PROPERTY:

	DIRECT	OVERLAPPING RATES			
FISCAL YEAR	CITY	COUNTY	SCHOOL	HEALTH	EXTENSION
2011-2012	0.2510	0.2600	0.3790	0.0180	0.0351
2012-2013	0.2510	0.2300	0.3870	0.0230	0.0332
2013-2014	0.2510	0.2200	0.3980	0.0260	0.0332
2014-2015	0.2510	0.2100	0.3980	0.0320	0.0332
2015-2016	0.2510	0.2000	0.3900	0.0320	0.0332
2016-2017	0.2510	0.2000	0.4080	0.0320	0.0332
2017-2018	0.2510	0.2000	0.4160	0.0320	0.0332
2018-2019	0.2510	0.2000	0.4280	0.0320	0.0332
2019-2020	0.2510	0.1870	0.4280	0.0320	0.0332
2020-2021	0.2510	0.1870	0.4280	0.0320	0.0332

*Rates are per \$100 of assessed valuation.

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

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

TAXPAYER	2021			2012		
	TAXABLE ASSESSED VALUE*	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE*	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE
Wal-mart Stores East Inc	\$ 58,982,055	1	2.79%	\$ -		0.00%
US Smokeless Tobacco Co LLC	44,927,826	2	2.12%	-		0.00%
T Rad North America	35,323,916	3	1.67%	-		0.00%
SARA Hopkinsville LLC	25,000,000	4	1.18%	-		0.00%
Grupo Antolin Kentucky Inc	24,646,382	5	1.16%	-		0.00%
Continental Mills Inc	19,768,680	6	0.93%	19,225,917	4	1.14%
Martinrea International Inc	18,698,306	7	0.88%	11,971,583	9	0.71%
TG Automotive Sealing Kentucky	18,047,499	8	0.85%	18,509,887	5	1.10%
Lexington Hopkinsville Corp	17,708,867	9	0.84%	13,500,000	8	0.80%
Superior Graphite Co	15,614,642	10	0.74%	-		0.00%
Wal-Mart Stores East LP	-		0.00%	49,865,553	1	2.97%
Amfine Chemical Corp	-		0.00%	28,727,191	2	1.71%
United States Tobacco Manufacturing	-		0.00%	19,704,718	3	1.17%
Roeder Implement	-		0.00%	16,200,901	6	0.96%
Lowes Home Centers Inc	-		0.00%	14,075,267	7	0.84%
Siemer Milling	-		0.00%	11,833,198	10	0.70%
Total	<u>\$ 278,718,173</u>		<u>13.17%</u>	<u>\$ 203,614,215</u>		<u>12.12%</u>
Total Taxable Assessed Value	<u>\$ 2,116,855,582</u>			<u>\$ 1,680,140,589</u>		

Source: * Christian County Property Valuation Office

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

FISCAL YEAR	TAXES LEVIED FOR THE FISCAL YEAR	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
					AMOUNT	PERCENTAGE OF LEVY
2011-2012	\$	3,951,969	\$ 3,843,219	97.2482%	\$ 52,261	\$ 3,895,480 98.5706%
2012-2013		4,079,291	3,972,817	97.3899%	20,430	3,993,247 97.8907%
2013-2014		4,163,365	4,047,781	97.2238%	39,799	4,087,580 98.1797%
2014-2015		4,322,787	4,207,711	97.3379%	38,892	4,246,603 98.2376%
2015-2016		4,316,795	4,186,881	96.9905%	32,402	4,219,283 97.7411%
2016-2017		4,505,960	4,380,024	97.2051%	31,919	4,411,943 97.9135%
2017-2018		4,643,775	4,505,272	97.0174%	69,120	4,574,392 98.5059%
2018-2019		4,748,757	4,595,347	96.7695%	32,368	4,627,715 97.4511%
2019-2020		4,998,742	4,815,948	96.3432%	87,151	4,903,099 98.0867%
2020-2021		5,064,626	4,876,013	96.2759%	N/A	4,876,013 96.2759%

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

FISCAL YEAR	GOVERNMENTAL ACTIVITIES*					TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME**	PER CAPITA**
	GENERAL OBLIGATION BONDS	NOTES PAYABLE	REVENUE BOND	GENERAL OBLIGATION LEASE	CAPITAL LEASES			
2011-2012	\$ 18,670,523	\$ 2,140,448	\$ 1,659,167	\$ -	\$ -	\$ 22,470,138	2.44%	\$ 709.91
2012-2013	17,881,516	1,804,200	1,487,083	-	731,749	21,904,548	2.07%	664.46
2013-2014	24,763,034	1,695,763	-	1,735,106	1,293,457	29,487,360	2.72%	905.02
2014-2015	47,127,991	1,508,987	-	1,462,918	1,263,000	51,362,896	4.74%	1,573.91
2015-2016	44,870,872	1,318,768	-	1,210,833	1,446,925	48,847,398	4.10%	1,516.76
2016-2017	44,951,647	1,125,000	-	953,751	2,792,611	49,823,009	4.23%	1,566.22
2017-2018	49,277,214	1,050,000	-	689,583	2,582,625	53,599,422	4.82%	1,740.86
2018-2019	50,468,124	975,000	-	418,538	2,875,908	54,737,570	4.67%	1,764.25
2019-2020	46,990,942	900,000	-	130,558	3,197,070	51,218,570	4.26%	1,681.72
2020-2021	43,778,767	1,485,271	-	3,757,918	3,339,890	52,361,846	4.00%	1,714.20

Notes:

* Details regarding the City's outstanding debt can be found in Note 9 in the current financial statements.

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

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

FISCAL YEAR	GENERAL OBLIGATION BONDS*	POPULATION**	TOTAL TAXABLE ASSESSED VALUE***	PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY	PER CAPITA
2011-2012	\$ 18,670,523	31,652	\$ 1,680,140,589	1.11%	\$ 589.87
2012-2013	17,881,516	32,966	1,742,192,533	1.03%	542.42
2013-2014	24,763,034	32,582	1,768,723,129	1.40%	760.02
2014-2015	47,127,991	32,634	1,868,878,895	2.52%	1,444.14
2015-2016	44,870,872	32,205	1,867,277,697	2.40%	1,393.29
2016-2017	44,951,647	31,811	1,948,339,349	2.31%	1,413.09
2017-2018	49,277,214	30,789	2,014,557,662	2.45%	1,600.48
2018-2019	50,468,124	31,026	2,050,981,773	2.46%	1,626.64
2019-2020	46,990,942	30,456	2,120,383,976	2.22%	1,542.91
2020-2021	43,778,767	30,546	2,116,855,582	2.07%	1,433.21

Notes:

* Details regarding the City's outstanding debt can be found in Note 9 to the current financial statements.

** Source: Kentucky Cabinet for Economic Development

*** Source: Christian County Property Valuation Office

TABLE 12
CITY OF HOPKINSVILLE, KENTUCKY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of June 30, 2021

	<u>DEBT OUTSTANDING</u>	<u>ESTIMATED PERCENTAGE APPLICABLE TO CITY OF HOPKINSVILLE**</u>	<u>CITY OF HOPKINSVILLE'S ESTIMATED SHARE OF OVERLAPPING DEBT*</u>
Governmental Unit:			
Hopkinsville Water Environment Authority	\$ 60,661,731	100.0%	\$ 60,661,731
Hopkinsville Solid Waste Enterprise	7,396,608	100.0%	7,396,608
Hopkinsville Surface and Stormwater Utility	3,487,109	100.0%	3,487,109
Christian County Schools	<u>62,247,633</u>	53.6%	<u>33,376,818</u>
Subtotal, overlapping debt	<u>\$ 133,793,081</u>		104,922,266
City governmental activities direct debt			<u>52,361,846</u>
Total direct and overlapping debt			<u>\$ 157,284,112</u>

Notes:

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

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

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

Legal Debt Margin Calculation for Fiscal Year Ended June 30, 2021:

Taxable assessed value	\$ 2,116,855,582
Debt limit (10% of assessed value)*	211,685,558
Debt applicable to limit:	
Total Long-Term debt	<u>52,361,846</u>
Legal Debt Margin	<u>\$ 159,323,712</u>

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Debt limit	\$ 211,685,558	\$ 212,038,398	\$ 205,098,177	\$ 201,455,766	\$ 194,833,935	\$ 186,727,770	\$ 186,887,890	\$ 176,872,313	\$ 174,219,253	\$ 168,014,059
Total net debt applicable to limit	<u>52,361,846</u>	<u>51,218,570</u>	<u>54,737,570</u>	<u>53,599,422</u>	<u>49,823,009</u>	<u>48,847,398</u>	<u>51,362,896</u>	<u>29,487,360</u>	<u>21,904,548</u>	<u>22,470,138</u>
Legal debt margin	<u>\$ 159,323,712</u>	<u>\$ 160,819,828</u>	<u>\$ 150,360,607</u>	<u>\$ 147,856,344</u>	<u>\$ 145,010,926</u>	<u>\$ 137,880,372</u>	<u>\$ 135,524,994</u>	<u>\$ 147,384,953</u>	<u>\$ 152,314,705</u>	<u>\$ 145,543,921</u>
Total net debt applicable to the limit as a percentage of debt limit	24.74%	24.16%	26.69%	26.61%	25.57%	26.16%	27.48%	16.67%	12.57%	13.37%

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

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

<u>FISCAL YEAR</u>	<u>GROSS REVENUE*</u>	<u>LESS OPERATING EXPENSES**</u>	<u>NET REVENUE AVAILABLE FOR DEBT SERVICE</u>	<u>DEBT SERVICE REQUIREMENTS***</u>			<u>COVERAGE</u>
				<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>	
2011-2012	\$ 13,159,868	\$ 6,958,482	\$ 6,201,386	\$ 1,397,500	\$ 937,001	\$ 2,334,501	265.6%
2012-2013	13,215,289	6,982,592	6,232,697	1,447,500	886,119	2,333,619	267.1%
2013-2014	14,199,869	7,565,553	6,634,316	1,630,000	956,197	2,586,197	256.5%
2014-2015	14,876,608	8,012,593	6,864,015	377,500	147,080	524,580	1308.5%
2015-2016	14,936,567	9,204,633	5,731,934	387,500	132,988	520,488	1101.3%
2016-2017	15,661,816	10,743,614	4,918,202	237,500	121,276	358,776	1370.8%
2017-2018	16,259,143	10,184,180	6,074,963	249,000	111,683	360,683	1684.3%
2018-2019	18,304,234	10,688,617	7,615,617	261,500	101,341	362,841	2098.9%
2019-2020	18,847,002	11,453,636	7,393,366	272,500	90,039	362,539	2039.3%
2020-2021	20,014,323	13,687,129	6,327,194	185,000	77,929	262,929	2406.4%

Notes:

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

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

*** Details regarding the City and its component units outstanding debt can be found in Note 9 to the current financial statements.

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

<u>FISCAL YEAR</u>	<u>POPULATION*</u>	<u>PERSONAL INCOME</u>	<u>PER CAPITA PERSONAL INCOME*</u>	<u>SCHOOL ENROLLMENT*</u>	<u>UNEMPLOYMENT RATE**</u>
2011-2012	31,652	\$ 919,237,384	\$ 29,042	9,564	11.0%
2012-2013	32,966	1,056,922,926	32,061	8,919	11.7%
2013-2014	32,582	1,082,667,278	33,229	8,763	10.0%
2014-2015	32,634	1,084,395,186	33,229	8,640	6.4%
2015-2016	32,205	1,191,939,255	37,011	8,676	6.7%
2016-2017	31,811	1,177,356,921	37,011	8,557	7.9%
2017-2018	30,789	1,112,899,194	36,146	8,441	7.2%
2018-2019	31,026	1,170,983,292	37,742	8,803	7.1%
2019-2020	30,456	1,203,133,824	39,504	8,835	7.2%
2020-2021	30,546	1,309,934,664	42,884	8,835	7.5%

Sources:

* Kentucky Cabinet for Economic Development

** Bureau of Labor Statistics

TABLE 16
CITY OF HOPKINSVILLE, KENTUCKY
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

EMPLOYER	2021			2012		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL EMPLOYMENT
Fort Campbell Army Post	4,469	1	18.31%	-		0.00%
Christian County Board of Education	1,326	2	5.43%	-		0.00%
Martinrea	900	3	3.69%	652	4	3.42%
Wal-Mart Distribution Center 6066	884	4	3.62%	817	1	4.29%
T Rad North America Inc	825	5	3.38%	305	7	1.60%
Jennie Stuart Medical Center	808	6	3.31%	812	2	4.26%
Western State Psychiatric Hospital	757	7	3.10%	757	3	3.98%
TeleTech Services Corporation	671	8	2.75%	-		0.00%
Grupo Antolin Kentucky Inc	568	9	2.33%	-		0.00%
TG Automotive Sealing Kentucky	420	10	1.72%	-		0.00%
Hopkinsville Community College	-		0.00%	383	6	2.01%
Metalsa Structural Products Inc	-		0.00%	384	5	2.02%
City of Hopkinsville	-		0.00%	245	8	1.29%
MSSC	-		0.00%	233	9	1.22%
Propulsys Inc	-		0.00%	220	10	1.16%
Total	<u>11,628</u>		<u>47.64%</u>	<u>4,808</u>		<u>25.25%</u>
Total employed	<u>24,401</u>			<u>19,041</u>		

Source: South Western Kentucky Economic Development Council (2020); Kentucky Cabinet for Economic Development (2011)

TABLE 17
CITY OF HOPKINSVILLE, KENTUCKY
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

FULL TIME EQUIVALENT EMPLOYEES AT JUNE 30

FUNCTION	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General government	23	23	23	22	22	22	22	22	23	22
Police	93	92	90	90	90	90	89	89	89	88
Emergency communications	22	22	22.5	22	20	20	20	20	20	21
Fire	82	82	90	90	90	89	88	88	88	82
Emergency medical services	20	20	3 N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Public works	59	4 57	53	2 41.5	38.5	37.5	37.5	36	35	22
Grounds maintenance	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1 13
Total	<u>299</u>	<u>296</u>	<u>278.5</u>	<u>265.5</u>	<u>260.5</u>	<u>258.5</u>	<u>256.5</u>	<u>255</u>	<u>255</u>	<u>248</u>

1 Grounds Maintenance Fund became part of Public Works in FY 12-13.

2 Sportsplex was added as a new division in Public Works in FY 18-19.

3 Emergency Medical Services became a new department (separated from Fire) in FY 19-20.

4 Ft. Campbell Contracts was added as a new division in Public Works in FY 20-21.

Source: Internal departments of the City of Hopkinsville.

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

FUNCTION/PROGRAM	FISCAL YEAR									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Fire:										
Number of calls answered	3,005	3,194	3,358	2,846	2,742	2,026	2,339	2,125	2,109	1,923
Number of inspections conducted	160	916	1,462	1,462	1,589	2,037	1,859	1,288	1,238	1,132
Police:										
Physical arrests	2,098	2,480	2,851	2,725	2,532	2,654	3,213	3,366	3,251	3,406
Traffic violations	2,037	2,291	3,459	3,272	1,805	4,524	4,353	5,163	5,090	5,920
Sewerage System:										
Number of service connections	13,060	12,914	12,883	12,815	12,854	12,832	12,737	12,737	12,671	12,684
Average daily consumption in gallons	3,620,000	3,490,000	3,550,000	4,020,000	4,700,000	4,400,000	3,600,000	3,600,000	3,600,000	4,000,000
Water System:										
Number of service connections	14,995	14,583	14,426	14,667	14,726	14,676	14,343	14,343	14,508	14,482
Average daily consumption in gallons	6,676,900	6,351,660	6,480,000	6,396,440	5,851,023	5,659,000	5,710,000	5,710,000	5,710,000	5,540,000
Facilities and services not included in the reporting entity:										
Communications:										
Cable television systems	3	3	3	2	2	2	2	2	3	3
Newspapers	1	1	1	1	1	1	1	1	1	1
Radio stations	3	3	3	3	3	3	3	3	3	3
Number of satellite receiving stations	44	44	44	44	44	44	44	44	44	44
Education-Public:										
Number of elementary schools	10	10	10	8	8	11	11	13	13	13
Number of elementary school instructors	454	416	378	400	246	226	347	351	308	422
Number of secondary schools	2	2	2	2	2	2	2	2	2	2
Number of secondary school instructors	208	185	151	200	241	240	262	330	148	172
Education-Private/Parochial:										
Number of schools	3	3	3	3	3	3	3	3	3	3
Number of instructors	106	104	99	100	99	98	92	94	100	89
Community Facilities:										
Churches										
Protestant	90	90	82	94	94	82	86	89	90	90
Catholic	1	1	1	1	1	1	1	1	1	1
Hotels/motels	13	12	14	14	15	14	14	14	14	14
Shopping mall	1	1	1	1	1	1	1	1	1	1
Shopping centers	15	15	14	13	13	13	12	12	12	12
Hospitals:										
Number of hospitals	3	3	3	3	3	3	3	3	3	3
Number of patient beds	451	451	451	451	668	657	788	788	565	464
Number of doctors	243	199	207	191	199	209	206	96	97	91

Source: Internal departments of the City of Hopkinsville.

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

FUNCTION/PROGRAM	FISCAL YEAR									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Fire stations	4	4	4	4	4	4	4	4	4	4
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	33	48	59	52	60	46	58 *	81	65	79
Sewerage System:										
Miles of sanitary sewers	265.9	265.0	264.0	264.0	261.0	261.0	259.0	259.0	258.5	257.2
Treatment plants	1	1	1	1	1	1	1	1	1	2
Maximum daily capacity of treatment plant in gallons	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	8,880,000
Water System:										
Miles of water mains	302	301	297	297	284	284	280	279	279	277
Number of fire hydrants	1,347	1,338	1,317	1,307	1,302	1,249	1,230	1,230	1,231	1,231
Maximum daily capacity of plant in gallons	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000
Public Works:										
Miles of streets	183	183	171	167	167	167	170	170	168	168
Parks and Recreation:										
Community centers	3	3	3	3	2	2	2	2	2	2
Playgrounds	15	15	15	15	13	13	13	13	12	12
Golf courses	2	2	2	2	2	3	3	3	3	3
Tennis courts	27	27	27	27	13	13	13	13	14	14
Baseball diamonds	11	11	11	11	5	8	8	8	8	8
Softball fields	12	12	12	12	17	5	5	5	5	5
Football fields	3	3	3	3	3	1	1	1	1	1
Soccer fields	16	16	16	16	11	4	4	4	4	4
Bowling alley	1	1	1	1	1	1	1	1	1	1
Skating rink	-	-	-	1	1	1	1	1	1	1
Movie theater with 5-movie capacity	1	1	1	1	1	1	1	1	1	1
Skate park	1	1	1	1	1	1	-	-	-	-
Aquatic center	1	1	1	1	1	1	1	1	1	1

* The City changed from counting all police vehicles including unmarked detective cars to counting only marked sworn police officers.

Source: Internal departments of the City of Hopkinsville.

CITY OF HOPKINSVILLE, KENTUCKY
SINGLE AUDIT

CITY OF HOPKINSVILLE, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

<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>
CDBG - Entitlement Grants Cluster				
Department of Housing and Urban Development				
Community Development Block Grants / Entitlement Grants	14.218	CDBG--B-19-MC-21-0002	\$ -	\$ 530
Community Development Block Grants / Entitlement Grants	14.218	CDBG--B-20-MC-21-0002	-	141,682
Total Department of Housing and Urban Development			-	142,212
Total CDBG - Entitlement Grants Cluster			\$ -	\$ 142,212
Highway Planning and Construction Cluster				
Department of Transportation				
Recreational Trails Program (Passed through Kentucky Department of Local Government)	20.219	TAP Grant - Greenway Phase II	\$ -	\$ 432,294
Recreational Trails Program (Passed through Kentucky Department of Local Government)	20.219	Rails to Trails - Greenway System Phase II	-	65,488
Total Department of Transportation			-	497,782
Total Highway Planning and Construction Cluster			\$ -	\$ 497,782
Highway Safety Cluster				
Department of Transportation				
National Priority Safety Programs (Passed through Kentucky Department of Transportation)	20.616	Hopkinsville PD PT-2020-HY-28 and PT-2021-HY-36	\$ -	\$ 17,963
Total Department of Transportation			-	17,963
Total Highway Safety Cluster			\$ -	\$ 17,963
Department of Homeland Security				
Assistance to Firefighters Grant	97.044	EMW-2018-FO-02775	\$ -	\$ 45,216
Total Department of Homeland Security			\$ -	\$ 45,216
United States Department of Justice				
Bulletproof Vest Partnerships Program	16.607		\$ -	\$ 3,764
Total United States Department of Justice			\$ -	\$ 3,764
Department of Housing and Urban Development				
Home Investment Partnership Program (Passed through Kentucky Housing Corporation)	14.239		\$ -	\$ 18,000
Total Department of Housing and Urban Development			\$ -	\$ 18,000
Department of the Treasury				
COVID-19 Coronavirus Relief Program (Passed through Kentucky Department of Local Government)	21.019	C2-086 City of Hopkinsville CRF Reimbursement	\$ -	\$ 690,742 *
COVID-19 Coronavirus Relief Program (Passed through Kentucky Department of Local Government)	21.019	C186 City of Hopkinsville CRF Reimbursement	-	2,230,969 *
Total Department of the Treasury			\$ -	\$ 2,921,711
Total Expenditures of Federal Awards			\$ -	\$ 3,646,648

*Denotes major program

CITY OF HOPKINSVILLE, KENTUCKY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2021

NOTE A - BASIS OF PRESENTATION

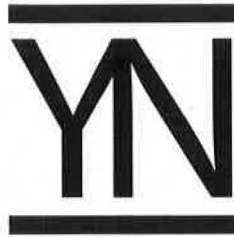
The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Hopkinsville, Kentucky and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal 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 did not provide any federal awards to subrecipients in the year ended June 30, 2021.

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, 2021, 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, 2021.

Report on 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

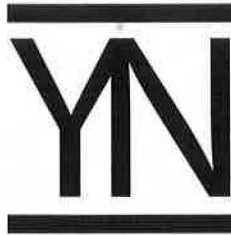
As part of obtaining reasonable assurance about whether the City of Hopkinsville, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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, 2021



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

Opinion on Each Major Federal Program

We have audited the City of Hopkinsville, Kentucky's compliance with the types of compliance requirements identified as subject to audit 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, 2021. The 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.

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, 2021.

Basis for Opinion on Each Major Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Hopkinsville, Kentucky and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Hopkinsville, Kentucky's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Hopkinsville, Kentucky's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Hopkinsville, Kentucky's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Hopkinsville, Kentucky's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Hopkinsville, Kentucky's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Hopkinsville, Kentucky's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City of Hopkinsville, Kentucky's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 2021

CITY OF HOPKINSVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

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 the major federal award program was reported. No material weaknesses are reported.
5. The auditors’ report on compliance for the major federal award program for the City of Hopkinsville, Kentucky expresses an unmodified opinion on the major federal program.
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 program tested as a major program was:

<u> Name </u>	<u>CFDA</u>
Coronavirus Relief Program	21.019

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 Program

There are no findings or questioned costs related to the major federal program 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, 2020

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).